

FISCAL YEAR ENDED JUNE 30

2017

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF SOLVANG,
CALIFORNIA

CITY OF SOLVANG, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
June 30, 2017

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, 2017**

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INTRODUCTORY SECTION

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December 27, 2017

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, 2017.

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 unmodified independent auditor's report on the City of Solvang's financial statements for the fiscal year ended June 30, 2017. 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-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, department, program, 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 of History and Art.

This year the City saw slight increases in both property and sales tax revenues. Our top three sales tax generators by business category remain food products, general retail, and construction, in that order. Our largest General Fund revenue source, Transient Occupancy Tax, increased about 3.2%, even though the occupancy rate was down approximately 2.6%. We are projecting all of these revenue sources to show similar growth in fiscal year 2017-18.

While we have seen increasing trends in revenues, the City is mindful of costs associated with increasing pension liabilities and increasing regulations for stormwater management, requiring additional resources for implementation. The City continues to take a very conservative approach in the budgeting process. We strive to operate within current revenue streams and are careful to minimize use of 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 \$2.3 million in capital projects. For fiscal year ending 2017-18, the City has budgeted approximately \$4.2 million for capital projects, mostly for water and public works. An additional \$30.5 million in capital projects are included in the City's Ten Year Capital Improvement Plan. These projects include about \$13 million in public works projects, \$635 thousand for parks and recreation, \$1 million for transit, \$6.9 million for water and \$8.3 million for wastewater system improvements.

The General Fund ended fiscal 2016-17 with a fund balance of approximately \$10 million. Of that fund balance, \$4.1 million is committed for emergency reserves, and approximately \$5.8 million remained unassigned. There is approximately \$3 million available in Traffic Mitigation, Impact Fees, Traffic Safety, Measure A, and Local Transportation funds, which will be used for future projects; mainly street infrastructure, improvements, and maintenance, sidewalk projects and the purchase of a parcel within the City for future parking and drainage improvements.

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 five year period ended June 30, 2016. The City completed a water and sewer rate study in FY 2016-17, and the City Council elected not to raise rates at that time. Staff will be evaluating revenue projections, as well as short and long term needs for water and sewer, and will return to Council for discussion and review in 2017-18.

Relevant Financial Policies

The City Council adopted a Fund Balance Policy in 2013 that sets the City's General Fund balance committed for emergency contingencies at 50% of the current year operating budget and is to be adjusted annually.

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, 2016. The City has received this award for 27 of the last 28 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. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement 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 Administrative Services and 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 ensure 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. A special "Thank You" also goes to Dr. Kenneth Harwood, a local economist for providing his insights on the local economy. 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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Solvang
California**

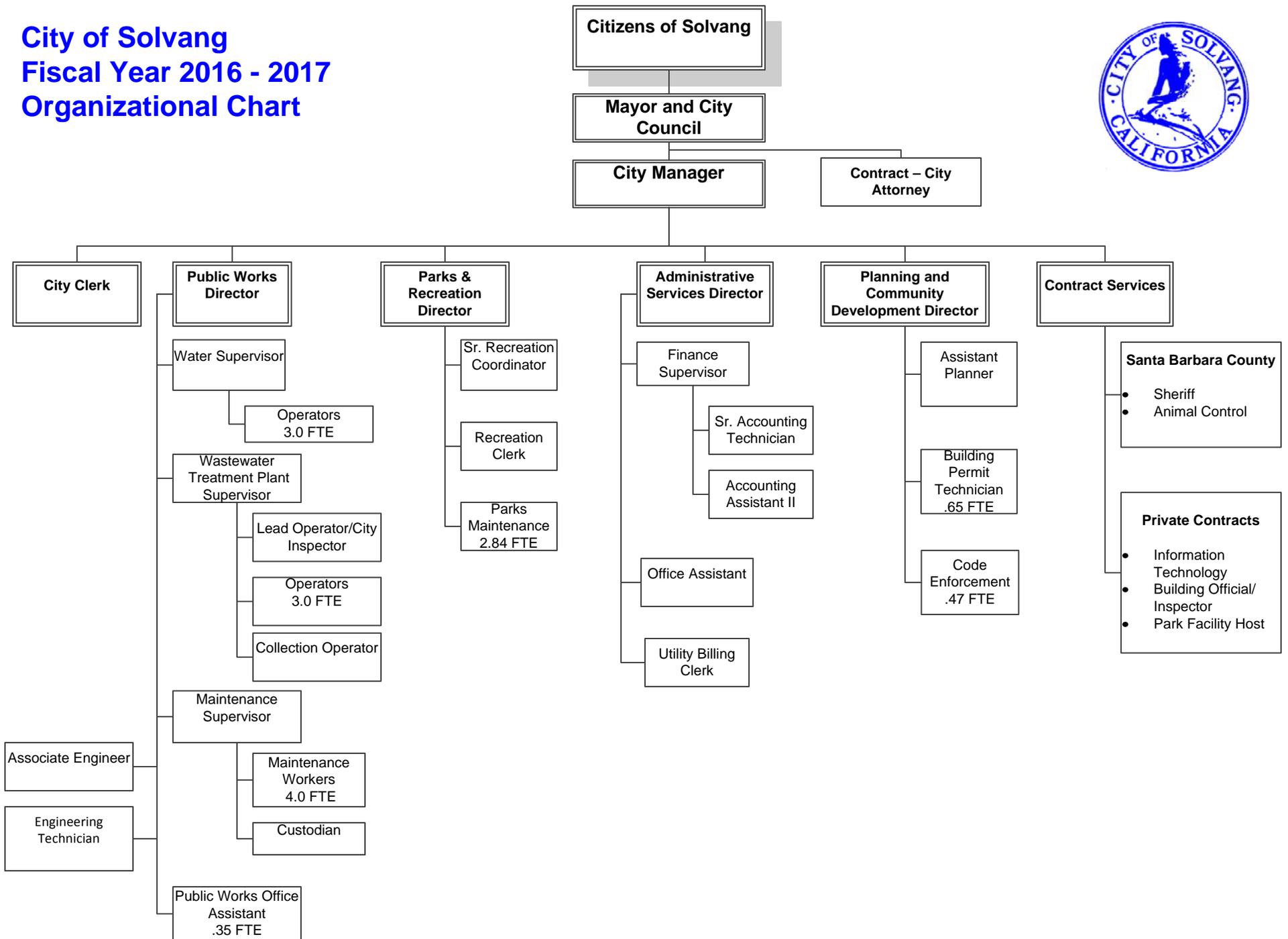
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO

**City of Solvang
Fiscal Year 2016 - 2017
Organizational Chart**



City of Solvang
List of Elected and Appointed Officials
As of June 30, 2017

Elected Officials

Mayor	Jim Richardson
Council Member	Hans Duus
Council Member	Joan Jamieson
Council Member	Ryan Toussaint
Council Member	Neill Zimmerman

Appointed Officials

City Manager	Brad Vidro
City Attorneys	David Fleishman
	Roy Hanley
City Clerk	Lisa Martin
Administrative Services Director	Sandra Featherson
Parks & Recreation Director	Fred Lageman
Planning/Community Development/Building	Holly Owen
Public Works Director/City Engineer	Matthew van der Linden

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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

Report on the Financial Statements

I have audited the accompanying financial statements 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 and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Solvang's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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, 2017, and the respective changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 15 through 27 and the Budgetary Comparison Schedules, Schedule of OPEB Funding Progress, Schedule of Proportionate Share of Net Pension Liability and Schedule of The City's Pension Plan Contributions on pages 63 through 68 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 an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Solvang's basic financial statements. The accompanying nonmajor fund combining financial statements, budget and actual schedules, schedules of capital assets, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The nonmajor fund combining financial statements, budget and actual schedules, and schedules of capital assets 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the nonmajor fund combining financial statements, budget to actual schedules, and schedules of capital assets is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report, dated September 30, 2017 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 in considering the City of Solvang's internal control over financial reporting and compliance.


Terry E. Krieg
Certified Public Accountant
Santa Rosa, California
September 30, 2017



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, 2017. 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 \$10.05 million at the end of the 2017 fiscal year; an increase of approximately \$479 thousand or 5% over fiscal year 2015-2016.
- Citywide, the total net position increased by \$2.3 million or 5.2% higher than 2015-2016 after conducting all operations and programs. The net position totaled \$47.5 million dollars at year-end. Of that amount, \$20.8 million (the unrestricted net position) 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 position of \$24.5 million dollars. Of the \$24.5 million dollars, \$8.7 million remains unrestricted and available.
- Overall, Citywide revenues from governmental activities, grants and taxes increased approximately \$1.5 million compared to the 2015-2016 fiscal year. This increase is primarily a result of increased capital grants and contributions for the Alisal Bridge Retrofit Project.
- Impact Fees ended FY 2016-2017 with a fund balance of \$2.75 million; an increase of approximately \$135 thousand from FY 2015-2016. This increase is much less than in prior years due to the final buildout of the Skytt Mesa subdivision.
- The Proprietary funds ended the fiscal year with a net position of \$22.9 million (including the funds' net investment in capital assets).
- The City's other non-major governmental funds ended FY 2016-2017 with a fund balance of \$837 thousand dollars.



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 and liabilities, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported 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 eight 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 six 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 36-39 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 two types of fiduciary funds. 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). The City collects the revenue from the local hotels, and then remits the funds to the District. The City also maintains a retiree medical trust fund used to prefund eligible retiree medical post-employment benefits.

The fiduciary fund financial statements can be found on pages 40-41 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 42-59 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the general and impact fee funds budget to actual comparisons, funding progress on the City's other post employment benefits (OPEB), the City's proportionate share of the net pension liability in regards to the California Public Employees Retirement System (CalPERS) cost sharing pool of which the City is a member, and the City's pension plan employer contributions. Required supplementary information can be found on pages 63-68 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 the City's pension liability. Combining and individual fund statements and schedules can be found on pages 71-83 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position 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 \$47,522,510, at the close of the most recent fiscal year.



Management's Discussion and Analysis

City of Solvang Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2016	2017	2016	2017	2016	2017	2016-2017
Assets:							
Current and other Assets	\$ 14,315,319	\$ 15,448,782	\$ 11,749,122	\$ 13,290,639	\$ 26,064,441	\$ 28,739,421	10%
Capital Assets	11,584,893	12,128,629	10,943,614	10,905,045	22,528,507	23,033,674	2%
Total Assets	\$ 25,900,212	\$ 27,577,411	\$ 22,692,736	\$ 24,195,684	\$ 48,592,948	\$ 51,773,095	7%
Deferred outflows of resources:							
Pension plan contributions and other pension deferrals	\$ 581,931	\$ 792,535	\$ 200,202	\$ 264,181	\$ 782,133	\$ 1,056,716	35%
Current liabilities	\$ 408,529	\$ 478,200	\$ 426,539	\$ 484,650	\$ 835,068	\$ 962,850	15%
Noncurrent liabilities	2,293,151	2,898,280	705,631	852,565	2,998,782	3,750,845	25%
Total Liabilities	\$ 2,701,680	\$ 3,376,480	\$ 1,132,170	\$ 1,337,215	\$ 3,833,850	\$ 4,713,695	23%
Deferred inflows of resources:							
Pension plan timing difference	\$ 275,931	\$ 447,066	\$ 91,638	\$ 146,540	\$ 748,601	\$ 593,606	-21%
Net Position:							
Invested in capital assets	\$ 11,584,893	\$ 12,210,555	\$ 10,943,614	\$ 10,905,045	\$ 22,528,507	\$ 23,115,600	3%
Restricted	3,121,123	3,597,517	-	-	3,121,123	3,597,517	15%
Unrestricted	8,798,516	8,738,328	10,725,516	12,071,065	19,524,032	20,809,393	7%
Total Net Position	\$ 23,504,532	\$ 24,546,400	\$ 21,669,130	\$ 22,976,110	\$ 45,173,662	\$ 47,522,510	5%

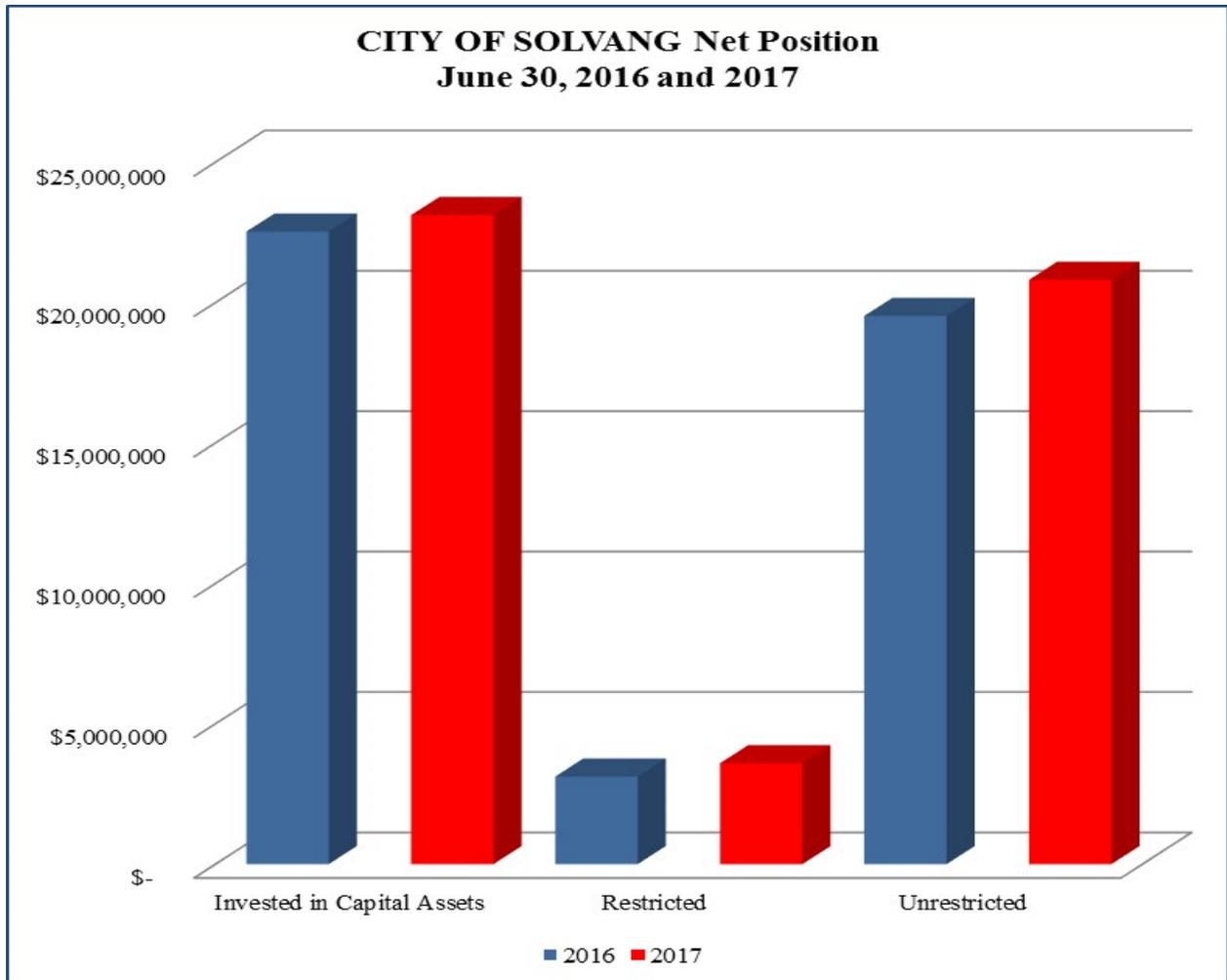
By far, the largest portion of the City of Solvang's net position (48.6%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City of Solvang uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

An additional portion of the City of Solvang's net position (7.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$20.8 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 position, 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



The City of Solvang's overall net position increased by \$2.3 million from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.

Governmental Activities. Taxes are the primary source of revenue for governmental activities and account for 76% of all revenues. The tax category includes property tax, sales tax, transient occupancy tax (TOT) and other taxes.

Solvang is a tourist community and the largest portion of its tax revenues come from transient occupancy tax (local hotel tax). These taxes generate 45% of all governmental-type revenues. In FY 2016-17, local hotel tax increased approximately \$135 thousand or 3.2% from fiscal year 2015-16.



