



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30

2019



SOLVANG, CALIFORNIA

Cover Photo Courtesy of SolvangUSA.com

CITY OF SOLVANG, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
June 30, 2019

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, 2019**

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INTRODUCTORY SECTION

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January 13, 2020

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, 2019.

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 Badawi & Associates, Certified Public Accountants has issued an unmodified independent auditor's report on the City of Solvang's financial statements for the fiscal year ended June 30, 2019. 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. 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 more than half of the City’s General Fund revenues. 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 and special events.

This year the City saw an increase in property tax revenue of 1.5%, and sales tax revenues increased by 7.29%. Our top three sales tax generators by business category for FY 2018-19 are retail, food services, and manufacturing, in that order. Our largest General Fund revenue source, Transient Occupancy Tax (TOT) increased by 6.9%, and the occupancy rate was up by 1.3%.

While we have seen increasing trends in some revenues, the City is mindful of costs associated with increasing pension and retiree health liabilities, and growing 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 \$2.2 million in capital projects. For fiscal year ending 2019-20, the City has budgeted approximately \$7.1 million for capital projects, mostly for wastewater, and public works. An additional \$33.6 million in capital projects are included in the City's Ten Year Capital Improvement Plan. These projects include about \$11 million in public works projects, \$1 million for transit, \$4.9 million for water and \$10.9 million for wastewater system improvements.

The major initiative planned for FY 2019-20 is Engineering & Design for the Wastewater Treatment Plant, which will be followed by a rate study and financing strategy development. The project is estimated at approximately \$19M.

The General Fund ended fiscal 2018-19 with a fund balance of approximately \$11.4 million. Of that fund balance, \$4.8 million is committed for emergency reserves, and approximately \$6.1 million remained unassigned. There is approximately \$2.8 million available in Gas Tax, Impact Fees, Traffic Safety, Measure A, and Local Transportation funds, which will be used for future projects; mainly street infrastructure, improvements, maintenance and sidewalk projects.

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, 2018. The City has received this award for 29 of the last 30 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. 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,



Xenia Bradford
Acting City Manager/
Administrative Services Director



Jason Banta
Accountant



Government Finance Officers Association

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

Presented to

**City of Solvang
California**

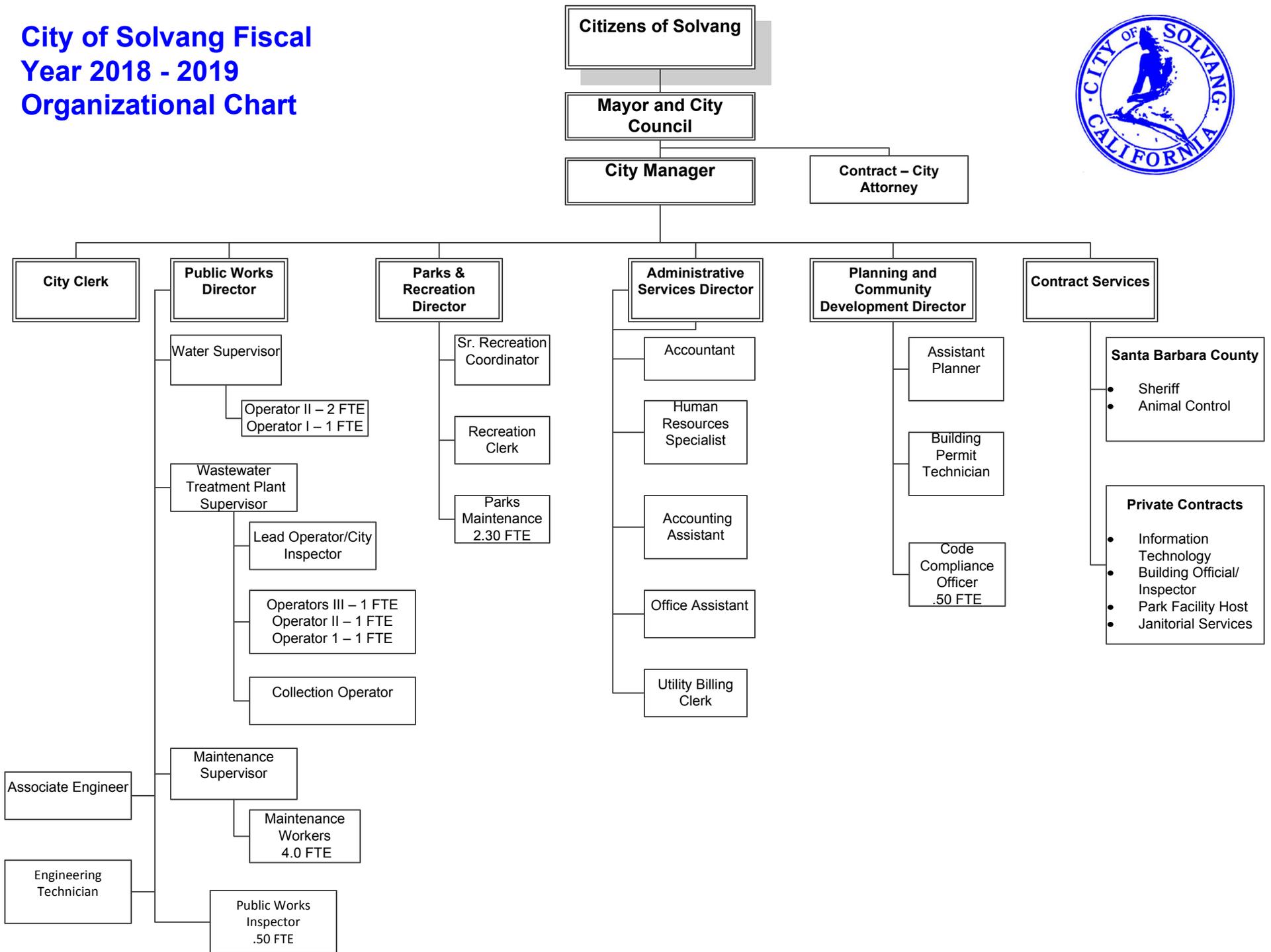
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

City of Solvang Fiscal Year 2018 - 2019 Organizational Chart



City of Solvang
List of Elected and Appointed Officials
As of June 30, 2019

Elected Officials

Mayor	Ryan Toussaint
Council Member	Robert Clarke
Council Member	Karen Waite
Council Member	Daniel Johnson
Council Member	Chris Djernaes

Appointed Officials

City Manager	David Gassaway
City Attorney	Chip Wullbrandt
City Clerk	Lisa Martin
Administrative Services Director	Xenia Bradford
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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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Solvang, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City'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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity'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 entity's internal control. Accordingly, we 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 financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in 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, budgetary comparison information, pension and OPEB information on pages 17-29 and 87-88, be presented to supplement the basic financial statements. Such information, although not of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules on pages 96 to 106 and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and budgetary comparison schedules on pages 96 to 106 are the responsibility of management and were derived from and relate 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 our opinion, the combining and individual nonmajor fund financial statements, and the budgetary comparison schedules on pages 96 to 106 are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council
of the City of Solvang
Solvang, California
Page 3

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates
Certified Public Accountants
Berkeley, California
January 9, 2020

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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, 2019. 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 \$11.4 million at the end of the 2019 fiscal year; an increase of approximately \$469 thousand or 4.3% over fiscal year 2017-2018.
- Citywide, the total net position increased by \$1.1 million or 2% higher than 2017-2018 after conducting all operations and programs. The net position totaled \$48.8 million dollars at year-end. Of that amount, \$20.7 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 \$25.1 million dollars. Of the \$25.1 million dollars, \$9.1 million remains unrestricted and available.
- Overall, Citywide revenues from governmental activities, grants and taxes increased approximately \$362 thousand compared to the 2017-2018 fiscal year.
- Impact Fees ended FY 2018-2019 with a fund balance of \$2.31 million; an increase of approximately \$48 thousand from FY 2017-2018.
- The Proprietary funds ended the fiscal year with a net position of \$23.7 million (including the funds' net investment in capital assets).
- The City's other non-major governmental funds ended FY 2018-2019 with a fund balance of \$811 thousand, a decrease of \$354 thousand over FY 2017-18. The decrease is due in part to a decrease in Measure A funds received in FY 2018-19.



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 34-37 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 41-45 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 47-53 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 financial 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 55-57 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 60-84 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 86-91 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 96-106 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 \$48,837,053, at the close of the most recent fiscal year.



Management's Discussion and Analysis

City of Solvang Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018-2019</u>
Assets:							
Current and other Assets	\$ 16,407,698	\$ 16,636,633	\$ 14,400,352	\$ 13,801,928	\$ 30,808,050	\$ 30,438,561	-1%
Capital Assets	12,360,410	12,883,002	10,462,415	12,053,677	22,822,825	24,936,679	9%
Total Assets	\$ 28,768,108	\$ 29,519,635	\$ 24,862,767	\$ 25,855,605	\$ 53,630,875	\$ 55,375,240	3%
Deferred outflows of resources:							
Pension plan contributions and other pension deferrals	\$ 1,470,602	\$ 1,252,767	\$ 490,200	\$ 474,754	\$ 1,960,802	\$ 1,727,521	-12%
Current liabilities	\$ 680,191	\$ 679,659	\$ 590,593	\$ 956,069	\$ 1,270,784	\$ 1,635,728	29%
Noncurrent liabilities	4,686,208	4,602,192	1,516,105	1,511,589	6,202,313	6,113,781	-1%
Total Liabilities	\$ 5,366,399	\$ 5,281,851	\$ 2,106,698	\$ 2,467,658	\$ 7,473,097	\$ 7,749,509	4%
Deferred inflows of resources:							
Pension plan timing differences	\$ 288,716	\$ 387,149	\$ 96,239	\$ 129,050	\$ 384,955	\$ 516,199	34%
Net Position:							
Invested in capital assets	\$ 12,360,410	\$ 12,565,957	\$ 10,462,415	\$ 12,053,677	\$ 22,822,825	\$ 24,619,634	8%
Restricted	3,213,182	3,443,607	-	-	3,213,182	3,443,607	7%
Unrestricted	9,010,003	9,093,838	12,687,615	11,679,974	21,697,618	20,773,812	-4%
Total Net Position	\$ 24,583,595	\$ 25,103,402	\$ 23,150,030	\$ 23,733,651	\$ 47,733,625	\$ 48,837,053	2%

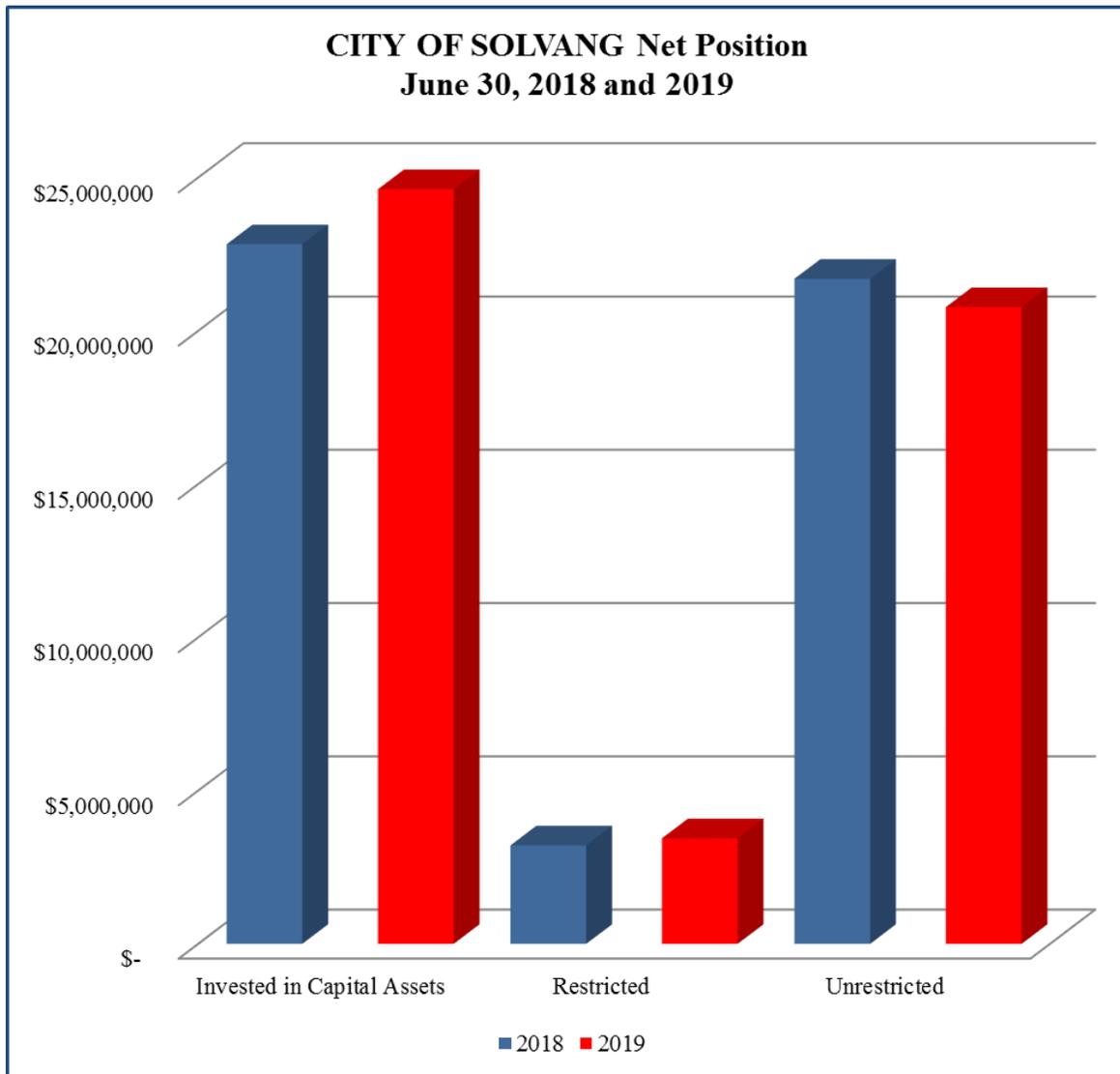
By far, the largest portion of the City of Solvang's net position (50.4%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City of Solvang uses these capital 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 (7.1%) 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 \$1.1 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 79% 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 47.02% of all governmental-type revenues. In FY 2018-19, local hotel tax increased approximately \$298K or 6.9% from fiscal year 2017-18.



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.

