

2012

City of Solvang, California



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012



CITY OF SOLVANG, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
June 30, 2012

Prepared by:

Department of Administrative Services and Finance

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**City of Solvang
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012**

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INTRODUCTORY SECTION

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December 4, 2012

To 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, 2012.

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, 2012. 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 of Solvang

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 for, among other matters, 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, overseeing the daily operations of the City, and 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 provides a full range of municipal services, including contracted police services, 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.

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 Administrative Services Director each year. The Administrative Services 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 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 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 (TOT) 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 themed 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 increases 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 show similar growth in fiscal year 2013. Hotel taxes increased slightly this year as the occupancy rate and average daily rental rate both increased. We are projecting the revenues from transient occupancy taxes to increase in fiscal year 2013 due to the passing of a measure to increase the TOT from 10 to 12%. This will impact about 6 months of fiscal year 2013.

While we have seen increasing trends in revenues, the City does not expect any major changes in our financial future and continues to spend within its means. The economy is slowly recovering from the recession, however the City continues to take 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 and Major Initiatives

This year the City completed about \$1 million in capital projects. For fiscal year ending 2013 the City has budgeted approximately \$3.5 million for capital projects, mostly for water and engineering. An additional \$18.8 million in capital projects are planned to be completed by the year 2021. These projects include about \$13.3 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.

The general fund ended fiscal 2012 with approximately a \$5.6 million fund balance, with \$3 million committed for emergency reserves, and approximately \$2.4 million remained undesignated. There is \$2.8 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.

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 were effective starting November 21, 2011 and brought in additional revenue to the enterprise funds to support completing the necessary capital improvements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Solvang for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. The City has received this award for the 18 of the last 19 years. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal and program requirements.

A Certificate of Achievement is valid for a one-year period only and represents the highest award in government financial reporting. We believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements and we are submitting 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 the 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.

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



Sandra L. Featherson
Administrative Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Solvang
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



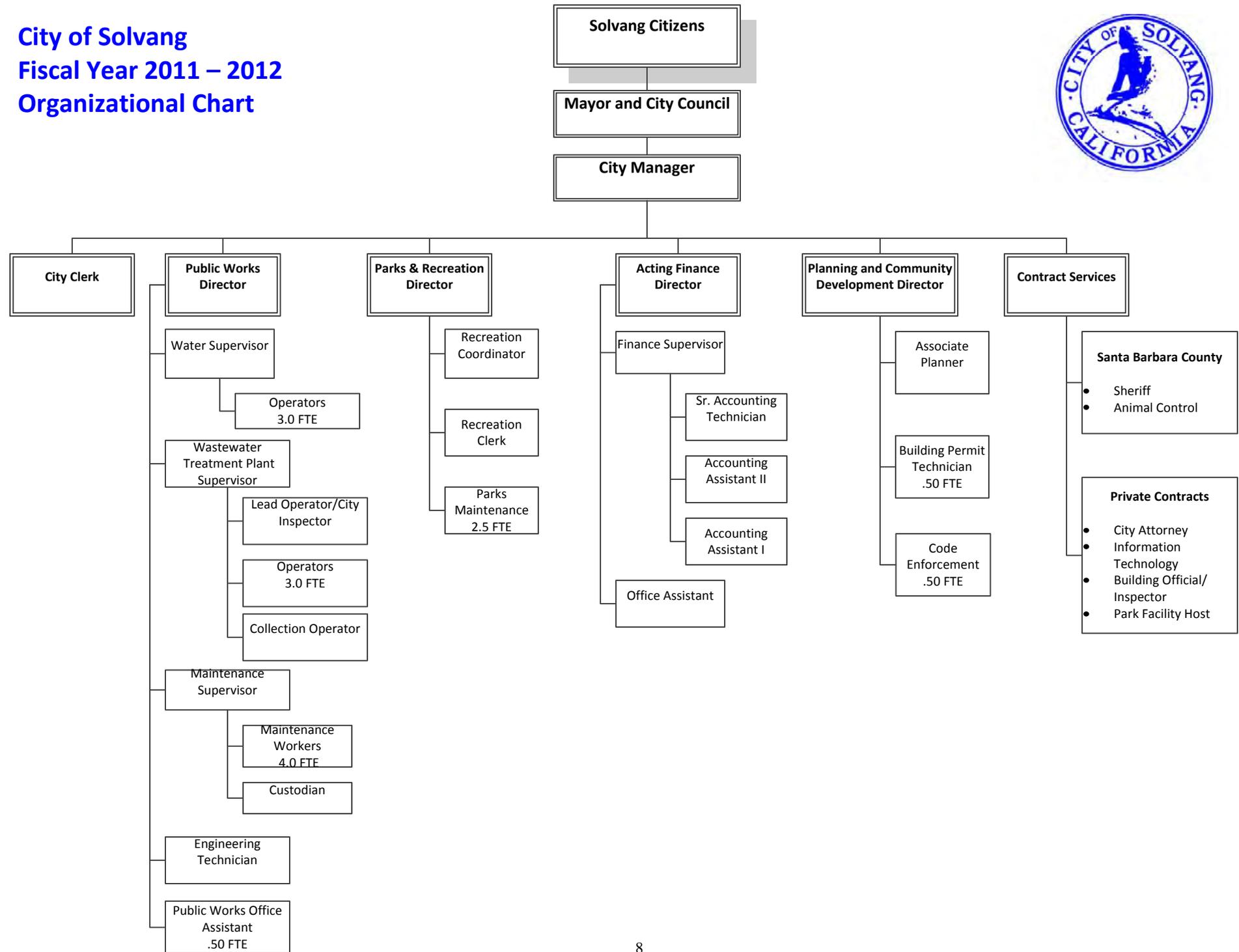
Linda C. Davison

President

Jeffrey R. Emen

Executive Director

City of Solvang
Fiscal Year 2011 – 2012
Organizational Chart



City of Solvang
List of Elected and Appointed Officials
June 30, 2012

Elected Officials

Mayor
Council Member
Council Member
Council Member
Council Member

Jim Richardson
Hans Duus
Joan Jamieson
Kenneth Palmer
Tara Wood

Appointed Officials

City Manager
City Attorneys

City Clerk
Acting Finance Director
Public Works Director/City Engineer
Planning/Community Development/Building
Parks & Recreation Director

Brad Vidro
David Fleishman
Roy Hanley
Mary Ellen Rio
Bruce Budman
Matthew van der Linden
Arleen Pelster
Fred Lageman

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FINANCIAL SECTION

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Terry E. Krieg, CPA

Certified Public Accountant

Independent Auditor's Report

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, 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, 2012 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.

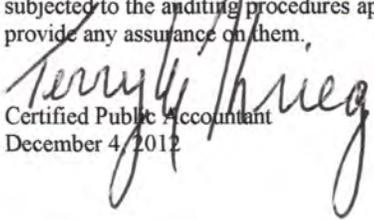
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Solvang, California, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows 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 December 4, 2012 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 15 through 27 and pages 59 through 62 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 opinions on the financial statements that collectively comprise the City of Solvang's basic financial statements. The 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 basic financial statements. The combining nonmajor fund financial statements, individual fund schedules, and schedules of capital assets have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In my opinion, the combining nonmajor fund financial statements, individual fund statements, and schedules of capital assets is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and statistical section have 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 them.


Certified Public Accountant
December 4, 2012



Management's Discussion and Analysis

As management of the City of Solvang, we offer readers of the City of Solvang's financial statements, this narrative overview and analysis of the financial activities of the City of Solvang for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-6 of this report.

Financial Highlights

- The general fund reported a fund balance of \$5.6 million at the end of the 2012 fiscal year; an increase of \$351,961 or 6.7% over fiscal year 2010-2011.
- Citywide, the total net assets decreased by \$432.8 thousand or 1.1% less than 2010-2011 after conducting all operations and programs. The net assets totaled \$38.4 million dollars at year-end. Of that amount, \$13.9 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 \$21.1 million dollars. Of the \$21.1 million dollars, \$6.3 million remains unrestricted and available.
- Overall, Citywide revenues from governmental activities, grants and taxes decreased by about \$76 thousand compared to the 2011 fiscal year. This decline is a result of a decrease in revenues from charges for services relating to recreation and community development, and decreased operating and capital grants for transit.
- Impact Fees ended 2012 with a fund balance of \$2.1 million; an increase of \$62,791 or 3% from 2011. The increase is the result of additional impact fees collected during the year.
- The Proprietary Enterprise funds ended the fiscal year with \$17.3 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 \$305,336 or 1.8% increase from fiscal year 2011.
- The City's other non-major governmental funds ended 2012 with a \$699 thousand dollar fund balance. The decrease of just over \$253 thousand or 27% is primarily caused by transfers out from various funds for project funding, and an excess of expenditures over revenue related to the Skytt Mesa Landscaping and Lighting Maintenance District.



Management's Discussion and Analysis

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City of Solvang's basic financial statements. The City of Solvang's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

The *statement of net position* presents financial information on all of the City of Solvang's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Solvang is improving or deteriorating.

The *statement of activities* presents information showing how the City of Solvang's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City of Solvang that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Solvang include general government, public safety, highways and streets, planning and economic development, and culture and recreation. The business-type activities of the City of Solvang include water, wastewater and transit operations.

The government-wide financial statements include not only the City of Solvang itself (known as the *primary government*), but also the Solvang Conference and Visitor Bureau, a separate operation for which the City of Solvang provides over 80% of its funding annually. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 31-32 of this report.

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



Management's Discussion and Analysis

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

The City of Solvang maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and the impact fee fund, which are considered to be major funds. Data from the other eight governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

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

The basic governmental fund financial statements can be found on pages 33-35 of this report.

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 of Solvang uses enterprises funds to account for its water, wastewater and transit operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Solvang various functions. The City of Solvang uses an internal service fund to account for the replacement of its fleet of vehicles and major equipment. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater and transit operations, all of which are considered to be major funds of the City of Solvang. Conversely, the internal service fund is a single, presentation in the proprietary fund financial statements.



Management's Discussion and Analysis

The basic proprietary fund financial statements can be found on pages 36-38 of this report.

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

The City of Solvang maintains one type of fiduciary fund. The *Agency fund* reports resources held by the City of Solvang in a custodial capacity for individuals, private organizations, and other governments. The City of Solvang maintains one Agency fund on behalf of the Santa Ynez Valley Tourism Business Improvement District (District), as it collects the revenue from the government agencies, and then remits the funds to the District.

The fiduciary fund financial statement can be found on page 40 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-56 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of Solvang's progress in funding its obligation to provide Other Post Employment Benefits (OPEB) to its employees. Required supplementary information can be found on page 59 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on OPEB. Combining and individual fund statements and schedules can be found on pages 65-78 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net assets over time, may serve as a useful indicator of a government's financial position. In the case of the City of Solvang, assets and deferred outflows of resources exceeded liabilities by \$38,455,337, at the close of the most recent fiscal year.



Management's Discussion and Analysis

City of Solvang's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		Total Percentage Change
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011-2012</u>
Current and other Assets	\$ 10,568,591	\$ 10,528,695	\$ 7,513,283	\$ 7,050,061	\$ 18,081,874	\$ 17,578,756	-3%
Capital Assets	\$ 12,016,046	\$ 11,354,106	\$ 11,260,438	\$ 10,520,513	\$ 23,276,484	\$ 21,874,619	-6%
Total Assets	\$ 22,584,637	\$ 21,882,801	\$ 18,773,721	\$ 17,570,574	\$ 41,358,358	\$ 39,453,375	-5%
Long-term debt outstanding	\$ 432,658	\$ 391,603	\$ 593,277	\$ 232,500	\$ 1,025,935	\$ 624,103	-39%
Other liabilities	\$ 294,142	\$ 371,585	\$ 1,150,056	\$ 2,350	\$ 1,444,198	\$ 373,935	-74%
Total Liabilities	\$ 726,800	\$ 763,188	\$ 1,743,333	\$ 234,850	\$ 2,470,133	\$ 998,038	-60%
Net Assets:							
Invested in capital assets	\$ 12,696,203	\$ 11,919,888	\$ 8,672,748	\$ 9,707,588	\$ 21,368,951	\$ 21,627,476	1%
Restricted	\$ 2,489,588	\$ 2,892,272	\$ 245,848	\$ -	\$ 2,735,436	\$ 2,892,272	6%
Unrestricted	\$ 6,672,046	\$ 6,307,453	\$ 8,111,792	\$ 7,628,136	\$ 14,783,838	\$ 13,935,589	-6%
Total Net assets	\$ 21,857,837	\$ 21,119,613	\$ 17,030,388	\$ 17,335,724	\$ 38,888,225	\$ 38,455,337	-1%

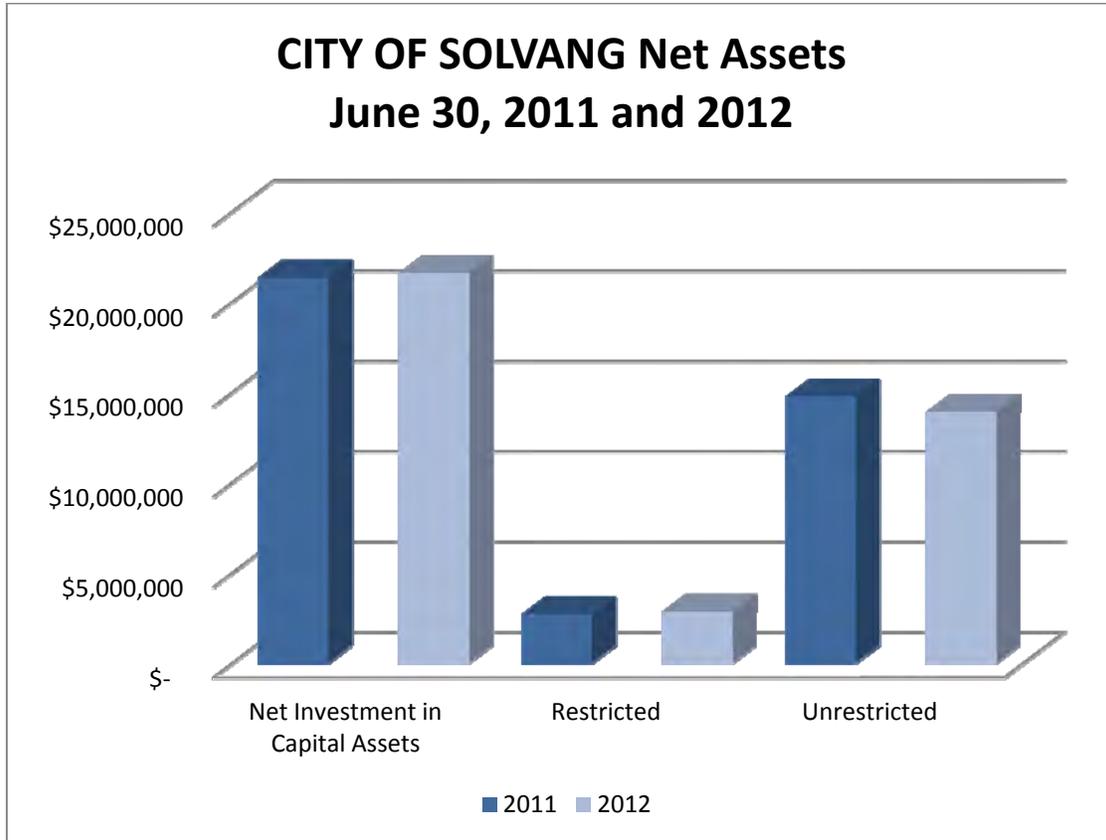
By far, the largest portion of the City of Solvang's net assets (56.2%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City of Solvang uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City of Solvang's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Solvang's net assets (7.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$13.9 million is unrestricted, and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City of Solvang is able to report positive balances in all reported categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.



