



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30

# 2018



CITY OF SOLVANG,  
CALIFORNIA



CITY OF SOLVANG, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
June 30, 2018

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, 2018**

TABLE OF CONTENTS

	Page
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	3
GFOA Certificate of Achievement.....	7
Organizational Chart.....	8
List of Elected and Appointed Officials.....	9
 <b>FINANCIAL SECTION</b>	
Independent Auditor’s Report.....	13
Management’s Discussion and Analysis.....	15
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Position.....	31
Statement of Activities.....	32
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	33
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	34
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities.....	35
Statement of Net Position - Proprietary Funds.....	36
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	37
Statement of Cash Flows - Proprietary Funds.....	38
Statement of Fiduciary Net Position.....	40
Statement of Changes in Fiduciary Net Position.....	41
Notes to the Basic Financial Statements.....	42
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule - General Fund.....	65
Notes to RSI: Budgetary Comparison – General Fund.....	66
Budgetary Comparison Schedule – Impact Fees Special Revenue Fund.....	67
Schedule of the City of Solvang’s Proportionate Share of the Net Pension Liability.....	68
Schedule of the City of Solvang’s Contributions Public Employee’s Retirement Plans.....	69
Schedule of Changes in the City’s Net OPEB Liability and Related Ratios.....	70
Schedule of OPEB Plan Contributions.....	71
Schedule of OPEB Plan Investment Returns.....	72
<b>Combining Statements and Individual Fund Schedules-Nonmajor Funds:</b>	
Combining Balance Sheet-Nonmajor Governmental Funds.....	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Governmental Funds.....	76
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - Traffic Safety.....	77

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - Gas Tax.....	78
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - Local Transportation.....	79
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - Measure A.....	80
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - Skytt Mesa LLMD.....	81
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Budgetary Basis) - Capital Projects.....	82
Comparative Schedule of Capital Assets used in Governmental Activities By Source.....	83
Schedule of Changes in Capital Assets used in Governmental Activities By Source.....	84
Schedule of Capital Assets used in Governmental Activities by Function and Activity.....	85
Schedule of Changes in Capital Assets used in Governmental Activities By Function and Activity.....	86
Statement of Changes in Assets and Liabilities – Agency Fund.....	87

## STATISTICAL SECTION

### Financial Trends:

Schedule of Net Position by Component.....	91
Schedule of Changes in Net Position.....	92
Schedule of Fund Balances - Governmental Funds.....	94
Schedule of Changes in Fund Balances – Governmental Funds.....	95

### Revenue Capacity:

Assessed Value and Estimated Actual Value of Taxable Property.....	96
Property Tax Rates – Direct and Overlapping Governments.....	97
Principal Property Tax Payers.....	98
Property Tax Levies and Collections.....	99
Transient Occupancy Tax – Principal Payers.....	100
Water Rates.....	101
Water Revenue Concentration Data.....	102
Principal Water Sale Purchasers.....	103

### Debt Capacity:

Ratios of Outstanding Debt by Type.....	104
Direct and Overlapping Governmental Activities Debt.....	105
Legal Debt Margin Information.....	106
Pledged Revenue Coverage.....	107

### Demographic and Economic Information:

Demographic and Economic Statistics.....	108
Principal Employers.....	109

### Operating Information:

Full Time Equivalent Employees by Function.....	110
Operating Indicators by Function.....	111
Capital Asset Statistics by Function.....	112

# INTRODUCTORY SECTION

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December 10, 2018

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, 2018.

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

The firm of Terry E. Krieg, Certified Public Accountant, has issued an unmodified independent auditor's report on the City of Solvang's financial statements for the fiscal year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

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

### ***Profile of the City of Solvang***

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

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

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

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

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

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

### ***Local Economy***

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

This year the City saw an increase in property tax revenue of 7.6%, but sales tax revenues declined by 3.3%. Our top three sales tax generators by business category for FY 2017-18 are retail, food services, and manufacturing, in that order. Our largest General Fund revenue source, Transient Occupancy Tax (TOT) decreased by .25%, and the occupancy rate was down approximately 2%. The city of Solvang, like many cities in California, felt the direct impact of natural disasters in FY 2017-18. Santa Barbara County experienced wildfires and flooding, which contributed to the decrease in both sales tax and TOT. The City budgeted for modest growth in these areas for FY 2018-19.

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 \$1.5 million in capital projects. For fiscal year ending 2018-19, the City has budgeted approximately \$5.9 million for capital projects, mostly for water, wastewater, and public works. An additional \$40.6 million in capital projects are included in the City's Ten Year Capital Improvement Plan. These projects include about \$15 million in public works projects, \$1 million for transit, \$5.3 million for water and \$16.7 million for wastewater system improvements.

The major initiative planned for FY 2018-19 is evaluation of alternatives for major rehabilitation and upgrade of the Wastewater Treatment Plant, and how to fund those improvements. In addition, initial steps in the project include land acquisition, environmental review and preliminary engineering. The update to the plant, to better meet our permit requirements, is estimated to cost between \$13M and \$16M. The City's Capital Improvement Plan is currently planning for the \$16M option, but that will be reviewed by the City Council.

The General Fund ended fiscal 2017-18 with a fund balance of approximately \$11 million. Of that fund balance, \$4.8 million is committed for emergency reserves, and approximately \$5.9 million remained unassigned. There is approximately \$3.1 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.