Management's Discussion and Analysis

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

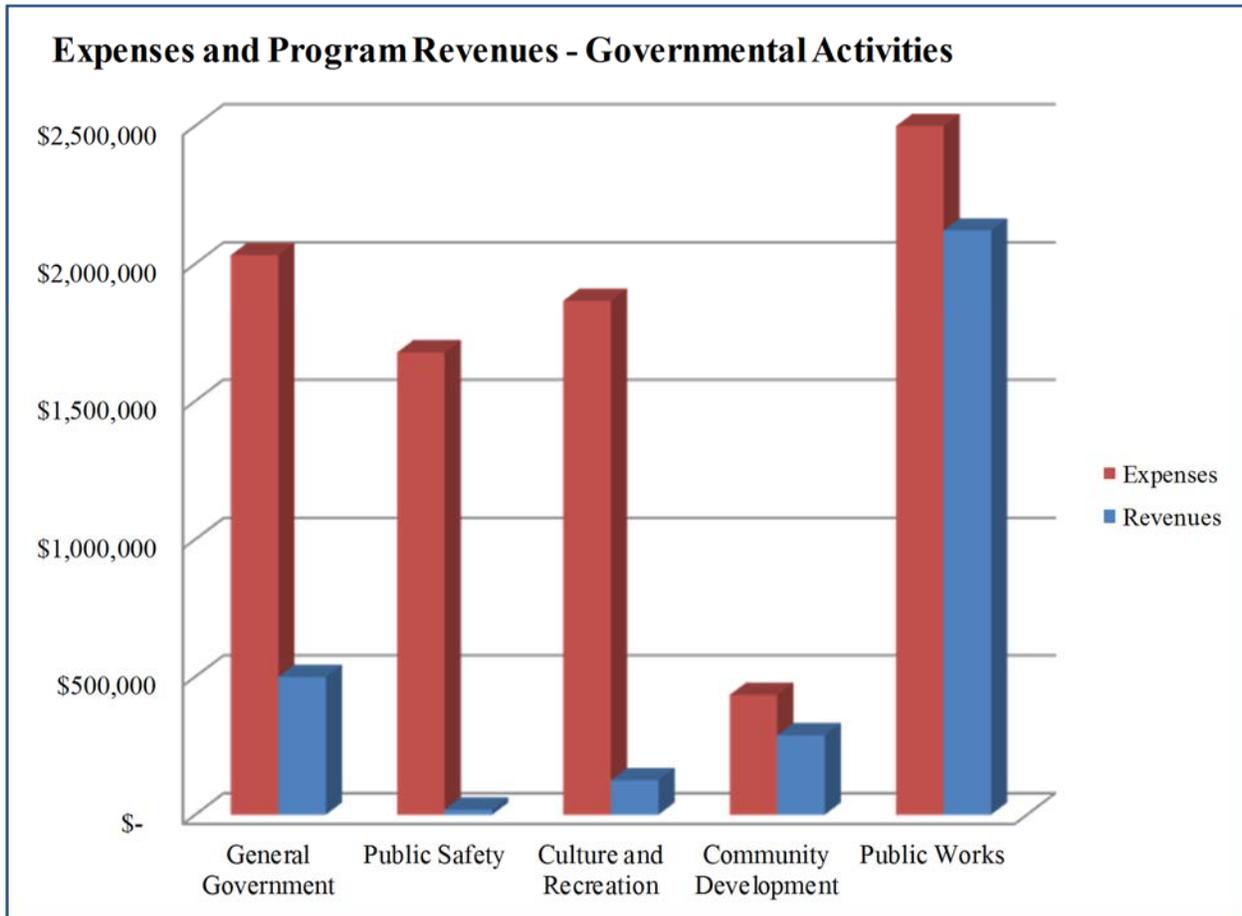
When all operations were concluded, the governmental activities function generated an increase of \$1.04M in net position primarily due to an increase in general revenues and capital grants and contributions.

City of Solvang's Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2017	2016	2017	2016	2017	2016	2016-2017
Revenues:							
Program revenues							
Charges	\$ 1,356,647	\$ 1,354,064	\$ 6,314,091	\$ 6,254,089	\$ 7,670,738	\$ 7,608,153	1%
Operating grants and contributions	773,860	530,193	888,618	813,847	1,662,478	1,344,040	24%
Capital grants and contributions	921,294	116,767	214,575	587,845	1,135,869	704,612	61%
General revenues:					-		
Transient occupancy taxes	4,330,599	4,195,940			4,330,599	4,195,940	3%
Property, sales and other taxes	2,970,646	2,688,340			2,970,646	2,688,340	11%
Other	48,294	43,499			48,294	43,499	11%
Total revenues	10,401,340	8,928,803	7,417,284	7,655,781	17,818,624	16,584,584	7%
Expenses:							
General government	2,031,468	1,664,564			2,031,468	1,664,564	22%
Public safety	1,675,872	1,637,483			1,675,872	1,637,483	2%
Culture and recreation	1,865,952	1,858,427			1,865,952	1,858,427	0%
Community development	434,362	463,965			434,362	463,965	-6%
Public works	2,499,428	2,045,387			2,499,428	2,045,387	22%
Water			4,030,207	4,077,790	4,030,207	4,077,790	-1%
Wastewater			2,083,850	1,733,416	2,083,850	1,733,416	20%
Transit			848,637	701,114	848,637	701,114	21%
Total expenses	8,507,082	7,669,826	6,962,694	6,512,320	15,469,776	14,182,146	9%
Increase (decrease) in net position before transfers	1,894,258	1,258,977	454,590	1,143,461	2,348,848	2,402,438	-2%
Transfers	(852,390)	(2,000)	852,390	2,000	-	-	
<i>Increase (decrease) in net position</i>	<i>1,041,868</i>	<i>1,256,977</i>	<i>1,306,980</i>	<i>1,145,461</i>	<i>2,348,848</i>	<i>2,402,438</i>	<i>-2%</i>
Net position, beginning	\$ 23,504,532	\$ 22,247,555	\$ 21,669,130	\$ 20,523,669	\$ 45,173,662	\$ 42,771,224	6%
Net position, ending	\$ 24,546,400	\$ 23,504,532	\$ 22,976,110	\$ 21,669,130	\$ 47,522,510	\$ 45,173,662	5%



Management's Discussion and Analysis



Business-type Activities. For the City of Solvang’s business-type activities, the City’s net position increased, to end the year at \$22,976,110. The increase in net position for business-type activities (water, wastewater, and transit funds) was \$1,306,980 from the prior fiscal year. Water revenue remained relatively flat, showing a modest 2.3% increase due to the continued conservation efforts by Solvang residents and the completion of the Skytt Mesa subdivision (resulting in less Connection Fee revenue). Wastewater revenues declined about 4%, also due, in part, to the completion of the Skytt Mesa subdivision. Overall, revenues decreased by about 3%, while expenditures increased about 7%.

Financial Analysis of Governmental Funds

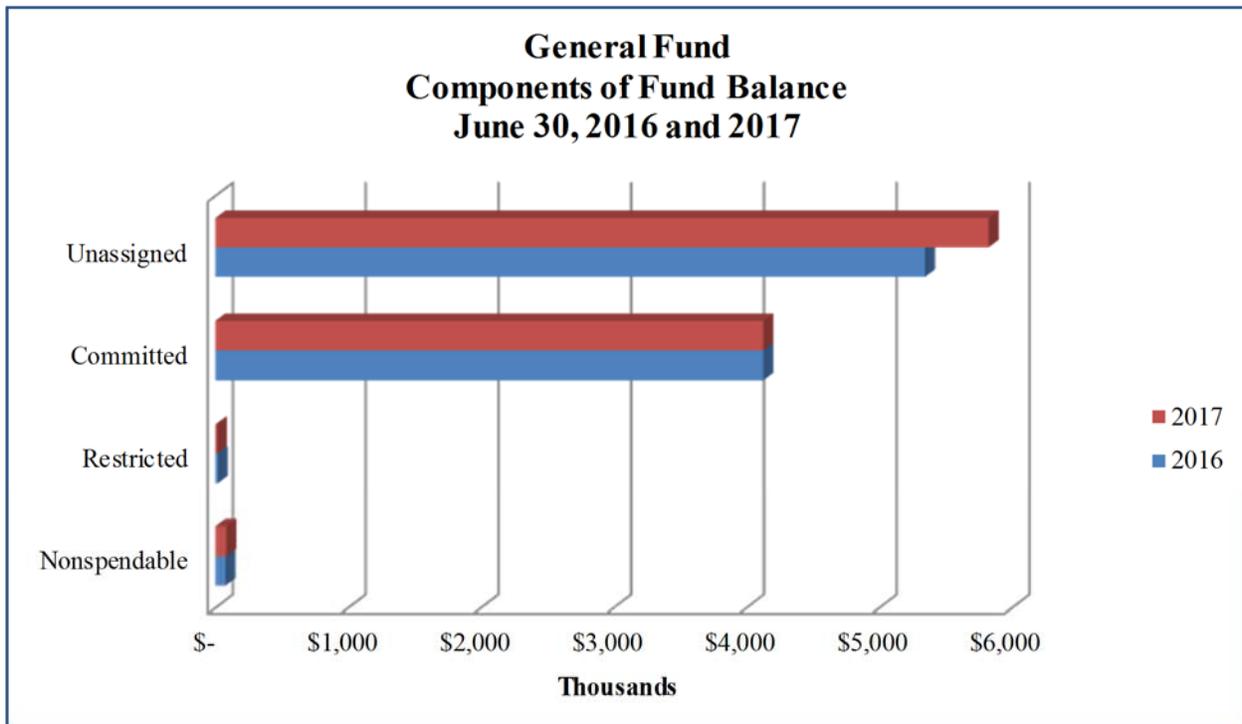
As noted earlier, the City of Solvang uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



Management's Discussion and Analysis

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, 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.

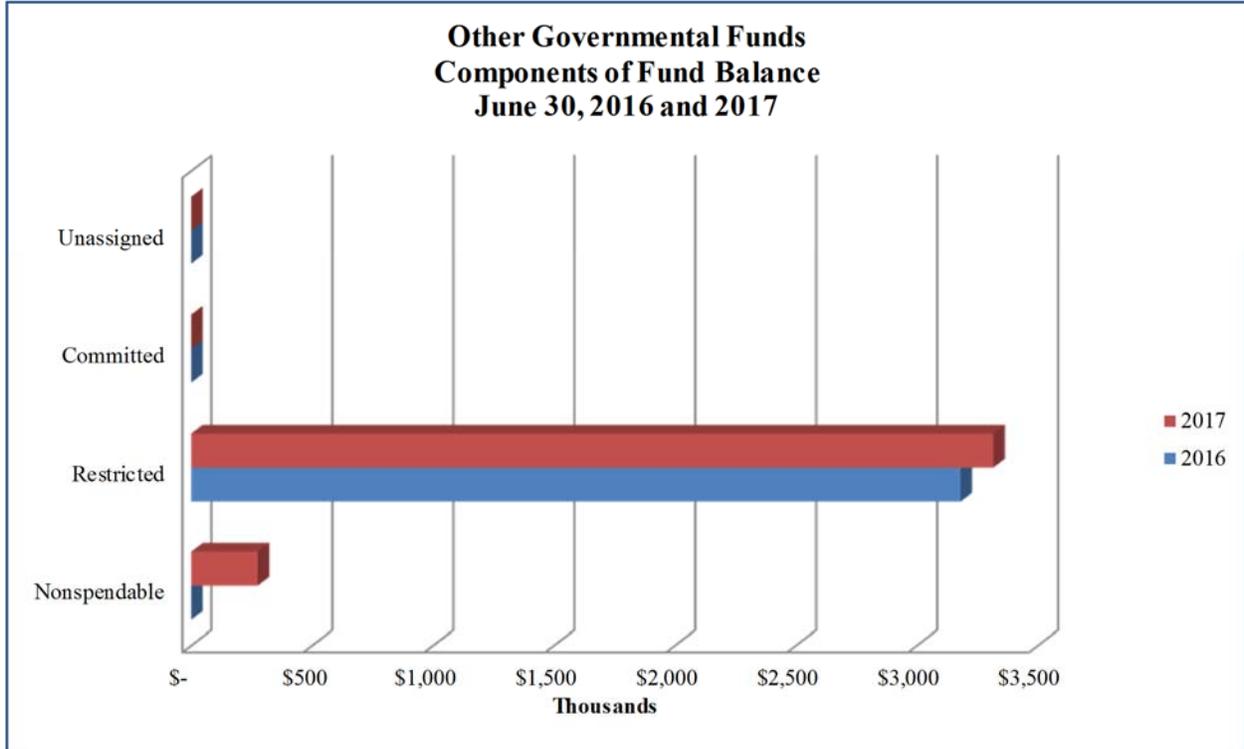
At June 30, 2017, the City of Solvang’s governmental funds reported combined fund balances of \$13,637,647, an increase of \$889,348 in comparison with the prior year. Approximately 43% of this amount (\$5,824,932) constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of the fund balance is either nonspendable, restricted, or committed, to indicate that it is 1) not in spendable form (\$357,192), 2) restricted for particular purposes (\$3,328,203), or 3) committed for particular purposes (\$4,127,320). The increase in governmental funds from fiscal year 2015-16 to 2016-2017, was due primarily to the increase in the General Fund as a result of increased transient occupancy and sales taxes.



The general fund is the chief operating fund of the City of Solvang. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$5,824,932, while total fund balance increased to \$10,046,650.



Management's Discussion and Analysis



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 position for the Water and Wastewater funds at the end of the year were \$6,951,062 and \$4,012,388 respectively. The total growth in net position for Water was \$1,508,097. The increase in Net Position in the Water Fund is attributed primarily to a transfer in from the General Fund to accelerate a meter replacement project. The Wastewater fund decreased its net position by \$345,963. Both the Water and Wastewater funds received less capital contributions (connection fees) due to the final development of the Skytt Mesa subdivision.

Transit operations unrestricted net position totaled \$1,107,615, an increase of \$144,845 from fiscal year 2015-16. Transit operations overall net position increased by 9.9% to end the fiscal year at \$1,610,954, primarily due to operating assistance from the federal and state government.



Management's Discussion and Analysis

General Fund Budgetary Highlights

Original budget compared to final budget. There were two budget adjustments (greater than \$100 thousand), to increase original budgeted expenditures - listed below:

Expenditure Budget Adjustments	Initial Budget	Final Budget	Difference
Fire Station Bay Extension	\$ -	\$ 237,578	\$ 237,578
Transfers Out - Transfer for Purchase of PG&E Underground Utility Credits for Project	\$ 810,000	\$ 1,085,000	\$ 275,000

Santa Barbara County Fire received a donation of a ladder fire truck. The truck would not fit in the current location of the fire station, so the City Council agreed to share the cost to remodel one of the fire station bays (located in the City Hall building) for the new truck. The City received a donation and was also able to redirect Indian Gaming funds to help offset the cost.

Included in the Ten Year Capital Improvement Plan is a project to move the overhead utility lines underground, along a portion of Mission and Fifth Streets. The City Council elected to utilize \$275,000 of General Funds to buy the necessary PG&E credits from the City of Santa Barbara to help facilitate the project.

Generally, the movement of the appropriations between departments was not significant.

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

Revenue Source	Final Budgeted Revenues	Actual Revenues	Difference
Transient Occupancy Tax	\$ 3,955,000	\$ 4,330,599	\$ 375,599
Sales Tax	\$ 1,185,000	\$ 1,290,241	\$ 105,241
Property Tax -In Lieu Local Sales Tax	\$ -	\$ 163,567	\$ 163,567

A review of actual expenditures compared to the appropriations in the final budget yields no significant variances. Overall, actual expenditures were less than budgeted expenditures by \$478,513.

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, 2017, amounts to \$23,115,6007 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment,



Management's Discussion and Analysis

vehicles, park facilities, roads, highways, bridges, and the wastewater treatment plant. The investment in capital assets increased by 2.6%. Major capital asset events (greater than \$100K) during fiscal year 2016-17 included the following:

Alisal Bridge Seismic Retrofit	\$ 915,291
South Well in Hans Christian Andersen Park	\$ 322,767
Reservoir 2 Upgrades/Repairs	\$ 294,128
Roads - Crack Sealing/Overlay	\$ 276,382
Fire Station Remodel	\$ 199,687

Additional information on the City of Solvang’s capital assets can be found in Note 4.D on pages 50-52 of this report.

Long-term Debt. Under insurance arrangements, the City is self-insured for the first \$50,000 for each workers’ compensation claim, \$20,000 for each general liability claim, and \$5,000 per property damage claim. The statement of net position also shows no liability for 2017 for estimated claim obligations and has no current obligation for 2017. This liability was fully funded and paid in 2017, and there were no pending claims at the end of the fiscal year.

The City has a take or pay water purchase agreement with the Santa Ynez River Water Conservation District, Improvement District No. 1 (ID No.1) where the City must make annual payments for the water whether or not water is delivered. 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 52 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 2017-18 fiscal year budget:

- In June 2017, the City Council adopted a General Fund budget with expenditures greater than budgeted revenues. This was to provide monies to the Water Fund to accelerate a meter replacement project. Given the anticipated amount of available unassigned fund balance at the end of FY 2016-17 of approximately \$5M, the City Council anticipated using those funds to make up the budgeted deficit of \$839K. We do not anticipate the reduction of any public services or staff in the coming year.