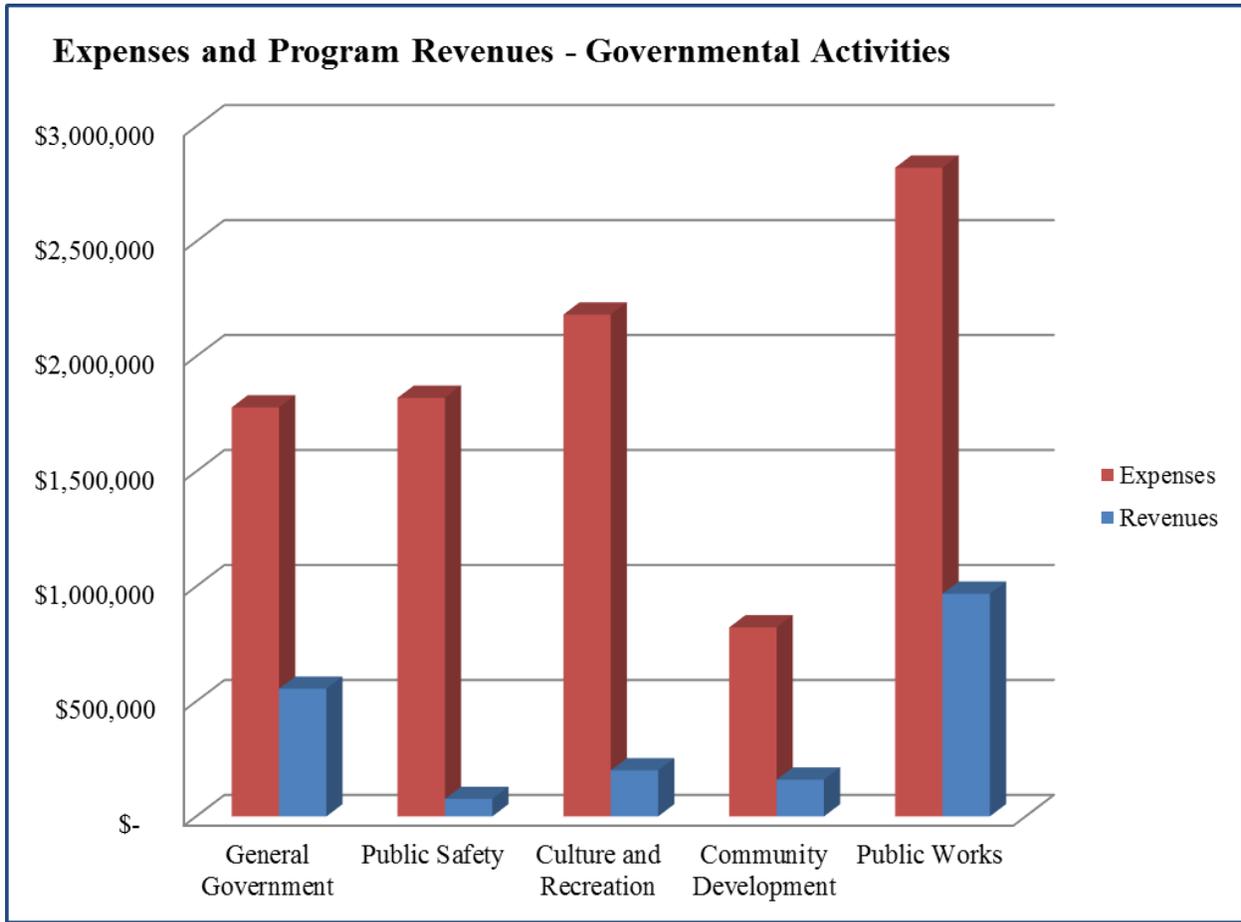
When all operations were concluded, the governmental activities function generated an increase of \$432 thousand in net position, which is less than the increase generated in FY 2017-18 of \$1.3M.

City of Solvang's Changes in Net Position

Table A-2							
City of Solvang's Changes in Net Position							
	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2019	2018	2019	2018	2019	2018	2018-2019
Revenues:							
Program revenues							
Charges	\$ 1,160,971	\$ 1,316,359	\$ 6,271,087	\$ 6,806,004	\$ 7,432,058	\$ 8,122,363	-8%
Operating grants and contributions	680,790	630,949	1,827,984	809,650	2,508,774	1,440,599	74%
Capital grants and contributions	118,731	198,314	35,716	51,708	154,447	250,022	-38%
General revenues:							
Transient occupancy taxes	4,618,425	4,320,318			4,618,425	4,320,318	7%
Property, sales and other taxes	3,142,075	3,072,639			3,142,075	3,072,639	2%
Other	448,137	109,264	258,866		707,003	109,264	547%
Total revenues	10,169,129	9,647,843	8,393,653	7,667,362	18,562,782	17,315,205	7%
Expenses:							
General government	1,778,600	1,274,194			1,778,600	1,274,194	40%
Public safety	1,820,369	1,737,083			1,820,369	1,737,083	5%
Culture and recreation	2,182,521	2,022,884			2,182,521	2,022,884	8%
Community development	822,307	559,661			822,307	559,661	47%
Public works	2,821,441	2,375,931			2,821,441	2,375,931	19%
Water			4,861,159	4,307,206	4,861,159	4,307,206	13%
Wastewater			2,343,221	2,090,605	2,343,221	2,090,605	12%
Transit			996,657	856,112	996,657	856,112	16%
Total expenses	9,425,238	7,969,753	8,201,037	7,253,923	17,626,275	15,223,676	16%
Increase (decrease) in net position before transfers	743,891	1,678,090	192,616	413,439	936,507	2,091,529	-55%
Transfers	(311,467)	(306,500)	311,467	306,500	-	-	
<i>Increase (decrease) in net position</i>	432,424	1,371,590	504,083	719,939	936,507	2,091,529	-55%
Net position, beginning (restated)	\$ 24,670,978	\$ 23,212,005	\$ 23,229,568	\$ 22,430,091	\$ 47,900,546	\$ 45,642,096	5%
Change in accounting principle (Note 5H)					\$ -	\$ -	
Net position, ending	\$ 25,103,402	\$ 24,583,595	\$ 23,733,651	\$ 23,150,030	\$ 48,837,053	\$ 47,733,625	2%



Management’s Discussion and Analysis



Business-type Activities. For the City of Solvang’s business-type activities, the City’s net position increased, ending the year with a balance of \$23,733,651. The increase in net position for business-type activities (water, wastewater, and transit funds) was approximately \$504 thousand from the prior fiscal year. Water revenue decreased slightly by 2.4% due to a decrease in consumption, primarily in exterior landscape usage. Wastewater revenue decreased by 16.3% due to not having a large one time diversion from SYCSD which occurred in FY 2017-18. Water expenses increased as the staff work to maintain and replace aging infrastructure, and replace old meters as part of a large scale replacement project. In addition, the cost of water supply increased for all sources as power and chemical costs increased. Wastewater expenses increased as staff work to maintain and replace aging infrastructure, and implement new state permit requirements and regulations.

Financial Analysis of Governmental Funds

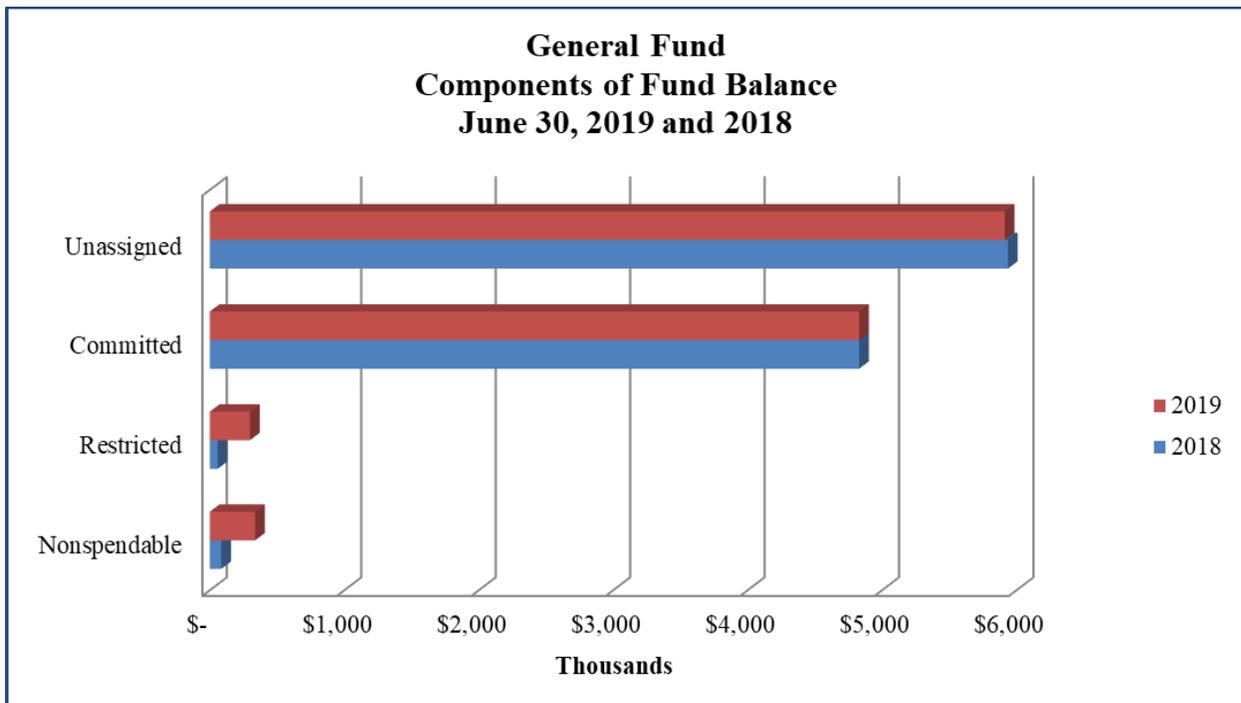
As noted earlier, the City of Solvang uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



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.

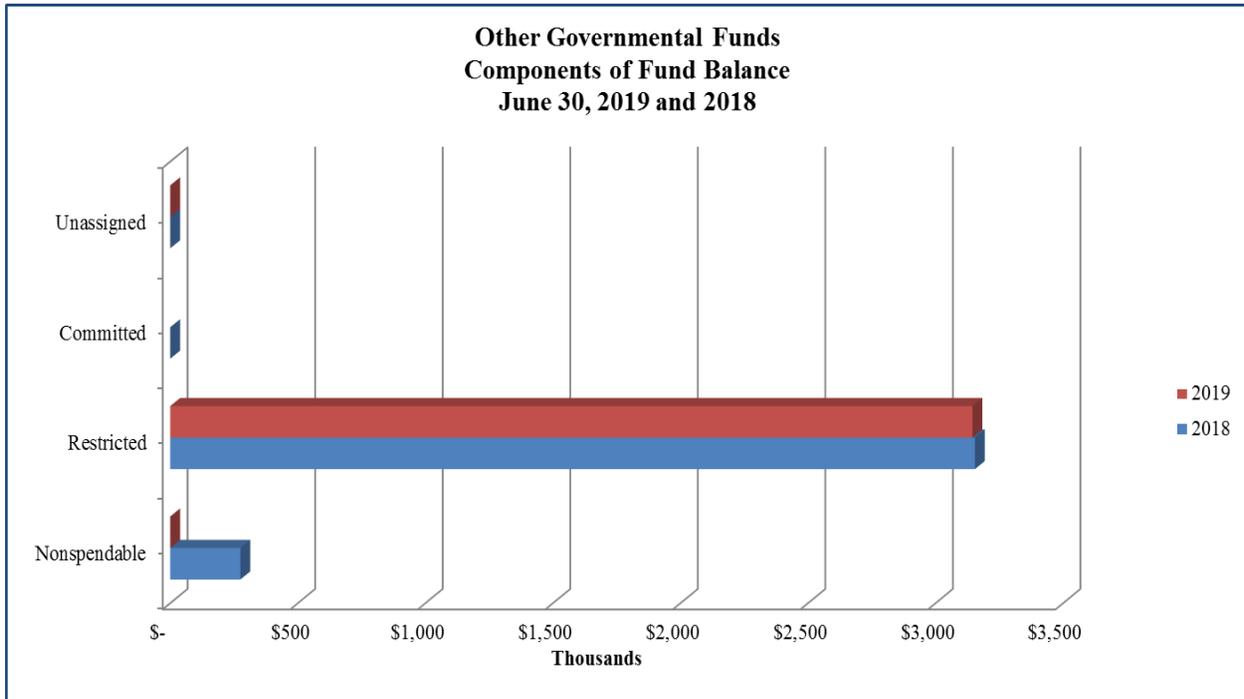
At June 30, 2019, the City of Solvang’s governmental funds reported combined fund balances of \$14,504,302, an increase of \$162,861 in comparison with the prior year. Approximately 42.5% of this amount (\$5,892,253) constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of the fund balance is either nonspendable, restricted, or committed, to indicate that it is 1) not in spendable form (\$337,809), 2) restricted for particular purposes (\$3,443,607), or 3) committed for particular purposes (\$4,830,633). The increase in governmental funds from fiscal year 2017-18 to fiscal year 2018-19, was due primarily to less transfers out from the General Fund to the Water fund for the meter replacement project and additional intergovernmental funds received for future projects.



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 \$5,913,948, while total fund balance increased to \$11,381,227. Impact Fees ended FY 2018-2019 with a fund balance of \$2.31 million; an increase of approximately \$48 thousand from FY 2017-2018. The increase is a result of using less impact fee funds to fund projects around the City of Solvang.



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 \$7,874,900 and \$3,405,772 respectively. The total growth in net position for Water was \$398,012. The increase in Net Position in the Water Fund is attributed primarily to an increase in water capital assets. The Wastewater fund decreased its net position by \$472,190. The Wastewater Division shows an operating loss due to the increase in expenditures for power and chemicals, to maintain and replace aging infrastructure, and to implement regulatory requirements.

Transit operations unrestricted net position totaled \$1,710,338, an increase of \$628,261 from fiscal year 2017-18. Transit operations overall net position increased by 38.95% to end the fiscal year at \$2,241,367, 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 no budget adjustments greater than \$38,000 during the fiscal year. Generally, the movement of the appropriations between departments was not significant.

Final budget compared to actual results. The most significant differences (greater than \$100,000) between estimated revenues and actual revenues were as follows:

Revenue Source	Final Budgeted Revenues	Actual Revenues	Difference
Transient Occupancy Tax	\$ 4,100,000	\$ 4,618,425	\$ 518,425
Sales Tax	\$ 1,300,000	\$ 1,507,745	\$ 207,745
Investment Income	\$ 119,058	\$ 289,298	\$ 170,240

The City received significant donations from the estate of a community member for improvements to City tennis facilities.