In fiscal year 2011 the City underwent a study for water and sewer to evaluate the utility rates and connection fees in an effort to ensure that we will be able to sustain the maintenance, capital infrastructure and required reserve levels for these funds and to ensure long term fiscal stability. The study was concluded in fiscal year 2011/12 and rate increases for a five year period were recommended and adopted by the City Council. The five year period ended June 30, 2016. The City completed a water and sewer rate study in FY 2016-17, and the City Council elected not to raise rates at that time. Staff will be evaluating revenue projections, as well as short and long term needs for water and sewer, and will return to Council for discussion and review in 2018-19.

### ***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***

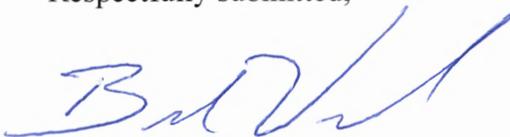
The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Solvang for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. The City has received this award for 28 of the last 29 years. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal and program requirements.

A Certificate of Achievement is valid for a one-year period only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

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

Respectfully submitted,



Brad Vidro  
City Manager



Sandra L. Featherson  
Administrative Services Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Solvang  
California**

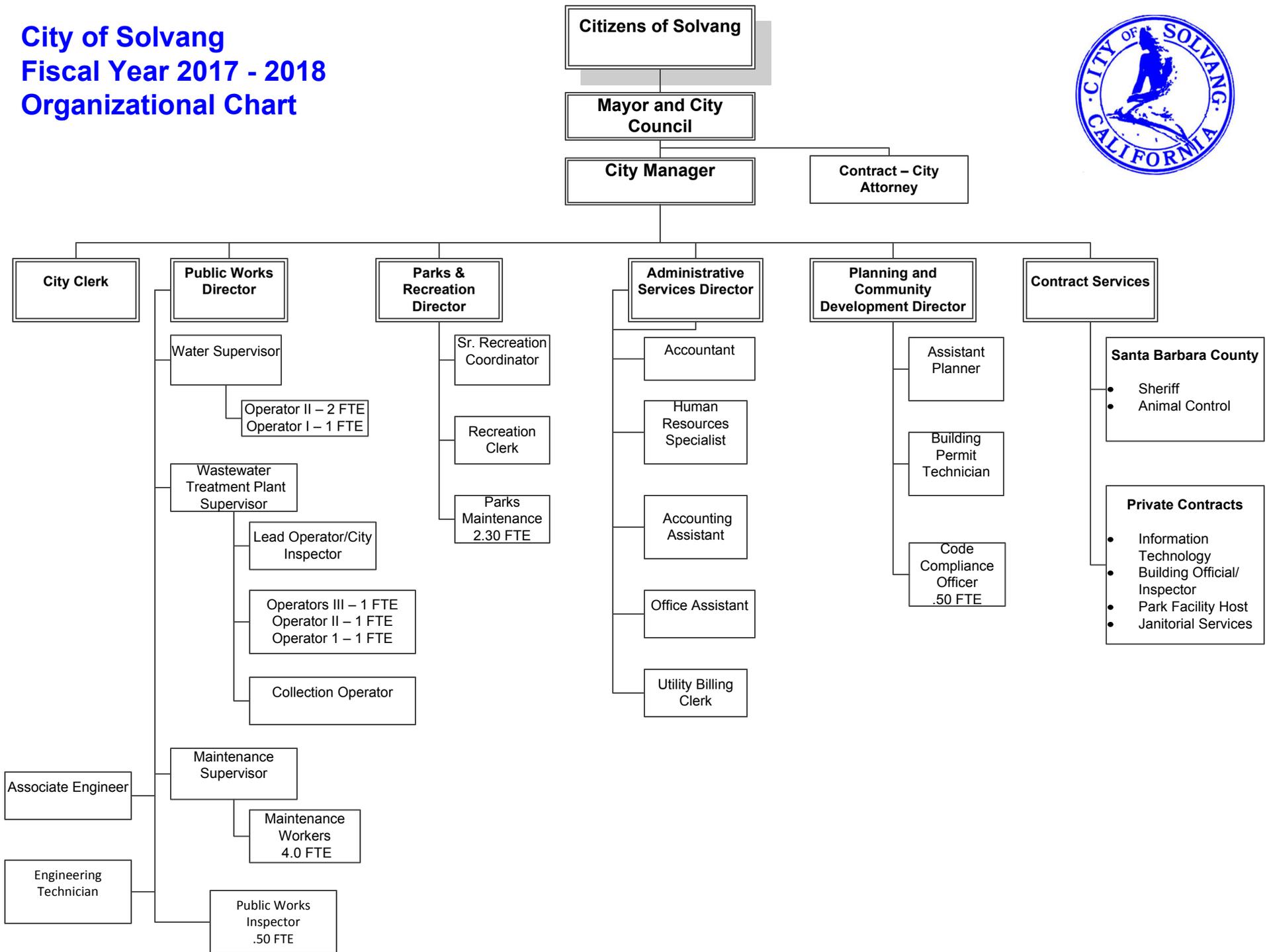
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO

**City of Solvang  
Fiscal Year 2017 - 2018  
Organizational Chart**



City of Solvang  
List of Elected and Appointed Officials  
As of June 30, 2018

Elected Officials

Mayor	Jim Richardson
Council Member	Karen Waite
Council Member	Joan Jamieson
Council Member	Ryan Toussaint
Council Member	Neill Zimmerman

Appointed Officials

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

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# FINANCIAL SECTION

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# Terry E. Krieg, CPA

## Certified Public Accountant

### Independent Auditor's Report

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

#### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Solvang, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Solvang's basic financial statements as listed in the Table of Contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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

#### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Solvang, California as of June 30, 2018, and the respective changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Emphasis of Matter**

As discussed in Note 5H, the City in fiscal 2018 adopted the provisions of Governmental Accounting Standards Board Statement Number 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. My opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 15 through 27 and the Budgetary Comparison Schedules, Schedule of Proportionate Share of Net Pension Liability, Schedule of The City's Pension Plan Contributions, Schedule of Changes in the Net OPEB Liability and Related Ratios, OPEB Plan Contributions, and OPEB Plan Investment Returns on pages 65 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

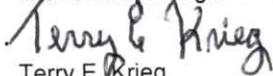
### *Other Information*

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

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

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report, dated November 30, 2018 on my consideration of the City of Solvang's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Solvang's internal control over financial reporting and compliance.

  
Terry E. Krieg  
Certified Public Accountant  
Santa Rosa, California  
November 30, 2018



## Management's Discussion and Analysis

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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, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-6 of this report.

### Financial Highlights

- The general fund reported a fund balance of \$10.9 million at the end of the 2018 fiscal year; an increase of approximately \$865 thousand or 8.6% over fiscal year 2016-2017.
- Citywide, the total net position increased by \$2 million or 4.6% higher than 2016-2017 after conducting all operations and programs. The net position totaled \$47.7 million dollars at year-end. Of that amount, \$21.7 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 \$24.6 million dollars. Of the \$24.6 million dollars, \$9 million remains unrestricted and available.
- Overall, Citywide revenues from governmental activities, grants and taxes decreased approximately \$753 thousand compared to the 2016-2017 fiscal year. The decrease is primarily due to one-time grant funding received in 2016-2017 for the Alisal Bridge Retrofit project.
- Impact Fees ended FY 2017-2018 with a fund balance of \$2.26 million; a decrease of approximately \$490 thousand from FY 2016-2017. The decrease is a result of using impact fee funds for the purchase of a parcel of land for a future City public parking lot and major improvements to the main thoroughfare in the City.
- The Proprietary funds ended the fiscal year with a net position of \$23.1 million (including the funds' net investment in capital assets).
- The City's other non-major governmental funds ended FY 2017-2018 with a fund balance of \$1.2M, an increase of \$328 thousand over FY 2016-17. The increase is due in part to additional Measure A funds received in FY 2017-18, but will be spent on future projects.



## Management's Discussion and Analysis

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### Overview of the Financial Statements

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

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

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

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

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

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



## Management's Discussion and Analysis

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

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

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

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

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

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



## Management's Discussion and Analysis

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The basic proprietary fund financial statements can be found on pages 36-39 of this report.

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

The City of Solvang maintains two types of fiduciary funds. The *Agency fund* reports resources held by the City of Solvang in a custodial capacity for individuals, private organizations, and other governments. The City of Solvang maintains one Agency fund on behalf of the Santa Ynez Valley Tourism Business Improvement District (District). The City collects the revenue from the local hotels, and then remits the funds to the District. The City also maintains a retiree medical trust fund used to prefund eligible retiree medical post-employment benefits.

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

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 42-61 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 65-72 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 75-87 of this report.

### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City of Solvang, assets and deferred outflows of resources exceeded liabilities by \$47,733,625, 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>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	
<b>Assets:</b>							
Current and other Assets	\$ 15,448,782	\$ 16,407,698	\$ 13,290,639	\$ 14,400,352	\$ 28,739,421	\$ 30,808,050	7%
Capital Assets	12,128,629	12,360,410	10,879,295	10,462,415	23,007,924	22,822,825	-1%
<b>Total Assets</b>	<b>\$ 27,577,411</b>	<b>\$ 28,768,108</b>	<b>\$ 24,169,934</b>	<b>\$ 24,862,767</b>	<b>\$ 51,747,345</b>	<b>\$ 53,630,875</b>	<b>4%</b>
<b>Deferred outflows of resources:</b>							
Pension plan contributions and other pension deferrals	\$ 792,535	\$ 1,470,602	\$ 264,181	\$ 490,200	\$ 1,056,716	\$ 1,960,802	86%
Current liabilities	\$ 478,200	\$ 680,191	\$ 484,650	\$ 590,593	\$ 962,850	\$ 1,270,784	32%
Noncurrent liabilities	4,232,675	4,686,208	1,372,834	1,516,105	5,605,509	6,202,313	11%
<b>Total Liabilities</b>	<b>\$ 4,710,875</b>	<b>\$ 5,366,399</b>	<b>\$ 1,857,484</b>	<b>\$ 2,106,698</b>	<b>\$ 6,568,359</b>	<b>\$ 7,473,097</b>	<b>14%</b>
<b>Deferred inflows of resources:</b>							
<b>Pension plan timing differences</b>	<b>\$ 447,066</b>	<b>\$ 288,716</b>	<b>\$ 146,540</b>	<b>\$ 96,239</b>	<b>\$ 593,606</b>	<b>\$ 384,955</b>	<b>-35%</b>
<b>Net Position:</b>							
Invested in capital assets	\$ 12,128,629	\$ 12,360,410	\$ 10,879,295	\$ 10,462,415	\$ 23,007,924	\$ 22,822,825	-1%
Restricted	3,597,517	3,213,182			3,597,517	3,213,182	-11%
Unrestricted	7,485,859	9,010,003	11,550,796	12,687,615	19,036,655	21,697,618	14%
<b>Total Net Position</b>	<b>\$ 23,212,005</b>	<b>\$ 24,583,595</b>	<b>\$ 22,430,091</b>	<b>\$ 23,150,030</b>	<b>\$ 45,642,096</b>	<b>\$ 47,733,625</b>	<b>5%</b>