Management's Discussion and Analysis

- In 2011, an annual increase in water rates was approved and scheduled for each November from fiscal year 2011-12 through fiscal year 2015-2016. The additional funds generated by the increase were to support maintenance and capital replacement costs, as well as adequate funding of reserves. However, with the State of California in a severe drought, the impact of the rate increase has been diminished by the need to purchase additional water and move forward with capital projects to ensure long term water resources. The City completed a water and sewer rate study in FY 2016-17 and the City Council elected not to raise rates at that time. Staff will be evaluating revenue projections, as well as short and long term needs for water and sewer and will return to Council for discussion and review in 2017-18.
- As property values slowly increase, the taxable assessed value as a percentage of estimated actual value in property assessments increases, and contributes to the increase in City revenues.
- The City continues to see yearly increases in transient occupancy taxes and revenue for the City.
- Increases are expected in pension and other employee benefit costs. These rates will be increasing over the next 5-7 years as CalPERS adjusts their methodology and assumptions.
- The City of Solvang relies heavily on tourism, with over 1.5 million visitors annually, requiring daily services for residents and non-residents alike.

Requests for Information

This financial report is designed to provide a general overview of the City of Solvang's finances for anyone 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

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Basic Financial Statements

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CITY OF SOLVANG
Statement of Net Position
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Solvang Conference & Visitors Bureau
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 14,021,880	\$ 8,879,339	\$ 22,901,219	\$ 87,870
Net receivables	1,046,346	1,016,222	2,062,568	127
Deposits	-	609,453	609,453	
Prepayments	298,364	2,525,918	2,824,282	700
Total current assets	<u>15,366,590</u>	<u>13,030,932</u>	<u>28,397,522</u>	<u>88,697</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	259,707	259,707	-
Receivables-long-term	82,192	-	82,192	-
Capital assets not being depreciated	3,349,377	1,079,025	4,428,402	-
Capital assets being depreciated, net	8,779,252	9,826,020	18,605,272	-
Total noncurrent assets	<u>12,210,821</u>	<u>11,164,752</u>	<u>23,375,573</u>	<u>-</u>
Total assets	<u>27,577,411</u>	<u>24,195,684</u>	<u>51,773,095</u>	<u>88,697</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension plan deferrals	792,535	264,181	1,056,716	-
LIABILITIES				
Current liabilities:				
Accounts payable	348,738	138,495	487,233	27,804
Accrued liabilities	20,867	15,784	36,651	10,798
Compensated absences	60,000	69,664	129,664	-
Deposits	48,595	1,000	49,595	-
Unearned advances	-	259,707	259,707	-
Total current liabilities	<u>478,200</u>	<u>484,650</u>	<u>962,850</u>	<u>38,602</u>
Noncurrent liabilities:				
Compensated absences	102,543	9,900	112,443	-
Net other post employment benefit obligation	226,413	-	226,413	-
Net pension liability	2,569,324	842,665	3,411,989	-
Total noncurrent liabilities	<u>2,898,280</u>	<u>852,565</u>	<u>3,750,845</u>	<u>-</u>
Total liabilities	<u>3,376,480</u>	<u>1,337,215</u>	<u>4,713,695</u>	<u>38,602</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension plan deferrals	447,066	146,540	593,606	-
NET POSITION				
Net investment in capital assets	12,210,555	10,905,045	23,115,600	-
Restricted for:				
Highways and streets	2,653,742	-	2,653,742	-
Capital improvements	943,775	-	943,775	-
Unrestricted	8,738,328	12,071,065	20,809,393	50,095
Total net position	<u>\$ 24,546,400</u>	<u>\$ 22,976,110</u>	<u>\$ 47,522,510</u>	<u>\$ 50,095</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, 2017

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position			Component Unit Solvang Conference and Visitors Bureau
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
City government								
Governmental Activities:								
General government	\$ 2,031,468	\$ 499,324	\$ -	\$ -	\$ (1,532,144)	\$ -	\$ (1,532,144)	\$ -
Public safety	1,675,872	19,039	-	-	(1,656,833)	-	(1,656,833)	-
Culture and recreation	1,865,952	119,547	5,238	-	(1,741,167)	-	(1,741,167)	-
Community development	434,362	287,874	-	-	(146,488)	-	(146,488)	-
Public works	2,499,428	430,863	768,622	921,294	(378,649)	-	(378,649)	-
Total governmental activities	<u>8,507,082</u>	<u>1,356,647</u>	<u>773,860</u>	<u>921,294</u>	<u>(5,455,281)</u>	<u>-</u>	<u>(5,455,281)</u>	<u>-</u>
Business-Type Activities:								
Water	4,030,207	4,566,227	-	102,409	-	638,429	638,429	-
Wastewater	2,083,850	1,669,291	-	90,875	-	(323,684)	(323,684)	-
Transit	848,637	78,573	888,618	21,291	-	139,845	139,845	-
Total business-type activities	<u>6,962,694</u>	<u>6,314,091</u>	<u>888,618</u>	<u>214,575</u>	<u>-</u>	<u>454,590</u>	<u>454,590</u>	<u>-</u>
Total Primary government	<u>\$ 15,469,776</u>	<u>\$ 7,670,738</u>	<u>\$ 1,662,478</u>	<u>\$ 1,135,869</u>	<u>(5,455,281)</u>	<u>454,590</u>	<u>(5,000,691)</u>	<u>-</u>
Component Unit:								
Solvang Conference & Visitors Bureau	<u>\$ 836,777</u>	<u>\$ 109,494</u>	<u>\$ 729,874</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 2,591</u>
General revenues and transfers:								
Taxes:								
Property taxes					1,283,266	-	1,283,266	-
Sales taxes					1,453,808	-	1,453,808	-
Transient occupancy taxes					4,330,599	-	4,330,599	-
Other taxes					233,572	-	233,572	-
Interest					48,294	-	48,294	-
Transfers					(852,390)	852,390	-	-
Total general revenues and transfers					<u>6,497,149</u>	<u>852,390</u>	<u>7,349,539</u>	<u>-</u>
Increase (decrease) in net position					1,041,868	1,306,980	2,348,848	2,591
Net position, beginning					<u>23,504,532</u>	<u>21,669,130</u>	<u>45,173,662</u>	<u>47,504</u>
Net position, ending					<u>\$ 24,546,400</u>	<u>\$ 22,976,110</u>	<u>\$ 47,522,510</u>	<u>\$ 50,095</u>

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

CITY OF SOLVANG
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 9,381,779	\$ 2,758,217	\$ 514,428	\$ 12,654,424
Taxes receivable	631,526	-	-	631,526
Accounts receivable	72,621	-	-	72,621
Due from other governments	-	-	289,577	289,577
Accrued interest receivable	19,962	5,846	1,335	27,143
Due from other funds	229,411	-	-	229,411
Notes receivable	-	22,931	-	22,931
Prepayments	23,364	-	275,000	298,364
Due from other governments - long term	82,192	-	-	82,192
	<u>\$ 10,440,855</u>	<u>\$ 2,786,994</u>	<u>\$ 1,080,340</u>	<u>\$ 14,308,189</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 325,123	\$ 10,229	\$ 13,386	\$ 348,738
Accrued liabilities	20,487	-	380	20,867
Due to other funds	-	-	229,411	229,411
Deposits	48,595	-	-	48,595
	<u>394,205</u>	<u>10,229</u>	<u>243,177</u>	<u>647,611</u>
Deferred inflow of resources:				
Long-term notes receivable	-	22,931	-	22,931
Fund balances:				
Nonspendable	82,192	-	275,000	357,192
Restricted for:				
Recycling	12,206	-	-	12,206
Highways and streets	-	1,822,265	562,163	2,384,428
Parking	-	436,266	-	436,266
Park improvements	-	87,376	-	87,376
Drainage	-	1,602	-	1,602
Affordable housing	-	406,325	-	406,325
Committed to:				
Emergencies	4,127,320	-	-	4,127,320
Unassigned	5,824,932	-	-	5,824,932
	<u>10,046,650</u>	<u>2,753,834</u>	<u>837,163</u>	<u>13,637,647</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,440,855</u>	<u>\$ 2,786,994</u>	<u>\$ 1,080,340</u>	<u>\$ 14,308,189</u>

Total Governmental Fund Balances	\$ 13,637,647
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	12,046,702
The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	1,451,930
Pension actuarial liabilities and certain employer contributions are reported as deferred inflows and outflows of resources and are, therefore, not reported in the funds.	345,470
Net pension liability (NPL) obligations are not due and payable in the current period and are not reported in the funds	(2,569,324)
Long-term notes receivable from developers are not current financial resources and are reported as deferred inflows in the funds.	22,931
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.	(388,956)
Net Position of Governmental Activities	<u>\$ 24,546,400</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, 2017

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 1,283,266	\$ -	\$ -	\$ 1,283,266
Sales taxes	1,453,808	-	-	1,453,808
Transient occupancy taxes	4,330,599	-	-	4,330,599
Other taxes	233,572	-	-	233,572
Special assessments	-	-	202,752	202,752
Licenses and permits	183,868	-	-	183,868
Fines and forfeits	-	-	8,878	8,878
Intergovernmental	5,000	-	1,483,877	1,488,877
Interest	48,294	13,868	1,389	63,551
Charges for services	742,510	177,702	-	920,212
Miscellaneous	207,954	-	1,072	209,026
	<u>8,488,871</u>	<u>191,570</u>	<u>1,697,968</u>	<u>10,378,409</u>
EXPENDITURES				
Current:				
General government	1,668,876	-	-	1,668,876
Public safety	1,662,176	-	-	1,662,176
Culture and recreation	1,653,993	-	-	1,653,993
Community development	434,362	-	-	434,362
Public works	1,651,052	56,586	1,547,016	3,254,654
	<u>7,070,459</u>	<u>56,586</u>	<u>1,547,016</u>	<u>8,674,061</u>
Excess (deficiency) of revenues over expenditures	<u>1,418,412</u>	<u>134,984</u>	<u>150,952</u>	<u>1,704,348</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	150,786	-	280,686	431,472
Transfers out	(1,090,686)	-	(155,786)	(1,246,472)
	<u>(939,900)</u>	<u>-</u>	<u>124,900</u>	<u>(815,000)</u>
Net change in fund balances	478,512	134,984	275,852	889,348
Fund balances, July 1	<u>9,568,138</u>	<u>2,618,850</u>	<u>561,311</u>	<u>12,748,299</u>
Fund balances, June 30	<u>\$ 10,046,650</u>	<u>\$ 2,753,834</u>	<u>\$ 837,163</u>	<u>\$ 13,637,647</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, 2017

Net Change in Fund Balances - Total Governmental Funds	<u><u>\$ 889,348</u></u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$1,601,062 exceed depreciation (\$818,156) in the current period.	782,906
The abandonment of capital assets (construction in progress costs) do not result in the use of current financial resources and are therefore not reported in the funds	(216,977)
Increases in liabilities for other post employment benefits (OPEB) do not require the use of current financial resources, but increase liabilities in the statement of net position	(5,021)
Long-term notes receivable are not current financial resources and are deferred in the funds	22,931
Changes in the net pension liability do not use or provide current financial resources and are reported in the statement of activities, but not in the fund statements.	(540,872)
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 in the governmental funds	(19,766)
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	<u>129,319</u>
Net differences	<u><u>152,520</u></u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,041,868</u></u>

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

CITY OF SOLVANG
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities				Governmental Activities - Internal Service Fund
	Water	Wastewater	Transit	Totals	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,649,540	\$ 4,348,672	\$ 881,127	\$ 8,879,339	\$ 1,367,456
Receivables(net)	560,443	180,429	275,350	1,016,222	2,548
Deposits	609,453	-	-	609,453	-
Prepayments	2,517,813	7,580	525	2,525,918	-
Total current assets	7,337,249	4,536,681	1,157,002	13,030,932	1,370,004
Noncurrent assets:					
Other assets:					
Cash and cash equivalents	-	-	259,707	259,707	-
Total other noncurrent assets	-	-	259,707	259,707	-
Capital assets:					
Capital assets not being depreciated:					
Land	64,099	48,720	-	112,819	-
Construction in progress	944,915	-	21,291	966,206	-
Total	1,009,014	48,720	21,291	1,079,025	-
Capital assets being depreciated:					
Buildings and facilities	784,721	6,992,536	450,834	8,228,091	-
Distribution and collection systems	5,848,897	3,904,888	-	9,753,785	-
Infrastructure	1,566,232	3,709,130	19,547	5,294,909	-
Vehicles	37,390	374,945	472,742	885,077	505,734
Equipment	282,409	1,038,158	51,564	1,372,131	197,229
Less accumulated depreciation	(4,766,509)	(10,428,825)	(512,639)	(15,707,973)	(621,037)
Net capital assets being depreciated	3,753,140	5,590,832	482,048	9,826,020	81,926
Net capital assets	4,762,154	5,639,552	503,339	10,905,045	81,926
Total noncurrent assets	4,762,154	5,639,552	763,046	11,164,752	81,926
Total assets	12,099,403	10,176,233	1,920,048	24,195,684	1,451,930
DEFERRED OUTFLOWS OF RESOURCES					
Pension plan deferrals	105,672	158,509	-	264,181	-
LIABILITIES					
Current liabilities:					
Accounts payable	72,247	16,861	49,387	138,495	-
Other current liabilities	-	15,784	-	15,784	-
Compensated absences	16,830	52,834	-	69,664	-
Unearned advances	-	-	259,707	259,707	-
Deposits	-	1,000	-	1,000	-
Total current liabilities	89,077	86,479	309,094	484,650	-
Noncurrent liabilities:					
Compensated absences	7,100	2,800	-	9,900	-
Net pension liability	337,066	505,599	-	842,665	-
Total noncurrent liabilities	344,166	508,399	-	852,565	-
Total liabilities	433,243	594,878	309,094	1,337,215	-
DEFERRED INFLOW OF RESOURCES					
Pension plan deferrals	58,616	87,924	-	146,540	-
NET POSITION					
Net investment in capital assets	4,762,154	5,639,552	503,339	10,905,045	81,926
Unrestricted	6,951,062	4,012,388	1,107,615	12,071,065	1,370,004
Total net position	\$ 11,713,216	\$ 9,651,940	\$ 1,610,954	\$ 22,976,110	\$ 1,451,930

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

CITY OF SOLVANG
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Business-type Activities				Governmental Activities Internal- Service Fund
	Water	Wastewater	Transit	Totals	
OPERATING REVENUES					
Sales of water	\$ 4,490,615	\$ -	\$ -	\$ 4,490,615	\$ -
Service fees	-	1,596,677	55,763	1,652,440	165,428
Miscellaneous	53,476	50,121	211	103,808	-
Total operating revenues	4,544,091	1,646,798	55,974	6,246,863	165,428
OPERATING EXPENSES					
Salaries and benefits	479,401	834,179	-	1,313,580	-
Purchased power	109,084	187,570	-	296,654	-
Transit operator	-	-	467,471	467,471	-
Services and supplies	697,099	608,991	265,798	1,571,888	-
Joint operating expenses	2,485,453	-	-	2,485,453	-
Depreciation and amortization	259,170	453,110	115,368	827,648	22,194
Total operating expenses	4,030,207	2,083,850	848,637	6,962,694	22,194
Operating income (loss)	513,884	(437,052)	(792,663)	(715,831)	143,234
NON-OPERATING REVENUES (EXPENSES)					
Operating subsidies	-	-	888,618	888,618	-
Gain on capital assets	-	-	16,956	16,956	17,500
Interest and investment revenue	22,136	22,493	5,643	50,272	5,975
Net nonoperating revenues (expenses)	22,136	22,493	911,217	955,846	23,475
Income (loss) before contributions and transfers	536,020	(414,559)	118,554	240,015	166,709
Contributions and transfers:					
Transfers in	869,668	-	5,000	874,668	-
Transfers out	-	(22,278)	-	(22,278)	(37,390)
Capital contributions	102,409	90,875	21,291	214,575	-
Net contributions and transfers	972,077	68,597	26,291	1,066,965	(37,390)
Increase (decrease) in net position	1,508,097	(345,962)	144,845	1,306,980	129,319
Total net position, July 1	10,205,119	9,997,902	1,466,109	21,669,130	1,322,611
Total net position, June 30	\$ 11,713,216	\$ 9,651,940	\$ 1,610,954	\$ 22,976,110	\$ 1,451,930