Management's Discussion and Analysis



However, the City of Solvang's overall net assets decreased by \$432.8 thousand from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. Taxes are the primary source of revenue for governmental activities and account for 84% of all 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 45% of all governmental-type revenues. In 2012, hotel tax increased \$175,707 or 7% from fiscal year 2010-11. Occupancy of rooms went up to 67% from 63% in fiscal year 2010-11.

The City's governmental-type operating expenses consist of expenditures for public safety, culture and recreation, public works and general government and community development.

When all operations were concluded, the governmental activities function generated a decrease of \$738 thousand in net assets, however approximately \$662 thousand of that \$738 thousand was



Management's Discussion and Analysis

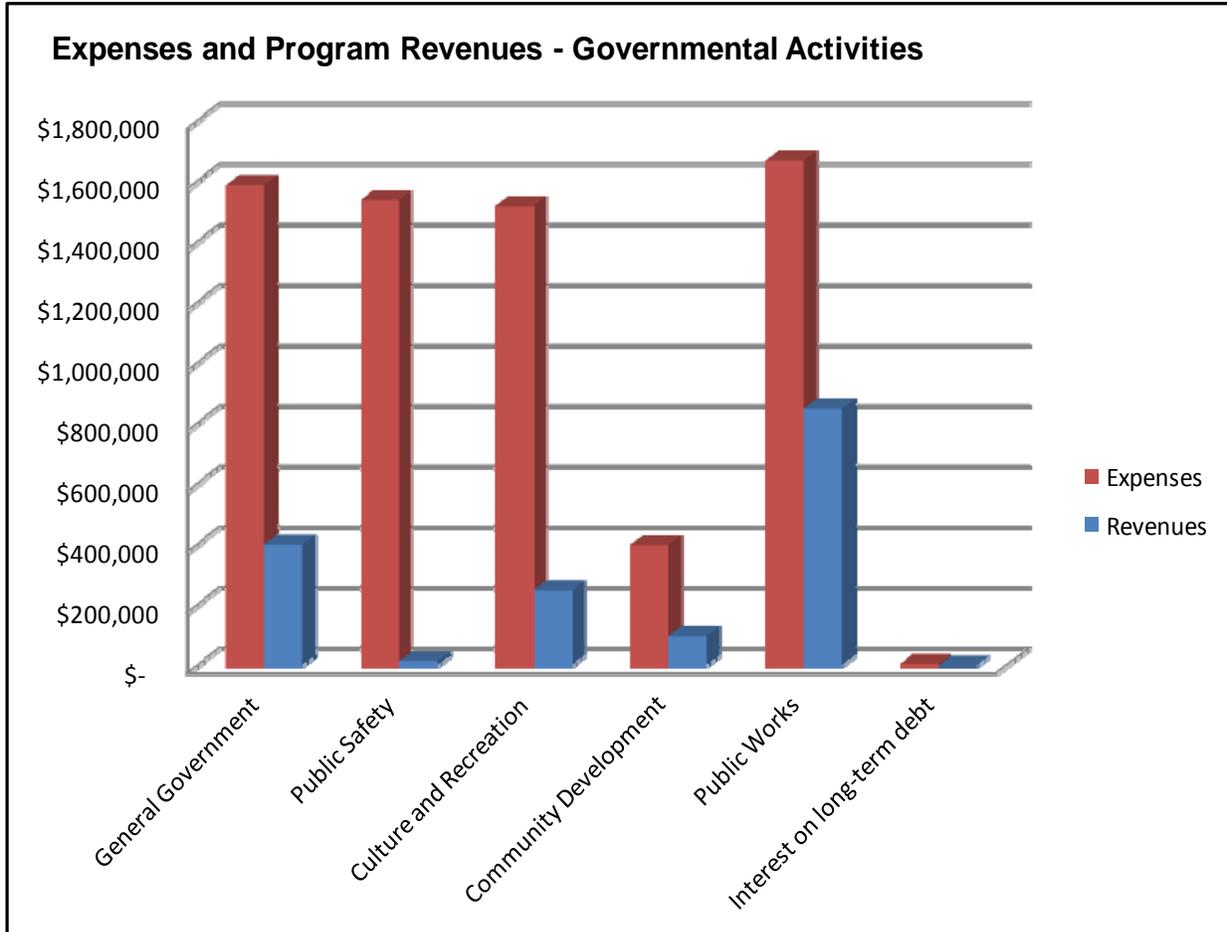
due to the decision to remove from assets, expenditures related to an infrastructure project that will not be moving forward and will be redirected to a related project.

City of Solvang's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2011-2012
	2011	2012	2011	2012	2011	2012	
Revenues:							
Program Revenues							
Charges for Services	\$ 1,012,821	\$ 903,792	\$ 5,530,596	\$ 5,761,032	\$ 6,543,417	\$ 6,664,824	2%
Operating grants and contributions	842,969	703,603	714,796	813,568	1,557,765	1,517,171	-3%
Capital grants and contributions	105,883	-	354,781	48,724	460,664	48,724	-89%
General Revenues							
Transient occupancy taxes	2,507,857	2,683,564			2,507,857	2,683,564	7%
Property, sales and other taxes	2,281,710	2,325,292			2,281,710	2,325,292	2%
Other	47,258	21,439			47,258	21,439	-55%
Total Revenues	\$ 6,798,498	\$ 6,637,690	\$ 6,600,173	\$ 6,623,324	\$ 13,398,671	\$ 13,261,014	-1%
Expenses							
General Government	\$ 1,517,579	\$ 1,586,533			\$ 1,517,579	\$ 1,586,533	5%
Public Safety	1,359,241	1,538,315			1,359,241	1,538,315	13%
Culture and Recreation	1,819,964	1,517,240			1,819,964	1,517,240	-17%
Community Development	363,259	398,088			363,259	398,088	10%
Public Works	1,508,809	1,667,929			1,508,809	1,667,929	11%
Water			4,082,761	3,878,275	4,082,761	3,878,275	-5%
Wastewater			1,709,935	1,710,790	1,709,935	1,710,790	0%
Transit			713,694	729,923	713,694	729,923	2%
Other	7,244	4,878			7,244	4,878	-33%
Total Expenses	\$ 6,576,096	\$ 6,712,983	\$ 6,506,390	\$ 6,318,988	\$ 13,082,486	\$ 13,031,971	0%
Increase (decrease) in net assets before transfers	\$ 222,402	\$ (75,293)	\$ 93,783	\$ 304,336	\$ 316,185	\$ 229,043	-28%
Transfers	-	(1,000)	-	1,000	-	-	
Special Item - Abandonment of Alamo Pintado Project		(661,931)				(661,931)	
Increase (decrease) in net assets	222,402	(738,224)	93,783	305,336	316,185	(432,888)	173%
Net assets, beginning	\$ 21,635,435	\$ 21,857,837	\$ 16,936,605	\$ 17,030,388	\$ 38,572,040	\$ 38,888,225	1%
Net assets, ending	\$ 21,857,837	\$ 21,119,613	\$ 17,030,388	\$ 17,335,724	\$ 38,888,225	\$ 38,455,337	-1%



Management's Discussion and Analysis



Business-type Activities. For the City of Solvang’s business-type activities, the results for the current fiscal year were positive in that overall net assets increased to reach an ending balance of \$17,335,724. The total increase in net assets for business-type activities (water, wastewater, and transit funds) was \$305,336 or 1.8% from the prior fiscal year. The growth, in large part, is attributable to a 5% water rate increase enacted in fiscal year 2011-12. As a result, revenues from water activity charges for services increased \$233,330, over the previous year’s amount.

Financial Analysis of Governmental Funds

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

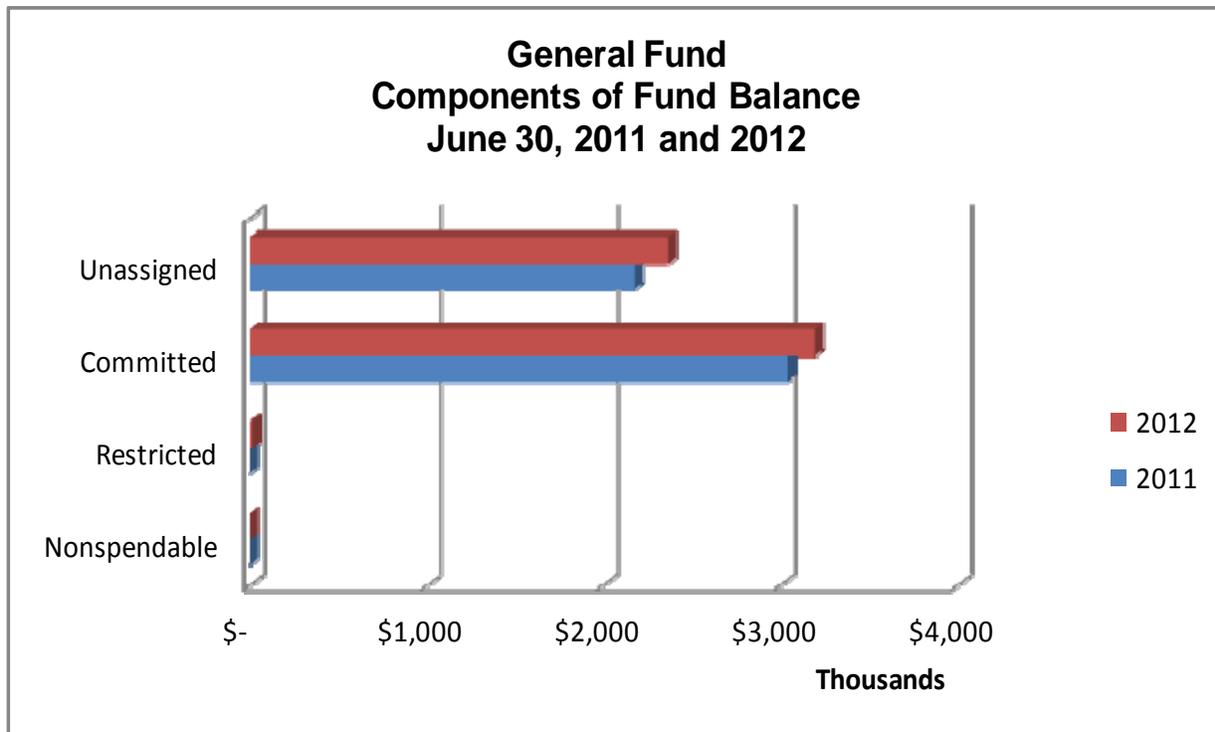
Governmental Funds. The focus of the City of Solvang’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Solvang’s financing requirements. In particular,



Management's Discussion and Analysis

unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Solvang itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Solvang's Council.

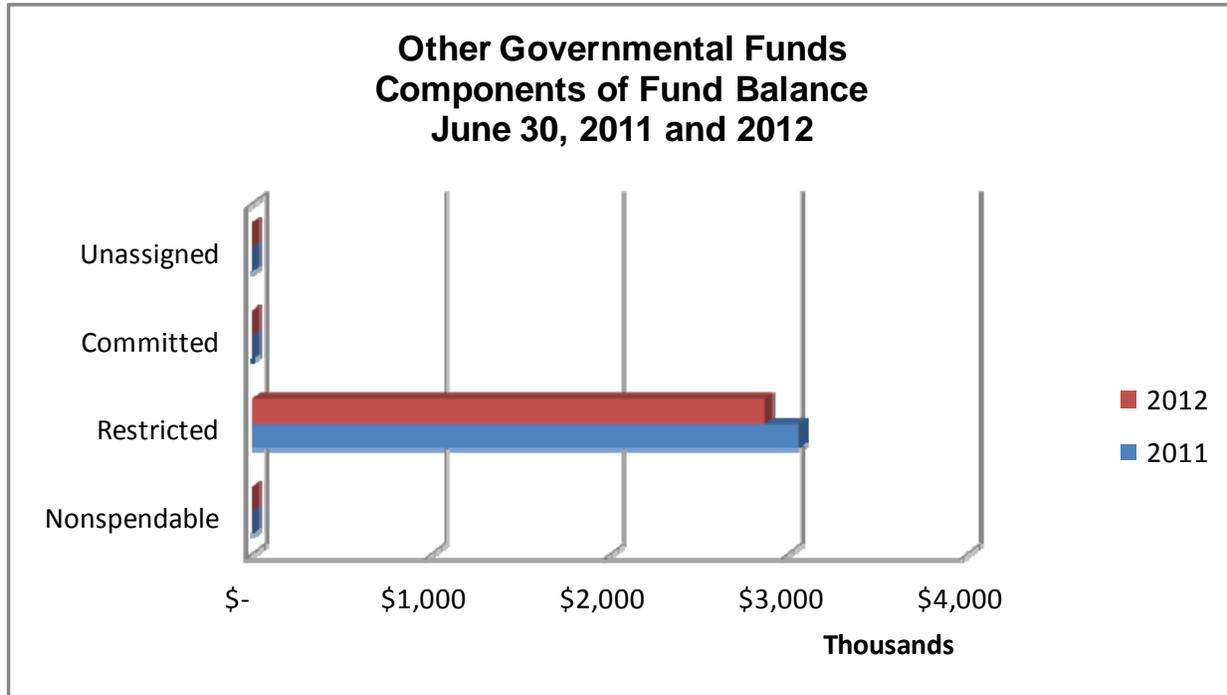
At June 30, 2012, the City of Solvang's governmental funds reported combined fund balances of \$8,450,237, an increase of \$161,627 in comparison with the prior year. Approximately 42.5% of this amount (\$2,365,309) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, or committed, to indicate that it is 1) not in spendable form (\$700), 2) restricted for particular purposes (\$2,886,164), or 3) committed for particular purposes (\$3,194,614).



The general fund is the chief operating fund of the City of Solvang. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,365,309, while total fund balance increased to \$5,575,349.



Management's Discussion and Analysis



The slight decrease in governmental funds from fiscal year 2010-11 to 2011-12, was due to transfers out from various funds for project funding, and an excess of expenditures over revenue in the Skytt Mesa Landscaping and Lighting Maintenance District fund.

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

Unrestricted net assets for the Water and Wastewater funds at the end of the year were \$2,272,578 and \$4,851,924 respectively. The total growth in net assets for Water was \$352,090, while Wastewater had a decrease of \$203,745 to net assets. Transit operations unrestricted net assets totaled \$503,634, an increase of \$253,347 from fiscal year 2010-11. Transit operations net assets grew by 20% to end the fiscal year at \$930,592, primarily due to an increase in operating subsidies.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. Generally, the movement of the appropriations between departments was not significant.



Management's Discussion and Analysis

Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues were as follows:

<u>Revenue Source</u>	<u>Estimated Revenues</u>	<u>Actual Revenues</u>	<u>Difference</u>
Transient Occupancy Taxes	\$ 2,500,000	\$ 2,683,564	\$ 183,564
Sales Taxes	973,000	1,066,086	93,086
Intergovernmental	355,690	45,500	(310,190)

The shortfalls in the intergovernmental revenue source were caused by the ongoing recession. Intergovernmental is the classification used to report grant revenues. The recession impacted the state and most other general and special-purpose governments. Accordingly, the grants that these other governments were able to provide were less than expected. Actual grants from the state were approximately \$216 thousand less than estimated while grants from other governments were approximately \$90 thousand less.