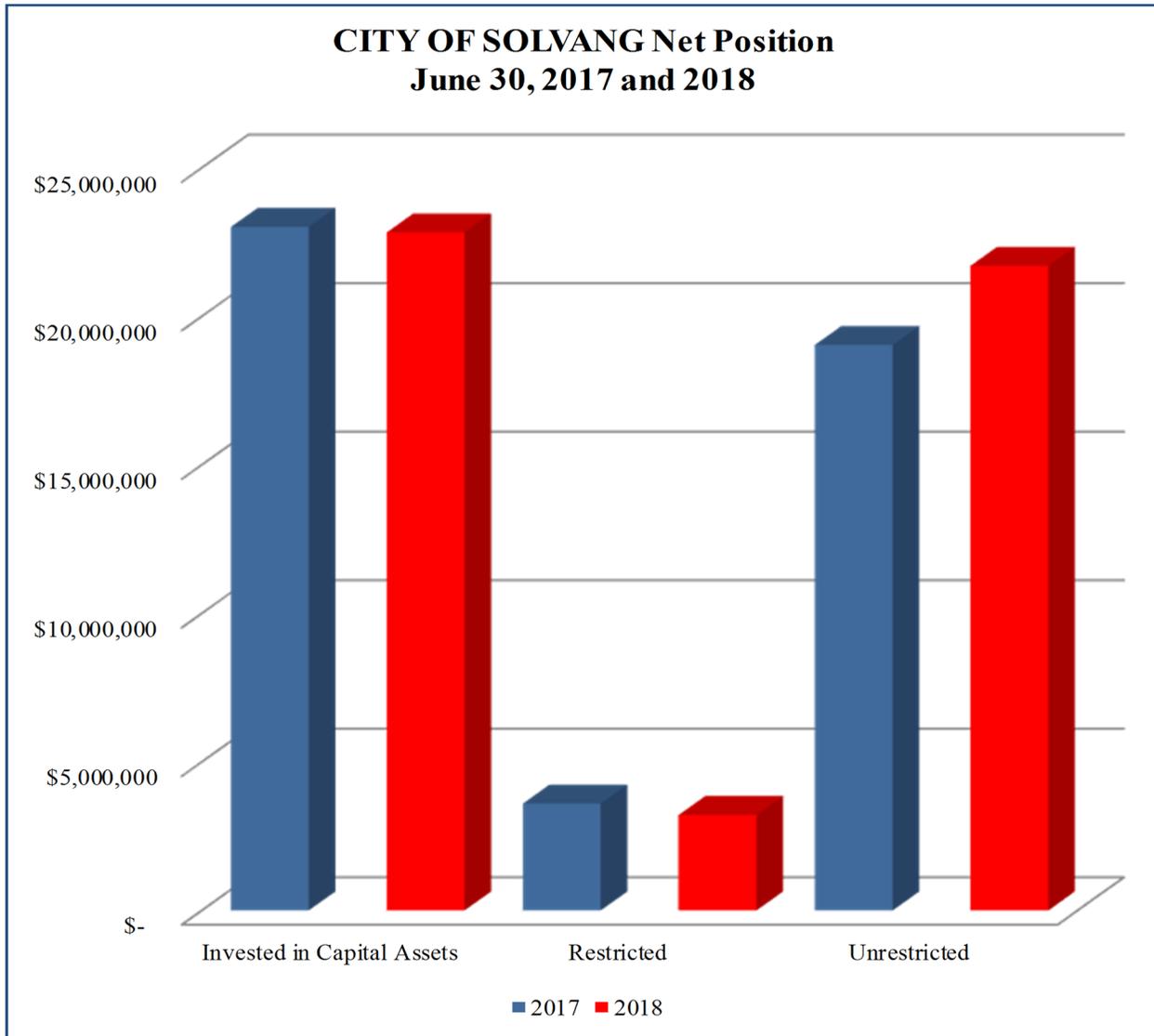
By far, the largest portion of the City of Solvang's net position (47.8%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City of Solvang uses these capital 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 (6.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$21.7 million is unrestricted, and may be used to meet the government's ongoing obligations to its citizens and creditors.

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



## Management's Discussion and Analysis



The City of Solvang's overall net position increased by \$2 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 46.25% of all governmental-type revenues. In FY 2017-18, local hotel tax decreased approximately \$10K or .25% from fiscal year 2016-17. California, and in particular, the Central Coast, had major natural disasters in FY 2017-18, including wildfires and flooding that impacted local tourism, resulting in both decreased TOT and sales tax.