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, 2017

	Business-type Activities				Governmental Activities-Internal Service Fund
	Water	Wastewater	Transit	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 4,531,628	\$ 1,660,993	\$ 55,991	\$ 6,248,612	\$ -
Payments to suppliers	(3,192,791)	(661,882)	(673,810)	(4,528,483)	-
Payments to other funds for services	(262,365)	(163,206)	(55,237)	(480,808)	-
Payments from other funds for services	-	-	-	-	165,428
Payments for employees and benefits	(420,248)	(733,026)	-	(1,153,274)	-
	<u>656,224</u>	<u>102,879</u>	<u>(673,056)</u>	<u>86,047</u>	<u>165,428</u>
Net cash provided by (used for) operating activities					
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	869,668	-	5,000	874,668	-
Transfers out	-	(22,278)	-	(22,278)	(37,390)
Operating subsidies	-	-	897,068	897,068	-
Interest paid	(1,368)	-	-	(1,368)	-
Repayment of internal balances	(22,278)	-	-	(22,278)	-
Receipt of internal balance repayments	-	22,278	-	22,278	-
	<u>846,022</u>	<u>-</u>	<u>902,068</u>	<u>1,748,090</u>	<u>(37,390)</u>
Net cash provided by (used for) noncapital financing activities					
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale capital assets	-	-	16,956	16,956	17,500
Capital contributions	102,408	90,875	147,713	340,996	-
Purchases of capital assets	(640,332)	(127,456)	(30,366)	(798,154)	-
	<u>(537,924)</u>	<u>(36,581)</u>	<u>134,303</u>	<u>(440,202)</u>	<u>17,500</u>
Net cash provided by (used for) capital and related financing activities					
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest receipts	17,918	18,691	5,716	42,325	5,026
	<u>17,918</u>	<u>18,691</u>	<u>5,716</u>	<u>42,325</u>	<u>5,026</u>
Net cash provided by investing activities					
Net increase (decrease) in cash and cash equivalents	982,240	84,989	369,031	1,436,260	150,564
Balances-beginning of the year	2,667,300	4,263,683	771,803	7,702,786	1,216,892
Balances-end of the year	<u>\$ 3,649,540</u>	<u>\$ 4,348,672</u>	<u>\$ 1,140,834</u>	<u>\$ 9,139,046</u>	<u>\$ 1,367,456</u>

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, 2017

	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)	\$ 513,884	\$ (437,052)	\$ (792,663)	\$ (715,831)	\$ 143,234
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	259,170	453,110	115,368	827,648	22,194
Change in assets and liabilities:					
Decrease (increase) in prepayments	(99,257)	(6,744)	-	(106,001)	-
Decrease (increase) in deposits	-	-	-	-	-
Increase (decrease) in net pension liability	53,624	84,233	-	137,857	-
Increase (decrease) in compensated absences	6,099	14,029	-	20,128	-
Decrease (increase) in accounts receivable	(12,463)	14,197	17	1,751	-
Increase (decrease) in other liabilities	(3,598)	2,889	-	(709)	-
Increase (decrease) in accounts payable	(61,235)	(21,783)	4,222	(78,796)	-
Net cash provided by (used for) operating activities	\$ 656,224	\$ 102,879	\$ (673,056)	\$ 86,047	\$ 165,428
Noncash capital financing activities:					
None					

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

CITY OF SOLVANG
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Retiree Medical Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 485,099	\$ 38,683
Assessments receivable	-	44,821
	\$ 485,099	\$ 83,504
Total assets	\$ 485,099	\$ 83,504
LIABILITIES		
Deposits payable to Santa Ynez Valley Tourism Business Improvement District	\$ -	\$ 83,504
	\$ -	\$ 83,504
Total liabilities	\$ -	\$ 83,504
NET POSITION		
Held in Trust for other postemployment benefits	\$ 485,099	

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

CITY OF SOLVANG
Statement of Changes in Fiduciary Net Position
Retiree Medical Trust Fund
For the Fiscal Year Ended June 30, 2017

	Retiree Medical Trust Fund
Additions:	
Contributions:	
Employer	\$ 53,638
Investment Income:	
Net appreciation in fair value of investments	27,989
Total additions	81,627
Deductions:	
Benefits	-
Total deductions	-
Net increase	81,627
Net Position held in trust for other post employment benefits:	
Beginning of year	403,472
End of year	\$ 485,099

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

CITY OF SOLVANG
Notes to the Basic Financial Statements
June 30, 2017

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, however there has been no activity since Fiscal Year 2009-10. 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 the City is financially accountable for it and the City has assumed the obligation to provide financial support to the Conference and Visitors 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 position and the statement of activities) report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function 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. Assets in the governmental funds that do not meet the availability criterion for recognition as revenue in the governmental funds are classified as a deferred inflow of resources as those resources are not available for spending in the current period.

CITY OF SOLVANG
Notes to the Basic Financial Statements
June 30, 2017

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 the specific purpose of the fee.

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 and major equipment provided to other City departments on a cost reimbursement basis.

The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements in reporting for its proprietary operations, and the provisions of GASB Statement Number 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

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

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

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

CITY OF SOLVANG
Notes to the Basic Financial Statements
June 30, 2017

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, negotiable certificates of deposits, and short term investments with original maturities of three months or less from the date of acquisition.

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

2. Receivables and Payables

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

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

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

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

3. Inventories and Prepaid Items

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

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

CITY OF SOLVANG
Notes to the Basic Financial Statements
June 30, 2017

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 vacation since the City does have a policy to pay certain amounts when an employee separates from service with the City. All vacation pay and applicable sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City accrues each year as a liability in the government-wide financial statements a liability for the difference between the actuarially determined annual required contribution to its OPEB Plan and the amounts actually contributed by the City for each fiscal year.

6. Long-term Obligations

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

7. Fund Balances – Governmental Funds

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

CITY OF SOLVANG
Notes to the Basic Financial Statements
June 30, 2017

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 and prepaid items. 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. Commitments are established, modified, or rescinded by the City Council adopting such action by resolution. 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 Administrative Services 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 position. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current years' presentation.

9. Pensions

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

9. Fair Value Measurements – Investments.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. The City makes investments primarily in the Local Agency Investment Fund (LAIF) of the State of California. The LAIF is valued by pricing methods viewed as Level 1 inputs. City investments in negotiable certificates of deposit are valued using Level 1 inputs.

CITY OF SOLVANG
Notes to the Basic Financial Statements
June 30, 2017

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 Position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statements of net position. One element of that reconciliation explains that “capital assets are not financial resources and are not reported in the funds.” The details of this \$12,046,702 difference are as follows:

Capital assets	\$ 20,631,512
Less: Accumulated depreciation	<u>(8,584,810)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at net position – governmental activities	<u>\$ 12,046,702</u>

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 \$(388,956) difference are as follows:

Long-Term Obligations:	
Net OPEB Obligation	\$ (226,413)
Compensated absences payable	<u>(162,543)</u>
Net adjustment to decrease fund balance total governmental Funds to arrive at net position - governmental activities	<u>\$ (388,956)</u>

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 position 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 \$152,520 difference and other significant components of the difference are as follows:

Capital outlay	\$ 1,601,062
Depreciation expense	(818,156)
Abandonment of capital asset construction costs	(216,977)
Other post employment benefit expense	(5021)
Net pension liability	(540,872)
Other items	<u>132,484</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 152,520</u>

CITY OF SOLVANG
Notes to the Basic Financial Statements
June 30, 2017

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 repayments of internal balances in the general fund are budgeted as an expenditure for budgetary purposes. 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, 2017 consisted of the following:

Pooled demand deposits	\$ 1,840,437
Pooled investments (including \$38,683 in fiduciary funds)	<u>21,359,172</u>
 Total deposits and investments	 <u>\$ 23,199,609</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is that they will be made only in institutions in California, they shall be insured or collateralized with United States backed securities, and time certificates of deposit shall have a maturity of less than three years. At June 30, 2017, \$1,729,742 of the City's bank balances of \$1,979,742 was exposed to credit risk as follows:

Uninsured and collateral held by pledging banks agent but not in the City's name:	<u>\$ 1,729,742</u>
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Of the discretely presented component unit's bank balance of \$91,494, \$91,494 was insured and not exposed to credit risk.

Investments - At June 30, 201, the City had the following investments.

Type Investment	Average Maturity	Fair Value
Negotiable time deposits	2 years	\$ 981,177
State Investment Pool (LAIF)	194 Days	<u>20,377,995</u>
		<u>\$ 21,359,172</u>

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

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

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

CITY OF SOLVANG
Notes to the Basic Financial Statements
June 30, 2017

4. Detailed Notes on All Funds (Continued)

A. Deposits and Investments

The investment in the LAIF is valued using level 1 inputs. The City is the fiduciary for the City's Other Post Employment Benefit Trust (OPEB). At June 30, 2017, the City had invested \$485,099 in the California Employer's Retiree Benefit Trust (CERBT) for the purpose of funding such retiree benefits.

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	\$ 72,621	\$ -	\$ -	\$ 72,621	\$ 723,746	\$ -
Taxes	631,526	-	-	631,526	-	-
Interest	22,510	5,846	1,335	29,691	17,126	2,451
Notes	-	22,931	-	22,931	-	-
Governments	82,192	-	289,577	371,769	-	272,899
Totals	\$ 808,849	\$28,777	\$ 290,912	\$ 1,128,538	\$ 740,872	\$ 275,350

C. Interfund Transfers, Receivables and Payables

1. The composition of interfund transfers of June 30, 2017 is as follows:

Transfers out:	General Fund	Non-Major Funds	Internal Service	Water Enterprise Fund	Wastewater Enterprise Fund	Total Transfers
General fund	\$ -	\$ 150,786	\$ -	\$ -	\$ -	\$150,786
Transit fund	-	5,000	-	-	-	5,000
Enterprise funds	810,000	-	37,390	-	22,278	869,668
Nonmajor funds	280,686	-	-	\$ -	-	\$ 280,686
Totals	\$ 1,090,648	\$ 155,786	\$ 37,390	\$ -	\$ 22,278	\$ 1,306,140

The primary purpose of the transfers out of the general fund was to provide funding for water system improvements instead of borrowing funds from external parties. The \$229,411 due from other funds in the general fund represents temporary cash flow advances primarily made to fund capital projects and will be repaid upon collection of intergovernmental grants.

CITY OF SOLVANG
Notes to the Basic Financial Statements
June 30, 2017

4. Detailed Notes on All Funds (Continued)

D. Capital Assets

Capital asset activity relating to governmental activities for the year ended June 30, 2017 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>419,645</u>	<u>1,203,603</u>	<u>(216,975)</u>	<u>1,406,273</u>
Total capital assets, not being depreciated	<u>2,362,749</u>	<u>1,203,603</u>	<u>(216,975)</u>	<u>3,349,377</u>
Capital assets, being depreciated:				
Buildings	3,402,544	-	-	3,402,544
Machinery and equipment	691,036	-	(11,997)	679,039
Internal service fund – vehicles/equipment	755,218	-	(52,255)	702,963
Improvements	4,824,876	-	-	4,824,876
Infrastructure-street system	<u>7,978,218</u>	<u>397,458</u>	<u>-</u>	<u>8,375,676</u>
Total capital assets being depreciated	<u>17,651,892</u>	<u>397,458</u>	<u>(64,252)</u>	<u>17,985,098</u>
Less accumulated depreciation for:				
Buildings	(1,557,155)	(80,085)	-	(1,637,240)
Machinery and equipment	(628,955)	(21,481)	11,997	(638,439)
Internal service fund	(651,098)	(22,194)	52,255	(621,037)
Improvements	(2,831,647)	(245,289)	-	(3,076,936)
Infrastructure-street system	<u>(2,760,893)</u>	<u>(471,301)</u>	<u>-</u>	<u>(3,232,194)</u>
Total accumulated depreciation	<u>(8,429,748)</u>	<u>(840,350)</u>	<u>64,252</u>	<u>(9,205,846)</u>
Total capital assets, being depreciated, net	<u>9,222,144</u>	<u>(442,892)</u>	<u>-</u>	<u>8,779,252</u>
Governmental activities capital assets, net	<u>\$ 11,584,893</u>	<u>\$ 760,711</u>	<u>\$ (216,975)</u>	<u>\$ 12,128,629</u>

CITY OF SOLVANG
Notes to the Basic Financial Statements
June 30, 2017

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, 2017 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	1,511,466	171,530	(716,790)	966,206
	<u>1,624,285</u>	<u>171,530</u>	<u>(716,790)</u>	<u>1,079,025</u>
Total capital assets, not being depreciated				
	<u>1,624,285</u>	<u>171,530</u>	<u>(716,790)</u>	<u>1,079,025</u>
Capital assets, being depreciated:				
Buildings and bus stop facilities	8,228,091	-	-	8,228,091
Distribution and collection systems	8,863,694	890,091	-	9,753,785
Infrastructure	4,984,906	310,003	-	5,294,909
Vehicles	847,687	37,390	-	885,077
Equipment	1,275,277	96,854	-	1,372,131
	<u>24,199,655</u>	<u>1,334,338</u>	<u>-</u>	<u>25,533,993</u>
Total capital assets being depreciated				
	<u>24,199,655</u>	<u>1,334,338</u>	<u>-</u>	<u>25,533,993</u>
Less accumulated depreciation for:				
Buildings	(6,002,893)	(196,391)	(2,436)	(6,201,720)
Distribution and collection systems	(6,477,207)	(256,773)	-	(6,733,980)
Infrastructure	(1,174,814)	(193,727)	-	(1,368,541)
Vehicles	(298,763)	(110,994)	(5,136)	(414,893)
Equipment	(926,648)	(69,763)	7,572	(988,839)
	<u>(14,880,325)</u>	<u>(827,648)</u>	<u>-</u>	<u>(15,707,973)</u>
Total accumulated depreciation				
	<u>(14,880,325)</u>	<u>(827,648)</u>	<u>-</u>	<u>(15,707,973)</u>
Total capital assets, being depreciated, net				
	<u>9,319,330</u>	<u>506,690</u>	<u>-</u>	<u>9,826,020</u>
Business-type activities capital assets, net				
	<u>\$ 10,943,614</u>	<u>\$ 678,220</u>	<u>\$ (716,790)</u>	<u>\$ 10,905,045</u>

CITY OF SOLVANG
Notes to the Basic Financial Statements
June 30, 2017

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	\$ 68,902
Public safety	6,250
Culture and recreation	163,052
Infrastructure streets	579,952
Vehicles- internal service fund	<u>22,194</u>
 Total depreciation expense-governmental activities	 <u>\$ 840,350</u>
 Business-type activities:	
Water	\$ 259,170
Wastewater	453,110
Transit	<u>115,368</u>
 Total depreciation expense-governmental activities	 <u>\$ 827,648</u>

E. Long-Term Obligations

Changes in Long-term liabilities

Long-term debt activity for the 2017 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>\$ 142,777</u>	<u>\$ 79,766</u>	<u>\$ 60,000</u>	<u>\$ 162,543</u>	<u>\$60,000</u>
Total	<u>\$ 144,761</u>	<u>\$ 79,766</u>	<u>\$ 60,000</u>	<u>\$ 162,543</u>	<u>\$60,000</u>
Business-type Activities:					
Compensated absences	<u>\$ 59,436</u>	<u>\$ 69,664</u>	<u>\$ 49,536</u>	<u>\$ 79,564</u>	<u>\$69,664</u>
Total	<u>\$ 59,436</u>	<u>\$ 69,664</u>	<u>\$ 49,536</u>	<u>\$ 79,564</u>	<u>\$69,664</u>

The general fund is typically used to liquidate the liability for compensated absences applicable to the City's governmental activities.

CITY OF SOLVANG
Notes to the Basic Financial Statements
June 30, 2017

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 Basic Financial Statements
June 30, 2017

5. Other Information (Continued)

D. Public Employee Pension Plan

Plan Description - The plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). The CalPERS is governed by a 13 member Board of Administration with six elected members, three appointed members and four ex officio members which include the State Treasurer, the State Controller, the Director of the California Department of Human Services and a designee of the State Personnel Board.

Benefits Provided - The CalPERS provides retirement, disability and death benefits. Retirement benefits for "Classic" members (those hired before January 1, 2013) are defined as 2.5 percent of the employee's final 12 months average compensation times the employee's years of service (3.0 percent for safety employees). Employees with 5 years of continuous are eligible to retire at age 55 (age 50 for safety employees). Employees are eligible for service-related disability benefits regardless of the length of service. Five years of service is required for non-service-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Pre-retirement death benefits equal an employee's final full-year salary. Both plans provide for a 2 percent Cost of Living Adjustment (COLA). The public safety plan is closed to new entrants. Retirement benefits for those members hired on or after January 1, 2013 are defined as 2% of the employee's final 3 years average compensation times the employee's years of service. Employees with 5 years of continuous are eligible to retire at age 52.

Contributions - Section 20814 (c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employees be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability.

The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2016 (the measurement date), the active employee contribution rate to the PERF-C cost sharing plan ranged from 2 percent to 15.25 percent of annual pay, and the employer contribution rate ranged from 3.8 to 415 percent of annual pay. The City made employer contributions of \$267,856 during the measurement period ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the City reported a liability of \$3,411,989 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At the June 30, 2016 measurement date, the City's proportion was 0.03943 percent compared to 0.03911 percent at the June 30, 2015 measurement date.