The most significant differences, between estimated expenditures and actual expenditures were as follows:

Expenditures	Final Budgeted Expenditures	Actual Expenditures	Difference
General Government	\$ 480,678	\$ 495,910	\$ 15,232
Administration	\$ 1,674,467	\$ 1,678,570	\$ 4,103
Community Development	\$ 841,414	\$ 776,336	\$ (65,078)
Culture and Recreation	\$ 2,022,505	\$ 1,951,801	\$ (70,704)
Public Works	\$ 2,739,873	\$ 2,052,872	\$ (687,001)
Public Safety	\$ 1,821,759	\$ 1,814,230	\$ (7,529)

The Alisal Road Sidewalk/Street Improvements Phase 2 was delayed; therefore, the City did not spend the amount anticipated for this project, resulting in savings. The City also chose not to proceed with the General Plan update, and that project was moved to FY 2019-20.

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, 2019, amounts to \$24,936,679 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the wastewater treatment plant. The investment in capital assets increased by 7.9%. Major capital asset events (greater than \$100K) during fiscal year 2018-19 include the following:



Management’s Discussion and Analysis

2nd Street Drainage Improvements	\$ 290,479
FY 1819 Slurry Seal Project	\$ 274,126
Water Emergency Generator	\$ 128,269
Water Meter Replacement	\$ 404,844
Valve & Fire Hydrant Replacement	\$ 264,424
Fjord LS Odor Control Replacement	\$ 210,271

Additional information on the City of Solvang’s capital assets can be found in Note 5 on page 73 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. This liability was fully funded and paid in 2019, and there were no pending claims at the end of the fiscal year.

Additional information on the City’s long-term debt can be found on page 74 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 2019-20 fiscal year budget:

- 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 continued discussion and review in 2019-20.
- The City’s Wastewater Treatment Plant is in need of major upgrades to replace aging facilities and meet various permit requirements. Land acquisition, environmental review and preliminary engineering are planned for FY 2019-20 in the amount of \$290,000. The City Council will be reviewing and selecting the final upgrade alternative and options in FY 2019-20. It is estimated the project will cost approximately \$13-16M depending on the alternative and upgrades selected.
- 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.



Management's Discussion and Analysis

- As interest rates climb, the City is receiving greater interest revenues from our investments, both in the State Wide Local Agency Investment Fund, and Certificates of Deposit.
- Increases are expected in pension and other post-employment benefit costs. The City's pension liabilities will continue to climb over the next 5-7 years as CalPERS adjusts their methodology and assumptions, which also increases employer contributions. Staff continue to review and evaluate pension costs and work with CalPERS on possible funding strategies.
- 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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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Solvang
Statement of Net Position
June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Solvang Conference & Visitors Bureau
ASSETS				
Current assets:				
Cash and investments	\$ 15,172,593	\$ 9,056,059	\$ 24,228,652	\$ 99,620
Taxes receivable	8,949	-	8,949	-
Accounts receivable	926,044	1,001,010	1,927,054	250
Due from other government	76,502	-	76,502	-
Interest receivable	92,594	57,584	150,178	-
Deposits	-	610,439	610,439	700
Prepayments	187,809	3,076,836	3,264,645	-
Total current assets	16,464,491	13,801,928	30,266,419	100,570
Noncurrent assets:				
Receivables-long-term	172,142	-	172,142	-
Capital assets:				
Capital assets not being depreciated	2,587,915	1,311,036	3,898,951	-
Capital assets being depreciated, net	10,295,087	10,742,641	21,037,728	2,571
Total capital assets	12,883,002	12,053,677	24,936,679	2,571
Total noncurrent assets	13,055,144	12,053,677	25,108,821	2,571
Total assets	29,519,635	25,855,605	55,375,240	103,141
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	1,153,675	384,558	1,538,233	-
Deferred outflows - OPEB	99,092	90,196	189,288	-
Total deferred outflows of resources	1,252,767	474,754	1,727,521	-

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Solvang Conference & Visitors Bureau
LIABILITIES				
Current liabilities:				
Accounts payable	531,634	740,359	1,271,993	3,333
Accrued liabilities	31,393	554	31,947	394
Deposits	4,506	137,866	142,372	-
Unearned advances	52,126	1,000	53,126	-
Compensated absences, due within one year	60,000	76,290	136,290	-
Total current liabilities	679,659	956,069	1,635,728	3,727
Noncurrent liabilities:				
Compensated absences, due in more than one year	94,115	8,897	103,012	-
Net other post employment benefit liability	1,554,927	518,309	2,073,236	-
Net pension liability	2,953,150	984,383	3,937,533	-
Total noncurrent liabilities	4,602,192	1,511,589	6,113,781	-
Total liabilities	5,281,851	2,467,658	7,749,509	3,727
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	387,149	129,050	516,199	-
Total deferred inflows of resources	387,149	129,050	516,199	-
NET POSITION				
Net investment in capital assets	12,565,957	12,053,677	24,619,634	2,571
Restricted for:				
Highways and streets	1,754,351	-	1,754,351	-
Capital improvements	1,689,256	-	1,689,256	-
Total restricted	3,443,607	-	3,443,607	-
Unrestricted	9,093,838	11,679,974	20,773,812	96,843
Total net position	\$ 25,103,402	\$ 23,733,651	\$ 48,837,053	\$ 99,414

City of Solvang
Statement of Activities
For the year ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
City Government:					
Governmental activities:					
General government	\$ 1,778,600	\$ 555,393	\$ -	\$ -	\$ 555,393
Public safety	1,820,369	76,077	-	-	76,077
Culture and recreation	2,182,521	108,954	91,700	-	200,654
Community development	822,307	160,043	-	-	160,043
Public works	2,821,441	260,504	589,090	118,731	968,325
Total governmental activities	9,425,238	1,160,971	680,790	118,731	1,960,492
Business-type activities:					
Water	4,861,159	4,742,528	-	35,716	4,778,244
Wastewater	2,343,221	1,463,857	299,275	-	1,763,132
Transit	996,657	64,702	1,528,709	-	1,593,411
Total business-type activities	8,201,037	6,271,087	1,827,984	35,716	8,134,787
Total primary government	\$ 17,626,275	\$ 7,432,058	\$ 2,508,774	\$ 154,447	\$ 10,095,279
Component Unit:					
Solvang Conference & Visitors Bureau	\$ 953,414	\$ 195,836	\$ 778,680	\$ -	\$ 974,516

General Revenues:

Taxes:

Property taxes

Sales taxes

Transient occupancy taxes

Other taxes

Total taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year, as restated

Net position - end of year

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Solvang Conference and Visitors Bureau
\$ (1,223,207)	\$ -	\$ (1,223,207)	\$ -
(1,744,292)	-	(1,744,292)	-
(1,981,867)	-	(1,981,867)	-
(662,264)	-	(662,264)	-
(1,853,116)	-	(1,853,116)	-
<u>(7,464,746)</u>	<u>-</u>	<u>(7,464,746)</u>	<u>-</u>
-	(82,915)	(82,915)	-
-	(580,089)	(580,089)	-
-	596,754	596,754	-
-	(66,250)	(66,250)	-
<u>(7,464,746)</u>	<u>(66,250)</u>	<u>(7,530,996)</u>	<u>-</u>
-	-	-	21,102
1,401,623	-	1,401,623	-
1,507,745	-	1,507,745	-
4,618,425	-	4,618,425	-
232,707	-	232,707	-
<u>7,760,500</u>	<u>-</u>	<u>7,760,500</u>	<u>-</u>
413,701	258,866	672,567	135
34,436	-	34,436	-
<u>(311,467)</u>	<u>311,467</u>	<u>-</u>	<u>-</u>
<u>7,897,170</u>	<u>570,333</u>	<u>8,467,503</u>	<u>135</u>
432,424	504,083	936,507	21,237
<u>24,670,978</u>	<u>23,229,568</u>	<u>47,900,546</u>	<u>78,177</u>
<u>\$ 25,103,402</u>	<u>\$ 23,733,651</u>	<u>\$ 48,837,053</u>	<u>\$ 99,414</u>

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Impact Fee Fund accounts for impact fees paid by developers restricted for various capital improvement projects.

City of Solvang
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds		Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Impact Fee Fund		
ASSETS				
Cash and investments	\$ 10,636,062	\$ 2,297,777	\$ 757,629	\$ 13,691,468
Receivables:				
Taxes receivable	8,949	-	-	8,949
Accounts receivable	844,636	-	81,408	926,044
Due from other government	76,502	-	-	76,502
Interest receivable	62,806	14,590	5,793	83,189
Prepaid items	187,809	-	-	187,809
Loans and notes receivables	150,000	22,142	-	172,142
Total assets	\$ 11,966,764	\$ 2,334,509	\$ 844,830	\$ 15,146,103
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 497,512	\$ 499	\$ 33,623	\$ 531,634
Other accrued liabilities	31,393	-	-	31,393
Deposits payable	4,506	-	-	4,506
Unearned revenues	52,126	-	-	52,126
Total liabilities	585,537	499	33,623	619,659
Deferred inflows of resources:				
Unavailable revenues	-	22,142	-	22,142
Fund Balances:				
Nonspendable (Prepaid items and loans)	337,809	-	-	337,809
Restricted for:				
Recycling	15,191	-	-	15,191
Highways and streets	-	1,754,351	832,902	2,587,253
Parking	-	81,293	-	81,293
Park improvements	-	50,205	-	50,205
Drainage	-	1,655	-	1,655
Affordable housing	-	424,364	-	424,364
Tennis facilities	283,646	-	-	283,646
Total restricted	298,837	2,311,868	832,902	3,443,607
Committed to:				
Emergencies	4,830,633	-	-	4,830,633
Total committed	4,830,633	-	-	4,830,633
Unassigned	5,913,948	-	(21,695)	5,892,253
Total fund balances	11,381,227	2,311,868	811,207	14,504,302
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,966,764	\$ 2,334,509	\$ 844,830	\$ 15,146,103

City of Solvang
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2019

Total Fund Balances - Total Governmental Funds	\$ 14,504,302
<hr/>	
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	12,479,784
The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position	1,893,748
Pension actuarial liabilities and certain employer contributions are reported as deferred inflows and outflows of resources and are, therefore, not reported in the funds	865,618
Net pension liability (NPL) obligations are not due and payable in the current period and are not reported in the funds	(2,953,150)
The Net OPEB liability is not due and payable in the current period and is therefore not reported in the funds	(1,554,927)
Long-term notes receivable from developers are not current financial resources and are reported as deferred inflows in the funds	22,142
Some liabilities, including compensated absences, claims and are not due and payable in the current period and are therefore not reported in the funds	(154,115)
Net Position of Governmental Activities	\$ 25,103,402

City of Solvang
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2019

	Major Funds		Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Impact Fee Fund		
REVENUES:				
Property taxes	\$ 1,401,623	\$ -	\$ -	\$ 1,401,623
Sales taxes	1,507,745	-	-	1,507,745
Transient occupancy taxes	4,618,425	-	-	4,618,425
Other taxes	232,707	-	-	232,707
Special assessments	-	-	193,019	193,019
Licenses and permits	127,250	-	-	127,250
Fines and forfeits	6,836	-	-	6,836
Intergovernmental	5,000	-	702,820	707,820
Interest	289,298	60,238	24,516	374,052
Charges for services	749,793	76,077	7,996	833,866
Miscellaneous	120,936	-	-	120,936
Total revenues	9,059,613	136,315	928,351	10,124,279
EXPENDITURES:				
Current:				
General government	1,761,520	-	-	1,761,520
Public safety	1,814,230	-	-	1,814,230
Culture and recreation	1,951,802	-	-	1,951,802
Community development	776,336	-	-	776,336
Public works	1,444,368	-	204,491	1,648,859
Capital outlay	608,504	87,872	900,901	1,597,277
Total expenditures	8,356,760	87,872	1,105,392	9,550,024
REVENUES OVER (UNDER) EXPENDITURES	702,853	48,443	(177,041)	574,255
OTHER FINANCING SOURCES (USES):				
Transfers in	176,172	-	-	176,172
Transfers out	(412,959)	-	(177,672)	(590,631)
Proceeds from sale of assets	3,065	-	-	3,065
Total other financing sources (uses)	(233,722)	-	(177,672)	(411,394)
Net change in fund balances	469,131	48,443	(354,713)	162,861
FUND BALANCES:				
Beginning of year	10,912,096	2,263,425	1,165,920	14,341,441
End of year	\$ 11,381,227	\$ 2,311,868	\$ 811,207	\$ 14,504,302

City of Solvang

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 162,861
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Amounts reported for governmental activities in the Statement of Activities were different

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 \$1,091,000 exceed depreciation (\$773,955) in the current period.	317,045
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Decreases in liabilities for other post employment benefits (OPEB) and other related amounts do not provide current financial resources and are therefore not reported in the governmental fund statements.	11,709
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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 governmental fund statements.	(349,818)
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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	18,474
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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>272,153</u>
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Change in Net Position of Governmental Activities	<u>\$ 432,424</u>
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PROPRIETARY FUND FINANCIAL STATEMENTS

Water Service Fund accounts for the activities associated with providing water services.

Wastewater Fund accounts for the wastewater treatment plant and wastewater pumping stations and collection systems.

Transit are used to account for transit operations.