A review of actual expenditures compared to the appropriations in the final budget yields no significant variances with one exception. Actual expenditures for the Alisal Curve Improvement project were significantly less (\$49,180) than anticipated (\$285,000). This was due to a delay in the project construction to accommodate an environmental mitigation measure.

Capital Asset and Debt Administration

Capital assets. The City of Solvang's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$21,627,476 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the wastewater treatment plant. The total increase in capital assets for the current fiscal year was approximately 1.2%. Major capital asset events during the current fiscal year included the following:

Pavement Overlay	\$ 1,378,980
Bus Stop Improvements and Upgrades	\$ 130,709
Curb, Gutter & Sidewalk Improvements	\$ 82,672
Document Imaging System	\$ 77,262
Wastewater Treatment Plant	
Percolation Ponds Bank Restoration	\$ 76,543

Additional information on the City of Solvang's capital assets can be found in Note 4.D on pages 49-51 of this report.

Long-term Debt. At the start of the fiscal year 2011-12, the City had \$1,366,322 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. During the fiscal



Management's Discussion and Analysis

year, the City paid off the installment agreement. This was accomplished by having the wastewater fund loan to the water enterprise fund the monies to finance early retirement of the installment agreement. As a result, the water fund will repay the debt to the wastewater fund, at a lower interest rate and continuing with the same repayment schedule.

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 2012 for estimated claim obligations and has no current obligation for 2012. This liability was fully funded and paid in 2012, 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 (ID 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. ID No 1. has pledged its water sale revenue from Solvang for repayment of its long-term debt. Solvang has an ongoing commitment to buy water from ID No 1, but the bonded debt is that of ID No. 1 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 51 of the notes to the financial statements

Economic Factors and Next Year's Budget and Rates

The following economic factors currently affect the City of Solvang and were considered in developing the 2012-13 fiscal year budget:

- In June 2012, 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 using reserves for those projects included in the Capital Improvement Program.
- The unemployment rate for the City of Solvang is currently 3.3 percent, which is a slight decrease from 3.7% percent a year ago.
- An annual increase in water rates each November from fiscal year 2011-12 through fiscal year 2015-2016, will ensure 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.
- We are anticipating current and future expenditure increases due to additional state and federal water quality mandates.
- Declines in the taxable assessed value as a percentage of estimated actual value and resulting decreases in property assessments will continue to affect the City of Solvang's real property tax base.



Management's Discussion and Analysis

- Interest rates are expected to remain at record low levels throughout fiscal year 2012-13.
- On the expenditure side, increases are expected in health insurance premiums, as well as pension and other employee benefit costs.
- The City of Solvang relies heavily on tourism, with over 1.5 million visitors annually, requiring twenty-four hour services for residents and non-residents alike.
- The State's budget woes remain a source of concern as it is always surrounded by uncertainty. The State often resolves 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.

Requests for Information

This financial report is designed to provide a general overview of the City of Solvang's finances for all those with an interest in the government's finances.. If you have questions about this report or need additional financial information, contact the Administrative Services Director at:

City of Solvang
1644 Oak Street
Solvang, California 93463
(805) 688-5575



Management's Discussion and Analysis

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Basic Financial Statements

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CITY OF SOLVANG
Statement of Net Assets
June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Solvang Conference & Visitors Bureau
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 9,977,646	\$ 6,192,672	\$ 16,170,318	\$ 16,744
Net receivables	550,349	840,254	1,390,603	7,525
Prepayments	700	17,135	17,835	700
Total current assets	<u>10,528,695</u>	<u>7,050,061</u>	<u>17,578,756</u>	<u>24,969</u>
Noncurrent assets:				
Internal balances	(812,925)	812,925	-	-
Receivables-long-term	247,143	-	247,143	-
Capital assets not being depreciated	2,415,479	507,515	2,922,994	-
Capital assets being depreciated, net	9,504,409	9,200,073	18,704,482	-
Total noncurrent assets	<u>11,354,106</u>	<u>10,520,513</u>	<u>21,874,619</u>	<u>-</u>
Total assets	<u>\$ 21,882,801</u>	<u>\$ 17,570,574</u>	<u>\$ 39,453,375</u>	<u>\$ 24,969</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 176,633	\$ 147,902	\$ 324,535	\$ -
Accrued liabilities	93,593	41,707	135,300	6,417
Due to other governments	744	-	744	-
Compensated absences	60,000	41,891	101,891	-
Deposits	57,439	1,000	58,439	-
Unearned revenue	3,194	-	3,194	-
Total current liabilities	<u>391,603</u>	<u>232,500</u>	<u>624,103</u>	<u>6,417</u>
Noncurrent liabilities:				
Compensated absences	41,809	2,350	44,159	-
Net other post employment benefit obligation	329,776	-	329,776	-
Total noncurrent liabilities	<u>371,585</u>	<u>2,350</u>	<u>373,935</u>	<u>-</u>
Total liabilities	<u>763,188</u>	<u>234,850</u>	<u>998,038</u>	<u>6,417</u>
NET ASSETS				
Invested in capital assets, net of related debt	11,919,888	9,707,588	21,627,476	-
Restricted for:				
Highways and streets	2,338,399	-	2,338,399	-
Capital improvements	553,873	-	553,873	-
Unrestricted	6,307,453	7,628,136	13,935,589	18,552
Total net assets	<u>21,119,613</u>	<u>17,335,724</u>	<u>38,455,337</u>	<u>18,552</u>
	<u>\$ 21,882,801</u>	<u>\$ 17,570,574</u>	<u>\$ 39,453,375</u>	<u>\$ 24,969</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SOLVANG
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			Component Unit Solvang Conference and Visitors Bureau
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
City government								
Governmental Activities:								
General government	\$ 1,586,533	\$ 399,456	\$ -	\$ -	\$ (1,187,077)	\$ -	\$ (1,187,077)	\$ -
Public safety	1,538,315	14,587	-	-	(1,523,728)	-	(1,523,728)	-
Culture and recreation	1,517,240	223,785	23,624	-	(1,269,831)	-	(1,269,831)	-
Community development	398,088	97,214	-	-	(300,874)	-	(300,874)	-
Public works	1,667,929	168,750	679,979	-	(819,200)	-	(819,200)	-
Interest on long-term debt	4,878	-	-	-	(4,878)	-	(4,878)	-
Total governmental activities	<u>6,712,983</u>	<u>903,792</u>	<u>703,603</u>	<u>-</u>	<u>(5,105,588)</u>	<u>-</u>	<u>(5,105,588)</u>	<u>-</u>
Business-Type Activities:								
Water	3,878,275	4,206,861	-	23,504	-	352,090	352,090	-
Wastewater	1,710,790	1,481,825	-	25,220	-	(203,745)	(203,745)	-
Transit	729,923	72,346	813,568	-	-	155,991	155,991	-
Total business-type activities	<u>6,318,988</u>	<u>5,761,032</u>	<u>813,568</u>	<u>48,724</u>	<u>-</u>	<u>304,336</u>	<u>304,336</u>	<u>-</u>
Total Primary government	<u>\$ 13,031,971</u>	<u>\$ 6,664,824</u>	<u>\$ 1,517,171</u>	<u>\$ 48,724</u>	<u>(5,105,588)</u>	<u>304,336</u>	<u>(4,801,252)</u>	<u>-</u>
Component Unit:								
Solvang Conference & Visitors Bureau	<u>\$ 595,074</u>	<u>\$ 77,644</u>	<u>\$ 514,194</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (3,236)</u>
General revenues and transfers								
Taxes:								
Property taxes					1,051,200	-	1,051,200	-
Sales taxes					1,066,086	-	1,066,086	-
Transient occupancy taxes					2,683,564	-	2,683,564	-
Other taxes					208,006	-	208,006	-
Interest					21,439			
Transfers					(1,000)	1,000	-	-
Special item: Abandonment of infrastructure project					(661,931)		(661,931)	
Total general revenues, transfers, and special item					<u>4,367,364</u>	<u>1,000</u>	<u>4,368,364</u>	<u>-</u>
Change in net assets					(738,224)	305,336	(432,888)	(3,236)
Net assets, beginning					21,857,837	17,030,388	38,888,225	21,788
Net assets, ending					<u>\$ 21,119,613</u>	<u>\$ 17,335,724</u>	<u>\$ 38,455,337</u>	<u>\$ 18,552</u>

The notes to financial statements are an integral part of this statement.

CITY OF SOLVANG
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 6,233,359	\$ 2,173,810	\$ 637,411	\$ 9,044,580
Taxes receivable	441,691	-	-	441,691
Accounts receivable	5,038	-	-	5,038
Due from other governments	21,476	-	72,886	94,362
Accrued interest receivable	5,632	2,014	747	8,393
Due from other funds	2,886	-	-	2,886
Prepayments	700	-	-	700
Notes receivable	-	40,228	-	40,228
Due from other governments - long term	206,915	-	-	206,915
Total assets	<u>\$ 6,917,697</u>	<u>\$ 2,216,052</u>	<u>\$ 711,044</u>	<u>\$ 9,844,793</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 167,539	\$ -	\$ 9,094	\$ 176,633
Due to other governments	744	-	-	744
Accrued liabilities	93,592	-	-	93,592
Due to other funds	-	-	2,886	2,886
Advances from other funds	812,925	-	-	812,925
Deposits	57,439	-	-	57,439
Deferred revenue	210,109	40,228	-	250,337
Total liabilities	<u>1,342,348</u>	<u>40,228</u>	<u>11,980</u>	<u>1,394,556</u>
Fund balances:				
Nonspendable	700	-	-	700
Restricted for:				
Recycling	14,726	-	-	14,726
Highways and streets	-	1,628,682	699,064	2,327,746
Parking	-	337,170	-	337,170
Park improvements	-	14,418	-	14,418
Affordable housing	-	195,554	-	195,554
Committed to:				
Emergencies	3,014,614	-	-	3,014,614
Other Post Employment Benefits	130,000	-	-	130,000
Museum	50,000	-	-	50,000
Unassigned	2,365,309	-	-	2,365,309
Total fund balances	<u>5,575,349</u>	<u>2,175,824</u>	<u>699,064</u>	<u>8,450,237</u>
Total liabilities and fund balances	<u>\$ 6,917,697</u>	<u>\$ 2,216,052</u>	<u>\$ 711,044</u>	<u>\$ 9,844,793</u>

Total Governmental Fund Balances	\$ 8,450,237
statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	11,753,459
Long-term receivables used in governmental activities are not current financial resources and, therefore, are deferred in the funds	247,143
The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets	1,100,359
Some liabilities, including compensated absences, claims and other post employment benefit obligations are not due and payable in the current period and, therefore, are not reported in the funds	(431,585)
Net Assets of Governmental Activities	<u>\$ 21,119,613</u>

The notes to financial statements are an integral part of this statement.

CITY OF SOLVANG
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 1,051,200	\$ -	\$ -	\$ 1,051,200
Sales taxes	1,066,086	-	-	1,066,086
Transient occupancy taxes	2,683,564	-	-	2,683,564
Other taxes	208,006	-	-	208,006
Special assessments	-	-	58,709	58,709
Licenses and permits	102,240	-	-	102,240
Fines and forfeits	-	-	14,534	14,534
Intergovernmental	45,500	-	631,554	677,054
Interest	49,479	6,728	3,106	59,313
Charges for services	651,157	56,063	-	707,220
Miscellaneous	57,947	-	26	57,973
	<u>5,915,179</u>	<u>62,791</u>	<u>707,929</u>	<u>6,685,899</u>
EXPENDITURES				
Current:				
General government	1,342,263	-	-	1,342,263
Public safety	1,529,247	-	-	1,529,247
Culture and recreation	1,382,347	-	-	1,382,347
Community development	398,088	-	-	398,088
Public works	995,226	-	787,232	1,782,458
Debt service:				
Interest	4,878	-	-	4,878
Capital outlay	83,991	-	-	83,991
	<u>5,736,040</u>	<u>-</u>	<u>787,232</u>	<u>6,523,272</u>
Excess (deficiency) of revenues over expenditures	<u>179,139</u>	<u>62,791</u>	<u>(79,303)</u>	<u>162,627</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	172,976	-	112,924	285,900
Transfers out	(154)	-	(286,746)	(286,900)
	<u>172,822</u>	<u>-</u>	<u>(173,822)</u>	<u>(1,000)</u>
Net change in fund balances	351,961	62,791	(253,125)	161,627
Fund balances, July 1	<u>5,223,388</u>	<u>2,113,033</u>	<u>952,189</u>	<u>8,288,610</u>
Fund balances, June 30	<u>\$ 5,575,349</u>	<u>\$ 2,175,824</u>	<u>\$ 699,064</u>	<u>\$ 8,450,237</u>

The notes to financial statements are an integral part of this statement.

CITY OF SOLVANG
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
June 30, 2012

Net Change in Fund Balances - Total Governmental Funds	<u><u>\$ 161,627</u></u>
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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 \$586,162 exceed depreciation (\$659,317) in the current period.	(73,155)
---	----------

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	(69,991)
--	----------

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.	(7,454)
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Abandonment of capital assets and related road design costs do not require the use of current financial resources and are not reported in the funds	(661,931)
---	-----------

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.	(39,110)
---	----------

Certain revenues are deferred in the funds until collected and available, and are reported as revenues in the statement of activities when earned.	<u>(48,210)</u>
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Net differences	<u><u>(899,851)</u></u>
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Change in Net Assets of Governmental Activities	<u><u>\$ (738,224)</u></u>
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The notes to financial statements are an integral part of this statement.

CITY OF SOLVANG
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities				Governmental Activities - Internal Service Fund
	Water	Wastewater	Transit	Totals	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,914,594	\$ 2,788,936	\$ 489,142	\$ 6,192,672	\$ 933,066
Receivables(net)	565,728	171,566	102,960	840,254	864
Prepayments	16,610	-	525	17,135	-
Total current assets	<u>3,496,932</u>	<u>2,960,502</u>	<u>592,627</u>	<u>7,050,061</u>	<u>933,930</u>
Noncurrent assets:					
Other assets:					
Internal Balances -advances to other funds	(1,162,123)	1,975,048	-	812,925	-
Total other noncurrent assets	<u>(1,162,123)</u>	<u>1,975,048</u>	<u>-</u>	<u>812,925</u>	<u>-</u>
Capital assets:					
Capital assets not being depreciated:					
Land	64,099	48,720	-	112,819	-
Construction in progress	152,497	111,490	130,709	394,696	-
Total	<u>216,596</u>	<u>160,210</u>	<u>130,709</u>	<u>507,515</u>	<u>-</u>
Capital assets being depreciated:					
Buildings	784,721	6,694,013	85,098	7,563,832	-
Distribution and collection systems	4,850,809	3,807,520	-	8,658,329	-
Infrastructure	1,272,105	2,287,651	19,547	3,579,303	-
Vehicles	-	-	340,548	340,548	549,573
Equipment	258,608	1,423,795	51,564	1,733,967	176,345
Less accumulated depreciation	(3,678,276)	(8,797,122)	(200,508)	(12,675,906)	(559,489)
Net capital assets being depreciated	<u>3,487,967</u>	<u>5,415,857</u>	<u>296,249</u>	<u>9,200,073</u>	<u>166,429</u>
Net capital assets	<u>3,704,563</u>	<u>5,576,067</u>	<u>426,958</u>	<u>9,707,588</u>	<u>166,429</u>
Total noncurrent assets	<u>2,542,440</u>	<u>7,551,115</u>	<u>426,958</u>	<u>10,520,513</u>	<u>166,429</u>
Total assets	<u>\$ 6,039,372</u>	<u>\$ 10,511,617</u>	<u>\$ 1,019,585</u>	<u>\$ 17,570,574</u>	<u>\$ 1,100,359</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 21,620	\$ 37,289	\$ 88,993	\$ 147,902	\$ -
Other current liabilities	20,247	21,460	-	41,707	-
Compensated absences	19,711	22,180	-	41,891	-
Deposits	-	1,000	-	1,000	-
Total current liabilities	<u>61,578</u>	<u>81,929</u>	<u>88,993</u>	<u>232,500</u>	<u>-</u>
Noncurrent liabilities:					
Compensated absences	653	1,697	-	2,350	-
Total noncurrent liabilities	<u>653</u>	<u>1,697</u>	<u>-</u>	<u>2,350</u>	<u>-</u>
Total liabilities	<u>62,231</u>	<u>83,626</u>	<u>88,993</u>	<u>234,850</u>	<u>-</u>
NET ASSETS					
Invested in capital assets, net of related debt	3,704,563	5,576,067	426,958	9,707,588	166,429
Unrestricted	2,272,578	4,851,924	503,634	7,628,136	933,930
Total net assets	<u>\$ 5,977,141</u>	<u>\$ 10,427,991</u>	<u>\$ 930,592</u>	<u>\$ 17,335,724</u>	<u>\$ 1,100,359</u>

The notes to financial statements are an integral part of this statement.