## Management's Discussion and Analysis

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

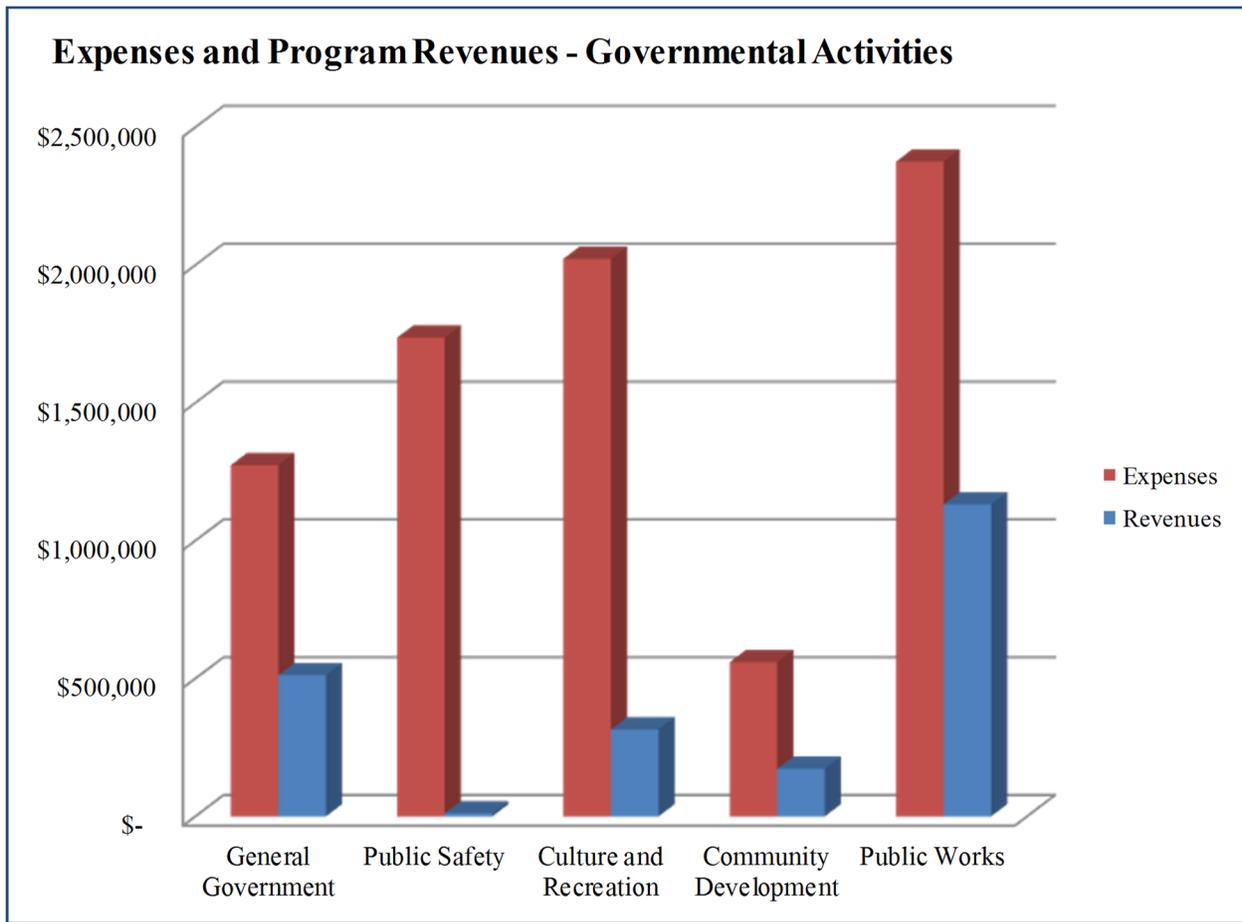
When all operations were concluded, the governmental activities function generated an increase of \$1.37M in net position, just slightly above the increase generated in FY 2016-17 of \$1.04M.

### City of Solvang's Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
<b>Revenues:</b>							
Program revenues							
Charges	\$ 1,316,359	\$ 1,356,647	\$ 6,806,004	\$ 6,314,091	\$ 8,122,363	\$ 7,670,738	6%
Operating grants and contributions	630,949	773,860	809,650	888,618	1,440,599	1,662,478	-13%
Capital grants and contributions	198,314	921,294	51,708	214,575	250,022	1,135,869	-78%
General revenues:							
Transient occupancy taxes	4,320,318	4,330,599			4,320,318	4,330,599	0%
Property, sales and other taxes	3,072,639	2,970,646			3,072,639	2,970,646	3%
Other	109,264	48,294			109,264	48,294	126%
Total revenues	9,647,843	10,401,340	7,667,362	7,417,284	17,315,205	17,818,624	-3%
<b>Expenses:</b>							
General government	1,274,194	2,031,468			1,274,194	2,031,468	-37%
Public safety	1,737,083	1,675,872			1,737,083	1,675,872	4%
Culture and recreation	2,022,884	1,865,952			2,022,884	1,865,952	8%
Community development	559,661	434,362			559,661	434,362	29%
Public works	2,375,931	2,499,428			2,375,931	2,499,428	-5%
Water			4,307,206	4,030,207	4,307,206	4,030,207	7%
Wastewater			2,090,605	2,083,850	2,090,605	2,083,850	0%
Transit			856,112	848,637	856,112	848,637	1%
Total expenses	7,969,753	8,507,082	7,253,923	6,962,694	15,223,676	15,469,776	-2%
Increase (decrease) in net position before transfers	1,678,090	1,894,258	413,439	454,590	2,091,529	2,348,848	-11%
Transfers	(306,500)	(852,390)	306,500	852,390	-	-	
<i>Increase (decrease) in net position</i>	1,371,590	1,041,868	719,939	1,306,980	2,091,529	2,348,848	-11%
Net position, beginning (restated)	\$ 23,212,005	\$ 23,504,532	\$ 22,430,091	\$ 21,669,130	\$ 45,642,096	\$ 45,173,662	1%
Change in accounting principle (Note 5H)		\$ (1,334,395)		\$ (546,019)	\$ -	\$ (1,880,414)	
Net position, ending	\$ 24,583,595	\$ 23,212,005	\$ 23,150,030	\$ 22,430,091	\$ 47,733,625	\$ 45,642,096	5%