For the fiscal year ending June 30, 2017, the City recognized pension expense of \$946,587. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF SOLVANG
Notes to the Basic Financial Statements
June 30, 2017

5. Other Information (Continued)

D. Public Employee Pension Plans (continued)

<u>Miscellaneous plan:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,823	\$ (2,251)
Changes in assumptions	-	(92,934)
Net difference between projected and actual earnings on pension plan investments	779,037	(295,345)
Changes in proportions and differences between expected and actual contributions	-	(195,630)
Pension contributions subsequent to the measurement date	267,856	-
<u>Safety plan:</u>		
Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportions and differences between expected and actual contributions	-	(7,446)
Totals	\$ 1,056,716	\$ (593,606)

The \$267,856 reported as deferred outflows of resources is City contributions to the pension plan made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the plan year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Miscellaneous and Safety Plans</u>	
<u>Measurement Period Ended June 30</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2018	\$ (57,246)
2019	(44,848)
2020	172,067
2021	125,281
2022	-
Thereafter	-

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	Varies by entry age and service
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

CITY OF SOLVANG
Notes to the Basic Financial Statements
June 30, 2017

5. Other Information (Continued)

D. Public Employee Pension Plans (continued)

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at the CalPERS website under Forms and Publications.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension cash flows. The expected rate of return was then set equivalent to a single equivalent rate calculated by CalPERS and rounded down to the nearest one quarter of one percent.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	New Strategic Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	.99	2.43
Inflation Sensitive	6.0	.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure & Forestland	3.0	4.50	5.09
Liquidity	2.0	(.55)	(1.05)

Discount Rate – The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent will be applied to all plans in the Public Employee Retirement Fund.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.65 percent) or 1-percentage higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
City's proportionate share of the net pension liability			
Miscellaneous Plan	\$5,188,623	\$3,370,661	\$1,868,206
Safety plan	\$ 118,029	\$ 41,328	\$ (21,636)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

CITY OF SOLVANG
Notes to the Basic Financial Statements
June 30, 2017

5. Other Information (Continued)

E. Restricted Net Position and Fund Balances

The \$3,597,517 restricted amount in the governmental activities statement of net position represents amounts to be used only for specific purposes which restrictions are imposed by laws, formal agreements or other governments.

F. Other Post- Employment Benefits

Plan Description. The city administers the City's retired employee's healthcare plan, a single employer defined benefit health care plan. The plan provides medical benefits to eligible retired employees and their beneficiaries. The City's plan is affiliated with the State of California PERS in so far as the City's health insurance premium payments are paid to the PERS. The PERS through an aggregation of single employer plans pools administrative functions in regard to purchases of commercial health insurance policies and coverage. City resolutions and regulations assign the authority to establish and amend benefit provisions to the City. A separate OPEB trust fund has 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, 2017, the City contributed \$121,194 of current year premiums (100% of total premiums) and \$53,638 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)	\$179,853
Interest on net OPEB obligation	14,390
Adjustments to the ARC	<u>(14,390)</u>
Annual OPEB expense	175,853
Contributions made	<u>(174,832)</u>
Change in net OPEB obligation	5,021
Net OPEB Obligation, beginning of year	<u>221,392</u>
Net OPEB Obligation, end of year	<u>\$226,413</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:

CITY OF SOLVANG
Notes to the Basic Financial Statements
June 30, 2017

5. Other Information (Continued)

F. Other Post- Employment Benefits (continued)

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2017	\$175,853	99.4%	\$226,413
June 30, 2016	\$175,041	289.5%	\$221,392
June 30, 2015	\$156,202	58.8%	\$553,025

Funding Status and Funding Progress. As of July 1, 2016, the most recent actuarial valuation date, the plan was 16.83 percent funded. The actuarial accrued liability for benefits was \$2,397,892. And the actuarial value of plan assets was \$403,472, resulting in an unfunded actuarial liability (UAAL) of \$1,994,420. The covered payroll (annual payroll of active employees covered by the plan) was \$2,539,234 and the ratio of the UAAL to the covered payroll was 78.54 percent.

Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and health care trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information, following the notes to these financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations. In the July 1, 2016 valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 6.5 percent investment rate of return based on assumed long-term return on plan assets or employer assets, as appropriate and a 2.75 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 23 years, the remaining closed amortization period at June 30, 2016.

CITY OF SOLVANG
Notes to the Basic Financial Statements
June 30, 2017

5. Other Information (Continued)

G. Conduit Debt Obligation

The City, in July 2013, in order to provide financial assistance to private sector entities for the construction of facilities deemed to be in the public interest, entered into a Master Lease and Sublease Agreement with the Banc of America Public Capital Corporation and the Solvang Lutheran Home, Inc in the amount of \$3.2 million. The Agreement is a special arrangement of the City, payable solely by a pledge of rentals to be received from lease agreements between the parties and the Solvang Lutheran Home. The lease agreements do not constitute a debt or pledge of the faith or credit of the City, and accordingly have not been reported in the accompanying financial statements.

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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, 2017

	<u>Budgetary Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Fund Balance, July 1	\$ 9,568,138	\$ 9,568,138	\$ 9,568,138	\$ -
Resources (inflows):				
Property taxes	1,229,500	1,229,500	1,283,266	53,766
Sales taxes	1,185,000	1,185,000	1,453,808	268,808
Transient occupancy taxes	3,900,000	3,955,000	4,330,599	375,599
Other taxes	233,500	233,500	233,572	72
License and permits	163,000	163,000	183,868	20,868
Interest	18,000	18,000	48,294	30,294
Intergovernmental	5,000	5,000	5,000	-
Charges for services	704,528	697,153	742,510	45,357
Miscellaneous	1,500	239,078	207,954	(31,124)
Transfers in	153,369	153,369	150,786	(2,583)
	<u>17,161,535</u>	<u>17,446,738</u>	<u>18,207,795</u>	<u>761,057</u>
Amounts available for charges to appropriations				
	<u>17,161,535</u>	<u>17,446,738</u>	<u>18,207,795</u>	<u>761,057</u>
Charges to appropriations:				
<i>General Government:</i>				
Nondepartmental:				
City council	37,200	37,200	37,800	(600)
Other	39,616	96,616	61,346	35,270
OPEB	153,638	153,638	174,832	(21,194)
Community support	248,750	268,750	268,750	-
<i>Administration:</i>				
Legal	80,000	80,000	79,052	948
General administration	1,140,467	1,140,467	1,047,096	93,371
Transfers out	810,000	1,085,000	1,090,686	5,686
<i>Public Safety:</i>				
Sheriff contract	1,636,000	1,636,000	1,571,299	64,701
Animal control	40,783	40,783	40,783	-
Resource deputy	55,000	55,000	47,880	7,120
Mental health & 211 program	2,674	2,674	2,214	460
<i>Culture and Recreation:</i>				
Tourism	834,300	882,300	869,197	13,103
Parks and recreation	987,161	986,111	784,796	201,315
<i>Community Development:</i>				
City planning	448,566	504,066	434,362	69,704
<i>Public works:</i>				
<i>Public works, streets, engineering</i>	<u>1,740,485</u>	<u>1,984,063</u>	<u>1,651,052</u>	<u>333,011</u>
Total charges to appropriations	<u>8,254,640</u>	<u>8,952,668</u>	<u>8,161,145</u>	<u>802,895</u>
Fund Balance, June 30	<u>\$ 8,906,895</u>	<u>\$ 8,494,070</u>	<u>\$ 10,046,650</u>	<u>\$ 1,563,952</u>

CITY OF SOLVANG
Budgetary Comparison Schedule - General Fund
Note to RSI
For the Fiscal Year Ended June 30, 2017

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:	\$ 18,207,795
Differences - budget to GAAP:	
Transfers in are a budgetary resource but are not revenues for financial reporting purposes	(150,786)
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>(9,568,138)</u>

Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 8,488,871</u>
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Sources outflows of resources:

Total charges to appropriations from budgetary comparison schedule	\$ 8,161,145
Differences - budget to GAAP:	
Transfers out are a budgetary use but are not expenditures for financial reporting purposes	<u>\$ (1,090,686)</u>

Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 7,070,459</u>
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CITY OF SOLVANG
Budgetary Comparison Schedule - Impact Fee Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

	<u>Budgetary Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Fund Balance, July 1	\$ 2,618,850	\$ 2,618,850	\$ 2,618,850	\$ -
Resources (inflows):				
Charges for services:				
Impact fees for:				
Parking in lieu	24,752	24,752	26,573	1,821
Traffic mitigation	82,809	82,809	89,127	6,318
Park fee	23,706	23,706	9,658	(14,048)
Drain	-	-	1,000	100
Affordable housing	126,036	126,036	51,344	(74,692)
Interest revenue	6,000	6,000	13,868	7,868
	<u>2,882,153</u>	<u>2,882,153</u>	<u>2,810,420</u>	<u>(72,633)</u>
Amounts available for charges to appropriations				
	<u>2,882,153</u>	<u>2,882,153</u>	<u>2,810,420</u>	<u>(72,633)</u>
Charges to appropriations:				
<i>Special projects for:</i>				
Streets and traffic mitigation	60,000	160,000	51,660	108,340
Other projects	15,000	15,000	4,926	10,074
	<u>75,000</u>	<u>175,000</u>	<u>56,586</u>	<u>118,414</u>
Total charges to appropriations	<u>75,000</u>	<u>175,000</u>	<u>56,586</u>	<u>118,414</u>
Fund Balance, June 30	<u>\$ 2,807,153</u>	<u>\$ 2,707,153</u>	<u>\$ 2,753,834</u>	<u>\$ 45,781</u>

Note A. Explanation of Differences between Budgetary Inflows and GAAP and GAAP Revenues

Sources of Inflows/Resources:	
Actual amounts "available for appropriation" from budgetary comparison schedule	\$ 2,810,420
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(2,618,850)</u>
Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 191,570</u>

CITY OF SOLVANG
Other Post Employment Benefits (OPEB)
Schedule of Funding Progress
June 30, 2017

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	\$ -	\$ 2,976,436	\$ 2,976,436	0.00%	\$ 1,884,642	157.93%
7/1/2014	\$ -	\$ 2,900,235	\$ 2,900,235	0.00%	\$ 1,884,642	153.89%
7/1/2016	\$403,472	\$ 2,397,892	\$ 1,994,420	16.83%	\$ 2,539,234	78.54%

CITY OF SOLVANG
Schedule of The City's Proportionate Share of the Net Pension Liability
(Last Ten Fiscal Years)
As of June 30, 2017

	Fiscal Year End		
	2015	2016	2017
<u>Measurement Date</u>	6/30/14	6/30/15	6/30/16
City's proportion of the net pension liability	0.04055%	0.03911%	0.00000%
City's proportionate share of the net pension liability	\$ 2,523,180	\$2,684,713	\$ 3,411,989
City's covered employee payroll	\$ 2,346,026	\$2,413,263	\$ -
City's proportionate share of the net pension liability as a percentage of covered employee payroll	107.55%	111.25%	0.00%
Plan's fiduciary net position as a percentage of the total pension liability	79.82%	78.40%	75.87%

Notes to the schedule:

Benefit changes: In fiscal 2017 there were no benefit changes.

Changes in assumptions: In fiscal 2016, the plan's discount rate was changed from 7.5 percent to 7.65 percent.

Last Ten Years: This schedule is intended to show information for 10 years. Fiscal 2015 was the first year of implementation, and additional years information will be presented as it becomes available

CITY OF SOLVANG
Schedule of The City of Solvang's Contributions
Public Employee's Retirement Plans
(Last Ten Fiscal Years)
As of June 30, 2017

<u>Contributions for the fiscal year ending</u>	June 30		
	2015	2016	2017
Contractually required contribution	\$ 390,955	\$ 275,424	\$ 267,856
Contributions in relation to the contractually required contribution	<u>\$ (862,643)</u>	<u>\$ (275,424)</u>	<u>\$ (267,856)</u>
Contribution deficiency (excess)	<u>\$ (471,688)</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 2,413,263	\$ 2,212,540	\$ -
Contributions as a percentage of covered employee payroll	35.75%	12.45%	0.00%

Notes to the schedule:

Plan valuation date: June 30, 2015

Last Ten Years: This schedule is intended to show information for 10 years. Fiscal 2015 was the first year of implementation, and additional years information will be presented as it becomes available.

Combining and Individual Fund Statements and Schedules

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CITY OF SOLVANG
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds					Capital Projects	Totals
	Traffic Safety	Gas Tax	Local Transportation	Measure A	Skytt Mesa Landscape and Lighting	City Projects Fund	
Assets							
Cash and investments	\$ 2,176	\$ -	\$ 63,343	\$ 172,560	\$ 276,349	\$ -	\$ 514,428
Receivables:							
Interest	26	245	168	320	576	-	1,335
Intergovernmental	2,160		622	57,629	-	229,166	289,577
Prepayments	-	-	-	-	-	275,000	275,000
Total assets	\$ 4,362	\$ 245	\$ 64,133	\$ 230,509	\$ 276,925	\$ 504,166	\$ 1,080,340
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ 1,924	\$ 11,462	\$ -	\$ 13,386
Accrued liabilities	-	-	380	-	-	-	380
Due to other funds	-	245	-	-	-	229,166	229,411
Total liabilities	-	245	380	1,924	11,462	229,166	243,177
Fund balances:							
Nonspendable	-	-	-	-	-	275,000	275,000
Restricted for highways and streets	4,362	-	63,753	228,585	265,463	-	562,163
Total fund balances	4,362	-	63,753	228,585	265,463	275,000	837,163
Total liabilities and fund balances	\$ 4,362	\$ 245	\$ 64,133	\$ 230,509	\$ 276,925	\$ 504,166	\$ 1,080,340

CITY OF SOLVANG
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2017

	Special Revenue Funds					Capital Projects	Totals
	Traffic Safety	Gas Tax	Local Transportation	Measure A	Skytt Mesa Landscape and Lighting	City Projects Fund	
Revenues:							
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ 202,752	\$ -	\$ 202,752
Intergovernmental	-	106,221	86,084	370,363	-	921,209	1,483,877
Fines and forfeitures	8,878	-	-	-	-	-	8,878
Interest	36	327	324	617	-	85	1,389
Miscellaneous	-	-	-	-	1,072	-	1,072
Total revenues	<u>8,914</u>	<u>106,548</u>	<u>86,408</u>	<u>370,980</u>	<u>203,824</u>	<u>921,294</u>	<u>1,697,968</u>
Expenditures:							
Current:							
Public works:							
Highways and streets	-	-	-	400,639	104,729	1,041,648	1,547,016
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,639</u>	<u>104,729</u>	<u>1,041,648</u>	<u>1,547,016</u>
Excess (deficiency) of revenues over expenditures	<u>8,914</u>	<u>106,548</u>	<u>86,408</u>	<u>(29,659)</u>	<u>99,095</u>	<u>(120,354)</u>	<u>150,952</u>
Other financing (uses):							
Transfers in	-	-	-	-	-	280,686	280,686
Transfers out	(10,000)	(115,786)	(25,000)	(5,000)	-	-	(155,786)
Total other financing (uses)	<u>(10,000)</u>	<u>(115,786)</u>	<u>(25,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>280,686</u>	<u>124,900</u>
Net change in fund balances	(1,086)	(9,238)	61,408	(34,659)	99,095	160,332	275,852
Fund balances, July 1	<u>5,448</u>	<u>9,238</u>	<u>2,345</u>	<u>263,244</u>	<u>166,368</u>	<u>114,668</u>	<u>561,311</u>
Fund balances, June 30	<u>\$ 4,362</u>	<u>\$ -</u>	<u>\$ 63,753</u>	<u>\$ 228,585</u>	<u>\$ 265,463</u>	<u>\$ 275,000</u>	<u>\$ 837,163</u>

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, 2017

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Fines and forfeitures	\$ 10,000	\$ 10,000	\$ 8,878	\$ (1,122)
Interest	-	-	36	36
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>8,914</u>	<u>(1,086)</u>
Expenditures:				
Current:				
Highways and streets:				
Repairs and maintenance	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	10,000	10,000	8,914	(1,086)
Other financing uses:				
Transfers out	(10,000)	(10,000)	(10,000)	-
Net change in fund balances	-	-	(1,086)	(1,086)
Fund balance, July 1	<u>5,448</u>	<u>5,448</u>	<u>5,448</u>	<u>-</u>
Fund balance, June 30	<u>\$ 5,448</u>	<u>\$ 5,448</u>	<u>\$ 4,362</u>	<u>\$ (1,086)</u>

CITY OF SOLVANG
Gas Tax Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 118,369	\$ 118,369	\$ 106,221	\$ (12,148)
Interest	200	200	327	127
Total revenues	<u>118,569</u>	<u>118,569</u>	<u>106,548</u>	<u>(12,021)</u>
Expenditures:				
Current:				
Highways and streets:				
Street maintenance	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>118,569</u>	<u>118,569</u>	<u>106,548</u>	<u>(12,021)</u>
Other financing sources (uses):				
Transfers out	<u>(118,569)</u>	<u>(118,569)</u>	<u>(115,786)</u>	<u>2,783</u>
Net change in fund balances	-	-	(9,238)	(9,238)
Fund balance, July 1	<u>9,238</u>	<u>9,238</u>	<u>9,238</u>	<u>-</u>
Fund balance, June 30	<u>\$ 9,238</u>	<u>\$ 9,238</u>	<u>\$ -</u>	<u>\$ (9,238)</u>