City of Solvang
Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Funds		
	Water	Wastewater	Transit
ASSETS			
Current assets:			
Cash and investments	\$ 3,356,097	\$ 4,087,007	\$ 1,612,955
Accounts receivable	469,585	171,264	360,161
Interest receivable	21,314	25,960	10,310
Deposits	609,453	836	150
Prepayments	3,017,393	58,972	471
Total current assets	<u>7,473,842</u>	<u>4,344,039</u>	<u>1,984,047</u>
Noncurrent assets:			
Capital assets:			
Capital assets not being depreciated	1,262,316	48,720	-
Capital assets being depreciated	4,953,932	5,257,680	531,029
Total capital assets	<u>4,953,932</u>	<u>5,257,680</u>	<u>531,029</u>
Total noncurrent assets	<u>6,216,248</u>	<u>5,306,400</u>	<u>531,029</u>
Total assets	<u>13,690,090</u>	<u>9,650,439</u>	<u>2,515,076</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	153,823	230,735	-
Deferred outflows - OPEB	36,079	54,117	-
Total deferred outflows of resources	<u>189,902</u>	<u>284,852</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Accounts payable	370,229	234,287	135,843
Other current liabilities	554	-	-
Unearned advances	-	-	137,866
Deposits	-	1,000	-
Compensated absences - due within one year	18,908	57,382	-
Total current liabilities	<u>389,691</u>	<u>292,669</u>	<u>273,709</u>
Noncurrent liabilities:			
Compensated absences - due in more than one year	8,772	125	-
Net other postemployment benefit liability	207,324	310,985	-
Net pension liability	393,753	590,630	-
Total noncurrent liabilities	<u>609,849</u>	<u>901,740</u>	<u>-</u>
Total liabilities	<u>999,540</u>	<u>1,194,409</u>	<u>273,709</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	51,620	77,430	-
Total deferred inflows of resources	<u>51,620</u>	<u>77,430</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	4,953,932	5,257,680	531,029
Unrestricted	7,874,900	3,405,772	1,710,338
Total net position	<u>\$ 12,828,832</u>	<u>\$ 8,663,452</u>	<u>\$ 2,241,367</u>

Total	Governmental Activities - Internal Service Fund
\$ 9,056,059	\$ 1,481,125
1,001,010	-
57,584	9,405
610,439	-
3,076,836	-
13,801,928	1,490,530
1,311,036	-
10,742,641	403,218
10,742,641	403,218
12,053,677	403,218
25,855,605	1,893,748
384,558	-
90,196	-
474,754	-
740,359	-
554	-
137,866	-
1,000	-
76,290	-
956,069	-
8,897	-
518,309	-
984,383	-
1,511,589	-
2,467,658	-
129,050	-
129,050	-
10,742,641	403,218
12,991,010	1,490,530
\$ 23,733,651	\$ 1,893,748

City of Solvang

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the year ended June 30, 2019

	Enterprise Funds		
	Water	Wastewater	Transit
OPERATING REVENUES:			
Sales of water	\$ 4,709,964	\$ -	\$ -
Service fees	-	1,454,753	-
Miscellaneous	32,564	9,104	64,702
Total operating revenues	4,742,528	1,463,857	64,702
OPERATING EXPENSES:			
Salaries and benefits	592,224	881,279	-
Purchased power	120,423	249,578	-
Transit operator	-	-	559,167
Services and supplies	949,058	814,093	326,311
Joint operating expenses	2,896,889	-	-
Depreciation expense	304,325	398,271	105,016
Total operating expenses	4,862,919	2,343,221	990,494
OPERATING INCOME	(120,391)	(879,364)	(925,792)
NONOPERATING REVENUES (EXPENSES):			
Grant revenue	-	299,275	-
Operating subsidies	-	-	1,528,709
Gain on capital assets	1,760	-	(6,163)
Interest and investment revenue	117,906	110,953	30,007
Total nonoperating revenues (expenses)	119,666	410,228	1,552,553
INCOME (LOSS) BEFORE CONTRIBUTION AND TRANSFERS	(725)	(469,136)	626,761
Transfers in	405,000	-	1,500
Transfers out	(91,979)	(3,054)	-
Capital contributions	35,716	-	-
Net contributions and transfers	348,737	(3,054)	1,500
Change in net position	348,012	(472,190)	628,261
NET POSITION			
Beginning of year, as restated	12,480,820	9,135,642	1,613,106
End of year	\$ 12,828,832	\$ 8,663,452	\$ 2,241,367

Total	Governmental Activities - Internal Service Fund
\$ 4,709,964	\$ -
1,454,753	175,975
106,370	-
6,271,087	175,975
1,473,503	-
370,001	-
559,167	-
2,089,462	25
2,896,889	-
807,612	51,639
8,196,634	51,664
(1,925,547)	124,311
299,275	-
1,528,709	-
(4,403)	5,200
258,866	39,650
2,082,447	44,850
156,900	169,161
406,500	102,992
(95,033)	-
35,716	-
347,183	102,992
504,083	272,153
23,229,568	1,621,595
\$ 23,733,651	\$ 1,893,748

City of Solvang
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2019

	Enterprise Funds		
	Water	Wastewater	Transit
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 4,840,815	\$ 1,481,145	\$ 64,702
Payments to suppliers	(3,861,419)	(802,038)	(748,054)
Payments to other funds for services	(278,301)	(173,145)	(58,601)
Payments from other funds for services	-	-	-
Payments for employees and benefits	(540,841)	(809,383)	-
Net cash provided by operating activities	160,254	(303,421)	(741,953)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	405,000	-	1,500
Transfers out	(91,979)	(3,054)	-
Grants and operating subsidies	-	299,275	1,146,470
Net cash provided by noncapital financing activities	313,021	296,221	1,147,970
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale capital assets	1,760	-	4,500
Capital contributions	35,716	-	-
Purchases of capital assets	(1,736,826)	(406,401)	(266,310)
Net cash (used in) capital and related financing activities	(1,699,350)	(406,401)	(261,810)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment received	116,204	104,185	26,137
Net cash provided by investing activities	116,204	104,185	26,137
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,109,871)	(309,416)	170,344
CASH AND INVESTMENTS - Beginning of year	4,465,968	4,396,423	1,442,611
CASH AND INVESTMENTS - End of year	\$ 3,356,097	\$ 4,087,007	\$ 1,612,955
RECONCILIATION OF OPERATING INCOME TO NET			
CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (120,391)	\$ (879,364)	\$ (925,792)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	304,325	398,271	105,016
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	98,287	17,288	-
Decrease (increase) in prepayments	(466,228)	(58,846)	(96)
Increase (decrease) in accounts payable	298,613	156,222	78,919
Increase (decrease) in other liabilities	(5,735)	(8,888)	-
Increase (decrease) in compensated absences	1,674	(2,675)	-
Increase (decrease) in net OPEB liability and related	(4,264)	(6,394)	-
Increase (decrease) in net pension liability and related	53,973	80,965	-
Total adjustments	280,645	575,943	183,839
Net cash provided by operating activities	\$ 160,254	\$ (303,421)	\$ (741,953)
NONCASH FINANCING ACTIVITIES - NONE	-	-	-

Total	Governmental Activities - Internal Service Fund
\$ 6,386,662	\$ -
(5,411,511)	(8,276)
(510,047)	-
-	175,975
(1,350,224)	-
(885,120)	167,699
406,500	102,992
(95,033)	-
1,445,745	-
1,757,212	102,992
6,260	5,200
35,716	-
(2,409,537)	(257,186)
(2,367,561)	(251,986)
246,526	36,506
246,526	36,506
(1,248,943)	55,211
10,305,002	1,425,914
\$ 9,056,059	\$ 1,481,125
\$ (1,925,547)	\$ 124,311
807,612	51,639
115,575	-
(525,170)	-
533,754	(8,251)
(14,623)	-
(1,001)	-
(10,658)	-
134,938	-
1,040,427	43,388
\$ (885,120)	\$ 167,699
-	-

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FIDUCIARY FUND FINANCIAL STATEMENTS

Other Post-employment Benefit Plan Trust Fund accounts for monies held in trust for the retiree health benefits.

Agency Fund accounts for monies collected and held for the Santa Ynez Business Improvement District.

City of Solvang
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Other Post-employment Benefit Plan Trust Fund	Agency Fund
ASSETS		
Cash and investments	\$ 705,736	\$ 33,178
Assessments receivable	-	47,923
Total assets	<u>705,736</u>	<u>81,101</u>
LIABILITIES		
Payables:		
Due to Santa Ynez Valley Tourism Business Improvement District	-	81,101
Total liabilities	<u>-</u>	<u>\$ 81,101</u>
NET POSITION		
Restricted for post-employment benefits other than pensions	<u>705,736</u>	
Total net position	<u>\$ 705,736</u>	

City of Solvang
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2019

	Other Post-employment Benefit Plan Trust Fund
ADDITIONS:	
Employer contributions	\$ 70,000
Investment income:	
Net increase in fair value of investments	<u>48,069</u>
Total additions	<u>118,069</u>
DEDUCTIONS:	
Administrative expenses	<u>315</u>
Total Deductions	<u>315</u>
Change in net position	117,754
Net Position restricted for postemployment benefits other than pensions:	
Beginning of year	<u>587,982</u>
End of year	<u><u>\$ 705,736</u></u>

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Solvang, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial 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 and its component units, entities for which the government is considered to be financially accountable.

The Solvang Joint Powers Financing Authority is a legally separate corporate entity for which the City is financially accountable and is governed by the elected City Council. The Authority was formed to provide a method of financing public improvements. The financial activities of the Authority are blended with those of the City and are reported in the City's governmental funds, and as capital assets of the City and debt obligations of the City.

The Solvang Conference and Visitors Bureau is a nonprofit benefit corporation established to promote tourism within the city; and it is reported as a discretely presented component unit because the Bureau is fiscally dependent on the City, 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. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

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.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements, Continued

These financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets, deferred inflows/outflows of resources, and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liabilities are incurred.

Certain types of transactions reported as program revenues for the City are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

The City applies all applicable GASB pronouncements including all NCGA Statements and Interpretations currently in effect.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that meet specific qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

The City reports the following funds as major governmental funds of the City.

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.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally those received 60 days after year-end) are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property taxes, taxpayer-assessed tax revenues (sales taxes, transient occupancy taxes, franchise taxes, etc.), grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows for all proprietary funds.

A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which a liability is incurred.

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

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.

The *Transit Fund* accounts for the operation of the City's transit activities.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Basis of Accounting and Measurement Focus, Continued

Fiduciary Fund Financial Statements

Fiduciary fund financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City has two types of fiduciary funds, an agency fund and an OPEB trust fund. Agency funds are used to account for the assets held for distribution by the City as an agent for another entity for which the City has custodial responsibility and accounts for the flow of assets. OPEB Trust Funds are used to report resources that are required to be held in trust by the City for the members and beneficiaries of defined benefit OPEB plan. Fiduciary funds are accounted for using the accrual basis of accounting. The City reports the following fiduciary funds:

Santa Ynez Valley Tourism Business Improvement District Agency Fund – accounts for assets held by the City for the Santa Ynez Valley Tourism Business Improvement District.

Other Post Employment Benefit Trust accounts for assets held in trust for employee health benefits.

C. Cash, Cash Equivalents, and Investments

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Cash, Cash Equivalents, and Investments, Continued

The City participates in an investment pool managed by the State of California entitled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to the change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying Basic Financial Statements.

For the purpose of the statement of cash flows, the City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

D. 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 uncollectible amounts.

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.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

E. 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.

F. 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, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. 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:

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

G. Compensated Absences

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

H. 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 position.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

I. Net Position

In the Government-Wide and Proprietary Fund Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

Unrestricted – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position” as defined above.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City’s policy is to apply restricted net position first.

J. 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.

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.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

K. 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.

L. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB Retiree Benefits Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. Investments are stated at fair value.

For this purpose, the City's Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

M. Use of Estimates

The preparation of the Basic Financial Statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

N. New Pronouncements

In 2019, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations* - The objective of this statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. The requirements of this statement did not apply to the City for the current fiscal year.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* - The objective of this statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. The requirements of this statement did not apply to the City for the current fiscal year.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Government-Wide Statement of Net Position				
	Governmental Activities	Business-Type Activities	Discretely Presented Component Unit	Fiduciary Funds	Total
Cash and investments	\$ 15,172,593	\$ 9,056,059	\$ 99,620	\$ 738,914	\$ 25,067,186
Total cash and investments	\$ 15,172,593	\$ 9,056,059	\$ 99,620	\$ 738,914	\$ 25,067,186

Deposits and investments at June 30, 2019 consisted of the following:

City Treasury:

Deposits:

Cash on hand	\$ 565
Deposits with financial institution	1,166,258
Total cash on hand and deposits	1,166,823

Investments:

Certificates of deposit	986,378
Local Agency Investment Fund (LAIF)	22,108,629
Total investments	23,095,007
Total City Treasury	24,261,830

Solvang Conference & Visitors Bureau (Discretely Presented Component Unit):

Deposits:

Cash on hand	174
Deposits with financial institution	66,991
Total cash on hand and deposits	67,165

Investments:

Money market	32,455
Total investments	32,455
Total Solvang Conference & Visitors Bureau	99,620

Amounts held in Trust

Investments held for OPEB:

California Employers' Retiree Benefit Fund	705,736
Total investments	705,736
Total Amounts held in Trust	705,736

Total cash and investments **\$ 25,067,186**

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS, CONTINUED

B. Deposits

At June 30, 2019, the carrying amount of the City's cash and cash equivalents were comprised of the general checking account which had a book balance of \$1,166,258 and petty cash of \$565. The bank balance in the City's general checking was \$1,188,171, fully insured and collateralized with securities held by the pledging financial institutions in the City's name as discussed below. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The fair value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City's cash deposit was fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institutions in the City's name.

At June 30, 2019, the carrying amount of the Solvang Conference & Visitors Bureau (SCVB)'s cash and cash equivalents were comprised of the general checking account which had a book balance of \$66,991 and petty cash of \$174. The bank balance in SCVB's general checking was \$88,160, fully insured.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures or trust agreements. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents or held in trust is credited directly to the related fund.

C. Investments

The City is authorized by State statutes to invest in the following:

- * U.S. Treasury and U.S. Agency Issues
- * Certificates of Deposit
- * California Local Agency Investment Fund (LAIF)
- * Government Bonds and Notes
- * Passbook Savings
- * Bankers Acceptances
- * Commercial Paper (Corporations)
- * Medium-Term Corporate Notes
- * Repurchase Agreements
- * Mutual Funds

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS, CONTINUED

C. Investments, Continued

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2019, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes - are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2019, the City had \$22,108,629 invested in LAIF, which had invested 1.77% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.67% in the previous year. The LAIF fair value factor of 1.00171179 was used to calculate the fair value of the investments in LAIF.

D. Risk Disclosures

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, an investment with a longer maturity date has a greater sensitivity of its fair value to be subject to changes in market interest rates. In accordance with the City's investment policy, exposure to interest rate risk is mitigated by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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.

Investment Type	Total	Investment Maturities (in years)	
		Less than 1 year	More than 1 year less than 5 years
Investments:			
Certificates of deposits	\$ 986,378	\$ 244,375	\$ 742,003
Local Agency Investment Fund	22,108,629	22,108,629	-
Total	\$ 23,095,007	\$ 22,353,004	\$ 742,003

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

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS, CONTINUED

D. Risk Disclosures, Continued

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

E. Investment Valuation

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements, are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, such bond valued by a pricing service that uses matrix pricing, pay-fixed receive-variable interest rate swap based on the Long Interbank Offered Rate (LIBOR) swap rate, three-year option on exchange-traded shares, or valuation multiple; Level 3 inputs are significant unobservable inputs. The City and SVCB's investments were not subject to levelling disclosure.

3. INTERFUND TRANSACTIONS

The composition of interfund transfers of June 30, 2019 is as follows:

	Transfers in				Total Transfers
	General Fund	Water Enterprise Fund	Transit Enterprise Fund	Internal Service	
Transfers out:					
General fund	\$ -	\$ 405,000	\$ -	\$ 7,959	\$ 412,959
Nonmajor funds	176,172	-	1,500	-	177,672
Water Enterprise Fund	-	-	-	91,979	91,979
Wastewater Enterprise Fund	-	-	-	3,054	3,054
Totals	\$ 176,172	\$ 405,000	\$ 1,500	\$ 102,992	\$ 685,664

The primary purpose of the \$405,000 transfers out of the general fund was to provide funding for water system improvements instead of borrowing funds from external parties.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

4. LOANS AND NOTES RECEIVABLES

The City's loans and notes receivable as of June 30, 2019 comprised of a related party loan to the City Manager of \$150,000, and a development note receivable of \$22,142.