CITY OF SOLVANG
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Business-type Activities				Governmental Activities Internal- Service Fund
	Water	Wastewater	Transit	Totals	
OPERATING REVENUES					
Sales of water	\$ 4,167,680	\$ -	\$ -	\$ 4,167,680	\$ -
Service fees	-	1,463,575	70,475	1,534,050	120,129
Miscellaneous	26,510	1,043	-	27,553	-
Total operating revenues	<u>4,194,190</u>	<u>1,464,618</u>	<u>70,475</u>	<u>5,729,283</u>	<u>120,129</u>
OPERATING EXPENSES					
Salaries and benefits	476,878	621,668	-	1,098,546	-
Purchased power	84,434	105,416	-	189,850	-
Transit operator	-	-	344,111	344,111	-
Services and supplies	579,901	518,813	282,982	1,381,696	-
Joint operating expenses	2,450,942	-	-	2,450,942	105,000
Depreciation and amortization	208,333	464,893	48,734	721,960	58,143
Total operating expenses	<u>3,800,488</u>	<u>1,710,790</u>	<u>675,827</u>	<u>6,187,105</u>	<u>163,143</u>
Operating income (loss)	<u>393,702</u>	<u>(246,172)</u>	<u>(605,352)</u>	<u>(457,822)</u>	<u>(43,014)</u>
NON-OPERATING REVENUES (EXPENSES)					
Operating subsidies	-	-	813,568	813,568	-
Gain (loss) on sale of capital assets	-	-	(54,096)	(54,096)	880
Interest and investment revenue	12,671	17,207	1,871	31,749	3,024
Interest expense	(77,787)	-	-	(77,787)	-
Net nonoperating revenues (expenses)	<u>(65,116)</u>	<u>17,207</u>	<u>761,343</u>	<u>713,434</u>	<u>3,904</u>
Income (loss) before contributions and transfers	<u>328,586</u>	<u>(228,965)</u>	<u>155,991</u>	<u>255,612</u>	<u>(39,110)</u>
Contributions and transfers:					
Transfers in	-	-	1,000	1,000	-
Capital contributions	23,504	25,220	-	48,724	-
Net contributions and transfers	<u>23,504</u>	<u>25,220</u>	<u>1,000</u>	<u>48,724</u>	<u>-</u>
Change in net assets	352,090	(203,745)	156,991	304,336	(39,110)
Total net assets, July 1	<u>5,625,051</u>	<u>10,631,736</u>	<u>773,601</u>	<u>17,030,388</u>	<u>1,139,469</u>
Total net assets, June 30	<u><u>\$ 5,977,141</u></u>	<u><u>\$ 10,427,991</u></u>	<u><u>\$ 930,592</u></u>	<u><u>\$ 17,335,724</u></u>	<u><u>\$ 1,100,359</u></u>

The notes to financial statements are an integral part of this statement.

CITY OF SOLVANG
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Business-type Activities				Governmental Activities- Internal Service Fund
	Water	Wastewater	Transit	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 4,122,867	\$ 1,461,796	\$ 70,475	\$ 5,655,138	\$ -
Payments to suppliers	(2,925,965)	(475,948)	(528,248)	(3,930,161)	(105,000)
Payments to other funds for services	(228,055)	(141,884)	(48,735)	(418,674)	-
Payments from other funds for services	-	-	-	-	120,129
Payments to employees	(469,906)	(617,890)	-	(1,087,796)	-
Net cash provided by (used for) operating activities	498,941	226,074	(506,508)	218,507	15,129
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	1,000	1,000	-
Operating subsidies	-	-	534,417	534,417	-
Payment of advances to other funds	-	(1,162,123)	-	(1,162,123)	-
Receipt of internal balances	1,162,123	162,585	-	1,324,708	-
Net cash provided by (used for) noncapital financing activities	1,162,123	(999,538)	535,417	698,002	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	23,504	25,220	-	48,724	-
Payments on long-term debt principal	(1,366,332)	-	-	(1,366,332)	-
Interest paid on long-term debt	(66,235)	-	-	(66,235)	-
Proceeds from sale capital assets	-	-	5,992	5,992	880
Purchases of capital assets	(45,196)	(169,175)	(257,943)	(472,314)	(16,916)
Net cash provided by (used for) capital and related financing activities	(1,454,259)	(143,955)	(251,951)	(1,850,165)	(16,036)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest receipts	12,671	17,207	1,871	31,749	3,294
Net cash provided by investing activities	12,671	17,207	1,871	31,749	3,294
Net increase (decrease) in cash and cash equivalents	219,476	(900,212)	(221,171)	(901,907)	2,387
Balances-beginning of the year	2,695,118	3,689,148	710,313	7,094,579	930,679
Balances-end of the year	\$ 2,914,594	\$ 2,788,936	\$ 489,142	\$ 6,192,672	\$ 933,066

The notes to financial statements are an integral part of this statement.

CITY OF SOLVANG
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities				Governmental Activities- Internal Service Fund
	Water	Wastewater	Transit	Totals	
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 393,702	\$ (246,172)	\$ (605,352)	\$ (457,822)	\$ (43,014)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	208,333	464,893	48,734	721,960	58,143
Change in assets and liabilities:					
Decrease (increase) in prepayments	(16,610)	-	-	(16,610)	-
Decrease (increase) in accounts receivable	(71,323)	(2,822)	9	(74,136)	-
Increase (decrease) in other liabilities	(34,916)	3,778	-	(31,138)	-
Increase (decrease) in accounts payable	19,755	6,397	50,101	76,253	-
Net cash provided by (used for) operating activities	\$ 498,941	\$ 226,074	\$ (506,508)	\$ 218,507	\$ 15,129

Noncash capital financing activities:

During the fiscal year, there were none.

The notes to financial statements are an integral part of this statement.

CITY OF SOLVANG
Statement of Fiduciary Net Assets
June 30, 2012

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 82,650
Assessments receivable	<u>79,976</u>
Total assets	<u>\$ 162,626</u>
LIABILITIES	
Deposits payable to Santa Ynez Valley Tourism Business Improvement District	<u>\$ 162,626</u>
Total liabilities	<u>\$ 162,626</u>

The notes to financial statements are an integral part of this statement.

City of Solvang
Notes to the Financial Statements
June 30, 2012

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 Financial Statements
June 30, 2012

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 Financial Statements
June 30, 2012

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 Financial Statements
June 30, 2012

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 Financial Statements
June 30, 2012

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 \$11,753,459 difference are as follows:

Capital assets	\$ 16,499,790
Less: Accumulated depreciation	<u>(4,746,331)</u>

Net adjustment to increase *fund balance – total governmental funds* to arrive at *net assets – governmental activities* \$ 11,753,459

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 \$431,585 difference are as follows:

Long-Term Obligations:	
Net OPEB Obligation	\$ (329,776)
Compensated absences payable	<u>(101,809)</u>

Net adjustment to decrease fund balance total governmental Funds to arrive at net assets - governmental activities \$ (431,585)

City of Solvang
Notes to the Financial Statements
June 30, 2012

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 \$ 899,851 difference and other significant components of the difference are as follows:

Capital outlay	\$ 586,162
Depreciation expense	(659,317)
Abandonment of capital asset street project	(661,931)
Other post employment benefit expense	(69,991)
Other items	<u>(94,774)</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>\$ (899,851)</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 fund. 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.

4. Detailed Notes on All Funds

A. Deposits and Investments

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

Pooled demand deposits	\$ 776,618
Pooled investments (including \$82,650 in fiduciary funds)	<u>15,476,350</u>
Total deposits and investments	<u>\$ 16,252,968</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

City of Solvang
Notes to the Financial Statements
June 30, 2012

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, 2012, \$672,337 of the City's bank balances of \$ 923,247 was exposed to credit risk as follows:

Uninsured and collateral held by pledging banks agent
but not in the City's name: \$ 672,337

Of the discretely presented component unit's bank balance of \$40,390, \$40,390 was insured and not exposed to credit risk.

Investments - At June 30, 2012, the City had the following investments.

Type Investment	Average Maturity	Fair Value
State Investment Pool (LAIF)	268 Days	\$ 15,476,350
		\$ 15,476,350

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.

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	\$ 5,902	\$ -	\$ -	\$ 5,902	\$ 721,961	\$ 1,100
Taxes	441,691	-	-	441,691	-	-
Interest	5,632	2,014	748	8,394	5,924	453
Governments	21,476	-	72,886	94,362	-	101,407
Notes	206,915	40,228	-	247,143	9,409	-
Totals	\$ 681,616	\$42,242	\$ 73,634	\$ 797,492	\$ 737,294	\$ 102,960

City of Solvang
Notes to the Financial Statements
June 30, 2012

C. Interfund Transfers, Receivables and Payables

1. The composition of interfund transfers of June 30, 2012 is as follows:

<u>Transfers In:</u>	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Transit Fund</u>	<u>Water Enterprise Fund</u>	<u>Wastewater Enterprise Fund</u>	<u>Total Transfers</u>
<u>Transfers Out:</u>						
General fund	\$ -	\$ 154	\$ -	\$ -	\$ -	\$ 154
Nonmajor funds	172,976	112,770	1,000	-	-	286,746
Water/wastewater	-	-	-	-	-	-
Totals	\$ 172,976	\$ 112,924	\$ 1,000	\$ -	\$ -	\$ 286,900

The primary purpose of the transfers out of the nonmajor funds was to provide \$172,976 for projects being conducted by the general fund.

2. The composition of internal balances was:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Advances:</u>		
<u>Wastewater enterprise:</u>		
Loan to general fund for capital project financing	General fund	\$ 812,925
Loan to water enterprise for the purpose of financing early retirement of installment agreement	Water fund	<u>1,162,123</u>
	Total	<u>\$ 1,975,048</u>
<u>Due from other funds:</u>		
General for cash flow purposes	Gas tax	\$ 2,880
General for cash flow purposes	Traffic safety	<u>6</u>
	Total	<u>\$ 2,886</u>

The City's general fund repaid \$162,585 to the wastewater enterprise in principal payments during the fiscal year.

The City has approved a repayment plan that provides for the water enterprise to repay the entire loan to the wastewater enterprise over the next four years in annual amounts of about \$288,000 a year.

City of Solvang
Notes to the Financial Statements
June 30, 2012

4. Detailed Notes on All Funds (Continued)

D. Capital Assets

Capital asset activity relating to governmental activities for the year ended June 30, 2012 was as follows:

Governmental activities:	<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>1,016,295</u>	<u>118,011</u>	<u>(661,931)</u>	<u>472,375</u>
Total capital assets, not being depreciated	<u>2,959,399</u>	<u>118,011</u>	<u>(661,931)</u>	<u>2,415,479</u>
Capital assets, being depreciated:				
Buildings	3,357,816	-	-	3,357,816
Machinery and equipment	624,819	-	-	624,819
Internal service fund – vehicles/equipment	724,760	16,916	(15,758)	725,918
Improvements	4,040,043	114,054	-	4,154,097
Infrastructure-street system	<u>5,593,483</u>	<u>354,096</u>	<u>-</u>	<u>5,947,579</u>
Total capital assets being depreciated	<u>14,340,921</u>	<u>485,066</u>	<u>(15,758)</u>	<u>14,810,229</u>
Less accumulated depreciation for:				
Buildings	(1,139,232)	(85,106)	-	(1,224,338)
Machinery and equipment	(489,231)	(51,230)	-	(540,461)
Internal service fund	(517,104)	(58,143)	15,758	(559,489)
Improvements	(1,681,147)	(188,705)	-	(1,869,852)
Infrastructure-street system	<u>(777,404)</u>	<u>(334,276)</u>	<u>-</u>	<u>(1,111,680)</u>
Total accumulated depreciation	<u>(4,604,117)</u>	<u>(717,460)</u>	<u>15,758</u>	<u>(5,305,820)</u>
Total capital assets, being depreciated, net	<u>9,736,803</u>	<u>(232,394)</u>	<u>-</u>	<u>9,504,409</u>
Governmental activities capital assets, net	<u>\$ 12,696,202</u>	<u>\$ (114,383)</u>	<u>\$ (661,931)</u>	<u>\$ 11,919,888</u>

The City in fiscal 2012 decided to abandon the Alamo-Pintado intersection improvement project and removed from construction in progress \$661,931 in design and start-up project costs.