CITY OF SOLVANG
Local Transportation Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
TDA bike path allocation	\$ 4,408	\$ 4,408	\$ 4,998	\$ 590
LSTP allocation	79,795	79,795	81,086	1,291
Interest	150	150	324	174
Total revenues	<u>84,353</u>	<u>84,353</u>	<u>86,408</u>	<u>2,055</u>
Expenditures:				
Current:				
Highways and streets:				
Storm water report	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess(deficiency) of revenues over expenditures	84,353	84,353	86,408	2,055
Other financing sources (uses)				
Transfers out	(25,000)	(25,000)	(25,000)	-
Net change in fund balances	59,353	59,353	61,408	2,055
Fund balance, July 1	<u>2,345</u>	<u>2,345</u>	<u>2,345</u>	<u>-</u>
Fund balance, June 30	<u>\$ 61,698</u>	<u>\$ 61,698</u>	<u>\$ 63,753</u>	<u>\$ 2,055</u>

**MEASURE A Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year June 30, 2017**

	<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	\$ 369,084	\$ 369,084	\$ 370,363	\$ 1,279
Interest earnings	250	250	617	367
Total revenues	<u>369,334</u>	<u>369,334</u>	<u>370,980</u>	<u>1,646</u>
Expenditures:				
Current:				
Highways and streets:				
Street overlays	278,000	278,000	276,382	1,618
Sidewalk repairs	42,000	42,000	39,450	2,550
Access ramps	85,000	85,000	81,626	3,374
Other projects	<u>65,000</u>	<u>65,000</u>	<u>3,181</u>	<u>61,819</u>
Total expenditures	<u>470,000</u>	<u>470,000</u>	<u>400,639</u>	<u>69,361</u>
Excess(deficiency) of revenues over expenditures	<u>(100,666)</u>	<u>(100,666)</u>	<u>(29,659)</u>	<u>71,007</u>
Other financing sources:				
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Total other financing sources(uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Net change in fund balances	(105,666)	(105,666)	(34,659)	71,007
Fund balance, July 1	<u>263,244</u>	<u>263,244</u>	<u>263,244</u>	<u>-</u>
Fund balance, June 30	<u>\$ 157,578</u>	<u>\$ 157,578</u>	<u>\$ 228,585</u>	<u>\$ 71,007</u>

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, 2017

	<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	\$ 202,800	\$ 202,800	\$ 202,752	\$ (48)
Interest earnings	120	120	1,072	952
	<u>202,920</u>	<u>202,920</u>	<u>203,824</u>	<u>904</u>
Total revenues				
Expenditures:				
Current:				
Highways and streets:				
Open space maintenance	53,000	53,000	53,394	(394)
Utilities	1,000	1,000	256	744
Water and sewer cost	66,000	66,000	35,582	30,418
Street light power	5,250	5,250	1,804	3,446
Repairs and maintenance	3,750	3,750	1,192	2,558
Professional and administrative	16,700	16,700	12,501	4,199
	<u>145,700</u>	<u>145,700</u>	<u>104,729</u>	<u>40,971</u>
Total expenditures				
Net change in fund balances	57,220	57,220	99,095	41,875
Fund balance, July 1	<u>166,368</u>	<u>166,368</u>	<u>166,368</u>	<u>-</u>
Fund balance, June 30	<u>\$ 223,588</u>	<u>\$ 223,588</u>	<u>\$ 265,463</u>	<u>\$ 41,875</u>

CITY OF SOLVANG
City Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year June 30, 2017

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
Bridge Seismic	\$ 1,603,575	\$ 1,603,575	\$ 921,209	\$ (682,366)
Interest earnings	750	750	85	(665)
Total revenues	<u>1,604,325</u>	<u>1,604,325</u>	<u>921,294</u>	<u>(683,031)</u>
Expenditures:				
Current:				
Highways and streets:				
Alisal Bridge seismic retrofit	1,693,753	1,693,753	915,291	778,462
Mission & fifth UUD	-	275,000	-	275,000
Other projects	-	-	126,357	(126,357)
Bicycle Bridge -AP Creek	10,000	-	-	-
Total expenditures	<u>1,703,753</u>	<u>1,968,753</u>	<u>1,041,648</u>	<u>927,105</u>
Excess (deficiency) of revenues over (under) expenditures	(99,428)	(364,428)	(120,354)	244,074
Other financing sources (uses)				
Transfers in	275,000	275,000	280,686	5,686
Net change in fund balances	175,572	(89,428)	160,332	249,760
Fund balance, July 1	<u>114,668</u>	<u>114,668</u>	<u>114,668</u>	<u>-</u>
Fund balance, June 30	<u>\$ 290,240</u>	<u>\$ 25,240</u>	<u>\$ 275,000</u>	<u>\$ 249,760</u>

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

	June 30	
	2017	2016
Capital assets used in governmental activities:		
Land	\$ 1,943,104	\$ 1,943,104
Buildings	3,402,544	3,402,544
Improvements	4,824,876	4,824,876
Infrastructure - street system	8,375,676	7,978,218
Equipment	679,039	691,035
Construction in progress	1,406,273	419,645
Equipment-internal service operations	702,963	755,217
	\$ 21,334,475	\$ 20,014,639
Investment in capital assets from:		
General fund	\$ 11,766,216	\$ 11,509,077
Contributions from developers	710,214	710,214
Special revenue funds	7,191,935	6,992,276
Capital projects	963,147	47,856
Internal service	702,963	755,216
	\$ 21,334,475	\$ 20,014,639
Total investment in capital assets used in governmental activities	\$ 21,334,475	\$ 20,014,639

CITY OF SOLVANG
Schedule of Changes in Capital Assets Used In Governmental Activities
By Source
For the Fiscal Year Ended June 30, 2017

	<u>Land</u>	<u>Buildings</u>	<u>Improvements and Infrastructure</u>	<u>Equipment</u>	<u>Construction in Progress (CIP)</u>	<u>Total Cost</u>
General capital assets June 30, 2016	\$ 1,943,104	\$ 3,402,544	\$ 12,803,094	\$ 1,446,252	\$ 419,645	\$ 20,014,639
Add:						
Expenditures from:						
General fund	-	-	269,136	-	-	269,136
Special revenue funds	-	-	128,322	-	288,312	416,634
Capital projects	-	-	-	-	915,291	915,291
Internal service	-	-	-	(52,253)	-	(52,253)
Deduct:						
Retirements and contributions	-	-	-	(11,997)	(216,975)	(228,972)
General capital assets June 30, 2017	<u>\$ 1,943,104</u>	<u>\$ 3,402,544</u>	<u>\$ 13,200,552</u>	<u>\$ 1,382,002</u>	<u>\$ 1,406,273</u>	<u>\$ 21,334,475</u>

CITY OF SOLVANG
Schedule of Capital Assets Used in Governmental Activities
By Function and Activity
June 30, 2017

<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	\$ 2,222,631	\$ 52,004		\$ 3,062,992
Roads	-	-	9,165,243	66,682	1,179,917	10,411,842
Recreation	-	1,265,098	344,977	2,602	-	1,612,677
Administration	89,850	612,832	807,448	497,418	-	2,007,548
Total general government	<u>797,871</u>	<u>1,958,266</u>	<u>12,540,299</u>	<u>618,706</u>	<u>1,179,917</u>	<u>17,095,059</u>
Internal Service:						
Vehicle operations	-	-	-	702,963	-	702,963
Public safety:						
Emergency services	-	-	-	28,158	-	28,158
Fire protection	-	195,802	174,332	26,175	226,356	622,665
Total public safety	<u>-</u>	<u>195,802</u>	<u>174,332</u>	<u>54,333</u>	<u>226,356</u>	<u>650,823</u>
Veterans building	<u>63,483</u>	<u>1,224,476</u>	<u>426,781</u>	<u>6,000</u>	<u>-</u>	<u>1,720,740</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>\$ 3,402,544</u>	<u>\$ 13,200,552</u>	<u>\$ 1,382,002</u>	<u>\$ 1,406,273</u>	<u>\$ 21,334,475</u>

CITY OF SOLVANG
Schedule of Changes in Capital Assets Used In Governmental Activities
By Function and Activity
For the Fiscal Year Ended June 30, 2017

<u>Function and Activity</u>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
General government:				
Parks	\$ 3,062,992	\$ -	\$ -	\$ 3,062,992
Roads	9,227,443	1,401,375	(216,975)	10,411,843
Recreation	1,612,677	-	-	1,612,677
Administration	2,019,545	-	(11,997)	2,007,548
Total general government	<u>15,922,657</u>	<u>1,401,375</u>	<u>(228,972)</u>	<u>17,095,060</u>
Internal service:				
Vehicle operations	<u>755,216</u>		<u>(52,254)</u>	<u>702,962</u>
Public safety:				
Emergency services	28,158	-	-	28,158
Fire protection	422,978	199,687	-	622,665
Total public safety	<u>451,136</u>	<u>199,687</u>	<u>-</u>	<u>650,823</u>
Museums	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Veterans building	<u>1,720,740</u>		<u>-</u>	<u>1,720,740</u>
Parking district	<u>1,164,890</u>	<u>-</u>	<u>-</u>	<u>1,164,890</u>
Total general capital assets	<u>\$ 20,014,639</u>	<u>\$ 1,601,062</u>	<u>\$ (281,226)</u>	<u>\$ 21,334,475</u>

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, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS				
Cash and cash equivalents	\$ 40,332	\$ 486,846	\$ (488,495)	\$ 38,683
Assessments receivable	45,233	486,434	(486,846)	44,821
Total assets	<u>85,565</u>	<u>973,280</u>	<u>(975,341)</u>	<u>83,504</u>
LIABILITIES				
Deposits payable to Santa Ynez Valley Tourism Business Improvement District	\$ 85,565	\$ 486,434	\$ (488,495)	\$ 83,504
Total liabilities	<u>\$ 85,565</u>	<u>\$ 486,434</u>	<u>\$ (488,495)</u>	<u>\$ 83,504</u>

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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	87-91
<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	92-99
<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	100-103
<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	104-105
<i>These schedules help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	106-108
<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 Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 9,551,357	\$ 11,107,857	\$ 12,300,996	\$ 12,696,203	\$ 11,919,888	\$ 12,342,031	\$ 12,057,865	\$ 11,748,077	\$ 11,584,893	\$ 12,210,555
Restricted	4,186,813	3,979,184	2,844,598	2,489,588	2,892,272	3,061,331	3,155,589	3,011,325	3,121,123	3,597,517
Unrestricted	5,876,210	6,205,849	6,489,841	6,672,046	6,307,453	6,810,793	5,935,965	7,488,153	8,798,516	8,738,328
Total governmental activities net position	\$ 19,614,380	\$ 21,292,890	\$ 21,635,435	\$ 21,857,837	\$ 21,119,613	\$ 22,214,155	\$ 21,149,419	\$ 22,247,555	\$ 23,504,532	\$ 24,546,400
Business-type activities:										
Net investment in capital assets	\$ 8,984,117	\$ 9,170,992	\$ 8,849,559	\$ 8,672,748	\$ 9,707,588	\$ 9,346,335	\$ 9,512,247	\$ 10,409,946	\$ 10,943,614	\$ 10,905,045
Restricted	173,052	198,243	201,773	245,848	-	-	-	-	-	-
Unrestricted	7,701,152	7,994,220	7,885,273	8,111,792	7,628,136	7,933,345	7,097,759	6,794,971	10,725,516	12,071,065
Total business-type activities net position	\$ 16,858,321	\$ 17,363,455	\$ 16,936,605	\$ 17,030,388	\$ 17,335,724	\$ 17,279,680	\$ 16,610,006	\$ 17,204,917	\$ 21,669,130	\$ 22,976,110
Primary government (City wide totals)										
Net investment in capital assets	\$ 18,535,474	\$ 20,278,849	\$ 21,150,555	\$ 21,368,951	\$ 21,627,476	\$ 21,688,366	\$ 21,570,112	\$ 22,158,023	\$ 22,528,507	\$ 23,115,600
Restricted	4,359,865	4,177,427	3,046,371	2,735,436	2,892,272	3,061,331	3,155,589	3,011,325	3,121,123	3,597,517
Unrestricted	13,577,362	14,200,069	14,375,114	14,783,838	13,935,589	14,744,138	13,033,724	14,283,124	19,524,032	20,809,393
Total primary government net position	\$ 36,472,701	\$ 38,656,345	\$ 38,572,040	\$ 38,888,225	\$ 38,455,337	\$ 39,493,835	\$ 37,759,425	\$ 39,452,472	\$ 45,173,662	\$ 47,522,510

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental activities:										
General government	\$ 1,281,938	\$ 1,161,056	\$ 1,365,736	\$ 1,517,579	\$ 1,586,533	\$ 1,494,094	\$ 1,578,629	\$ 1,417,776	\$ 1,664,564	\$ 2,031,468
Public safety	1,846,271	1,844,664	1,331,385	1,359,241	1,538,315	1,621,864	1,639,642	1,647,930	1,637,483	1,675,872
Public works	898,366	1,246,541	1,582,810	1,508,809	1,517,240	1,444,453	1,792,316	1,789,458	2,045,387	2,499,428
Community development	491,168	431,801	397,297	363,259	398,088	426,574	455,085	876,912	463,965	434,362
Culture and recreation	1,505,286	1,549,866	1,408,087	1,819,964	1,667,929	1,676,227	1,701,142	1,713,110	1,858,427	1,865,952
Interest on long-term debt	105,365	65,151	25,657	7,244	4,878	3,114	-	-	-	-
Total Governmental Activities	<u>6,128,394</u>	<u>6,299,079</u>	<u>6,110,972</u>	<u>6,576,096</u>	<u>6,712,983</u>	<u>6,666,326</u>	<u>7,166,814</u>	<u>7,445,186</u>	<u>7,669,826</u>	<u>8,507,082</u>
Business-type activities:										
Water	3,786,981	3,985,638	4,162,536	4,082,761	3,878,275	4,312,353	5,067,560	4,765,816	4,077,790	4,030,207
Wastewater	1,554,414	1,583,351	1,701,547	1,709,935	1,710,790	2,021,585	1,800,351	1,799,891	1,733,416	2,083,850
Transit	558,479	640,800	695,584	713,694	729,923	702,479	732,221	708,781	701,114	848,637
Total Business-type Activities	<u>5,899,874</u>	<u>6,209,789</u>	<u>6,559,667</u>	<u>6,506,390</u>	<u>6,318,988</u>	<u>7,036,417</u>	<u>7,600,132</u>	<u>7,274,488</u>	<u>6,512,320</u>	<u>6,962,694</u>
Total Expenses	<u>\$ 12,028,268</u>	<u>\$ 12,508,868</u>	<u>\$ 12,670,639</u>	<u>\$ 13,082,486</u>	<u>\$ 13,031,971</u>	<u>\$ 13,702,743</u>	<u>\$ 14,766,946</u>	<u>\$ 14,719,674</u>	<u>\$ 14,182,146</u>	<u>\$ 15,469,776</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 397,820	\$ 444,771	\$ 443,583	432,056	399,456	512,314	467,882	552,656	497,867	499,324
Public safety	29,575	30,249	26,241	31,832	14,587	23,871	26,170	20,140	14,251	19,039
Public works	509,233	126,495	32,719	81,662	168,750	240,098	262,060	275,691	325,298	430,863
Community development	219,205	164,365	86,313	106,020	97,214	300,738	446,915	416,750	412,305	287,874
Culture and recreation	192,162	335,088	164,675	361,251	223,785	178,733	150,541	135,769	104,343	119,547
Operating grants and contributions	1,278,091	1,014,270	733,592	842,969	703,603	810,876	657,186	614,802	530,193	773,860
Capital grants and contributions	37,902	349,869	162,635	105,883	-	340,272	57,401	40,559	116,767	921,294
Total Governmental Activities	<u>2,663,988</u>	<u>2,465,107</u>	<u>1,649,758</u>	<u>1,961,673</u>	<u>1,607,395</u>	<u>2,406,902</u>	<u>2,068,155</u>	<u>2,056,367</u>	<u>2,001,024</u>	<u>3,051,801</u>
Business-type Activity:										
Charges for services:										
Water	4,340,564	4,199,436	3,998,259	3,973,351	4,206,861	4,492,912	4,671,555	4,422,992	4,457,268	4,566,227
Wastewater	1,854,815	1,711,831	1,464,254	1,474,723	1,481,825	1,532,057	1,640,187	1,623,447	1,736,952	1,669,291
Transit	91,387	78,102	65,578	82,522	72,346	67,296	67,688	65,696	59,869	78,573
Operating grants and contributions	523,305	698,434	511,493	714,796	813,568	511,341	594,073	805,635	813,847	888,618
Capital grants and contributions	121,479	93,405	108,328	354,781	48,724	325,677	911,348	950,429	587,845	214,575
Total Business-type Activities	<u>6,931,550</u>	<u>6,781,208</u>	<u>6,147,912</u>	<u>6,600,173</u>	<u>6,623,324</u>	<u>6,929,283</u>	<u>7,884,851</u>	<u>7,868,199</u>	<u>7,655,781</u>	<u>7,417,284</u>
Total Program Revenues	<u>\$ 9,595,538</u>	<u>\$ 9,246,315</u>	<u>\$ 7,797,670</u>	<u>\$ 8,561,846</u>	<u>\$ 8,230,719</u>	<u>\$ 9,336,185</u>	<u>\$ 9,953,006</u>	<u>\$ 9,924,566</u>	<u>\$ 9,656,805</u>	<u>\$ 10,469,085</u>