The City had entered into a City Manager agreement that included an offer to extend a housing assistance loan in the principal amount of one hundred fifty thousand dollars (\$150,000) to assist in purchasing a primary residence within the city limits. The loan is secured by a Deed of Trust and accrues simple interest at the rate of four percent (4%) per annum. In the event of default, interest on the loan shall begin to accrue, as of the date of default and continuing until the earlier of such time as the loan funds are repaid in full or default is cured at the default rate of the lesser of ten percent (10%), compounded annually, or the highest rate permitted by law.

Interest payments are due and payable on a bi-weekly basis via payroll deductions in the amount of \$230.77 per pay period. The loan shall be repaid in full within twelve (12) months following termination of the City Manager's employment or death, or within six (6) months after a voluntary resignation.

5. CAPITAL ASSETS

Capital asset activity relating to governmental activities for the year ended June 30, 2019 was as follows:

Governmental activities:	Beginning Balance	Increases	Decreases/ Reclassification	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,444,156	\$ 132,194	\$ -	\$ 2,576,350
Construction in progress	305,031	-	(293,466)	11,565
Total capital assets, not being depreciated	2,749,187	132,194	(293,466)	2,587,915
Capital assets, being depreciated:				
Buildings	3,402,544	-	-	3,402,544
Machinery and equipment	706,466	25,495	-	731,961
Internal service fund - vehicles/equipment	837,393	257,186	(71,938)	1,022,641
Improvements	6,161,081	67,383	-	6,228,464
Infrastructure-street system	8,508,311	1,159,394	-	9,667,705
Total capital assets being depreciated	19,615,795	1,509,458	(71,938)	21,053,315
Less accumulated depreciation for:				
Buildings	(1,715,367)	(76,169)	-	(1,791,536)
Machinery and equipment	(661,810)	(21,022)	-	(682,832)
Internal service fund	(639,722)	(51,639)	71,938	(619,423)
Improvements	(3,288,959)	(220,442)	-	(3,509,401)
Infrastructure-street system	(3,698,714)	(456,322)	-	(4,155,036)
Total accumulated depreciation	(10,004,572)	(825,594)	71,938	(10,758,228)
Total capital assets, being depreciated, net	9,611,223	683,864	-	10,295,087
Governmental activities capital assets, net	\$ 12,360,410	\$ 816,058	\$ (293,466)	\$ 12,883,002

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

5. CAPITAL ASSETS, CONTINUED

Capital asset activity relating to business-type activities for the year ended June 30, 2019 was as follows:

Business-type activities:	Beginning Balance	Increases	Decreases/ Reclassification	Ending Balance
Capital assets, not being depreciated				
Land	\$ 112,819	\$ 6,434	-	\$ 119,253
Construction in progress	270,038	943,037	(21,292)	1,191,783
Total capital assets, not being depreciated	382,857	949,471	(21,292)	1,311,036
Capital assets, being depreciated:				
Buildings and bus stop facilities	8,228,091	129,272	-	8,357,363
Distribution and collection systems	10,492,817	8,960	(39,127)	10,462,650
Infrastructure	5,294,909	934,089	-	6,228,998
Vehicles	757,843	167,282	(63,977)	861,148
Equipment	1,688,890	241,754	39,127	1,969,771
Total capital assets being depreciated	26,462,550	1,481,357	(63,977)	27,879,930
Less accumulated depreciation for:				
Buildings	(6,398,110)	(196,391)	-	(6,594,501)
Distribution and collection systems	(6,961,086)	(278,813)	-	(7,239,899)
Infrastructure	(1,521,297)	(160,144)	-	(1,681,441)
Vehicles	(452,722)	(101,514)	53,315	(500,921)
Equipment	(1,049,777)	(70,750)	-	(1,120,527)
Total accumulated depreciation	(16,382,992)	(807,612)	53,315	(17,137,289)
Total capital assets, being depreciated, net	10,079,558	673,745	(10,662)	10,742,641
Business-type activities capital assets, net	\$ 10,462,415	\$ 1,623,216	\$ (31,954)	\$ 12,053,677

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

Governmental activities:	
General government	\$ 44,432
Public safety	8,481
Culture and recreation	163,117
Infrastructure streets	557,925
Vehicles- internal service fund	51,639
Total depreciation expense-governmental activities	\$ 825,594
Business-type activities:	
Water	\$ 304,325
Wastewater	398,271
Transit	105,016
Total depreciation expense-governmental activities	\$ 807,612

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

6. LONG-TERM OBLIGATIONS

Long-term liability activity for the 2019 fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due in More Than One Year
Governmental						
Activities:						
Compensated absences	\$ 172,589	\$ 89,812	\$ (108,286)	\$ 154,115	\$ 60,000	\$ 94,115
Total	\$ 172,589	\$ 89,812	\$ (108,286)	\$ 154,115	\$ 60,000	\$ 94,115
Business-type						
Activities:						
Compensated absences	\$ 86,190	\$ 76,290	\$ (77,293)	\$ 85,187	\$ 76,290	\$ 8,897
Total	\$ 86,190	\$ 76,290	\$ (77,293)	\$ 85,187	\$ 76,290	\$ 8,897

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

7. 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.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

7. RISK MANAGEMENT, CONTINUED

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.

8. 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.

9. 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.

10. PENSION PLANS

A. Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors two miscellaneous rate plans and three safety rate plans. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

10. PENSION PLANS, CONTINUED.

B. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee’s Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2019 are summarized as follows:

	Rate Plan		
	Miscellaneous	PEPRA Miscellaneous	Safety
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1 2013
Benefit formula	2.5% @ 55	2.0% @ 62	2% @ 50
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	50 - 55
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	2.0%	2.0%
Required employee contribution rates	7.948%	6.500%	0.000%
Required employer contribution rates	11.419%	7.266%	0.000%
Required unfunded liability payment	\$ 213,073	\$ 307	\$ 9,886

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an actuarial basis, annually and is effective on July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The General Fund has typically been used to liquidate pension liabilities for governmental funds.

The City’s contributions to the Plan for the measurement period ended June 30, 2018 were \$279,932.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

10. PENSION PLANS, CONTINUED

C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$3,937,533.

The City's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportionate share of the net pension liability was based on the City's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City's proportionate share of the net pension liability for each Plan as of measurement dates June 30, 2017 and 2018 were as follows:

Proportion - June 30, 2017	0.040400%
Proportion - June 30, 2018	0.040860%
Change - Increase (Decrease)	0.000460%

For the year ended June 30, 2019, the City recognized pension expense of \$823,800. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 149,722	\$ (50,281)
Changes in assumptions	447,982	(109,174)
Net difference between projected and actual earnings on pension plan investments	19,572	-
Changes in proportions	581,914	(87,715)
Differences between expected and actual contributions	-	(269,029)
Pension contributions subsequent to the measurement date	339,043	-
Totals	<u>\$ 1,538,233</u>	<u>\$ (516,199)</u>

\$339,043 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

10. PENSION PLANS, CONTINUED

C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year	
Ended June 30	
2020	\$ 485,178
2021	382,956
2022	(149,844)
2023	(35,299)

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return ⁽¹⁾	7.15%
Mortality	Derived by CalPERS membership data for all funds

(1) Net of pension plan investment expenses.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website www.calpers.ca.gov.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

10. PENSION PLANS, CONTINUED

C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

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 fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) An expected inflation of 2.0% used for this period.

(b) An expected inflation of 2.92% used for this period.

Sensitivity of the 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 for the Plan, calculated using the discount rate for the Plan, 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 or 1-percentage point higher than the current rate:

	1% Decrease -6.15%	Current Discount Rate -7.15%	1% Increase -8.15%
Net Pension Liability	\$ 6,229,408	\$ 3,937,533	\$ 2,046,143

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

10. PENSION PLANS, CONTINUED

C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2019, the City reported no payable for outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

11. RESTRICTED NET POSITION AND FUND BALANCES

The \$3,433,607 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.

12. OTHER POST- EMPLOYMENT BENEFITS

A. Plan Description.

The City’s defined benefit OPEB Plan provides OPEB for all eligible full-time general and public safety employees of the City. The City entered into an agreement with CalPERS to participate in the CERBT, an agent multiple-employer other postemployment benefits plan, to fund the City’s OPEB. CERBT is administered by CalPERS, which is managed by an appointed board not under the control of the City Council. CERBT issues a publicly available financial report that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided.

The City’s OPEB plan provides healthcare benefits to eligible retirees and their dependents. Benefits are provided through third party insurers, and the full cost of the benefits is provided by the Plan. The City’s OPEB Plan provides for automatic or ad hoc post-employment benefit changes.

Employees Covered by the Benefit Terms.

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries current receiving benefits	22
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	33
	<hr/>
	55
	<hr/> <hr/>

The City’s OPEB Plan is closed to new entrants.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

12. OTHER POST- EMPLOYMENT BENEFITS, CONTINUED.

B. Contributions

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 coverages. City regulations grant authority to the City Council to establish and amend contribution requirements. Employees are not required to contribute to the plan. For the year ended June 30, 2018, the City’s average contribution rate was 6.99 percent of covered employee payroll. The amount contributed for the measurement period ended June 30, 2018 was \$159,080 which amount was based on the City’s decision to prefund its obligation. The General Fund has typically been used to liquidate OPEB liabilities for governmental funds.

C. Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

D. Actuarial assumptions

The total net OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	6.5 percent, net of OPEB plan investment expense
Healthcare cost trend rates	4.0 percent per year

Mortality rates were based on the 2014 CalPERS Active Mortality for Miscellaneous Employees.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return weighing the expected future real rates of return by target asset allocation asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

Asset Class	Percentage of Portfolio	Assumed Gross Return
US Large Cap	40%	7.7950%
US Small Cap	10%	7.7950%
Long-Term Corporate Bonds	18%	5.2950%
Long-Term Government Bonds	6%	4.5000%
Treasury Inflation Protected Securities (TIPS)	15%	7.7950%
US Real Estate	8%	7.7950%
All Commodities	3%	7.7950%

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

12. OTHER POST- EMPLOYMENT BENEFITS, CONTINUED.

E. Discount Rate

The discount rate used to measure the total OPEB liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current and active employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

F. Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (a)	Net OPEB Liability (a) - (b)
Balances at 6/30/2017	2,566,184	485,107	2,081,077
Changes for the year:			
Service cost	16,546	-	16,546
Interest	164,529	-	164,529
Differences between expected and actual experience	-	-	-
Contributions - employer	-	159,080	(159,080)
Net investment income	-	30,282	(30,282)
Benefit payments	(86,041)	(86,041)	-
Administrative expenses	-	(446)	446
Net changes	95,034	102,875	(7,841)
Balances at 6/30/2018	2,661,218	587,982	2,073,236

The following presents the Net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage point higher (8 percent) than the current discount rate.

	1% Decrease -5.50%	Discount Rate -6.50%	1% Increase -7.50%
Net OPEB Liability (Asset)	\$ 2,453,971	\$ 2,073,236	\$ 1,765,641

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

12. OTHER POST- EMPLOYMENT BENEFITS, CONTINUED

F. Net OPEB Liability, Continued

The following presents the Net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3 percent) or 1-percentage point higher (5 percent) than the current healthcare cost trend rate.

	1% decrease to 3.00%	Healthcare Cost Trend Rate 4.00%	1% increase to 5.00%
Net OPEB liability (asset)	\$1,757,638	\$2,073,236	\$2,457,738

G. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$151,231. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	\$ 189,288	\$ -
Totals	<u>\$ 189,288</u>	<u>\$ -</u>

\$189,288 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

13. 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.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2019

14. PRIOR PERIOD ADJUSTMENTS

The City recorded a restatement to use a measurement date that is one year prior to the fiscal year end date.

	Net Position, as Previously Reported at June 30, 2018	Prior Period Adjustments		Net Position, as Restated at June 30, 2018
		Net OPEB Liability	Deferred Outflows - OPEB	
Government-Wide Statements:				
Governmental Activities	\$ 24,583,595	\$ 4,105	\$ 83,278	\$ 24,670,978
Business-type Activities	\$ 23,150,030	\$ 3,736	\$ 75,802	\$ 23,229,568
Fund Financial Statements:				
Water Enterprise Fund	\$ 12,449,005	\$ 1,494	\$ 30,321	\$ 12,480,820
Wastewater Enterprise Fun	\$ 9,087,919	\$ 2,242	\$ 45,481	\$ 9,135,642

In addition the Solvang Conference and Visitors Bureau restated net position as of June 30, 2018 from \$66,942 to \$78,177 to account for transactions in the correct period. The correction affects amounts reported for cash and investments and expenses in the prior period.

15. SUBSEQUENT EVENT

Subsequent to the end of the fiscal year, the City cancelled its funding agreement with the Solvang Conference and Visitors Bureau. Further the Bureau has a new board of directors, consisting of the City of Solvang's Mayor and one Councilmember, and is managed by employees of the City.