City of Solvang
Notes to the Financial Statements
June 30, 2012

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, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 112,819	\$ -	\$ -	\$ 112,819
Construction in progress	219,549	273,070	(97,923)	394,696
Total capital assets, not being depreciated	<u>332,368</u>	<u>273,070</u>	<u>(97,923)</u>	<u>507,515</u>
Capital assets, being depreciated:				
Buildings	7,563,832	-	-	7,563,832
Distribution and collection systems	8,549,456	108,873	-	8,658,329
Infrastructure	3,579,303	-	-	3,579,303
Vehicles	320,706	127,235	(107,393)	340,548
Equipment	1,672,911	61,056	-	1,733,967
Total capital assets being depreciated	<u>21,686,208</u>	<u>297,164</u>	<u>(107,393)</u>	<u>21,875,979</u>
Less accumulated depreciation for:				
Buildings	(4,803,363)	(250,985)	-	(5,054,348)
Distribution and collection systems	(5,321,409)	(231,870)	-	(5,553,279)
Infrastructure	(601,300)	(124,847)	-	(726,147)
Vehicles	(168,648)	(26,718)	47,305	(148,061)
Equipment	(1,106,531)	(87,540)	-	(1,194,071)
Total accumulated depreciation	<u>(12,001,251)</u>	<u>(721,960)</u>	<u>47,305</u>	<u>(12,675,906)</u>
Total capital assets, being depreciated, net	<u>9,684,957</u>	<u>(424,796)</u>	<u>(60,088)</u>	<u>9,200,073</u>
Business-type activities capital assets, net	<u>\$ 10,017,325</u>	<u>\$ (151,726)</u>	<u>\$ (158,011)</u>	<u>\$ 9,707,588</u>

City of Solvang
Notes to the Financial Statements
June 30, 2012

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:

Governmental activities:	
General government	\$ 127,714
Public safety	9,068
Culture and recreation	134,893
Infrastructure streets	387,642
Vehicles- internal service fund	<u>58,143</u>
Total depreciation expense-governmental activities	<u><u>\$ 717,460</u></u>
Business-type activities:	
Water	\$ 208,333
Wastewater	464,893
Transit	<u>48,734</u>
Total depreciation expense-governmental activities	<u><u>\$ 721,960</u></u>

E Long-Term Obligations

Changes in Long-term liabilities

Long-term debt activity for the 2012 fiscal year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated absences	<u>\$ 94,357</u>	<u>\$ 60,000</u>	<u>\$ 52,548</u>	<u>\$ 101,809</u>	<u>\$ 60,000</u>
Total	<u><u>\$ 94,357</u></u>	<u><u>\$ 60,000</u></u>	<u><u>\$ 52,548</u></u>	<u><u>\$ 101,809</u></u>	<u><u>\$ 60,000</u></u>
Business-type Activities:					
Installment agreement	\$ 1,366,332	\$ -	\$ 1,366,332	\$ -	\$ -
Compensated absences	<u>40,257</u>	<u>44,251</u>	<u>40,257</u>	<u>40,257</u>	<u>41,891</u>
Total	<u><u>\$ 1,406,589</u></u>	<u><u>\$ 44,251</u></u>	<u><u>\$ 1,406,589</u></u>	<u><u>\$ 40,257</u></u>	<u><u>\$ 41,891</u></u>

City of Solvang
Notes to the Financial Statements
June 30, 2012

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.

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.

City of Solvang
Notes to the Financial Statements
June 30, 2012

4. Other Information (Continued)

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 17.12 percent of covered payroll.

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

Three-Year Trend Information

Plan	Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
<i>Regular employees</i>	6/30/10	\$ 261,697	100%	\$ -
	6/30/11	\$ 263,507	100%	\$ -
	6/30/12	\$ 318,999	100%	\$ -
<i>Safety employees</i>	6/30/10	\$ -	100%	\$ -
	6/30/11	\$ -	100%	\$ -
	6/30/12	\$ -	100%	\$ -

E. Restricted Net Assets and Fund Balances

The \$ 2,892,272 restricted amount in the governmental 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

City of Solvang
Notes to the Financial Statements
June 30, 2012

5. Other Information (Continued)

F. Other Post-Employment Benefits (Continued)

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, 2012, the City contributed \$81,746 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:

Annual required contribution (ARC)	\$160,047
Interest on net OPEB obligation	12,532
Adjustments to the ARC	<u>(20,842)</u>
Annual OPEB expense	151,737
Contributions made	(81,746)
Change in net OPEB obligation	69,991
Net OPEB Obligation, beginning of year	<u>259,785</u>
Net OPEB Obligation, end of year	<u><u>\$329,776</u></u>

The City's annual OPEB Cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the last two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2012	\$151,737	46.0%	\$329,776
June 30, 2011	\$207,180	35.1%	\$259,785

Funding Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the plan was zero funded. The actuarial accrued liability for benefits was \$2,976,436. And the actuarial value of plan assets was zero, resulting in an unfunded actuarial liability (UAAL) of \$2,976,436. The covered payroll (annual payroll of active employees covered by the plan) was \$1,884,642 and the ratio of the UAAL to the covered payroll was 157.9 percent.

City of Solvang
Notes to the Financial Statements
June 30, 2012

5. Other Information (Continued)

F. Other Post-Employment Benefits (Continued)

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 July 1, 2011 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 and a 3 percent assumed rate of inflation. 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 28 years, the remaining closed amortization period at June 30, 2012.

G. 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).

City of Solvang
Notes to the Financial Statements
June 30, 2012

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Required Supplementary Information

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Required Supplementary Information

**CITY OF SOLVANG
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2012**

	Budgetary Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balance, July 1	\$ 6,656,000	\$ 5,223,388	\$ 5,223,388	\$ -
Resources (inflows):				
Property taxes	1,046,900	1,046,900	1,051,200	4,300
Sales taxes	973,000	973,000	1,066,086	93,086
Transient occupancy taxes	2,500,000	2,500,000	2,683,564	183,564
Other taxes	184,000	184,000	208,006	24,006
License and permits	103,000	103,500	102,240	(1,260)
Interest and rents	62,900	62,900	49,479	(13,421)
Intergovernmental	355,690	355,690	45,500	(310,190)
Charges for services	548,335	614,870	651,157	36,287
Miscellaneous	1,300	23,192	57,947	34,755
Transfers in	180,422	180,422	172,976	(7,446)
Amounts available for charges to appropriations	12,611,547	11,267,862	11,311,543	43,681
Charges to appropriations:				
<i>General Government:</i>				
<i>Nondepartmental:</i>				
City council	19,647	19,647	19,663	(16)
Other	30,950	33,850	31,618	2,232
OPEB	84,526	84,526	81,746	2,780
Community resources	91,000	91,000	91,000	-
Debt service	-	-	-	-
<i>Administration:</i>				
Legal	100,000	99,520	72,594	26,926
General administration	940,426	940,431	888,110	52,321
Emergency training	110,000	110,000	85,269	24,731
Capital outlay	100,000	100,000	72,263	27,737
<i>Public Safety:</i>				
Sheriff contract	1,541,533	1,519,907	1,493,275	26,632
Animal control	34,903	34,903	34,093	810
MHAT	1,750	1,880	1,879	1
<i>Culture and Recreation:</i>				
Conference and Visitors Bureau	490,000	490,000	490,000	-
Other tourism	124,000	137,182	103,298	33,884
Parks	465,610	480,158	449,872	30,286
Recreation	283,488	283,088	259,187	23,901
Buellton recreation	-	53,600	39,619	13,981
Events	15,000	39,538	40,371	(833)
<i>Community Development:</i>				
City planning	428,736	431,071	398,088	32,983
<i>Public works:</i>				
Maintenance and engineering	1,026,194	1,036,074	995,226	40,848
Projects - Mission AP intersection	480,000	-	-	-
Projects - Alisal Curve improvement:	285,000	285,000	49,180	235,820
Projects - ADA access ramps	90,000	90,000	-	90,000
Projects - Restroom 3 improvements	10,000	10,000	9,811	189
Projects - Museum subsidies	25,000	25,000	25,000	-
<i>Debt service:</i>				
Interest	167,463	167,463	4,878	162,585
Transfers out	-	-	154	(154)
Total charges to appropriations	6,945,226	6,563,838	5,736,194	827,644
Fund Balance, June 30	\$ 5,666,321	\$ 4,704,024	\$ 5,575,349	\$ 871,325

CITY OF SOLVANG
Budgetary Comparison Schedule - General Fund
Note to RSI
For the Fiscal Year Ended June 30, 2012

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:	\$ 11,311,543
Differences - budget to GAAP:	
Transfers in are a budgetary resource but are not revenues for financial reporting purposes	(172,976)
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>(5,223,388)</u>

Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 5,915,179</u>
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Uses/outflows of resources:

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 5,736,194
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(154)</u>

Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 5,736,040</u>
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CITY OF SOLVANG
Budgetary Comparison Schedule - Impact Fee Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgetary Amounts</u>		<u>Actual Amounts</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Fund Balance, July 1	\$ 2,113,033	\$ 2,113,033	\$ 2,113,033	\$ -
Resources (inflows):				
Charges for services:				-
Impact fees for:				-
Parking in lieu	14,300	14,300	51,167	36,867
Traffic mitigation	3,000	3,000	4,896	1,896
Street lighting	875	875	-	(875)
Affordable housing	4,600	4,600	-	(4,600)
Interest revenue	10,000	10,000	6,728	(3,272)
	<u>2,145,808</u>	<u>2,145,808</u>	<u>2,175,824</u>	<u>30,016</u>
Amounts available for charges to appropriations				
	<u>2,145,808</u>	<u>2,145,808</u>	<u>2,175,824</u>	<u>30,016</u>
Charges to appropriations:				
<i>Special projects for:</i>				
Parking	-	-	-	-
Streets and traffic mitigation	-	-	-	-
Streets lighting and landscaping	-	-	-	-
Affordable housing	-	-	-	-
Other projects	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 2,145,808</u>	<u>\$ 2,145,808</u>	<u>\$ 2,175,824</u>	<u>\$ 30,016</u>

CITY OF SOLVANG
Other Post Employment Benefits (OPEB)
Schedule of Funding Progress
June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued 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%
7/1/2011	\$ -	\$ 2,676,436	\$ 2,676,436	0.00%	\$ 1,884,642	142.01%

Combining and Individual Fund Statements and Schedules

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CITY OF SOLVANG
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue Funds						Capital Projects		Totals
	Traffic Safety	Gas Tax	Local Transportation	Measure D	Traffic Congestion	Measure A	Skytt Mesa Landscape and Lighting	Alamo Pintado Creek Bridge	
Assets									
Cash and investments	\$ -	\$ -	\$ 77,160	\$ -	\$ -	\$ 144,318	\$ 45,014	\$ 370,919	\$ 637,411
Receivables:									
Interest	13	143	71	104	-	30	42	344	747
Intergovernmental	1,782	17,032	585	-	-	53,487	-	-	72,886
Total assets	\$ 1,795	\$ 17,175	\$ 77,816	\$ 104	\$ -	\$ 197,835	\$ 45,056	\$ 371,263	\$ 711,044
Liabilities and Fund Balances									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 3,870	\$ -	\$ -	\$ -	\$ 5,224	\$ -	\$ 9,094
Due to other funds	6	2,880	-	-	-	-	-	-	2,886
Due to other governments	-	-	-	-	-	-	-	-	-
Total liabilities	6	2,880	3,870	-	-	-	5,224	-	11,980
Fund balances:									
Restricted for highways and streets	1,789	14,295	73,946	104	-	197,835	39,832	371,263	699,064
Total fund balances	1,789	14,295	73,946	104	-	197,835	39,832	371,263	699,064
Total liabilities and fund balances	\$ 1,795	\$ 17,175	\$ 77,816	\$ 104	\$ -	\$ 197,835	\$ 45,056	\$ 371,263	\$ 711,044

The notes to financial statements are an integral part of this statement.

CITY OF SOLVANG
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

	Special Revenue Funds						Capital Projects	Totals	
	Traffic Safety	Gas Tax	Local Transportation	Measure D	Traffic Congestion	Measure A	Skytt Mesa Landscape and Lighting		Alamo Pintado Creek Bridge
Revenues:									
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,709	\$ -	\$ 58,709
Intergovernmental	-	157,460	85,530	-	-	388,564	-	-	631,554
Fines and forfeitures	14,534	-	-	-	-	-	-	-	14,534
Interest	27	279	502	360	-	379	155	1,404	3,106
Miscellaneous	26	-	-	-	-	-	-	-	26
Total revenues	<u>14,587</u>	<u>157,739</u>	<u>86,032</u>	<u>360</u>	<u>-</u>	<u>388,943</u>	<u>58,864</u>	<u>1,404</u>	<u>707,929</u>
Expenditures:									
Current:									
Public works:									
Highways and streets	-	-	177,405	5,514	-	316,060	82,478	205,775	787,232
Street lighting	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>177,405</u>	<u>5,514</u>	<u>-</u>	<u>316,060</u>	<u>82,478</u>	<u>205,775</u>	<u>787,232</u>
Excess (deficiency) of revenues over expenditures	<u>14,587</u>	<u>157,739</u>	<u>(91,373)</u>	<u>(5,154)</u>	<u>-</u>	<u>72,883</u>	<u>(23,614)</u>	<u>(204,371)</u>	<u>(79,303)</u>
Other financing sources (uses):									
Transfers in	-	-	-	154	-	112,770	-	-	112,924
Transfers out	(14,183)	(157,739)	-	(112,770)	(54)	(2,000)	-	-	(286,746)
Total other financing sources (uses)	<u>(14,183)</u>	<u>(157,739)</u>	<u>-</u>	<u>(112,616)</u>	<u>(54)</u>	<u>110,770</u>	<u>-</u>	<u>-</u>	<u>(173,822)</u>
Net change in fund balances	404	-	(91,373)	(117,770)	(54)	183,653	(23,614)	(204,371)	(253,125)
Fund balances, July 1	<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>
Fund balances, June 30	<u>\$ 1,789</u>	<u>\$ 14,295</u>	<u>\$ 73,946</u>	<u>\$ 104</u>	<u>\$ -</u>	<u>\$ 197,835</u>	<u>\$ 39,832</u>	<u>\$ 371,263</u>	<u>\$ 699,064</u>

The notes to financials statements are an integral part of this statement.

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, 2012

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Fines and forfeitures	\$ 22,000	\$ 22,000	\$ 14,534	\$ (7,466)
Interest	-	-	27	27
Miscellaneous	-	-	26	26
	<u>22,000</u>	<u>22,000</u>	<u>14,587</u>	<u>(7,413)</u>
Total revenues				
Expenditures:				
Current:				
Highways and streets:				
Repairs and maintenance	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	22,000	22,000	14,587	(7,413)
Other financing uses:				
Transfers out	(22,000)	(22,000)	(14,183)	7,817
Net change in fund balances	-	-	404	404
Fund balance, July 1	<u>1,385</u>	<u>1,385</u>	<u>1,385</u>	<u>-</u>
Fund balance, June 30	<u>\$ 1,385</u>	<u>\$ 1,385</u>	<u>\$ 1,789</u>	<u>\$ 404</u>

The notes to financials statements are an integral part of this statement.

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, 2012

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 152,047	\$ 152,047	\$ 157,460	\$ 5,413
Interest	375	375	279	(96)
Miscellaneous	-	-	-	-
Total revenues	<u>152,422</u>	<u>152,422</u>	<u>157,739</u>	<u>5,317</u>
Expenditures:				
Current:				
Highways and streets:				
Street light utilities	-	-	-	-
Street sweeping	-	-	-	-
Street maintenance	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>152,422</u>	<u>152,422</u>	<u>157,739</u>	<u>5,317</u>
Other financing sources (uses):				
Transfers out	<u>(152,422)</u>	<u>(152,422)</u>	<u>(157,739)</u>	<u>(5,317)</u>
Net change in fund balances	-	-	-	-
Fund balance, July 1	<u>14,295</u>	<u>14,295</u>	<u>14,295</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 14,295</u></u>	<u><u>\$ 14,295</u></u>	<u><u>\$ 14,295</u></u>	<u><u>\$ -</u></u>

The notes to financials statements are an integral part of this statement.

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, 2012

	<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	\$ 3,410	\$ 3,410	\$ 3,338	\$ (72)
LSTP allocation	-	81,491	82,192	701
RSTP allocation	-	-	-	-
Miscellaneous	-	-	-	304
Interest	400	400	502	102
	<u>3,810</u>	<u>85,301</u>	<u>86,032</u>	<u>1,035</u>
Total revenues				
Expenditures:				
Current:				
Highways and streets:				
Repairs and maintenance	-	5,000	4,852	148
Sidewalks	25,000	25,000	25,081	(81)
Road overlay	-	-	-	-
Professional services	40,000	35,000	22,692	12,308
Capital outlay	108,000	148,000	124,780	23,220
	<u>173,000</u>	<u>213,000</u>	<u>177,405</u>	<u>35,595</u>
Total expenditures				
Excess(deficiency) of revenues over expenditures	<u>(169,190)</u>	<u>(127,699)</u>	<u>(91,373)</u>	<u>36,630</u>
Other financing sources:				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(169,190)	(127,699)	(91,373)	36,630
Fund balance, July 1	<u>165,319</u>	<u>165,319</u>	<u>165,319</u>	<u>-</u>
Fund balance, June 30	<u>\$ (3,871)</u>	<u>\$ 37,620</u>	<u>\$ 73,946</u>	<u>\$ 36,630</u>

The notes to financials statements are an integral part of this statement.