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense)/Revenue:										
Governmental Activities	\$ (3,464,406)	\$ (3,833,972)	\$ (4,461,214)	\$ (4,614,423)	\$ (5,105,588)	\$ (4,259,424)	\$ (5,098,659)	\$ (5,388,819)	\$ (5,668,802)	\$ (5,455,281)
Business-type Activities	1,031,676	571,419	(411,755)	93,783	304,336	(107,134)	284,719	593,711	1,143,461	454,590
Total Net Expense	\$ (2,432,730)	\$ (3,262,553)	\$ (4,872,969)	\$ (4,520,640)	\$ (4,801,252)	\$ (4,366,558)	\$ (4,813,940)	\$ (4,795,108)	\$ (4,525,341)	\$ (5,000,691)
General Revenues										
Governmental Activities:										
Taxes:										
Property taxes	\$ 1,689,397	\$ 1,730,139	\$ 1,086,849	\$ 1,039,634	\$ 1,051,200	\$ 1,063,715	\$ 1,096,028	\$ 1,140,579	\$ 1,213,316	\$ 1,283,266
Transient occupancy taxes	2,419,606	2,239,260	2,372,338	2,507,857	2,683,564	2,985,512	3,425,309	3,833,644	4,195,940	4,330,599
Sales taxes	1,148,040	1,072,646	1,000,325	972,838	1,066,086	1,122,814	1,153,845	1,241,436	1,226,777	1,453,808
Other taxes	199,237	209,149	238,163	269,238	208,006	226,792	237,256	247,173	248,247	233,572
Investment earnings	324,048	195,003	90,989	47,258	21,439	6,223	16,503	25,323	43,499	48,294
Miscellaneous	53,636	1,017	-	-	-	-	-	-	-	-
Transfers	65,268	65,268	15,095	-	(1,000)	(51,090)	(1,200)	(1,200)	(2,000)	(852,390)
Special Item	-	-	-	-	(661,931)	-	-	-	-	-
Total general revenues, transfers and special item	5,899,232	5,512,482	4,803,759	4,836,825	4,367,364	5,353,966	5,927,741	6,486,955	6,925,779	6,497,149
Business-type Activity										
Investment earnings	-	-	-	-	-	-	-	-	-	-
Miscellaneous	1,553	-	-	-	-	-	-	-	-	-
Transfers	(65,268)	(66,285)	(15,095)	-	1,000	51,090	1,200	1,200	2,000	852,390
Total Business-type Activities	(63,715)	(66,285)	(15,095)	-	1,000	51,090	1,200	1,200	2,000	852,390
Total primary government	\$ 5,835,517	\$ 5,446,197	\$ 4,788,664	\$ 4,836,825	\$ 4,368,364	\$ 5,405,056	\$ 5,928,941	\$ 6,488,155	\$ 6,927,779	\$ 7,349,539
Change in net position:										
Governmental activities	\$ 2,434,826	\$ 1,678,510	\$ 342,545	\$ 222,402	\$ (738,224)	\$ 1,094,542	\$ 829,082	\$ 1,098,136	\$ 1,256,977	\$ 1,041,868
Business-type activities	967,961	505,134	(426,850)	93,783	305,336	(56,044)	285,919	594,911	1,145,461	1,306,980
Total Changes in Net Position	\$ 3,402,787	\$ 2,183,644	\$ (84,305)	\$ 316,185	\$ (432,888)	\$ 1,038,498	\$ 1,115,001	\$ 1,693,047	\$ 2,402,438	\$ 2,348,848

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable	\$ -	\$ -	\$ -	700	\$ 700	\$ 700	\$ 700	\$ 127,805	\$ 76,502	\$ 82,192
Restricted				-	14,726	12,553	13,291	14,290	18,680	12,206
Committed				3,043,543	3,194,614	2,998,543	3,570,693	3,619,902	4,127,320	4,127,320
Assigned				-	-	-	-	-	-	-
Unassigned				2,179,145	2,365,309	3,256,119	3,767,385	4,871,659	5,345,636	5,824,932
Reserved	391,545	209,015	14,556							
Unreserved	4,948,204	5,215,140	5,632,586							
Total general fund	<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>	<u>\$ 6,267,915</u>	<u>\$ 7,352,069</u>	<u>\$ 8,633,656</u>	<u>\$ 9,568,138</u>	<u>\$ 10,046,650</u>
All other governmental funds										
Nonspendable				-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,000
Restricted				3,065,222	2,874,888	3,052,778	3,143,036	2,997,035	3,180,161	3,315,997
Committed				-	-	-	-	-	-	-
Assigned				-	-	-	-	-	-	-
Unassigned				-	-	-	-	-	-	-
Reserved	-	-	-							
Unreserved										
Special Revenue	501,736	441,956	757,039							
Capital Projects	2,232,411	2,314,170	2,087,559							
Other Purposes	1,357,645	1,224,651	-							
Total all other governmental funds	<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>	<u>\$ 3,052,778</u>	<u>\$ 3,143,036</u>	<u>\$ 2,997,035</u>	<u>\$ 3,180,161</u>	<u>\$ 3,590,997</u>

Note: The provisions of GASB Statement Number 54 were applied prospectively from fiscal year 2011 forward and that years prior to that have not been restated to conform with the GASB 54.

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
REVENUES										
Taxes	\$ 5,457	\$ 5,252	\$ 4,538	\$ 4,761	\$ 5,009	\$ 5,555	\$ 5,922	\$ 6,463	\$ 6,885	\$ 7,301
Licenses and permits	93	115	75	77	102	195	280	224	203	184
Fines and forfeits	28	30	26	27	15	24	22	11	9	9
Charges for services	1,079	784	629	844	707	907	984	982	956	920
Special assessments	69	69	72	36	59	75	75	111	153	203
Intergovernmental	1,149	1,209	877	764	677	1,077	638	731	619	1,489
Investment earnings	464	279	113	44	59	48	24	34	57	64
Other revenues	146	195	25	209	58	91	15	6	47	209
Total Revenues	<u>8,485</u>	<u>7,933</u>	<u>6,355</u>	<u>6,762</u>	<u>6,686</u>	<u>7,972</u>	<u>7,960</u>	<u>8,562</u>	<u>8,929</u>	<u>10,379</u>
EXPENDITURES										
General government	1,136	1,244	1,231	1,294	1,342	1,335	1,393	1,547	1,951	1,669
Public safety	1,859	1,836	1,305	1,350	1,529	1,613	1,628	1,644	1,631	1,662
Culture and recreation	1,331	1,422	1,273	1,685	1,383	1,541	1,592	1,592	1,695	1,654
Public works	784	1,044	1,404	1,687	1,782	2,168	1,717	1,837	2,068	3,255
Community development	491	432	397	363	398	427	455	517	464	434
Housing	-	-	-	-	-	-	-	394	-	-
Capital outlay	1,584	1,551	1,194	554	84	13	-	-	-	-
Transportation	298	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	39	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-	-	-
Costs of issuance	-	-	-	-	-	-	-	-	-	-
Principal	343	359	414	25	-	-	-	-	-	-
Interest	132	71	26	7	5	3	-	-	-	-
Total expenditures	<u>7,958</u>	<u>7,959</u>	<u>7,283</u>	<u>6,965</u>	<u>6,523</u>	<u>7,100</u>	<u>6,785</u>	<u>7,531</u>	<u>7,809</u>	<u>8,674</u>
Excess (Deficiency) of Revenues over Expenditures	<u>527</u>	<u>(26)</u>	<u>(928)</u>	<u>(203)</u>	<u>163</u>	<u>872</u>	<u>1,175</u>	<u>1,031</u>	<u>1,120</u>	<u>1,705</u>
Other Financing Sources (Uses)										
Transfers in	406	388	50	198	286	192	169	161	176	431
Transfers out	(341)	(321)	(35)	(198)	(287)	(193)	(170)	(162)	(178)	(1,246)
Total Other Financing Sources (Uses)	<u>65</u>	<u>67</u>	<u>15</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>	<u>(815)</u>
Net change in fund balances	<u>\$ 592</u>	<u>\$ 41</u>	<u>\$ (913)</u>	<u>\$ (203)</u>	<u>\$ 162</u>	<u>\$ 871</u>	<u>\$ 1,174</u>	<u>\$ 1,030</u>	<u>\$ 1,118</u>	<u>\$ 890</u>
Debt service as a percentage of noncapital expenditures	<u>7.69%</u>	<u>6.67%</u>	<u>7.35%</u>	<u>0.54%</u>	<u>0.08%</u>	<u>0.05%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</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	
2007-2008	950,539	19,265	\$ 931,274	1.00%
2008-2009	964,774	17,767	\$ 982,541	1.00%
2009-2010	937,740	32,640	\$ 970,380	1.00%
2010-2011	932,954	32,484	\$ 965,438	1.00%
2011-2012	923,105	32,296	\$ 955,401	1.00%
2012-2013	924,661	32,642	\$ 957,303	1.00%
2013-2014	934,243	35,746	\$ 969,989	1.00%
2014-2015	979,763	32,966	\$ 1,012,729	1.00%
2015-2016	1,041,231	30,866	\$ 1,072,097	1.00%
2016-2017	1,105,535	32,355	\$ 1,137,891	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
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%
2012-2013	1.00%	0.00%	1.00%	0.05256%	0.00000%
2013-2014	1.00%	0.00%	1.00%	0.05256%	0.00000%
2014-2015	1.00%	0.00%	1.00%	0.05256%	0.00000%
2015-2016	1.00%	0.00%	1.00%	0.05256%	0.00000%
2016-2017	1.00%	0.00%	1.00%	0.05256%	0.05762%

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)

2017				2016			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Santa Ynez Band of Mission Indians	\$ 27,063	1	2.38%	Santa Ynez Band of Mission Indians	\$ 26,696	1	2.49%
Worldmark, The Club	16,000	2	1.41%	Worldmark, The Club	17,877	2	1.67%
SYBCI California Hotel, No. 2, LLC	13,490	3	1.19%	SYBCI California Hotel, No. 2, LLC	13,310	3	1.24%
Alisal Guest Ranch	12,337	4	1.08%	Alisal Guest Ranch	12,489	4	1.16%
Palm Springs Inn, LLC	11,901	5	1.05%	Solvang Hotel Group, LP	10,393	5	0.97%
Solvang Hotel Group, LP	10,552	6	0.93%	Palm Springs Inn LLC	7,519	6	0.70%
Alisal Oaks, LLC	7,401	7	0.65%	Alisal Oaks, LLC	7,290	7	0.68%
Wine Manor Management, LLC	6,415	8	0.56%	Wine Manor Management, LLC	6,321	8	0.59%
Cook, Frieda Survivors Trust	6,272	9	0.55%	Cook, Frieda Survivors Trust	6,178	9	0.58%
Skytt Properties, LLC	6,245	10	0.55%	M P Paso, LLC	5,121	10	0.48%
Total	\$ 117,676		10.34%	Total	\$ 113,194		10.56%

2015				2014			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Santa Ynez Band of Mission Indians	\$ 26,226	1	2.59%	Santa Ynez Band of Mission Indians	\$ 26,108	1	2.69%
Worldmark, The Club	17,543	2	1.73%	Worldmark, The Club	17,467	2	1.80%
Skytt Properties, LLC	14,927	3	1.47%	SYBCI California Hotel, No. 2, LLC	13,026	3	1.34%
SYBCI California Hotel, No. 2, LLC	13,078	4	1.29%	Alisal Guest Ranch	12,743	4	1.31%
Alisal Guest Ranch	12,477	5	1.23%	Solvang Hotel Group, LP	10,144	5	1.05%
Solvang Hotel Group, LP	10,190	6	1.01%	Kabir Bluestar, LLC	8,879	6	0.92%
NWK1, Inc	7,740	7	0.76%	Alisal Oaks, LLC	7,116	7	0.73%
Kabir Bluestar, LLC	7,375	8	0.73%	Cook, Frieda Survivors Trust	6,030	8	0.62%
Alisal Oaks, LLC	7,148	9	0.71%	NWK1, Inc	5,889	9	0.61%
Cook, Frieda Survivors Trust	6,057	10	0.60%	Copper Alisal Holdings, LLC	5,520	10	0.57%
Total	\$ 122,761		12.12%	Total	\$ 112,922		11.64%

2013				2012			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Santa Ynez Band of Mission Indians	\$ 25,649	1	2.68%	Santa Ynez Band of Mission Indians	\$ 25,199	1	2.64%
Worldmark, The Club	17,141	2	1.79%	Worldmark, The Club	16,821	2	1.76%
Alisal Guest Ranch	12,795	3	1.34%	NWK1, Inc	12,656	3	1.32%
Solvang Hotel Group, LP	9,945	4	1.04%	Alisal Guest Ranch	12,604	4	1.32%
SYBCI California Hotel, No. 2, LLC	9,507	5	0.99%	Solvang Hotel Group, LP	10,150	5	1.06%
NWK1, Inc	8,844	6	0.92%	AFTC-Solvang LLC	9,350	6	0.98%
Wine Valley Inn, LLC	8,732	7	0.91%	Wine Valley Inn, LLC	8,589	7	0.90%
Alisal Oaks, LLC	6,977	8	0.73%	Alisal Oaks, LLC	6,841	8	0.72%
Cook, Frieda Survivors Trust	5,912	9	0.62%	Cook, Frieda Survivors Trust	5,797	9	0.61%
Copper Alisal Holdings, LLC	5,520	10	0.58%	Frederik's Court, LLC	5,520	10	0.58%
Total	\$ 111,022		11.60%	Total	\$ 113,527		11.88%

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

2009				2008			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Solvang Mesa LLC	\$ 24,719	1	2.52%	Solvang Mesa LLC	\$ 21,827	1	2.34%
Worldmark, The Club	16,428	2	1.67%	Worldmark, The Club	16,122	2	1.73%
Alisal Guest Ranch	12,020	3	1.22%	RSI Partners, LP	12,431	3	1.33%
Solvang Hotels Group, LLC	11,203	4	1.14%	Alisal Properties	12,380	4	1.33%
Wine Valley Inn	8,331	5	0.85%	Alisal Guest Ranch	11,221	5	1.20%
Alisal Oaks LLC	6,674	6	0.68%	Alisal Oaks LLC	6,544	6	0.70%
FPA Old Mill Associates, LP	5,586	7	0.57%	Santa Maria Hospitality Investors LP	6,210	7	0.67%
Alisal Properties	5,433	8	0.55%	AFTC-Solvang, LLC	5,810	8	0.62%
Petersen Village Inn	4,618	9	0.47%	Chimney Sweep	5,696	9	0.61%
MP Paso, LLC	4,565	10	0.46%	FPA Old Mission Associates, LP	5,477	10	0.59%
Total	\$ 99,577		10.13%	Total	\$ 103,718		11.14%

Source: Santa Barbara County Assessor's Office

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

<u>Fiscal Year</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collections within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections To Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount Collected</u>	<u>Percentage of Levy</u>
2006-07	1,091,877	1,068,943	97.9%	22,623	1,091,566	100.0%
2007-08	1,157,306	1,129,300	97.6%	27,576	1,156,875	100.0%
2008-09	1,220,447	1,185,911	97.2%	33,527	1,219,438	99.9%
2009-10	606,892	592,046	97.6%	14,049	606,095	99.9%
2010-11	600,711	590,463	98.3%	9,246	599,709	99.8%
2011-12	593,794	586,171	98.7%	6,717	592,887	99.8%
2012-13	599,125	593,058	99.0%	5,095	598,152	99.8%
2013-14	606,613	601,774	99.2%	3,760	605,533	99.8%
2014-15	631,868	626,577	99.2%	3,378	629,955	99.7%
2015-16	667,906	661,254	99.0%	-	661,254	99.0%
2016-17	708,584	702,791	99.2%	-	702,791	99.2%

Source: Santa Barbara County Auditor-Controller's Office

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

Fiscal Year	City Wide Occupancy Rate	Average Daily Room Rates	Transient Occupancy Tax Revenues in Dollars Concentration By Hotel Size Based on Number of Rooms	
			Number Hotels 50 or More Rooms	Number Hotels Under 50 Rooms
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
2013	67%	\$ 139.62	\$ 2,178,318 6	\$ 820,489 10
2014	68%	\$ 147.54	\$ 2,469,434 6	\$ 964,365 11
2015	72%	\$ 171.08	\$ 2,766,680 6	\$ 1,063,561 17
2016	74%	\$ 191.84	\$ 2,813,475 6	\$ 1,368,750 18
2017	72%	\$ 188.51	\$ 2,852,189 6	\$ 1,477,881 18

Source: City of Solvang Finance Department

**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
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 ³	4.28 5.03
2013	65.63 ¹	3.00 ² 3.53 ³	4.50 5.30
2014	69.08 ¹	3.16 ² 3.71 ³	4.74 5.57
2015	72.71 ¹	3.16 ² 3.71 ³	4.74 5.57
2016	75.43 ¹	3.45 ² 4.05 ³	5.18 6.08
2017	75.43 ¹	3.45 ² 4.05 ³	5.18 6.08

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.