REQUIRED SUPPLEMENTARY INFORMATION

City of Solvang
Required Supplementary Information
For the year ended June 30, 2019

1. DEFINED BENEFIT PENSION PLAN

A. Schedule of the City's Proportionate Share of the Net Pension Liability - Last 10 Years*

Fiscal year:	2019	2018	2017	2016	2015
Measurement date:	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.04086%	0.04040%	0.03943%	0.03911%	0.04055%
Proportionate share of the net pension liability	\$ 3,937,533	\$ 4,006,588	\$ 3,411,989	\$ 2,684,713	\$ 2,523,180
Covered payroll	\$ 2,271,637	\$ 2,247,735	\$ 2,212,540	\$ 2,413,263	\$ 2,346,026
Proportionate share of the net pension liability as a percentage of covered payroll	173.33%	178.25%	154.21%	111.25%	107.55%
Plan's share of fiduciary net position as a percentage of total pension liability	75.26%	73.31%	74.06%	78.40%	79.82%

* - Fiscal year 2015 was the first year of implementation

B. Schedule of Employer Pension Contributions - Last 10 Years*

Fiscal year	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 339,043	\$ 279,932	\$ 267,856	\$ 275,424	\$ 390,955
Contribution in relation to the actuarially determined contributions	(339,043)	(279,932)	(267,856)	(275,424)	(390,955)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,588,376	\$ 2,271,637	\$ 2,247,735	\$ 2,212,540	\$ 2,413,263
Contributions as a percentage of covered payroll	13.10%	12.32%	11.92%	12.45%	16.20%
Note to Schedule					
Valuation date:	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012

* - Fiscal year 2015 was the first year of implementation

City of Solvang
Required Supplementary Information
For the year ended June 30, 2019

2. OTHER POSTEMPLOYMENT BENEFITS

A. Schedule of Changes in Net OPEB Liability and Related Ratios During the Measurement Period – Last 10 Years*

Fiscal Year	2019	2018
<i>Measurement Period</i>	2018	2017
Total OPEB Liability		
Service Cost	\$ 16,546	\$ 14,390
Interest on the total OPEB liability	164,529	275,096
Changes in benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(86,041)	(121,194)
Net change in total OPEB liability	95,034	168,292
Total OPEB liability - beginning	2,566,184	2,397,892
Total OPEB liability - ending (a)	<u>\$ 2,661,218</u>	<u>\$ 2,566,184</u>
 Plan Fiduciary Net Position		
Contributions - employer	\$ 159,080	\$ 174,832
Contributions - employee	-	-
Net investment income	30,282	27,989
Benefit payments, including refunds of employee contributions	(86,041)	-
Administrative expense	(446)	(121,194)
Net change in plan fiduciary net position	102,875	81,627
Plan fiduciary net position - beginning	485,107	403,480
Plan fiduciary net position - ending (b)	<u>\$ 587,982</u>	<u>\$ 485,107</u>
 Net OPEB liability/(asset) - ending (a) - (b)	\$ 2,073,236	\$ 2,081,077
 Plan fiduciary net position as a percentage of the total OPEB liability	22.09%	18.90%
 Covered-employee payroll	\$ 2,275,881	\$ 2,539,234
 Net OPEB liability as a percentage of covered-employee payroll	91.10%	81.96%

* - Fiscal year 2018 was the 1st year of implementation

City of Solvang
Required Supplementary Information
For the year ended June 30, 2019

2. OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

B. Schedule of OPEB Contributions - Last 10 Years*

Fiscal Year Ended June 30	2019	2018
Actuarially Determined Contribution (ADC)	\$ 189,288	\$ 117,453
Contributions in relation to the ADC	(189,288)	(159,080)
Contribution deficiency (excess)	\$ -	\$ (41,627)
 Covered-employee payroll	 \$ 2,639,268	 \$ 2,275,881
 Contributions as a percentage of covered-employee payroll	 7.17%	 6.99%

* - Fiscal year 2018 was the 1st year of implementation

C. Schedule of Investment Returns - CERBT OPEB Trust Program - Last 10 Years*

Year*	Annual Money-weighted Rate of Return, Net of Investment Expenses
2017	6.01%
2018	6.13%
2019	8.16%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

City of Solvang
Required Supplementary Information
For the year ended June 30, 2019

3. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgeting procedures

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 yearend. The appropriated budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department. Transfers between departments and other changes require City Council approval. The legal level of control is the department and fund level. The Council made supplemental appropriations during the fiscal year. Encumbrance accounting is not employed in governmental funds.

City of Solvang
Required Supplementary Information
For the year ended June 30, 2019

B. Budgetary Comparison Schedule - General Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balance, July 1	10,912,096	10,912,096	10,912,096	\$ -
Resources (inflows):				
Property taxes	1,367,450	1,367,450	1,401,623	34,173
Sales taxes	1,300,000	1,300,000	1,507,745	207,745
Transient occupancy taxes	4,100,000	4,100,000	4,618,425	518,425
Other taxes	228,500	228,500	232,707	4,207
Licenses and permits	105,000	105,000	127,250	22,250
Fines and forfeits	2,000	2,000	6,836	4,836
Intergovernmental	5,000	5,000	5,000	-
Interest	74,058	119,058	289,298	170,240
Charges for services	727,968	727,968	749,793	21,825
Miscellaneous	18,000	108,000	120,936	12,936
Transfers in	176,172	176,172	176,172	-
Proceeds from sale of assets	-	-	3,065	3,065
Amounts available for charges to appropriations	<u>19,016,244</u>	<u>19,151,244</u>	<u>20,150,946</u>	<u>999,702</u>
Charges to appropriations:				
<i>General Government:</i>				
Nondepartmental:				
City council	37,200	37,200	38,500	(1,300)
Other	54,378	61,278	75,922	(14,644)
OPEB	190,000	190,000	189,288	712
Community Support	191,000	192,200	192,200	-
<i>Administration:</i>				
Legal	80,000	80,000	74,388	5,612
General administration	1,148,408	1,181,508	1,191,223	(9,715)
Transfers out	412,959	412,959	412,959	-
<i>Public Safety:</i>				
Sheriff contract	1,774,448	1,774,448	1,767,444	7,004
Animal control	44,459	44,459	44,459	-
Mental health & 211 program	2,852	2,852	2,327	525
<i>Culture and Recreation:</i>				
Tourism	998,500	998,500	943,198	55,302
Parks and recreation	842,572	850,672	834,102	16,570
Library	173,333	173,333	174,501	(1,168)
<i>Community Development:</i>				
City planning, building, development	838,414	841,414	776,336	65,078
<i>Public works:</i>				
Public works, streets, engineering	2,846,643	2,739,873	2,052,872	687,001
Total charges to appropriations	<u>9,635,166</u>	<u>9,580,696</u>	<u>8,769,719</u>	<u>810,977</u>
Fund Balance, June 30	<u>9,381,078</u>	<u>9,570,548</u>	<u>11,381,227</u>	<u>1,810,679</u>

City of Solvang
Required Supplementary Information
For the year ended June 30, 2019

C. Budgetary Comparison Schedule - Impact Fee Special Revenue Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest	18,424	18,424	60,238	41,814
Charges for services	50,008	50,008	76,077	26,069
Total revenues	68,432	68,432	136,315	67,883
EXPENDITURES:				
Capital outlay	310,000	280,000	87,872	192,128
Total expenditures	310,000	280,000	87,872	192,128
Net change in fund balances	\$ (241,568)	\$ (211,568)	48,443	\$ 260,011
FUND BALANCES:				
Beginning of the year			2,263,425	
End of year			\$ 2,311,868	

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SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Traffic Safety Fund accounts for fines, forfeitures, and other monies restricted for traffic safety.

Gas Tax Fund accounts for funds from the State of California under the Street and Highway Code Sections 2103, 2105, 2106, 2107 and 2107.5. The use of funds is restricted to street related projects, which can include related public facilities for non-motorized traffic, e.g. bike and pedestrian paths.

Local Transportation Fund accounts for monies restricted by the State of California Transportation Development Act.

Measure A Fund accounts for Measure A Funds (Santa Barbara County) restricted for road repair, traffic relief, and transportation safety projects and programs.

Skytt Mesa Landscape and Lighting Fund accounts for special assessments restricted for the Skytt Mesa Landscape and Lighting District.

CAPITAL PROJECTS FUNDS

City Capital Projects Fund accounts for monies committed for City capital projects.

City of Solvang
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2019

	Special Revenue Funds				
	Traffic Safety	Gas Tax	Local Transportation	Measure A	Skytt Mesa Landscape and Lighting
ASSETS					
Cash and investments	\$ 1,452	\$ 9,317	\$ 135,561	\$ 302,867	\$ 329,990
Receivables:					
Taxes receivable	-	-	-	-	-
Accounts receivable	1,736	9,922	838	68,912	-
Interest receivable	9	67	861	2,897	2,096
Prepaid Expenses	-	-	-	-	-
Total assets	\$ 3,197	\$ 19,306	\$ 137,260	\$ 374,676	\$ 332,086
LIABILITIES, DEFERRED INFLOWS OF RESOURCE AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 18,890	\$ 14,733
Total liabilities	-	-	-	18,890	14,733
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted for highways and streets	3,197	19,306	137,260	355,786	317,353
Unassigned	-	-	-	-	-
Total fund balances	3,197	19,306	137,260	355,786	317,353
Total liabilities and fund balances	\$ 3,197	\$ 19,306	\$ 137,260	\$ 374,676	\$ 332,086

Capital Projects

City Projects	
<u>Fund</u>	<u>Totals</u>
\$ (21,558)	\$ 757,629
-	-
-	81,408
(137)	5,793
-	-
<u>\$ (21,695)</u>	<u>\$ 844,830</u>

<u>\$ -</u>	<u>\$ 33,623</u>
<u>-</u>	<u>33,623</u>
-	-
-	832,902
<u>(21,695)</u>	<u>(21,695)</u>
<u>(21,695)</u>	<u>811,207</u>
<u>\$ (21,695)</u>	<u>\$ 844,830</u>

City of Solvang
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2019

	Special Revenue Funds				
	Traffic Safety	Gas Tax	Local Transportation	Measure A	Skytt Mesa Landscape and Lighting
REVENUES:					
Special assessments	-	-	-	-	193,019
Intergovernmental	-	217,395	84,868	400,557	-
Interest	126	917	3,912	11,437	8,255
Charges for services	7,996	-	-	-	-
Total revenues	8,122	218,312	88,780	411,994	201,274
EXPENDITURES:					
Current:					
Public works					
Highways and streets	-	-	-	-	204,491
Capital outlay	-	120,075	-	482,326	-
Total expenditures	-	120,075	-	482,326	204,491
REVENUES OVER (UNDER) EXPENDITURES	8,122	98,237	88,780	(70,332)	(3,217)
OTHER FINANCING SOURCES (USES):					
Transfers out	(8,050)	(118,122)	(50,000)	(1,500)	-
Total other financing sources (uses)	(8,050)	(118,122)	(50,000)	(1,500)	-
Net change in fund balances	72	(19,885)	38,780	(71,832)	(3,217)
FUND BALANCES:					
Beginning of the year	3,125	39,191	98,480	427,618	320,570
End of year	\$ 3,197	\$ 19,306	\$ 137,260	\$ 355,786	\$ 317,353

Capital Projects

City Projects Fund	Totals
-	193,019
-	702,820
(131)	24,516
-	7,996
<u>(131)</u>	<u>928,351</u>
-	204,491
<u>298,500</u>	<u>900,901</u>
<u>298,500</u>	<u>1,105,392</u>
<u>(298,631)</u>	<u>(177,041)</u>
-	<u>(177,672)</u>
-	<u>(177,672)</u>
(298,631)	(354,713)
<u>276,936</u>	<u>1,165,920</u>
<u>\$ (21,695)</u>	<u>\$ 811,207</u>

City of Solvang

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Traffic Safety Special Revenue Fund

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ 50	\$ 50	\$ 126	\$ 76
Charges for services	8,000	8,000	7,996	(4)
Total revenues	8,050	8,050	8,122	72
EXPENDITURES:				
Current:				
Public works				
Highways and streets	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	8,050	8,050	8,122	72
OTHER FINANCING SOURCES (USES):				
Transfers out	(8,050)	(8,050)	(8,050)	-
Total other financing sources (uses)	(8,050)	(8,050)	(8,050)	-
Net change in fund balances	\$ -	\$ -	72	\$ 72
FUND BALANCES:				
Beginning of the year			3,125	
End of year			\$ 3,197	

City of Solvang

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Gas Tax Special Revenue Fund

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	217,812	217,812	217,395	(417)
Interest	250	250	917	667
Total revenues	218,062	218,062	218,312	250
EXPENDITURES:				
Capital outlay	124,000	124,000	120,075	3,925
Total expenditures	124,000	124,000	120,075	3,925
REVENUES OVER (UNDER) EXPENDITURES	94,062	94,062	98,237	4,175
OTHER FINANCING SOURCES (USES):				
Transfers out	(118,122)	(118,122)	(118,122)	-
Total other financing sources (uses)	(118,122)	(118,122)	(118,122)	-
Net change in fund balances	\$ (24,060)	\$ (24,060)	(19,885)	\$ 4,175
FUND BALANCES:				
Beginning of the year			39,191	
End of year			\$ 19,306	

City of Solvang

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Local Transportation Special Revenue Fund

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 84,203	\$ 84,203	\$ 84,868	\$ 665
Interest	522	522	3,912	3,390
Total revenues	84,725	84,725	88,780	4,055
EXPENDITURES:				
Current:				
Public works				
Highways and streets	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	84,725	84,725	88,780	4,055
OTHER FINANCING SOURCES (USES):				
Transfers out	(50,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	(50,000)	(50,000)	(50,000)	-
Net change in fund balances	\$ 34,725	\$ 34,725	38,780	\$ 4,055
FUND BALANCES:				
Beginning of the year			98,480	
End of year			<u>\$ 137,260</u>	

City of Solvang

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Measure A Special Revenue Fund

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 376,753	\$ 376,753	\$ 400,557	\$ 23,804
Interest	593	593	11,437	10,844
Total revenues	377,346	377,346	411,994	34,648
EXPENDITURES:				
Capital outlay	682,000	696,000	482,326	213,674
Total expenditures	682,000	696,000	482,326	213,674
REVENUES OVER (UNDER) EXPENDITURES	(304,654)	(318,654)	(70,332)	248,322
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,500)	(1,500)	(1,500)	-
Total other financing sources (uses)	(1,500)	(1,500)	(1,500)	-
Net change in fund balances	\$ (306,154)	\$ (320,154)	(71,832)	\$ 248,322
FUND BALANCES:				
Beginning of the year			427,618	
End of year			\$ 355,786	

City of Solvang

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Skytt Mesa Landscape and Lighting

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 192,660	\$ 192,660	\$ 193,019	\$ 359
Interest	1,500	1,500	8,255	6,755
Total revenues	194,160	194,160	201,274	7,114
EXPENDITURES:				
Current:				
Public works				
Highways and streets	182,100	228,100	204,491	23,609
Capital outlay	6,000	6,000	-	6,000
Total expenditures	188,100	234,100	204,491	29,609
Net change in fund balances	\$ 6,060	\$ (39,940)	(3,217)	\$ 36,723
FUND BALANCES:				
Beginning of the year			320,570	
End of year			\$ 317,353	

City of Solvang

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

City Projects Capital Projects Fund

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ -	\$ -	\$ (131)	\$ (131)
Total revenues	-	-	(131)	(131)
EXPENDITURES:				
Capital outlay	23,500	23,500	298,500	(275,000)
Total expenditures	23,500	23,500	298,500	(275,000)
Net change in fund balances	\$ (23,500)	\$ (23,500)	(298,631)	\$ (275,131)
FUND BALANCES:				
Beginning of the year			276,936	
End of year			\$ (21,695)	

City of Solvang
Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2019

	Balance July 1, 2018,	Additions	Deductions	Balance June 30, 2019
Santa Ynez Valley Tourism				
Business Improvement District				
Assets:				
Cash and investments	\$ 36,945	\$ 424,497	\$ (428,264)	\$ 33,178
Assessment receivable	46,573	47,923	(46,573)	47,923
Total assets	\$ 83,518	\$ 472,420	\$ (474,837)	\$ 81,101
Liabilities:				
Deposits payable	\$ 83,518	\$ 472,420	\$ (474,837)	\$ 81,101
Total liabilities	\$ 83,518	\$ 472,420	\$ (474,837)	\$ 81,101

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

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue sources: taxes and water revenues.

Debt Capacity

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.

Demographic and Economic Information

These schedules help the reader understand the environment within which the government's financial activities take place.