## 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 \$23,150,030. The increase in net position for business-type activities (water, wastewater, and transit funds) was approximately \$720 thousand from the prior fiscal year. Water revenue increased slightly by 6.9% due to the relaxing of some of the water restrictions related to the drought. Wastewater revenue increased by a similar 6.35%. 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

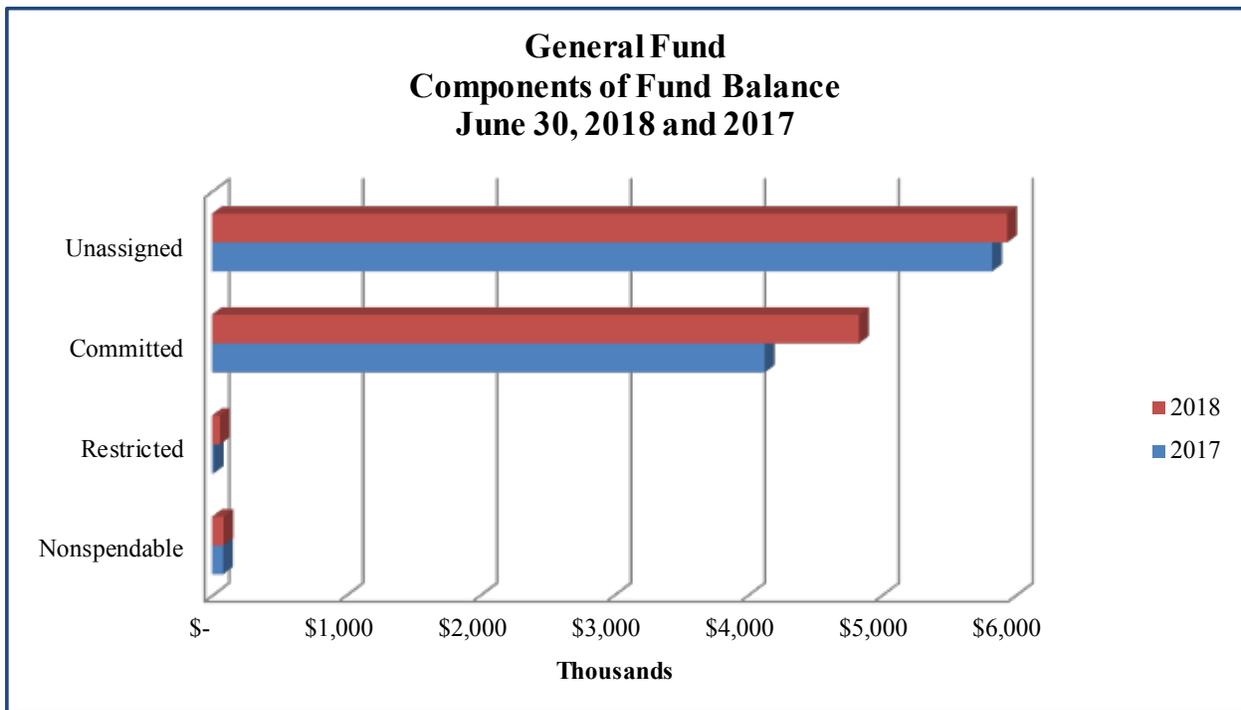
As noted earlier, the City of Solvang uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



## 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.

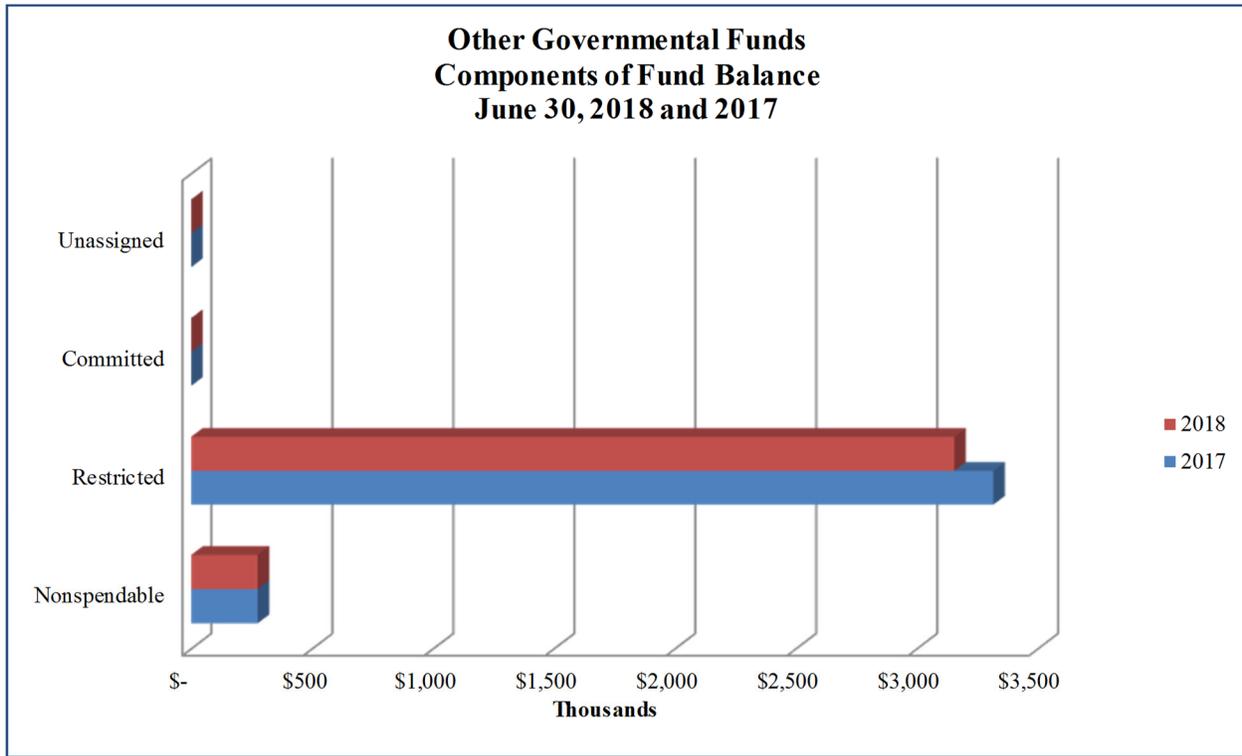
At June 30, 2018, the City of Solvang’s governmental funds reported combined fund balances of \$14,341,441, an increase of \$703,794 in comparison with the prior year. Approximately 41% of this amount (\$5,937,175) constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of the fund balance is either nonspendable, restricted, or committed, to indicate that it is 1) not in spendable form (\$360,451), 2) restricted for particular purposes (\$3,213,182), or 3) committed for particular purposes (\$4,830,633). The increase in governmental funds from fiscal year 2016-17 to fiscal year 2017-18, 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 \$5,937,175, while total fund balance increased to \$10,912,096. Impact Fees ended FY 2017-2018 with a fund balance of \$2.26 million; a decrease of approximately \$490 thousand from FY 2016-2017. The decrease is a result of using impact fee funds for the purchase of a parcel of land for a future City public parking lot and major improvements to the main thoroughfare in the City.