This rate is for 0 to 1600 Cubic Feet.

(3) This rate 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				
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	2,008
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
2013	2,343,935	379,449	897,317	578,884	4,199,585
	1,687	82	263	121	2,153
2014	2,755,279	353,455	771,435	733,473	4,613,643
	1,695	69	226	118	2,108
2015	2,621,212	295,474	824,286	618,427	4,359,400
	1,734	70	226	118	2,148
2016	2,667,228	289,436	819,771	588,547	4,364,982
	1,767	70	226	118	2,181
2017	2,762,880	309,802	774,336	637,288	4,484,306
	1,780	70	222	115	2,187

Source: City of Solvang Finance Department

Notes:

(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

2017	2016	2015	2014
Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch
Atterdag Village	Atterdag Village	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
Hadsten House	Hadsten House	Hadsten House	Hadsten House
Holiday Inn Express	Holiday Inn Express	Inland Pacific Builders	Holiday Inn Express
Mission Oaks	Inland Pacific Builders	Mission Oaks	Inland Pacific Builders
Rancho S.Y. Mobile Estates	Mission Oaks	Rancho S.Y. Mobile Estates	Mission Oaks
Solvang School	Rancho S.Y. Mobile Estates	Solvang School	Rancho S.Y. Mobile Estates
Worldmark	Worldmark	Worldmark	Solvang School
2013	2012	2011	2010
Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch
Atterdag Village	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
N&G Investments	Rancho S.Y. Mobile Estates	Rancho S.Y. Mobile Estates	Solvang LLM
Oak Park Apartments	Solvang LLM	Solvang LLM	Solvang Lutheran Home
Rancho S.Y. Mobile Estates	Solvang School	Solvang School	Solvang School
Solvang School	Wine Valley Inn	Wine Valley Inn	Wine Valley Inn
Worldmark Solvang	Worldmark Solvang	Worldmark Solvang	Worldmark Solvang
2009	2008		
Alisal Guest Ranch	Alisal Guest Ranch		
Chumash Casino Resort	Chumash Casino Resort		
City of Solvang	City of Solvang		
Mission Oaks	Mission Oaks		
Petersen Inn	Mission Ready Mix		
Rancho S.Y. Mobile Estates	Rancho S.Y. Mobile Estates		
Solvang Lutheran Home	Solvang Lutheran Home		
Solvang School	Solvang Mesa LLC		
Wine Valley Inn	Solvang School		
Worldmark Solvang	Worldmark Resort		

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							
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	5281 ³	\$ -
2013	-	-	-	-	-	-	-	-	0% ²	5292 ³	\$ -
2014	-	-	-	-	-	-	-	-	0% ²	5363 ³	\$ -
2015	-	-	-	-	-	-	-	-	0% ²	5489 ³	\$ -
2016	-	-	-	-	-	-	-	-	0% ²	5451 ³	\$ -
2017	-	-	-	-	-	-	-	-	0% ²	5593 ³	\$ -

Source: City of Solvang Finance Department

Notes:

- (1) Presented net of original discounts and premiums
- (2) Personal income is disclosed on Schedule 17.
- (3) California Department of Finance

Schedule 14
City of Solvang
Direct and Overlapping Governmental Activities Debt
As of June 30, 2017

<u>Governmental Unit:</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable²</u>	<u>Amount Applicable to Primary Government</u>
Direct and Overlapping General Fund Debt			
Santa Barbara County Certificates of Participation	\$ 50,190,000	1.528%	\$ 766,903
Santa Ynez Valley Union High School District COP	2,412,000	17.640%	\$ 425,477
Buellton Union School District Cert of Participation	268,200	1.015%	\$ 2,722
Total Gross Direct and Overlapping General Fund Debt			\$ 1,195,102
Less: Santa Barbara County Supported Obligations			\$ (54,702)
Total Net Direct and Overlapping General Fund Debt			\$ 1,140,400
Overlapping Tax and Assessment Debt			
Allan Hancock Joint Community College District	\$ 126,654,576	4.579%	\$ 5,799,513
Santa Ynez Valley Union School District	\$ 7,500,000	17.640%	\$ 1,323,000
Buellton Union School district	7,441,637	1.015%	\$ 75,533
Solvang School District	6,989,202	80.667%	\$ 5,637,980
Total Overlapping Tax and Assessment Debt			\$ 12,836,025
Subtotal, overlapping debt			\$ 13,976,426 ³
City of Solvang direct debt			-
Total direct and overlapping debt			<u>\$ 13,976,426</u>

Source: California Municipal Statistics, Inc.

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 recognizes 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) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City, divided by the district's total taxable assessed value.

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

**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
2008	\$ 142,580,884	\$ -	0.00%
2009	\$ 147,381,177	\$ -	0.00%
2010	\$ 145,560,815	\$ -	0.00%
2011	\$ 144,815,718	\$ -	0.00%
2012	\$ 143,310,234	\$ -	0.00%
2013	\$ 35,898,852	\$ -	0.00%
2014	\$ 36,374,577	\$ -	0.00%
2015	\$ 37,977,325	\$ -	0.00%
2016	\$ 40,226,713	\$ -	0.00%
2017	\$ 42,670,909	\$ -	0.00%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed Value	\$ 1,137,890,901
Debt Limit (3.75% of assessed value)	42,670,909
Less debt applicable to limit:	
General Obligation bonds	<u>0</u>
Total debt applicable to limit	<u>0</u>
Legal Debt Margin	<u><u>\$ 42,670,909</u></u>

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

Note: California Government Code, Section 43605 sets the debt limit at 15%. The code section was enacted when assessed valuations were based on 25% of full market value. This has since changed to 100% of full market value. Thus the limit shown is 3.75%, one-fourth the limit of 15%.

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

Special Assessment Bonds

Fiscal Year	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest	
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	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-

Water Installment Agreement and Capital Lease

	Water Service Revenues ¹	Capital Impact Fees	Less Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
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
2013	4,492,912	184,331	4,093,060	584,183	-	-	-
2014	4,671,555	481,283	4,842,994	309,844	-	-	-
2015	4,422,992	497,405	4,541,401	378,996	-	-	-
2016	4,457,268	294,184	3,851,606	899,846	-	-	-
2017	4,566,227	102,409	3,771,037	897,599	-	-	-

Wastewater Capital Lease Obligation

	Wastewater Service Revenues ¹	Capital Impact Fees	Less Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
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	-	-	-
2013	1,532,057	141,346	1,566,073	107,330	-	-	-
2014	1,640,187	265,619	1,338,696	567,110	-	-	-
2015	1,623,447	320,403	1,390,063	553,787	-	-	-
2016	1,736,952	201,661	1,315,685	622,928	-	-	-
2017	1,669,291	90,875	1,630,740	129,426	-	-	-

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>Population¹</u>	<u>Personal Income</u>	<u>Per Capita Personal Income²</u>	<u>Unemployment Rate³</u>
2008	5332	170,693,316	32,013	5.00%
2009	5446	181,994,428	33,418	8.20%
2010	5262	186,790,476	35,498	8.80%
2011	5289	191,476,316	36,203	3.70%
2012	5281	203,973,344	38,624	3.30% ³
2013	5292	207,123,588	39,139	3.00% ³
2014	5363	218,397,449	40,723	2.60% ³
2015	5489	218,550,024	39,816	7.10% ³
2016	5451	214,409,634	39,334	7.14% ³
2017	5593	224,435,904	40,128	3.45% ³

Sources: City of Solvang Finance Department

Notes:

- (1) State of California, Department of Finance
- (2) United States Census Bureau
- (3) State of California, Employment Development Department

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

Fiscal Year Ended June 30, 2017				Fiscal Year Ended June 30, 2016				Fiscal Year Ended June 30, 2015			
Employer	Number of Employees	Rank	Percentage of Total City Employment ¹	Employer	Number of Employees	Rank	Percentage of Total City Employment ¹	Employer	Number of Employees	Rank	Percentage of Total City Employment ¹
Alisal Guest Ranch	303	1	10.45%	Alisal Guest Ranch	294	1	10.50%	Alisal Guest Ranch	298	1	10.64%
Atterdag Village (formerly Solvang Lutheran Home)	170	2	5.86%	Atterdag Village (formerly Solvang Lutheran Home)	167	2	5.96%	Atterdag Village (formerly Solvang Lutheran Home)	145	2	5.18%
Santa Ynez Cottage Hospital	96	3	3.31%	Santa Ynez Cottage Hospital	91	3	3.25%	Santa Ynez Cottage Hospital	91	3	3.25%
Solvang Brew	75	4	2.59%	Solvang Brew	75	4	2.68%	Nielsens Market	69	4	2.46%
Solvang Unified School District	68	5	2.34%	New Frontiers Market	70	5	2.50%	Solvang Unified School District	65	5	2.32%
Nielsens Market	62	6	2.14%	Nielsens Market	69	6	2.46%	Solvang Brew	65	5	2.32%
New Frontiers Market	55	7	1.90%	Solvang Unified School District	67	7	2.39%	New Frontiers Market	60	6	2.14%
Landsby	55	7	1.90%	Hotel Corque	51	8	1.82%	Hotel Corque	56	7	2.00%
Hotel Corque	47	8	1.62%	Landsby	46	9	1.64%	Landsby	56	7	2.00%
Root 246	42	9	1.45%	Root 246	46	9	1.64%	Root 246	53	8	1.89%
Totals	973		33.55%	Totals	976		34.86%	Totals	958		34.21%

Fiscal Year Ended June 30, 2014				Fiscal Year Ended June 30, 2013				Fiscal Year Ended June 30, 2012			
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	285	1	8.91%	Alisal Guest Ranch	261	1	7.91%	Alisal Guest Ranch	275	1	9.17%
Atterdag Village (formerly Solvang Lutheran Home)	130	2	4.06%	Atterdag Village (formerly Solvang Lutheran Home)	130	2	3.94%	Atterdag Village (formerly Solvang Lutheran Home)	126	2	4.20%
Nielsens Market	75	3	2.34%	Solvang Unified School District	100	3	3.03%	New Frontiers Market	91	3	3.03%
Solvang Unified School District	71	4	2.22%	Santa Ynez Cottage Hospital	88	4	2.67%	Santa Ynez Cottage Hospital	85	4	2.83%
Santa Ynez Cottage Hospital	67	5	2.09%	Nielsens Market	63	5	1.91%	Nielsens Market	75	5	2.50%
Solvang Brew	67	5	2.09%	Root 246	50	6	1.52%	Solvang Unified School District	65	6	2.17%
Root 246	60	6	1.88%	New Frontiers Market	50	6	1.52%	Root 246	58	7	1.93%
Hotel Corque	58	7	1.81%	Hotel Corque	49	7	1.48%	Hotel Corque	46	8	1.53%
New Frontiers Market	52	8	1.63%	Hadsten House	43	8	1.30%	City of Solvang	36	9	1.20%
Hadsten House	47	9	1.47%	City of Solvang	36	9	1.09%	Worldmark Trendwest	25	10	0.83%
Totals	912		28.50%	Totals	870		26.36%	Totals	882		29.40%

Fiscal Year Ended June 30, 2011				Fiscal Year Ended June 30, 2010				Fiscal Year Ended June 30, 2009			
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	270	1	9.00%	Alisal Guest Ranch	280	1	9.33%	Alisal Guest Ranch	280	1	9.33%
Solvang Lutheran Home	120	2	4.00%	Solvang Lutheran Home	125	2	4.17%	Solvang Lutheran Home	125	2	4.17%
Santa Ynez Valley Cottage Hospital	82	3	2.73%	Santa Ynez Valley Cottage Hospital	85	3	2.83%	Santa Ynez Valley Cottage Hospital	85	3	2.83%
Root 246	67	4	2.23%	Root 246	70	4	2.33%	Root 246	70	4	2.33%
Nielsens Market	63	5	2.10%	Nielsens Market	65	5	2.17%	Nielsens Market	65	5	2.17%
New Frontiers Market	58	6	1.93%	New Frontiers Market	60	6	2.00%	New Frontiers Market	60	6	2.00%
Hotel Corque	52	7	1.73%	Hotel Corque	54	7	1.80%	Hotel Corque	54	7	1.80%
Solvang Unified School District	52	8	1.73%	Solvang Unified School District	54	8	1.80%	Solvang Unified School District	54	8	1.80%
City of Solvang	35	9	1.17%	City of Solvang	35	9	1.17%	City of Solvang	35	9	1.17%
Worldmark Trendwest	29	10	0.97%	Worldmark Trendwest	30	10	1.00%	Worldmark Trendwest	30	10	1.00%
Totals	828		27.60%	Totals	858		28.60%	Totals	858		28.60%

Sources: City of Solvang Finance Department, State of California Employment Development Department, and City of Solvang Employers
Notes:
(1) Total City Labor Force is 2900, based on State of California Employment Development Department Data for FY 2016-2017.

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

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	-	-	-	-	-	-	-	-	-	-
Finance	5.00	5.00	5.00	5.00	6.00	5.00	5.00	5.00	5.00	5.00
Public safety ² :										
Police (Contract)	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-
Planning:										
Planning	2.00	2.00	2.00	2.00	2.00	1.75	2.22	2.22	2.22	2.22
Building and safety ²	0.50	0.50	0.50	0.50	1.00	0.75	0.90	0.90	0.90	0.90
Public works:										
Engineering	2.50	2.50	2.50	2.50	2.50	0.60	0.65	1.20	1.20	1.55
Roads and streets	2.35	2.35	2.35	2.35	2.35	3.78	3.95	4.05	4.05	3.85
Maintenance	3.65	3.65	3.65	3.65	3.65	2.58	2.51	2.51	2.51	2.51
Parks:										
Parks and recreation	5.50	5.80	6.50	6.50	5.50	5.84	5.84	5.84	5.84	5.81
Water:										
Treatment and distribution	4.00	4.00	4.00	4.00	4.00	5.10	5.00	5.15	5.15	5.10
Wastewater:										
Collection and treatment	6.00	6.00	6.00	6.00	6.00	7.10	6.90	7.10	7.10	7.00
Totals	33.50	33.80	34.50	34.50	35.00	34.50	34.97	35.97	35.97	35.94

Source: The City of Solvang Finance Department.

(1) City Council are elected officials, not employees and therefore not represented.

(2) No full-time equivalent employees are shown for Police, Fire, City Attorney and previous years of Building and Safety as the City had contracts for those services.

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

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police¹:										
Physical arrest	299	269	353	127	114	123	96	102	126	136
Traffic violations	610	707	548	266	109	105	125	67	41	94
Fire¹:										
Emergency responses	510	498	484	589	385	197	430	358	615	652
Fires extinguished	16	18	16	15	17	3	9	9	12	12
Planning:										
Building permits issued	299	141	124	151	143	215	218	146	230	212
Public Works:										
Miles streets maintained	2.27	4.37	1.15	0.25	3.50	0.66	0.44	0.44	4.00	4.00
Parks:										
Community events held	22	17	17	18	18	18	21	21	17	14
Water:										
Number new connections	9	7	2	2	2	25	38	40	33	14
Daily average water production in MGD	1.48	1.38	1.15	1.31	1.27	1.38	1.38	1.05	0.94	0.98
Daily average water consumption in MGD	1.37	1.33	1.25	1.20	1.18	1.26	1.26	0.96	0.86	0.89
Wastewater:										
Number new connections	9	7	2	2	-	26	35	43	33	14
Daily average treatment in millions gallons(MGD)	0.60	0.69	0.73	0.72	0.77	0.75	0.71	0.69	33	0.65

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

(1) The City of Solvang contracts with the County of Santa Barbara to provide police services. The City is within the County jurisdiction for fire services.

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

	Fiscal Year									
Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fire¹										
Stations	-	-	-	-	-	-	-	-	-	-
Engines	-	-	-	-	-	-	-	-	-	-
Public Works:										
Miles of streets	22	22	25	25	25	25	25	25	25	25
Streetlights	7	7	12	12	12	12	12	12	12	12
Parks and recreation:										
Community centers	3	3	3	2	2	2	2	2	2	2
Parks	4	4	4	4	4	4	4	4	4	4
Park acreage	63	63	63	63	63	63	63	63	63	63
Water:										
Miles of mains	35	35	35	35	35	35	36	36	36	36
Number connections	1,964	2,017	2,017	2,019	2,018	2,043	2,156	2,178	2,211	2,225
Wastewater:										
Miles of sewers	40	42	42	42	42	42	42	42	42	42
Number connections	1,964	2,017	1,981	1,985	1,985	2,011	2,047	2,090	2,123	2,137
Maximum plant capacity in millions of gallons	1.50	1.50	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 police services. The City is within the County jurisdiction for fire services.