Operating Information

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.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Net investment in capital assets	\$ 12,300,996	\$ 12,696,203	\$ 11,919,888	\$ 12,342,031	\$ 12,057,865	\$ 11,748,077	\$ 11,584,893	\$ 12,128,629	\$ 12,360,410	\$ 12,565,957
Restricted	2,844,598	\$ 2,489,588	\$ 2,892,272	\$ 3,061,331	\$ 3,155,589	\$ 3,011,325	\$ 3,121,123	\$ 3,597,517	\$ 3,213,182	\$ 3,443,607
Unrestricted	6,489,841	\$ 6,672,046	\$ 6,307,453	\$ 6,810,793	\$ 5,935,965	\$ 7,488,153	\$ 8,798,516	\$ 7,485,859	\$ 9,010,003	\$ 9,093,838
Total governmental activities net position	\$ 21,635,435	\$ 21,857,837	\$ 21,119,613	\$ 22,214,155	\$ 21,149,419	\$ 22,247,555	\$ 23,504,532	\$ 23,212,005	\$ 24,583,595	\$ 25,103,402
Business-type activities:										
Net investment in capital assets	\$ 8,849,559	\$ 8,672,748	\$ 9,707,588	\$ 9,346,335	\$ 9,512,247	\$ 10,409,946	\$ 10,943,614	\$ 10,879,295	\$ 10,462,415	\$ 12,053,677
Restricted	201,773	\$ 245,848	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	7,885,273	\$ 8,111,792	\$ 7,628,136	\$ 7,933,345	\$ 7,097,759	\$ 6,794,971	\$ 10,725,516	\$ 11,550,796	\$ 12,687,615	\$ 11,679,974
Total business-type activities net position	\$ 16,936,605	\$ 17,030,388	\$ 17,335,724	\$ 17,279,680	\$ 16,610,006	\$ 17,204,917	\$ 21,669,130	\$ 22,430,091	\$ 23,150,030	\$ 23,733,651
Primary government (City wide totals)										
Net investment in capital assets	\$ 21,150,555	\$ 21,368,951	\$ 21,627,476	\$ 21,688,366	\$ 21,570,112	\$ 22,158,023	\$ 22,528,507	\$ 23,007,924	\$ 22,822,825	\$ 24,619,634
Restricted	3,046,371	2,735,436	2,892,272	3,061,331	3,155,589	3,011,325	3,121,123	3,597,517	3,213,182	3,443,607
Unrestricted	14,375,114	14,783,838	13,935,589	14,744,138	13,033,724	14,283,124	19,524,032	19,036,655	21,697,618	20,773,812
Total primary government net position	\$ 38,572,040	\$ 38,888,225	\$ 38,455,337	\$ 39,493,835	\$ 37,759,425	\$ 39,452,472	\$ 45,173,662	\$ 45,642,096	\$ 47,733,625	\$ 48,837,053

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses:										
Governmental activities:										
General government	\$ 1,365,736	\$ 1,517,579	\$ 1,586,533	\$ 1,494,094	\$ 1,578,629	\$ 1,417,776	\$ 1,664,564	\$ 2,031,468	\$ 1,274,194	\$ 1,778,600
Public safety	1,331,385	1,359,241	1,538,315	1,621,864	1,639,642	1,647,930	1,637,483	1,675,872	1,737,083	1,820,369
Public works	1,582,810	1,508,809	1,517,240	1,444,453	1,792,316	1,789,458	2,045,387	2,499,428	2,375,931	2,821,441
Community development	397,297	363,259	398,088	426,574	455,085	876,912	463,965	434,362	559,661	822,307
Culture and recreation	1,408,087	1,819,964	1,667,929	1,676,227	1,701,142	1,713,110	1,858,427	1,865,952	2,022,884	2,182,521
Interest on long-term debt	25,657	7,244	4,878	3,114	-	-	-	-	-	-
Total Governmental Activities	<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>	<u>7,969,753</u>	<u>9,425,238</u>
Business-type activities:										
Water	4,162,536	4,082,761	3,878,275	4,312,353	5,067,560	4,765,816	4,077,790	4,030,207	4,307,206	4,861,159
Wastewater	1,701,547	1,709,935	1,710,790	2,021,585	1,800,351	1,799,891	1,733,416	2,083,850	2,090,605	2,343,221
Transit	695,584	713,694	729,923	702,479	732,221	708,781	701,114	848,637	856,112	996,657
Total Business-type Activities	<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>	<u>7,253,923</u>	<u>8,201,037</u>
Total Expenses	<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>	<u>\$ 15,223,676</u>	<u>\$ 17,626,275</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 443,583	432,056	399,456	512,314	467,882	552,656	497,867	499,324	512,784	555,393
Public safety	26,241	31,832	14,587	23,871	26,170	20,140	14,251	19,039	11,506	76,077
Public works	32,719	81,662	168,750	240,098	262,060	275,691	325,298	430,863	502,886	260,504
Community development	86,313	106,020	97,214	300,738	446,915	416,750	412,305	287,874	168,769	160,043
Culture and recreation	164,675	361,251	223,785	178,733	150,541	135,769	104,343	119,547	120,414	108,954
Operating grants and contributions	733,592	842,969	703,603	810,876	657,186	614,802	530,193	773,860	630,949	680,790
Capital grants and contributions	162,635	105,883	-	340,272	57,401	40,559	116,767	921,294	198,314	118,731
Total Governmental Activities	<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>	<u>2,145,622</u>	<u>1,960,492</u>
Business-type Activity:										
Charges for services:										
Water	3,998,259	3,973,351	4,206,861	4,492,912	4,671,555	4,422,992	4,457,268	4,566,227	4,919,648	4,742,528
Wastewater	1,464,254	1,474,723	1,481,825	1,532,057	1,640,187	1,623,447	1,736,952	1,669,291	1,824,725	1,463,857
Transit	65,578	82,522	72,346	67,296	67,688	65,696	59,869	78,573	61,631	64,702
Operating grants and contributions	511,493	714,796	813,568	511,341	594,073	805,635	813,847	888,618	809,650	1,827,984
Capital grants and contributions	108,328	354,781	48,724	325,677	911,348	950,429	587,845	214,575	51,708	35,716
Total Business-type Activities	<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>	<u>7,667,362</u>	<u>8,134,787</u>
Total Program Revenues	<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>	<u>\$ 9,812,984</u>	<u>\$ 10,095,279</u>

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense)/Revenue:										
Governmental Activities	\$ (4,461,214)	\$ (4,614,423)	\$ (5,105,588)	\$ (4,259,424)	\$ (5,098,659)	\$ (5,388,819)	\$ (5,668,802)	\$ (5,455,281)	\$ (5,824,131)	\$ (7,464,746)
Business-type Activities	(411,755)	93,783	304,336	(107,134)	284,719	593,711	1,143,461	454,590	413,439	(66,250)
Total Net Expense	\$ (4,872,969)	\$ (4,520,640)	\$ (4,801,252)	\$ (4,366,558)	\$ (4,813,940)	\$ (4,795,108)	\$ (4,525,341)	\$ (5,000,691)	\$ (5,410,692)	\$ (7,530,996)
General Revenues										
Governmental Activities:										
Taxes:										
Property taxes	\$ 1,086,849	\$ 1,039,634	\$ 1,051,200	\$ 1,063,715	\$ 1,096,028	\$ 1,140,579	\$ 1,213,316	\$ 1,283,266	\$ 1,380,568	\$ 1,401,623
Transient occupancy taxes	2,372,338	2,507,857	2,683,564	2,985,512	3,425,309	3,833,644	4,195,940	4,330,599	4,320,318	4,618,425
Sales taxes	1,000,325	972,838	1,066,086	1,122,814	1,153,845	1,241,436	1,226,777	1,453,808	1,405,281	1,507,745
Other taxes	238,163	269,238	208,006	226,792	237,256	247,173	248,247	233,572	286,790	232,707
Investment earnings	90,989	47,258	21,439	6,223	16,503	25,323	43,499	48,294	109,264	413,701
Miscellaneous	-	-	-	-	-	-	-	-	-	34,436
Transfers	15,095	-	(1,000)	(51,090)	(1,200)	(1,200)	(2,000)	(852,390)	(306,500)	(311,467)
Special Item	-	-	(661,931)	-	-	-	-	-	-	-
Total general revenues, transfers and special item	4,803,759	4,836,825	4,367,364	5,353,966	5,927,741	6,486,955	6,925,779	6,497,149	7,195,721	7,897,170
Business-type Activity										
Investment earnings	-	-	-	-	-	-	-	-	-	258,866
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	(15,095)	-	1,000	51,090	1,200	1,200	2,000	852,390	306,500	311,467
Total Business-type Activities	(15,095)	-	1,000	51,090	1,200	1,200	2,000	852,390	306,500	570,333
Total primary government	\$ 4,788,664	\$ 4,836,825	\$ 4,368,364	\$ 5,405,056	\$ 5,928,941	\$ 6,488,155	\$ 6,927,779	\$ 7,349,539	\$ 7,502,221	\$ 8,467,503
Change in net position:										
Governmental activities	\$ 342,545	\$ 222,402	\$ (738,224)	\$ 1,094,542	\$ 829,082	\$ 1,098,136	\$ 1,256,977	\$ 1,041,868	\$ 1,371,590	\$ 432,424
Business-type activities	(426,850)	93,783	305,336	(56,044)	285,919	594,911	1,145,461	1,306,980	719,939	504,083
Total Changes in Net Position	\$ (84,305)	\$ 316,185	\$ (432,888)	\$ 1,038,498	\$ 1,115,001	\$ 1,693,047	\$ 2,402,438	\$ 2,348,848	\$ 2,091,529	\$ 936,507

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	\$ -	700	\$ 700	\$ 700	\$ 700	\$ 127,805	\$ 76,502	\$ 82,192	\$ 85,451	\$ 164,619
Restricted		-	14,726	12,553	13,291	14,290	18,680	12,206	58,837	298,837
Committed		3,043,543	3,194,614	2,998,543	3,570,693	3,619,902	4,127,320	4,127,320	4,830,633	4,830,633
Assigned		-	-	-	-	-	-	-	-	-
Unassigned		2,179,145	2,365,309	3,256,119	3,767,385	4,871,659	5,345,636	5,824,932	5,937,175	6,087,138
Reserved	14,556									
Unreserved	5,632,586									
Total general fund	<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>	<u>\$ 10,912,096</u>	<u>\$ 11,381,227</u>
All other governmental funds										
Nonspendable		-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,000	\$ 275,000	
Restricted		3,065,222	2,874,888	3,052,778	3,143,036	2,997,035	3,180,161	3,315,997	3,154,345	3,144,770
Committed		-	-	-	-	-	-	-	-	-
Assigned		-	-	-	-	-	-	-	-	-
Unassigned		-	-	-	-	-	-	-	-	(21,695)
Reserved	-									
Unreserved										
Special Revenue	757,039									
Capital Projects	2,087,559									
Other Purposes	-									
Total all other governmental funds	<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>	<u>\$ 3,429,345</u>	<u>\$ 3,123,075</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REVENUES										
Taxes	\$ 4,538	\$ 4,761	\$ 5,009	\$ 5,555	\$ 5,922	\$ 6,463	\$ 6,885	\$ 7,301	\$ 7,393	\$ 7,761
Licenses and permits	75	77	102	195	280	224	203	184	111	127
Fines and forfeits	26	27	15	24	22	11	9	9	9	7
Charges for services	629	844	707	907	984	982	956	920	962	834
Special assessments	72	36	59	75	75	111	153	203	202	193
Intergovernmental	877	764	677	1,077	638	731	619	1,489	618	708
Investment earnings	113	44	59	48	24	34	57	64	150	374
Other revenues	25	209	58	91	15	6	47	209	203	121
Total Revenues	<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>	<u>9,649</u>	<u>10,124</u>
EXPENDITURES										
General government	1,231	1,294	1,342	1,335	1,393	1,547	1,951	1,669	1,546	1,762
Public safety	1,305	1,350	1,529	1,613	1,628	1,644	1,631	1,662	1,734	1,814
Culture and recreation	1,273	1,685	1,383	1,541	1,592	1,592	1,695	1,654	1,989	1,952
Public works	1,404	1,687	1,782	2,168	1,717	1,837	2,068	3,255	1,941	1,649
Community development	397	363	398	427	455	517	464	434	560	776
Housing	-	-	-	-	-	394	-	-	-	-
Capital outlay	1,194	554	84	13	-	-	-	-	869	1,597
Transportation	-	-	-	-	-	-	-	-	-	-
Intergovernmental	39	-	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-	-	-
Costs of issuance	-	-	-	-	-	-	-	-	-	-
Principal	414	25	-	-	-	-	-	-	-	-
Interest	26	7	5	3	-	-	-	-	-	-
Total expenditures	<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>	<u>8,638</u>	<u>9,550</u>
Excess (Deficiency) of Revenues over Expenditures	<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>	<u>1,010</u>	<u>574</u>
Other Financing Sources (Uses)										
Transfers in	50	198	286	192	169	161	176	431	175	176
Transfers out	(35)	(198)	(287)	(193)	(170)	(162)	(178)	(1,246)	(482)	(588)
Total Other Financing Sources (Uses)	<u>15</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>	<u>(815)</u>	<u>(307)</u>	<u>(411)</u>
Net change in fund balances	<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>	<u>\$ 704</u>	<u>\$ 163</u>
Debt service as a percentage of noncapital expenditures	<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>	<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	
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%
2017-2018	1,168,412	33,137	\$ 1,201,549	1.00%
2018-2019	1,224,324	34,740	\$ 1,259,064	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
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%
2017-2018	1.00%	0.00%	1.00%	0.06631%	0.06313%
2018-2019	1.00%	0.00%	1.00%	0.06362%	0.06197%

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)

2019				2018			
Taxpayer	Taxable Assessed	Rank	Percentage of Total City Taxable	Taxpayer	Taxable Assessed	Rank	Percentage of Total City Taxable
	Value		Assessed Value		Value		Assessed Value
Santa Ynez Band of Mission Indians	\$ 28,047	1	2.23%	Santa Ynez Band of Mission Indians	\$ 27,550	1	2.29%
Worldmark, The Club	17,178	2	1.36%	Worldmark, The Club	16,400	2	1.36%
Alisal Guest Ranch	13,995	3	1.11%	SYBCI California Hotel, No. 2, LLC	13,730	3	1.14%
SYBCI California Hotel, No. 2, LLC	13,974	4	1.11%	Alisal Guest Ranch	13,159	4	1.10%
Lombard Street, LP	12,376	5	0.98%	Palm Springs Inn, LLC	12,136	5	1.01%
Solvang Hotel Group, LP	10,978	6	0.87%	Solvang Hotel Group, LP	10,763	6	0.90%
Alisal Oaks, LLC	7,698	7	0.61%	Alisal Oaks, LLC	7,548	7	0.63%
Wine Manor Management, LLC	6,668	8	0.53%	Wine Manor Management, LLC	6,540	8	0.54%
1980S Old Mission Drive, LLC	6,645	9	0.53%	Oak Park Leasing, LLC	6,369	9	0.53%
Oak Park Leasing, LLC	6,524	10	0.52%	M P Paso, LLC	5,303	10	0.44%
Total	\$ 124,083		9.86%	Total	\$ 119,498		9.95%

2017				2016			
Taxpayer	Taxable Assessed	Rank	Percentage of Total City Taxable	Taxpayer	Taxable Assessed	Rank	Percentage of Total City Taxable
	Value		Assessed Value		Value		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	Rank	Percentage of Total City Taxable	Taxpayer	Taxable Assessed	Rank	Percentage of Total City Taxable
	Value		Assessed Value		Value		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	Rank	Percentage of Total City Taxable	Taxpayer	Taxable Assessed	Rank	Percentage of Total City Taxable
	Value		Assessed Value		Value		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	Rank	Percentage of Total City Taxable	Taxpayer	Taxable Assessed	Rank	Percentage of Total City Taxable
	Value		Assessed Value		Value		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%

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>
2009-10	606,892	592,046	97.6%	14,501	606,547	99.9%
2010-11	600,711	590,463	98.3%	9,902	600,365	99.9%
2011-12	593,794	586,171	98.7%	7,306	593,477	99.9%
2012-13	599,125	593,058	99.0%	5,751	598,809	99.9%
2013-14	606,613	601,774	99.2%	4,486	606,260	99.9%
2014-15	631,868	626,577	99.2%	4,755	631,333	99.9%
2015-16	667,906	661,254	99.0%	4,624	665,878	99.7%
2016-17	708,584	702,791	99.2%	3,791	706,582	99.7%
2017-18	747,495	738,881	98.8%	5,371	744,252	99.6%
2018-19	780,734	771,772	98.9%	-	771,772	98.9%

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
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
2018	70%	\$ 166.43	\$ 3,203,410 7	\$ 1,116,882 18
2019	71%	\$ 176.56	\$ 3,397,220 7	\$ 1,143,566 19

**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
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
2018	75.43 ¹	3.45 ² 4.05 ³	5.18 6.08
2019	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.