## 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 \$7,665,259 and \$3,789,648 respectively. The total growth in net position for Water was \$943,897. The increase in Net Position in the Water Fund is attributed primarily to an increase in water revenues, and to a transfer in from the General Fund for the meter replacement project. The Wastewater fund decreased its net position by \$251,860. Both the Water and Wastewater funds received less capital contributions (connection fees) due to the final development of the Skytt Mesa subdivision and no new large developments. In addition, 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 \$1,232,707, an increase of \$125,093 from fiscal year 2016-17. Transit operations overall net position increased by 1.8% to end the fiscal year at \$1,613,106, primarily due to operating assistance from the federal and state government.



## Management's Discussion and Analysis

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### 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	\$ 4,050,000	\$ 4,320,318	\$ 270,318
Sales Tax	\$ 1,190,000	\$ 1,405,285	\$ 215,285
Donations	\$ 51,500	\$ 195,446	\$ 143,946

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
Projects	\$ 511,774	\$ 279,137	\$ (232,637)
Salaries	\$ 1,857,919	\$ 1,727,945	\$ (129,974)
Drainage Improvements	\$ 123,000	\$ 5,650	\$ (117,350)
Professional Services	\$ 239,874	\$ 160,863	\$ (79,011)
General Plan	\$ 65,000	\$ -	\$ (65,000)

The City had four positions that were vacant during part of the year, which accounts for the salary savings. The Storm Drain Master Plan was delayed, therefore, the City did not spend the amount anticipated for these professional services, resulting in savings. The City also chose not to proceed with the General Plan update, and that project was moved to FY 2018-19.

### 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, 2018, amounts to \$22,822,825 (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 decreased by .08%. Major capital asset events (greater than \$100K) during fiscal year 2017-18 include the following:



## Management's Discussion and Analysis

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Mission Drive Improvements	\$ 216,405
Water Meter Replacement Project	\$ 281,831
Alisal Road Sidewalk	\$ 132,635
Purchase of Parcel for Parking Lot	\$ 501,052

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

**Long-term Debt.** Under insurance arrangements, the City is self-insured for the first \$50,000 for each workers' compensation claim, \$20,000 for each general liability claim, and \$5,000 per property damage claim. The statement of net position also shows no liability for 2018 for estimated claim obligations and has no current obligation for 2018. This liability was fully funded and paid in 2018, and there were no pending claims at the end of the fiscal year.

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

Additional information on the City's long-term debt can be found starting on page 52 of the notes to the financial statements

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

The following economic factors currently affect the City of Solvang and were considered in developing the 2018-19 fiscal year budget:

- In June 2018, the City Council adopted a General Fund budget with expenditures greater than budgeted revenues. This was, in part, to provide monies (\$405K) to the Water Fund to continue to the meter replacement project. In addition, the law enforcement contract with the Santa Barbara County Sheriff's Department increased by \$111K. Given the anticipated amount of available unassigned fund balance at the end of FY 2017-18 of approximately \$6M, the City Council anticipated using those funds to make up the budgeted deficit of \$1.5M. We do not anticipate the reduction of any public services or staff in the coming year.
- 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 2018-19.