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, 2012

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
Allocations from Santa Barbara County	\$ -	\$ -	\$ -	\$ -
Interest earnings	-	2,000	360	(1,640)
Total revenues	-	2,000	360	(1,640)
Expenditures:				
Current:				
Highways and streets:				
Street overlays	-	-	-	-
Street rehabilitation	-	5,500	5,514	(14)
Total expenditures	-	5,500	5,514	(14)
Excess(deficiency) of revenues over expenditures	-	(3,500)	(5,154)	(1,654)
Other financing sources:				
Transfers out	(131,000)	(112,874)	(112,770)	-
Transfers in	-	-	154	(154)
Total other financing sources (uses)	(131,000)	(112,874)	(112,616)	-
Net change in fund balances	(131,000)	(116,374)	(117,770)	(1,808)
Fund balance, July 1	117,874	117,874	117,874	-
Fund balance, June 30	<u>\$ (13,126)</u>	<u>\$ 1,500</u>	<u>\$ 104</u>	<u>\$ (1,808)</u>

The notes to financials statements are an integral part of this statement.

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, 2012

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
Allocations from Santa Barbara County	\$ 307,565	\$ 307,565	\$ 388,564	\$ 80,999
Interest earnings	750	750	379	(371)
Total revenues	<u>308,315</u>	<u>308,315</u>	<u>388,943</u>	<u>80,628</u>
Expenditures:				
Current:				
Highways and streets:				
Street overlays	138,000	138,000	137,980	20
Village collection rehabilitation	183,000	183,000	178,080	4,920
Total expenditures	<u>321,000</u>	<u>321,000</u>	<u>316,060</u>	<u>4,940</u>
Excess(deficiency) of revenues over expenditures	<u>(12,685)</u>	<u>(12,685)</u>	<u>72,883</u>	<u>85,568</u>
Other financing sources:				
Transfers out	(1,000)	(1,000)	(2,000)	-
Transfers in	131,000	112,874	112,770	104
Total other financing sources(uses)	<u>130,000</u>	<u>111,874</u>	<u>110,770</u>	<u>-</u>
Net change in fund balances	117,315	99,189	183,653	85,672
Fund balance, July 1	<u>14,182</u>	<u>14,182</u>	<u>14,182</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 131,497</u></u>	<u><u>\$ 113,371</u></u>	<u><u>\$ 197,835</u></u>	<u><u>\$ 85,672</u></u>

The notes to financials statements are an integral part of this statement.

CITY OF SOLVANG
Skytt Mesa Landscaping and Lighting Maintenance District Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year June 30, 2012

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services:				
Special assessments	\$ 58,680	\$ 58,680	\$ 58,709	\$ 29
Interest earnings	325	325	155	(170)
Total revenues	<u>59,005</u>	<u>59,005</u>	<u>58,864</u>	<u>(141)</u>
Expenditures:				
Current:				
Highways and streets:				
Open space maintenance	30,000	30,520	30,520	-
Water and sewer cost	22,500	31,800	35,902	(4,102)
Street light power	2,000	2,000	1,456	544
Repairs and maintenance	-	5,000	4,360	640
Professional and administrative	10,050	10,050	10,240	(190)
Total expenditures	<u>64,550</u>	<u>79,370</u>	<u>82,478</u>	<u>(3,108)</u>
Excess(deficiency) of revenues over expenditures	<u>(5,545)</u>	<u>(20,365)</u>	<u>(23,614)</u>	<u>(3,249)</u>
Other financing sources:				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(5,545)	(20,365)	(23,614)	(3,249)
Fund balance, July 1	<u>63,446</u>	<u>63,446</u>	<u>63,446</u>	<u>-</u>
Fund balance, June 30	<u>\$ 57,901</u>	<u>\$ 43,081</u>	<u>\$ 39,832</u>	<u>\$ (3,249)</u>

The notes to financials statements are an integral part of this statement.

CITY OF SOLVANG
Alamo Pintado Capital Projects Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year June 30, 2012

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
Allocations from				
Indian Gaming Committee	\$ -	\$ -	\$ -	\$ -
Interest earnings	-	-	1,404	1,404
Total revenues	-	-	1,404	1,404
Expenditures:				
Current:				
Highways and streets:				
Alamo-Pintado engineering	480,000	480,000	205,775	274,225
and design				
Total expenditures	480,000	480,000	205,775	274,225
Excess(deficiency) of revenues				
over expenditures	(480,000)	(480,000)	(204,371)	275,629
Other financing sources:				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(480,000)	(480,000)	(204,371)	275,629
Fund balance, July 1	575,634	575,634	575,634	-
Fund balance, June 30	<u>\$ 95,634</u>	<u>\$ 95,634</u>	<u>\$ 371,263</u>	<u>\$ 275,629</u>

The notes to financials statements are an integral part of this statement.

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

	June 30	
	2011	2012
Capital assets used in governmental activities:		
Land	\$ 1,943,104	\$ 1,943,104
Buildings	3,357,816	3,357,816
Improvements	4,040,043	4,154,097
Infrastructure - street system	5,593,483	5,947,579
Equipment	624,819	624,819
Construction in progress	1,016,295	472,375
Equipment-internal service operations	724,760	725,918
	<u>\$ 17,300,320</u>	<u>\$ 17,225,708</u>
Investment in capital assets from:		
General fund	\$ 11,384,166	\$ 11,476,862
Contributions from developers	710,214	710,214
Special revenue funds	4,481,180	4,312,714
Internal service	724,760	725,918
	<u>\$ 17,300,320</u>	<u>\$ 17,225,708</u>

The notes to financial statements are an integral part of this statement.

CITY OF SOLVANG
Schedule of Changes in Capital Assets Used In Governmental Activities
By Source
For the Fiscal Year Ended June 30, 2012

	Land	Buildings	Improvements and Infrastructure	Equipment	Construction in Progress	Total Cost
General capital assets June 30, 2011	\$ 1,943,104	\$ 3,357,816	\$ 9,633,526	\$ 1,349,579	\$ 1,016,295	\$ 17,300,320
Add:						
Expenditures from:						
General fund	-	-	92,696	-	-	92,696
Special revenue funds	-	-	375,454	-	118,011	493,465
Internal service	-	-	-	16,916	-	16,916
Deduct:						
Transfers	-	-	-	-	(661,931)	(661,931)
Retirements and contributions	-	-	-	(15,758)	-	(15,758)
General capital assets June 30, 2012	<u>\$ 1,943,104</u>	<u>\$ 3,357,816</u>	<u>\$ 10,101,676</u>	<u>\$ 1,350,737</u>	<u>\$ 472,375</u>	<u>\$ 17,225,708</u>

The notes to financial statements are an integral part of this statement.

CITY OF SOLVANG
Schedule of Capital Assets Used in Governmental Activities
By Function and Activity
June 30, 2012

<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	-	-	6,436,439	80,093	118,011	6,634,543
Recreation	-	1,265,098	57,065	2,602	305,664	1,630,429
Administration	89,850	599,174	807,448	422,287	-	1,918,759
Total general government	<u>797,871</u>	<u>1,944,608</u>	<u>9,474,883</u>	<u>564,486</u>	<u>472,375</u>	<u>13,254,223</u>
Internal Service:						
Vehicle operations	-	-	-	725,918	-	725,918
Public safety:						
Emergency services	-	-	-	28,158	-	28,158
Fire protection	-	195,802	215,544	26,175	-	437,521
Total public safety	<u>-</u>	<u>195,802</u>	<u>215,544</u>	<u>54,333</u>	<u>-</u>	<u>465,679</u>
Veterans building	<u>63,483</u>	<u>1,193,406</u>	<u>352,109</u>	<u>6,000</u>	<u>-</u>	<u>1,614,998</u>
Parking district	<u>1,081,750</u>	<u>24,000</u>	<u>59,140</u>	<u>-</u>	<u>-</u>	<u>1,164,890</u>
Total general fixed assets	<u>\$ 1,943,104</u>	<u>\$ 3,357,816</u>	<u>\$ 10,101,676</u>	<u>\$ 1,350,737</u>	<u>\$ 472,375</u>	<u>\$ 17,225,708</u>

The notes to financial statements are an integral part of this statement.

CITY OF SOLVANG
Schedule of Changes in Capital Assets Used In Governmental Activities
By Function and Activity
For the Fiscal Year Ended June 30, 2012

<u>Function and Activity</u>	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
General government:				
Parks	\$ 3,070,492	\$ -	\$ -	\$ 3,070,492
Roads	6,793,698	502,776	(661,931)	6,634,543
Recreation	1,630,429	-	-	1,630,429
Administration	1,835,374	83,385	-	1,918,759
Total general government	<u>13,329,993</u>	<u>586,161</u>	<u>(661,931)</u>	<u>13,254,223</u>
Internal service:				
Vehicle operations	<u>724,760</u>	<u>16,916</u>	<u>(15,758)</u>	<u>725,918</u>
Public safety:				
Emergency services	28,158	-	-	28,158
Fire protection	437,521	-	-	437,521
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>\$ 17,300,320</u>	<u>\$ 603,077</u>	<u>\$ (677,689)</u>	<u>\$ 17,225,708</u>

The notes to financial statements are an integral part of this statement.

CITY OF SOLVANG
Agency Fund
Santa Ynez Valley Tourism Business Improvement District
Statement of Changes in Assets and Liabilities
For the Fiscal Year June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS				
Cash and cash equivalents	\$ 76,663	\$ 606,007	\$ (600,020)	\$ 82,650
Assessments receivable	76,314	609,669	(606,007)	79,976
Total assets	<u>152,977</u>	<u>1,215,676</u>	<u>(1,206,027)</u>	<u>162,626</u>
LIABILITIES				
Deposits payable to Santa Ynez Valley Tourism Business Improvement District	<u>\$ 152,977</u>	<u>\$ 609,669</u>	<u>\$ (600,020)</u>	<u>\$ 162,626</u>
Total liabilities	<u>\$ 152,977</u>	<u>\$ 609,669</u>	<u>\$ (600,020)</u>	<u>\$ 162,626</u>

The notes to financials statements are an integral part of this statement.

STATISTICAL SECTION

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

Contents	Page
Financial Trends	81-85
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	86-93
<i>These schedules contain information to help the reader assess the government's most significant local revenue sources: taxes and water revenues.</i>	
Debt Capacity	94-97
<i>These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	98-99
<i>These schedules help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	100-102
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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Schedule 1
City of Solvang
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
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	\$ 11,919,888
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	\$ 2,892,272
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	\$ 6,306,753
Total governmental activities net assets	<u>\$ 18,455,789</u>	<u>\$ 14,210,784</u>	<u>\$ 15,902,803</u>	<u>\$ 14,609,076</u>	<u>\$ 17,179,554</u>	<u>\$ 19,614,380</u>	<u>\$ 21,292,890</u>	<u>\$ 21,635,435</u>	<u>\$ 21,857,837</u>	<u>\$ 21,118,913</u>
Business-type activities:										
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	\$ 9,707,588
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	\$ 7,628,136
Total business-type activities	<u>\$ 8,199,837</u>	<u>\$ 8,623,052</u>	<u>\$ 9,151,571</u>	<u>\$ 14,562,564</u>	<u>\$ 15,890,360</u>	<u>\$ 16,858,321</u>	<u>\$ 17,363,455</u>	<u>\$ 16,936,605</u>	<u>\$ 17,030,388</u>	<u>\$ 17,335,724</u>
Primary government (City wide totals)										
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	\$ 21,627,476
Nonspendable										700
Restricted	232,963	896,185	2,151,843	3,607,882	3,136,463	4,359,865	4,177,427	3,046,371	2,735,436	2,892,272
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	14,783,838	13,934,889
Total primary government net assets	<u>\$ 26,655,626</u>	<u>\$ 22,833,836</u>	<u>\$ 25,054,374</u>	<u>\$ 29,171,640</u>	<u>\$ 33,069,914</u>	<u>\$ 36,472,701</u>	<u>\$ 38,656,345</u>	<u>\$ 38,572,040</u>	<u>\$ 38,888,225</u>	<u>\$ 38,455,337</u>

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

Schedule 2
City of Solvang
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
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	\$ 1,586,533
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	1,538,315
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	1,517,240
Planning	311,563	782,614	231,980	349,513	404,963	491,168	431,801	397,297	363,259	398,088
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	1,667,929
Interest on long-term debt	222,029	144,880	80,366	113,878	134,427	105,365	65,151	25,657	7,244	4,878
Total Governmental Activities	4,463,000	4,577,985	4,480,830	5,934,663	6,284,075	6,128,394	6,299,079	6,110,972	6,576,096	6,712,983
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	3,878,275
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	1,710,790
Transit	414,405	438,373	496,249	462,318	559,059	558,479	640,800	695,584	713,694	729,923
Total Business-type Activities	4,719,144	4,976,754	4,874,132	5,189,531	5,585,615	5,899,874	6,209,789	6,559,667	6,506,390	6,318,988
Total Expenses	\$ 9,182,144	\$ 9,554,739	\$ 9,354,962	\$ 11,124,194	\$ 11,869,690	\$ 12,028,268	\$ 12,508,868	\$ 12,670,639	\$ 13,082,486	\$ 13,031,971
Program Revenues:										
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	399,456
Public Safety	6,632	27,562	42,910	130,085	193,061	29,575	30,249	26,241	31,832	14,587
Public works	73,281	6,052	3,167	469,601	444,722	509,233	126,495	32,719	81,662	168,750
Planning	52,988	28,847	81,188	210,553	368,443	219,205	164,365	86,313	106,020	97,214
Parks and recreation	77,599	145,845	138,806	227,040	296,594	192,162	335,088	164,675	361,251	223,785
Operating grants and contributions	44,359	489,353	625,275	605,753	586,519	1,278,091	1,014,270	733,592	842,969	703,603
Capital grants and contributions	-	14,569	636,746	1,085,736	792,944	37,902	349,869	162,635	105,883	-
Total Governmental Activities	382,085	729,278	1,553,915	3,128,809	3,080,103	2,663,988	2,465,107	1,649,758	1,961,673	1,607,395
Business-type Activity:										
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	4,206,861
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	1,481,825
Transit	42,143	47,815	41,871	52,345	99,544	91,387	78,102	65,578	82,522	72,346
Operating grants and contributions	11,296	135	-	538,702	553,978	523,305	698,434	511,493	714,796	813,568
Capital grants and contributions	519,817	464,290	415,558	1,468,671	493,676	121,479	93,405	108,328	354,781	48,724
Total Business-type Activities	4,797,104	5,358,638	5,271,945	7,317,508	6,977,521	6,931,550	6,781,208	6,147,912	6,600,173	6,623,324
Total Program Revenues	\$ 5,179,189	\$ 6,087,916	\$ 6,825,860	\$ 10,446,317	\$ 10,057,624	\$ 9,595,538	\$ 9,246,315	\$ 7,797,670	\$ 8,561,846	\$ 8,230,719