**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				
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
2018	2,973,360	322,513	796,271	704,473	4,796,616
	1,781	71	223	113	2,188
2019	2,902,029	321,349	801,045	662,831	4,687,254
	1,781	71	224	113	2,189

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

2019	2018	2017	2016
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
Mission Oaks	Holiday Inn Express	Hadsten House	Hadsten House
Rancho S.Y. Mobile Estates	Mission Oaks	Holiday Inn Express	Holiday Inn Express
Solvang Mesa, LLMD	Rancho S.Y. Mobile Estates	Mission Oaks	Inland Pacific Builders
Solvang School	Solvang Mesa, LLMD	Rancho S.Y. Mobile Estates	Mission Oaks
Vacations Inn Solvang	Solvang School	Solvang School	Rancho S.Y. Mobile Estates
Worldmark	Worldmark	Worldmark	Worldmark
2015	2014	2013	2012
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	Mission Oaks	Mission Oaks
Inland Pacific Builders	Holiday Inn Express	N&G Investments	Rancho S.Y. Mobile Estates
Mission Oaks	Inland Pacific Builders	Oak Park Apartments	Solvang LLM
Rancho S.Y. Mobile Estates	Mission Oaks	Rancho S.Y. Mobile Estates	Solvang School
Solvang School	Rancho S.Y. Mobile Estates	Solvang School	Wine Valley Inn
Worldmark	Solvang School	Worldmark Solvang	Worldmark Solvang
2011	2010		
Alisal Guest Ranch	Alisal Guest Ranch		
Atterdag Village	Chumash Casino Resort		
Chumash Casino Resort	City of Solvang		
City of Solvang	Mission Oaks		
Mission Oaks	Rancho S.Y. Mobile Estates		
Rancho S.Y. Mobile Estates	Solvang LLM		
Solvang LLM	Solvang Lutheran Home		
Solvang School	Solvang School		
Wine Valley Inn	Wine Valley Inn		
Worldmark Solvang	Worldmark Solvang		

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						
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	\$ -
2018	-	-	-	-	-	-	-	-	0% ²	5771 ³	\$ -
2019	-	-	-	-	-	-	-	-	0% ²	5876 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, 2019

<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	\$ 40,610,000	1.528%	\$ 620,521
Santa Ynez Valley Union High School District COP	1,989,000	18.342%	\$ 364,822
Buellton Union School District Cert of Participation	-	0.000%	\$ -
Total Gross Direct and Overlapping General Fund Debt			<u>\$ 985,343</u>
Less: Santa Barbara County Supported Obligations			<u>\$ (44,159)</u>
Total Net Direct and Overlapping General Fund Debt			\$ 941,184
Overlapping Tax and Assessment Debt			
Allan Hancock Joint Community College District	\$ 149,174,237	4.602%	\$ 6,864,998
Santa Ynez Valley Union School District	\$ 13,755,000	18.342%	\$ 2,522,942
Buellton Union School district	6,920,887	0.946%	\$ 65,472
Solvang School District	6,469,202	81.181%	<u>\$ 5,251,763</u>
Total Overlapping Tax and Assessment Debt			\$ 14,705,175
Subtotal, overlapping debt			\$ 15,646,359 ³
City of Solvang direct debt			-
Total direct and overlapping debt			<u><u>\$ 15,646,359</u></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
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%
2018	\$ 45,058,074	\$ -	0.00%
2019	\$ 47,214,897	\$ -	0.00%

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed Value	\$ 1,259,063,933
Debt Limit (3.75% of assessed value)	47,214,897
Less debt applicable to limit:	
General Obligation bonds	0
Total debt applicable to limit	0
Legal Debt Margin	\$ 47,214,897

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	
2010	52,458	65,000	2,437	0.78
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-

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	
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	-	-	-
2018	4,919,648	26,455	4,023,666	922,437	-	-	-
2019	4,742,528	35,716	4,558,594	219,650	-	-	-

Wastewater Capital Lease Obligation

	Wastewater Service Revenues ¹	Capital Impact Fees	Less Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
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	-	-	-
2018	1,824,725	14,020	1,682,663	156,082	-	-	-
2019	1,763,132	-	1,944,950	(181,818)	-	-	-

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**

Fiscal Year	Population ¹	Personal Income	Per Capita Personal Income ²	Unemployment Rate ³
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
2018	5771	231,578,688	40,128	3.45% ³
2019	5822	253,204,602	43,491	3.33% 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, 2019				Fiscal Year Ended June 30, 2018				Fiscal Year Ended June 30, 2017			
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	369	1	12.30%	Alisal Guest Ranch	356	1	12.28%	Alisal Guest Ranch	303	1	10.45%
Atterdag Village (formerly Solvang Lutheran Home)	177	2	5.90%	Atterdag Village (formerly Solvang Lutheran Home)	170	2	5.86%	Atterdag Village (formerly Solvang Lutheran Home)	170	2	5.86%
New Frontiers Market	115	3	3.83%	Santa Ynez Cottage Hospital	87	3	3.00%	Santa Ynez Cottage Hospital	96	3	3.31%
Santa Ynez Cottage Hospital	93	4	3.10%	New Frontiers Market	77	4	2.66%	Solvang Brew	75	4	2.59%
Landsby/Mad & Vin	65	5	2.17%	Solvang Brew	68	5	2.34%	Solvang Unified School District	68	5	2.34%
Nielsen's Market/Valley Fresh	64	6	2.13%	Solvang Unified School District	58	6	2.00%	Nielsens Market	62	6	2.14%
Solvang Brew	58	7	1.93%	Landsby	55	7	1.90%	New Frontiers Market	55	7	1.90%
Solvang Unified School District	57	8	1.90%	Hotel Corque	53	8	1.83%	Landsby	55	7	1.90%
Hotel Corque	54	9	1.80%	Nielsens Market	52	9	1.79%	Hotel Corque	47	8	1.62%
Root 246	46	10	1.53%	Root 246	47	10	1.62%	Root 246	42	9	1.45%
Totals	1098		36.60%	Totals	1023		35.28%	Totals	973		33.55%
Fiscal Year Ended June 30, 2016				Fiscal Year Ended June 30, 2015				Fiscal Year Ended June 30, 2014			
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
Alisal Guest Ranch	294	1	10.50%	Alisal Guest Ranch	298	1	10.64%	Alisal Guest Ranch	285	1	8.91%
Atterdag Village (formerly Solvang Lutheran Home)	167	2	5.96%	Atterdag Village (formerly Solvang Lutheran Home)	145	2	5.18%	Atterdag Village (formerly Solvang Lutheran Home)	130	2	4.06%
Santa Ynez Cottage Hospital	91	3	3.25%	Santa Ynez Cottage Hospital	91	3	3.25%	Nielsens Market	75	3	2.34%
Solvang Brew	75	4	2.68%	Nielsens Market	69	4	2.46%	Solvang Unified School District	71	4	2.22%
New Frontiers Market	70	5	2.50%	Solvang Unified School District	65	5	2.32%	Santa Ynez Cottage Hospital	67	5	2.09%
Nielsens Market	69	6	2.46%	Solvang Brew	65	5	2.32%	Solvang Brew	67	5	2.09%
Solvang Unified School District	67	7	2.39%	New Frontiers Market	60	6	2.14%	Root 246	60	6	1.88%
Hotel Corque	51	8	1.82%	Hotel Corque	56	7	2.00%	Hotel Corque	58	7	1.81%
Landsby	46	9	1.64%	Landsby	56	7	2.00%	New Frontiers Market	52	8	1.63%
Root 246	46	9	1.64%	Root 246	53	8	1.89%	Hadsten House	47	9	1.47%
Totals	976		34.86%	Totals	958		34.21%	Totals	912		28.50%
Fiscal Year Ended June 30, 2013				Fiscal Year Ended June 30, 2012				Fiscal Year Ended June 30, 2011			
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	261	1	7.91%	Alisal Guest Ranch	275	1	9.17%	Alisal Guest Ranch	270	1	9.00%
Atterdag Village (formerly Solvang Lutheran Home)	130	2	3.94%	Atterdag Village (formerly Solvang Lutheran Home)	126	2	4.20%	Solvang Lutheran Home	120	2	4.00%
Solvang Unified School District	100	3	3.03%	New Frontiers Market	91	3	3.03%	Santa Ynez Valley Cottage Hospital	82	3	2.73%
Santa Ynez Cottage Hospital	88	4	2.67%	Santa Ynez Cottage Hospital	85	4	2.83%	Root 246	67	4	2.23%
Nielsens Market	63	5	1.91%	Nielsens Market	75	5	2.50%	Nielsens Market	63	5	2.10%
Root 246	50	6	1.52%	Solvang Unified School District	65	6	2.17%	New Frontiers Market	58	6	1.93%
New Frontiers Market	50	6	1.52%	Root 246	58	7	1.93%	Hotel Corque	52	7	1.73%
Hotel Corque	49	7	1.48%	Hotel Corque	46	8	1.53%	Solvang Unified School District	52	8	1.73%
Hadsten House	43	8	1.30%	City of Solvang	36	9	1.20%	City of Solvang	35	9	1.17%
City of Solvang	36	9	1.09%	Worldmark Trendwest	25	10	0.83%	Worldmark Trendwest	29	10	0.97%
Totals	870		26.36%	Totals	882		29.40%	Totals	828		27.60%

Sources: City of Solvang Finance Department, State of California Employment Development Department, and City of Solvang Employers

Notes:

(1) Total City Labor Force is 3000, based on State of California Employment Development Department Data for FY 2018-19.

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

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

Fiscal Year

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	6.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Public safety²:										
Police (Contract)	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-
Planning:										
Planning	2.00	2.00	2.00	1.75	2.22	2.22	2.22	2.22	2.25	2.25
Building and safety ²	0.50	0.50	1.00	0.75	0.90	0.90	0.90	0.90	0.95	0.95
Public works:										
Engineering	2.50	2.50	2.50	0.60	0.65	1.20	1.20	1.55	2.10	2.10
Roads and streets	2.35	2.35	2.35	3.78	3.95	4.05	4.05	3.85	4.05	4.05
Maintenance	3.65	3.65	3.65	2.58	2.51	2.51	2.51	2.51	1.65	1.65
Parks:										
Parks and recreation	6.50	6.50	5.50	5.84	5.84	5.84	5.84	5.81	5.30	5.00
Water:										
Treatment and distribution	4.00	4.00	4.00	5.10	5.00	5.15	5.15	5.10	5.05	5.05
Wastewater:										
Collection and treatment	6.00	6.00	6.00	7.10	6.90	7.10	7.10	7.00	6.95	6.95
Totals	<u>34.50</u>	<u>34.50</u>	<u>35.00</u>	<u>34.50</u>	<u>34.97</u>	<u>35.97</u>	<u>35.97</u>	<u>35.94</u>	<u>35.30</u>	<u>35.00</u>

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**

	Fiscal Year									
Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police¹:										
Physical arrest	353	127	114	123	96	102	126	136	107	154
Traffic violations	548	266	109	105	125	67	41	94	81	51
Fire¹:										
Emergency responses	484	589	385	197	430	358	615	652	678	845
Fires extinguished	16	15	17	3	9	9	12	12	9	17
Planning:										
Building permits issued	124	151	143	215	218	146	230	212	208	205
Public Works:										
Miles streets maintained	1.15	0.25	3.50	0.66	0.44	0.44	4.00	4.00	0.08	3.00
Parks:										
Community events held	17	18	18	18	21	21	17	14	14	14
Water:										
Number new connections	2	2	2	25	38	40	33	14	2	1
Daily average water production in MGD	1.15	1.31	1.27	1.38	1.38	1.05	0.94	0.98	1.10	1.07
Daily average water consumption in MGD	1.25	1.20	1.18	1.26	1.26	0.96	0.86	0.89	1.05	0.98
Wastewater:										
Number new connections	2	2	-	26	35	43	33	14	2	1
Daily average treatment in millions gallons(MGD)	0.73	0.72	0.77	0.75	0.71	0.69	0.62	0.65	0.62	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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fire¹										
Stations	-	-	-	-	-	-	-	0	0	0
Engines	-	-	-	-	-	-	-	0	0	0
Public Works:										
Miles of streets	25	25	25	25	25	25	25	25	25	25
Streetlights	12	12	12	12	12	12	12	12	12	12
Parks and recreation:										
Community centers	3	2	2	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	36	36	36	36	36	36
Number connections	2,017	2,019	2,018	2,043	2,156	2,178	2,211	2225	2227	2228
Wastewater:										
Miles of sewers	42	42	42	42	42	42	42	42	42	42
Number connections	1,981	1,985	1,985	2,011	2,047	2,090	2,123	2137	2139	2140
Maximum plant capacity in millions of gallons	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.5	1.5	1.5

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.