Schedule 2
City of Solvang
Changes in Net Assets (continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue:										
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)	\$ (5,105,588)
Business-type Activities	77,960	381,884	397,813	2,127,977	1,391,906	1,031,676	571,419	(411,755)	93,783	304,336
Total Net Expense	<u>\$ (4,002,955)</u>	<u>\$ (3,466,823)</u>	<u>\$ (2,529,102)</u>	<u>\$ (677,877)</u>	<u>\$ (1,812,066)</u>	<u>\$ (2,432,730)</u>	<u>\$ (3,262,553)</u>	<u>\$ (4,872,969)</u>	<u>\$ (4,520,640)</u>	<u>\$ (4,801,252)</u>
General Revenues										
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	\$ 1,051,200
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	2,683,564
Sales taxes	967,286	959,548	1,006,688	904,610	988,280	1,148,040	1,072,646	1,000,325	972,838	1,066,086
Other taxes	355,927	162,789	156,040	193,764	196,535	199,237	209,149	238,163	269,238	208,006
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	21,439
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		(1,000)
Special Item										(661,931)
Total general revenues, transfers and special item	<u>3,853,941</u>	<u>4,307,063</u>	<u>4,618,934</u>	<u>1,512,127</u>	<u>5,774,450</u>	<u>5,899,232</u>	<u>5,512,482</u>	<u>4,803,759</u>	<u>4,836,825</u>	<u>4,367,364</u>
Business-type Activity										
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)		1,000
Total Business-type Activities	<u>70,670</u>	<u>41,331</u>	<u>130,706</u>	<u>3,620,666</u>	<u>(64,110)</u>	<u>(63,715)</u>	<u>(66,285)</u>	<u>(15,095)</u>	<u>-</u>	<u>1,000</u>
Total primary government	<u>\$ 3,924,611</u>	<u>\$ 4,348,394</u>	<u>\$ 4,749,640</u>	<u>\$ 5,132,793</u>	<u>\$ 5,710,340</u>	<u>\$ 5,835,517</u>	<u>\$ 5,446,197</u>	<u>\$ 4,788,664</u>	<u>\$ 4,836,825</u>	<u>\$ 4,368,364</u>
Change in net assets:										
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	\$ (738,224)
Business-type activities	148,630	423,215	528,519	5,748,643	1,327,796	967,961	505,134	(426,850)	93,783	305,336
Total Changes in Net Assets	<u>\$ (78,344)</u>	<u>\$ 881,571</u>	<u>\$ 2,220,538</u>	<u>\$ 4,454,916</u>	<u>\$ 3,898,274</u>	<u>\$ 3,402,787</u>	<u>\$ 2,183,644</u>	<u>\$ (84,305)</u>	<u>\$ 316,185</u>	<u>\$ (432,888)</u>

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

Schedule 3
City of Solvang
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	700	\$ 700
Restricted									-	14,726
Committed									3,043,543	3,194,614
Assigned									-	-
Unassigned									2,179,145	2,365,309
Reserved	2,322,605	2,215,335	2,000,000	528,711	29,487	391,545	209,015	14,556		
Unreserved	5,583,469	5,671,015	6,345,047	5,240,494	5,875,624	4,948,204	5,215,140	5,632,586		
Total general fund	<u>\$ 7,906,074</u>	<u>\$ 7,886,350</u>	<u>\$ 8,345,047</u>	<u>\$ 5,769,205</u>	<u>\$ 5,905,111</u>	<u>\$ 5,339,749</u>	<u>\$ 5,424,155</u>	<u>\$ 5,647,142</u>	<u>\$ 5,223,388</u>	<u>\$ 5,575,349</u>
All other governmental funds										
Nonspendable									-	\$ -
Restricted									3,065,222	2,874,888
Committed									-	-
Assigned									-	-
Unassigned									-	-
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved	319,912									
Special Revenue	2,500,475	868,436	1,114,761	875,993	317,717	501,736	441,956	757,039		
Capital Projects	-	-	-	1,462,674	1,822,347	2,232,411	2,314,170	2,087,559		
Other Purposes	-	-	-	884,054	726,827	1,357,645	1,224,651	-		
Total all other governmental funds	<u>\$ 2,820,387</u>	<u>\$ 868,436</u>	<u>\$ 1,114,761</u>	<u>\$ 3,222,721</u>	<u>\$ 2,866,891</u>	<u>\$ 4,091,792</u>	<u>\$ 3,980,777</u>	<u>\$ 2,844,598</u>	<u>\$ 3,065,222</u>	<u>\$ 2,874,888</u>

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES										
Taxes	\$ 3,958	\$ 4,282	\$ 4,571	\$ 4,471	\$ 5,214	\$ 5,457	\$ 5,252	\$ 4,538	\$ 4,761	\$ 5,009
Licenses and permits	356	-	-	85	138	93	115	75	77	102
Fines and forfeits	18	-	-	23	26	28	30	26	27	15
Charges for services	382	543	292	1,097	1,311	1,079	784	629	844	707
Special assessments	-	-	-	127	47	69	69	72	36	59
Intergovernmental	425	329	679	1,334	1,282	1,149	1,209	877	764	677
Investment earnings	241	85	196	335	603	464	279	113	44	59
Other revenues	12	130	133	333	265	146	195	25	209	58
Total Revenues	<u>5,392</u>	<u>5,369</u>	<u>5,871</u>	<u>7,805</u>	<u>8,886</u>	<u>8,485</u>	<u>7,933</u>	<u>6,355</u>	<u>6,762</u>	<u>6,686</u>
EXPENDITURES										
General government	857	1,052	963	1,148	1,020	1,136	1,244	1,231	1,294	1,342
Public safety	1,463	1,410	1,521	1,680	1,876	1,859	1,836	1,305	1,350	1,529
Parks and Recreation	482	700	633	943	1,441	1,331	1,422	1,273	1,685	1,383
Public works	1,849	616	689	1,286	1,218	784	1,044	1,404	1,687	1,782
Community Development	312	782	665	700	405	491	432	397	363	398
Capital outlay	522	390	442	265	2,604	1,584	1,551	1,194	554	84
Transportation	188	69	195	31	140	298				
Intergovernmental								39		
Debt service:										
Payment to escrow agent										
Costs of issuance		60								
Principal	173	1,351	286	307	322	343	359	414	25	-
Interest	76	83	79	75	144	132	71	26	7	5
Total expenditures	<u>5,922</u>	<u>6,513</u>	<u>5,473</u>	<u>6,435</u>	<u>9,170</u>	<u>7,958</u>	<u>7,959</u>	<u>7,283</u>	<u>6,965</u>	<u>6,523</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(530)</u>	<u>(1,144)</u>	<u>398</u>	<u>1,370</u>	<u>(284)</u>	<u>527</u>	<u>(26)</u>	<u>(928)</u>	<u>(203)</u>	<u>163</u>
Other Financing Sources (Uses)										
Proceeds from borrowing										
Payments to escrow agent										
Transfers in				1,693	984	406	388	50	198	286
Transfers out				(5,314)	(920)	(341)	(321)	(35)	(198)	(287)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,621)</u>	<u>64</u>	<u>65</u>	<u>67</u>	<u>15</u>	<u>-</u>	<u>(1)</u>
Net change in fund balances	<u>\$ (530)</u>	<u>\$ (1,144)</u>	<u>\$ 398</u>	<u>\$ (2,251)</u>	<u>\$ (220)</u>	<u>\$ 592</u>	<u>\$ 41</u>	<u>\$ (913)</u>	<u>\$ (203)</u>	<u>\$ 162</u>
Debt service as a percentage of noncapital expenditures	<u>4.61%</u>	<u>23.42%</u>	<u>7.36%</u>	<u>6.31%</u>	<u>6.68%</u>	<u>7.69%</u>	<u>6.67%</u>	<u>7.35%</u>	<u>0.54%</u>	<u>0.08%</u>

Schedule 5
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	
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%
2011-2012	923,105	32,296	\$ 955,401	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 maybe 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
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%
2011-2012	1.00%	0.00%	1.00%	0.05125%	0.00000%

Source: California Municipal Statistics

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)

2012			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Santa Ynez Band of Mission Indians	\$ 25,199	1	2.64%
Worldmark, The Club	16,821	2	1.76%
NWK1, Inc	12,656	3	1.32%
Alisal Guest Ranch	12,604	4	1.32%
Solvang Hotel Group, LP	10,150	5	1.06%
AFTC-Solvang LLC	9,350	6	0.98%
Wine Valley Inn, LLC	8,589	7	0.90%
Alisal Oaks, LLC	6,841	8	0.72%
Cook, Frieda Survivors Trust	5,797	9	0.61%
Frederik's Court, LLC	5,520	10	0.58%
Total	\$ 113,527		11.88%

2010			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Santa Ynez Band of Mission Indians	\$ 23,611	1	2.43%
Solvang Mesa, LLC	17,189	2	1.77%
Worldmark, The Club	16,740	3	1.72%
Alisal Guest Ranch	12,780	4	1.31%
Solvang Hotel Group, LP	10,100	5	1.04%
AFTC-Solvang LLC	9,310	6	0.96%
Wine Valley Inn, LLC	8,885	7	0.91%
Alisal Oaks, LLC	6,806	8	0.70%
Frederik's Court LLC	6,444	9	0.66%
Cook, Frieda Survivors Trust	5,768	10	0.59%
Total	\$ 117,633		12.10%

2008			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Solvang Mesa LLC	\$ 21,827	1	2.34%
Worldmark, The Club	16,122	2	1.73%
RSI Partners, LP	12,431	3	1.33%
Alisal Properties	12,380	4	1.33%
Alisal Guest Ranch	11,221	5	1.20%
Alisal Oaks LLC	6,544	6	0.70%
Santa Maria Hospitality Investors LP	6,210	7	0.67%
AFTC-Solvang, LLC	5,810	8	0.62%
Chimney Sweep	5,696	9	0.61%
FPA Old Mission Associates, LP	5,477	10	0.59%
Total	\$ 103,718		11.14%

2006			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Solvang Mesa LLC	\$ 19,528	1	2.37%
Worldmark the Club	14,986	2	1.82%
Alisal Properties	14,490	3	1.76%
RSI Partners	14,386	4	1.75%
Solvang Lutheran Home	8,959	5	1.09%
Alisal Guest Ranch	7,021	6	0.85%
Frieda Cook	5,553	7	0.68%
Fredericks Court LLC	5,017	8	0.61%
Richman West Investments	4,302	9	0.52%
Petersen Village Inn	4,289	10	0.52%
Total	\$ 98,531		11.97%

2004			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Alisal Properties	\$ 20,514	1	2.80%
Solvang Mesa, LLC	18,770	2	2.50%
Alisal Guest Ranch	10,216	3	1.40%
National Hospitality, LLC	7,972	4	1.10%
N & G Investments	6,515	5	0.90%
Santa Maria Hospitality Investments	6,194	6	0.80%
Richman West Investments	5,331	7	0.70%
Frederik's Court Holdings, LLC	4,882	8	0.70%
Frontier Insurance Company	4,000	9	0.50%
Solvang Hospitality Investments, LP	3,810	10	0.50%
Total	\$ 88,204		11.90%

2011			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Santa Ynez Band of Mission Indians	\$ 25,030	1	2.59%
Worldmark, The Club	16,702	2	1.73%
Solvang Mesa, LLC	14,273	3	1.48%
Alisal Guest Ranch	12,680	4	1.31%
Solvang Hotel Group, LP	10,077	5	1.04%
AFTC-Solvang LLC	9,292	6	0.96%
Wine Valley Inn, LLC	8,865	7	0.92%
Alisal Oaks, LLC	6,790	8	0.70%
Frederik's Court LLC	6,429	9	0.67%
Cook, Frieda Survivors Trust	5,754	10	0.60%
Total	\$ 115,892		12.00%

2009			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Solvang Mesa LLC	\$ 24,719	1	2.52%
Worldmark, The Club	16,428	2	1.67%
Alisal Guest Ranch	12,020	3	1.22%
Solvang Hotels Group, LLC	11,203	4	1.14%
Wine Valley Inn	8,331	5	0.85%
Alisal Oaks LLC	6,674	6	0.68%
FPA Old Mill Associates, LP	5,586	7	0.57%
Alisal Properties	5,433	8	0.55%
Petersen Village Inn	4,618	9	0.47%
MP Paso, LLC	4,565	10	0.46%
Total	\$ 99,577		10.13%

2007			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Solvang Lutheran Home	\$ 22,673	1	2.06%
Solvang Mesa LLC	21,827	2	1.99%
RSI Partners	15,552	3	1.41%
Alisal Properties	12,450	4	1.13%
Alisal Guest Ranch	11,163	5	1.02%
Cottage Hospital	7,884	6	0.72%
Alisal Oaks	6,544	7	0.60%
Fredericks Court LLC	6,155	8	0.56%
Frieda Cook	5,700	9	0.52%
Chimney Sweep	5,696	10	0.52%
Total	\$ 115,644		10.52%

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

2003			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Alisal Properties	\$ 32,459	1	4.80%
Robert Strong	19,184	2	2.90%
Solvang Lutheran Home	7,127	3	1.10%
Hindler Herbert/Cynthia Wood	6,399	4	1.00%
Frontier Insurance Company	5,900	5	0.90%
N & G Investments	5,558	6	0.80%
Santa Ines Mission	4,847	7	0.70%
RIM Pacific Properties	4,785	8	0.70%
Frida Cook	4,714	9	0.70%
Earl & Dolores Petersen	4,341	10	0.60%
Total	\$ 95,314		14.20%

Source: Santa Barbara County Assessor's Office

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount Collected	Percentage of Levy
2002-03	\$ 720,369	709,596	98.5%	10,224	719,820	99.9%
2003-04	827,287	817,683	98.8%	9,072	826,755	99.9%
2004-05	912,091	901,271	98.8%	10,321	911,592	99.9%
2005-06	1,001,261	986,931	98.6%	13,511	1,000,442	99.9%
2006-07	1,091,877	1,068,943	97.9%	22,012	1,090,956	99.9%
2007-08	1,157,306	1,129,300	97.6%	26,460	1,155,760	99.9%
2008-09	1,220,447	1,185,911	97.2%	30,267	1,216,178	99.7%
2009-10	606,892	592,046	97.6%	11,263	603,309	99.4%
2010-11	600,711	590,463	98.3%	5,974	596,438	99.3%
2011-12	593,794	586,171	98.7%	n/a	586,171	98.7%

Source: Santa Barbara County Auditor-Controller's Office

**Schedule 9
City of Solvang
Transient Occupancy Tax - Principal Payers and Other Data
Last Seven 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	
			50 or More Rooms	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
2012	67%	\$ 133.07	\$ 1,947,309 6	\$ 735,631 10

Source: City of Solvang 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**

Fiscal Year	Monthly Base Rate	Rate Per CCF (748 Gallons)	Outside Users Rate per CCF
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
2012	62.36 ¹	2.85 ² 3.35	4.28 5.03

Source: City of Solvang Finance Department

Notes:

(1) This rate is for a 5/8" meter

(2) The City of Solvang went to tiered rates, effective November 21, 2011.

\$2.85 is for 0 to 1600 Cubic Feet.

\$3.35 is for 1601 Cubic Feet and above.

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

Water Revenue Concentration Data

Fiscal Year	Class of Customer				Totals
	Single Family Residential	Multi Family Residential	Commercial	Other	
	Revenue in Dollars and Number of Customers				
2003	\$ 1,651,299	\$ 428,581	\$ 510,590	\$ 246,316	\$ 2,836,786
	1,561	87	214	39	1,901
2004	1,461,820	505,103	851,567	404,603	3,223,093
	1,561	87	214	39	1,901
2005	1,868,540	416,368	630,284	314,308	3,229,500
	1,566	87	214	50	1,917
2006	1,849,229	607,218	882,845	203,384	3,542,676
	1,566	87	214	36	1,903
2007	2,092,395	684,052	1,005,959	241,431	4,023,837
	1,593	85	213	50	1,941
2008	2,184,126	593,629	1,007,392	299,301	4,084,448
	1,612	87	213	52	1,964
2009	2,084,406	426,468	799,330	267,447	3,577,681
	1,650	85	214	56	2,005
2010	1,974,510	421,805	965,034	227,364	3,588,713
	1,650	85	217	56	2,016
2011	1,908,615	427,580	957,825	225,957	3,519,977
	1,660	85	231	57	2,033
2012¹	2,131,635	402,620	887,067	426,504	3,847,826
	1,659	82	264	113	2,118

Source: City of Solvang Finance Department

Notes: 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.

(1) The City changed its rate structure in November 2011, and now includes a meter charge.

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

Fiscal Years Ended June 30

2012	2011	2010	2009
Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch
Atterdag Village	Atterdag Village	Chumash Casino Resort	Chumash Casino Resort
Chumash Casino 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
Rancho S.Y. Mobile Estates	Rancho S.Y. Mobile Estates	Solvang LLM	Rancho S.Y. Mobile Estates
Solvang LLM	Solvang LLM	Solvang Lutheran Home	Solvang Lutheran Home
Solvang School	Solvang School	Solvang School	Solvang School
Wine Valley Inn	Wine Valley Inn	Wine Valley Inn	Wine Valley Inn
Worldmark Solvang	Worldmark Solvang	Worldmark Solvang	Worldmark Solvang
2008	2007	2006	2005
Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch
Chumash Resort	Chumash Casino Resort	City of Solvang	City of Solvang
City of Solvang	City of Solvang	Mission Oaks	Cottage Hospital
Mission Oaks	Mission Oaks	Mission Ready Mix	Inns of California
Mission Ready Mix	Mission Ready Mix	Nyborg Estates Master Assoc.	Mission Oaks
Rancho S.Y. Mobile Estates	Rancho S.Y. Mobile Estates	Petersen Village Inn	Mission Ready Mix
Solvang Lutheran Home	Solvang Lutheran Home	Rancho S.Y. Mobile Estates	Petersen Village Inn
Solvang Mesa LLC	Solvang Mesa LLC	Solvang Lutheran Home	Rancho S.Y. Mobile Estates
Solvang School	Solvang School	Solvang School	Solvang Lutheran Home
Worldmark Resort	Worldmark Resort	Wine Valley Inn	Solvang School
2004	2003		
Alisal Guest Ranch	Alisal Guest Ranch		
Hans Christian Andersen Park	Country Inn & Suites		
Inns of California	Inns of California		
Mission Oaks	Mission Oaks		
Mission Ready Mix	Mission Ready Mix		
Rancho S.Y. Mobile Estates	Rancho S.Y. Mobile Estates		
Royal Scandinavian Inn	Royal Scandinavian Inn		
Solvang Lutheran Home	Solvang Lutheran Home		
Solvang School	Solvang School		
Solvang Transit Mix	Solvang Transit Mix		

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	General Obligation Bonds	Lease Revenue Bonds	Special Assessment Bonds ¹	Notes	Capital Lease Obligations	Capital Lease Obligations	Installment Agreement	Total Outstanding Debt	Percentage of Personal Income	Population	Debt per Capita
Governmental Activities					Business-type Activities						
2003			215	305	1,117	468	2,791	4,896	14.29%	5438	\$ 900.33
2004			195	265	1,596	419	2,642	5,117	14.14%	5434	\$ 941.66
2005			175	225	1,370	360	2,486	4,616	12.21%	5423	\$ 851.19
2006			150	185	1,129	296	2,322	4,082	10.64%	5332	\$ 765.57
2007			125	145	871	228	2,149	3,518	11.12%	5429	\$ 648.00
2008			95	105	598	157	1,968	2,923	9.13%	5332	\$ 548.20
2009			65	65	309	81	1,777	2,297	6.87%	5446	\$ 421.78
2010				25			1,577	1,602	4.51%	5262	\$ 304.45
2011							1,366	1,366	3.77%	5289	\$ 258.27
2012							-	-	0% ²	5283 ³	\$ -

Source: City of Solvang Finance Department

Notes:

- (1) Presented net of original discounts and premiums
- (2) Personal income is disclosed on page xxx
- (3) United States Census Bureau

**Schedule 14
City of Solvang
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012**

<u>Governmental Unit:</u>	Debt Outstanding	Estimated Percentage Applicable ²	Amount Applicable to Primary Government
Santa Barbara County Certificates of Participation	\$ 73,830,000	1.649%	\$ 1,217,457
Santa Ynez Valley Union High School District COP	3,320,000	16.947%	562,640
Buellton Union School District Cert of Participation	2,070,000	1.194%	24,716
Subtotal, overlapping debt			\$ 1,804,813
City of Solvang direct debt			-
Total direct and overlapping debt			<u>\$ 1,804,813</u>

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

Notes:

(1) Overlapping governments are those that coincide, at least in part with geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Solvang. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

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

**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
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%
2012	\$ 143,310,234	0	0.00%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value	\$ 955,401,559
Debt Limit (15% of assessed value)	143,310,234
Less debt applicable to limit:	
General Obligation bonds	<u>0</u>
Total debt applicable to limit	<u>0</u>
Legal Debt Margin	<u><u>\$ 143,310,234</u></u>

Sources: Santa Barbara County Assessor's Office and California Municipal Statistics, Inc.

Note: 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
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	-	-	-	-
2012	-	-	-	-

Water Installment Agreement and Capital Lease

	Water Service Revenues ¹	Capital Impact Fees	Less Operating Expenses ²	Net Available Revenue	Debt Service		
					Principal	Interest	Coverage
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
2012	4,206,861	23,504	3,669,942	560,423	221,387	66,235	1.95

Wastewater Capital Lease Obligation

	Wastewater Service Revenues ¹	Capital Impact Fees	Less Operating Expenses ²	Net Available Revenue	Debt Service		
					Principal	Interest	Coverage
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	1,472,895	86,657	1,271,490	288,062	-	-	-
2012	1,481,825	25,220	1,245,897	261,148	-	-	-

Source: City of Solvang Finance Department

Notes:

- (1) Water and wastewater revenues include operating revenues and interest revenues.
- (2) 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>
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	5332	170,693,316	32,013	5.00%
2009	5446	181,994,428	33,418	8.20%
2010	5262	186,787,939	35,498	8.80%
2011	5289	191,476,316	36,203	3.70%
2012	5283 ¹	204,050,592	38,624 ¹	3.30% ²

Sources: City of Solvang Finance Department

Notes:

(1) United States Census Bureau

(2) State of California, Employment Development Department

**Schedule 16
City of Solvang
Ten Largest Principal Employers
Last Seven Fiscal Years**

Fiscal Year Ended June 30, 2012				Fiscal Year Ended June 30, 2011				Fiscal Year Ended June 30, 2010			
Employer	Number of Employees	Rank	Percentage of Total City Employment	Employer	Number of Employees	Rank	Percentage of Total City Employment	Employer	Number of Employees	Rank	Percentage of Total City Employment
Alisal Guest Ranch	275	1	9.17%	Alisal Guest Ranch	270	1	9.00%	Alisal Guest Ranch	280	1	9.33%
Aterdag Village (formerly Solvang Lutheran Home)	126	2	4.20%	Solvang Lutheran Home	120	2	4.00%	Solvang Lutheran Home	126	2	4.17%
New Frontiers Market	91	3	3.03%	Santa Ynez Valley Cottage Hospital	82	3	2.73%	Santa Ynez Valley Cottage Hospital	86	3	2.83%
Santa Ynez Cottage Hospital	86	4	2.83%	Route 246	67	4	2.23%	Route 246	70	4	2.33%
Nielsens Market	75	5	2.50%	Nielsens Market	63	5	2.10%	Nielsens Market	66	5	2.17%
Solvang Unified School District	66	6	2.17%	New Frontiers Market	68	6	1.93%	New Frontiers Market	60	6	2.00%
Route 246	58	7	1.93%	Hotel Corque	52	7	1.73%	Hotel Corque	54	7	1.80%
Hotel Corque	46	8	1.53%	Solvang Unified School District	52	8	1.73%	Solvang Unified School District	54	8	1.80%
City of Solvang	39	9	1.20%	City of Solvang	35	9	1.17%	City of Solvang	36	9	1.17%
Worldmark Trendwest	26	10	0.83%	Worldmark Trendwest	29	10	0.97%	Worldmark Trendwest	30	10	1.00%
Totals	882		29.40%	Totals	628		27.60%	Totals	868		28.60%

Fiscal Year Ended June 30, 2009				Fiscal Year Ended June 30, 2008				Fiscal Year Ended June 30, 2007			
Employer	Number of Employees	Rank	Percentage of Total City Employment	Employer	Number of Employees	Rank	Percentage of Total City Employment	Employer	Number of Employees	Rank	Percentage of Total City Employment
Alisal Guest Ranch	280	1	9.33%	Alisal Guest Ranch	276	1	9.20%	Alisal Guest Ranch	276	1	9.27%
Solvang Lutheran Home	126	2	4.17%	MedSeek	160	2	5.33%	Lutheran Home	130	2	4.33%
Santa Ynez Valley Cottage Hospital	86	3	2.83%	Solvang Lutheran Home	130	3	4.33%	Chumash Casino Resort	97	3	3.23%
Route 246	70	4	2.33%	Santa Ynez Valley Cottage Hospital	85	4	2.83%	Santa Ynez Valley Cottage Hospital	86	4	2.87%
Nielsens Market	66	5	2.17%	Royal Scandinavian Inn (Chumash)	76	5	2.53%	New Frontiers Market	70	5	2.33%
New Frontiers Market	60	6	2.00%	Santa Ynez YMCA	73	6	2.43%	Solvang Unified School District	60	6	2.00%
Hotel Corque	54	7	1.80%	New Frontiers Market	67	7	2.23%	Nielsens Market	56	7	1.83%
Solvang Unified School District	54	8	1.80%	Solvang Unified School District	60	8	2.00%	City of Solvang	36	8	1.17%
City of Solvang	36	9	1.17%	Nielsens Market	65	9	1.83%	Worldmark Trendwest Hotel	30	9	1.00%
Worldmark Trendwest	30	10	1.00%	City of Solvang	36	10	1.17%	Petersen Inn Hotel	28	10	0.93%
Totals	858		28.60%	Totals	1017		33.88%	Totals	868		28.97%

Fiscal Year Ended June 30, 2006			
Employer	Number of Employees	Rank	Percentage of Total City Employment
Alisal Guest Ranch	270	1	9.00%
Lutheran Home	126	2	4.17%
Solvang Royal Scandinavian Inn	89	3	2.97%
Santa Ynez Valley Cottage Hospital	80	4	2.67%
Nielsens Market	72	5	2.40%
Solvang Unified School District	55	6	1.83%
New Frontiers Market	45	7	1.50%
Worldmark Trendwest Hotel	40	8	1.33%
City of Solvang	35	9	1.17%
Petersen Inn Hotel	33	10	1.10%
Totals	844		28.13%

Sources: City of Solvang Finance Department and City of Solvang Employers
 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 19
City of Solvang
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government:										
City Council (Stipend) ¹	-	-	-	-	-	-	-	-	-	-
City clerk	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City attorney (Contract) ²	-	-	-	-	-	-	-	-	-	-
City manager	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Economic development	1.00	1.00	1.00	1.00	-	-	-	-	-	-
Finance	4.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00	6.00
Public safety ² :										
Police (Contract)	-	-	-	-	-	-	-	-	-	-
Fire	1.00	1.00	2.00	2.00	2.00	-	-	-	-	-
Planning:										
Planning	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Building and safety ²	-	-	1.00	1.00	0.50	0.50	0.50	0.50	0.50	1.00
Public works:										
Engineering	2.00	2.00	2.00	2.00	3.50	2.50	2.50	2.50	2.50	2.50
Roads and streets	1.00	1.00	1.00	1.00	2.00	2.35	2.35	2.35	2.35	2.35
Maintenance	4.00	4.00	4.00	4.00	3.00	3.65	3.65	3.65	3.65	3.65
Parks:										
Parks and recreation	5.00	5.00	5.00	5.00	7.00	5.50	5.80	6.50	6.50	5.50
Water:										
Treatment and distribution	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Wastewater:										
Collection and treatment	5.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Totals	<u>31.00</u>	<u>32.00</u>	<u>34.00</u>	<u>34.00</u>	<u>36.00</u>	<u>33.50</u>	<u>33.80</u>	<u>34.50</u>	<u>34.50</u>	<u>35.00</u>

Source: The City of Solvang Finance Department.

(1) 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police¹:										
Physical arrest	186	242	311	365	265	299	269	353	127	114
Traffic violations	506	687	651	583	737	610	707	548	266	109
Fire¹:										
Emergency responses	373	388	435	424	486	510	498	484	589	385
Fires extinguished	36	41	35	30	18	16	18	16	15	17
Planning:										
Building permits issued	57	128	162	151	223	299	141	124	151	143
Public Works:										
Miles streets maintained	7.15	0.00	1.81	1.13	0.25	2.27	4.37	1.15	0.25	3.50
Parks:										
Community events held	9	9	7	5	14	22	17	17	18	18
Swimming pool admissions	-	-	-	-	-	-	-	-	-	-
Water:										
Number new connections	0	7	24	10	36	9	7	2	2	2
Daily average water production in MGD	1.32	1.43	1.32	1.02	1.46	1.48	1.38	1.15	1.31	1.27
Daily average water consumption in MGD	1.31	1.31	1.12	1.30	1.34	1.37	1.33	1.25	1.20	1.18
Wastewater:										
Number new connections	-	-	-	6	36	9	7	2	2	-
Daily average treatment in millions gallons(MGD)	0.88	0.82	0.75	0.82	0.60	0.60	0.69	0.73	0.72	0.77

Source: City of Solvang Finance Department and County of Santa Barbara

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Fire¹										
Stations	1	1	1	1	1	-	-	-	-	-
Engines	5	5	5	5	5	-	-	-	-	-
Public Works:										
Miles of streets	21	21	21	22	22	22	22	25	25	25
Streetlights	6	6	6	7	7	7	7	12	12	12
Traffic signals	-	-	-	-	-	-	-	-	-	-
Parks and recreation:										
Community centers	3	3	3	3	3	3	3	3	2	2
Parks	3	3	3	4	4	4	4	4	4	4
Park acreage	56	56	56	63	63	63	63	63	63	63
Water:										
Miles of mains	32	32	32	32	35	35	35	35	35	35
Number connections	1,906	1,899	1,923	1,953	1,989	1,964	2,017	2,017	2,019	2,018
Wastewater:										
Miles of sewers	40	40	40	40	40	40	42	42	42	42
Number connections	1,806	1,805	1,793	1,771	1,989	1,964	2,017	1,981	1,985	1,985
Maximum plant capacity in millions gallons	1.20	1.20	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50

Source: City of Solvang Finance Department and the County of Santa Barbara

(1) The City of Solvang contracts with the County of Santa Barbara to provide fire and police services.