## Management's Discussion and Analysis

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- 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 2018-19 in the amount of \$950,000. The City Council will be reviewing and selecting the final upgrade alternative and options in FY 2018-19. 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.
- 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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**CITY OF SOLVANG**  
**Statement of Net Position**  
**June 30, 2018**

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Solvang Conference & Visitors Bureau
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 15,014,686	\$ 10,012,671	\$ 25,027,357	\$ 74,646
Net receivables	1,032,561	933,650	1,966,211	198
Deposits	-	609,453	609,453	
Prepayments	275,000	2,552,652	2,827,652	700
Total current assets	<u>16,322,247</u>	<u>14,108,426</u>	<u>30,430,673</u>	<u>75,544</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	291,926	291,926	-
Receivables-long-term	85,451	-	85,451	-
Capital assets not being depreciated	2,749,187	382,857	3,132,044	4,169
Capital assets being depreciated, net	9,611,223	10,079,558	19,690,781	-
Total noncurrent assets	<u>12,445,861</u>	<u>10,754,341</u>	<u>23,200,202</u>	<u>4,169</u>
Total assets	<u>28,768,108</u>	<u>24,862,767</u>	<u>53,630,875</u>	<u>79,713</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension plan deferrals	1,470,602	490,200	1,960,802	-
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	515,629	206,300	721,929	7,255
Accrued liabilities	66,193	15,077	81,270	5,516
Compensated absences	60,000	76,290	136,290	-
Deposits	38,369	1,000	39,369	-
Unearned advances	-	291,926	291,926	-
Total current liabilities	<u>680,191</u>	<u>590,593</u>	<u>1,270,784</u>	<u>12,771</u>
Noncurrent liabilities:				
Compensated absences	112,589	9,900	122,489	-
Net other post employment benefit liability	1,554,927	518,309	2,073,236	-
Net pension liability	3,018,692	987,896	4,006,588	-
Total noncurrent liabilities	<u>4,686,208</u>	<u>1,516,105</u>	<u>6,202,313</u>	<u>-</u>
Total liabilities	<u>5,366,399</u>	<u>2,106,698</u>	<u>7,473,097</u>	<u>12,771</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Pension plan deferrals	288,716	96,239	384,955	-
<b>NET POSITION</b>				
Net investment in capital assets	12,360,410	10,462,415	22,822,825	4,169
Restricted for:				
Highways and streets	2,680,388	-	2,680,388	-
Capital improvements	532,794	-	532,794	-
Unrestricted	9,010,003	12,687,615	21,697,618	62,773
Total net position	<u>\$ 24,583,595</u>	<u>\$ 23,150,030</u>	<u>\$ 47,733,625</u>	<u>\$ 66,942</u>

**CITY OF SOLVANG**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position			Component Unit Solvang Conference and Visitors Bureau
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
City government								
Governmental Activities:								
General government	\$ 1,274,194	\$ 512,784	\$ -	\$ -	\$ (761,410)	\$ -	\$ (761,410)	\$ -
Public safety	1,737,083	11,506	-	-	(1,725,577)	-	(1,725,577)	-
Culture and recreation	2,022,884	120,414	1,800	193,646	(1,707,024)	-	(1,707,024)	-
Community development	559,661	168,769	-	4,668	(386,224)	-	(386,224)	-
Public works	2,375,931	502,886	629,149	-	(1,243,896)	-	(1,243,896)	-
Total governmental activities	<u>7,969,753</u>	<u>1,316,359</u>	<u>630,949</u>	<u>198,314</u>	<u>(5,824,131)</u>	<u>-</u>	<u>(5,824,131)</u>	<u>-</u>
Business-Type Activities:								
Water	4,307,206	4,919,648	-	26,455	-	638,897	638,897	-
Wastewater	2,090,605	1,824,725	-	14,020	-	(251,860)	(251,860)	-
Transit	856,112	61,631	809,650	11,233	-	26,402	26,402	-
Total business-type activities	<u>7,253,923</u>	<u>6,806,004</u>	<u>809,650</u>	<u>51,708</u>	<u>-</u>	<u>413,439</u>	<u>413,439</u>	<u>-</u>
Total Primary government	<u>\$ 15,223,676</u>	<u>\$ 8,122,363</u>	<u>\$ 1,440,599</u>	<u>\$ 250,022</u>	<u>(5,824,131)</u>	<u>413,439</u>	<u>(5,410,692)</u>	<u>-</u>
Component Unit:								
Solvang Conference & Visitors Bureau	<u>\$ 863,962</u>	<u>\$ 117,129</u>	<u>\$ 763,680</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 16,847</u>
<b>General revenues and transfers:</b>								
Taxes:								
Property taxes					1,380,568	-	1,380,568	-
Sales taxes					1,405,281	-	1,405,281	-
Transient occupancy taxes					4,320,318	-	4,320,318	-
Other taxes					286,790	-	286,790	-
Interest					109,264	-	109,264	-
Transfers					(306,500)	306,500	-	-
Total general revenues and transfers					<u>7,195,721</u>	<u>306,500</u>	<u>7,502,221</u>	<u>-</u>
Increase (decrease) in net position					1,371,590	719,939	2,091,529	16,847
Net position, beginning					<u>23,212,005</u>	<u>22,430,091</u>	<u>45,642,096</u>	<u>50,095</u>
Net position, ending					<u>\$ 24,583,595</u>	<u>\$ 23,150,030</u>	<u>\$ 47,733,625</u>	<u>\$ 66,942</u>

**CITY OF SOLVANG**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 10,305,055	\$ 2,367,501	\$ 916,216	\$ 13,588,772
Taxes receivable	700,554	-	-	700,554
Accounts receivable	169,441	-	-	169,441
Due from other governments	5,000	-	72,601	77,601
Accrued interest receivable	40,403	10,395	5,764	56,562
Notes receivable	-	22,142	-	22,142
Prepayments	-	-	275,000	275,000
Due from other governments - long term	85,451	-	-	85,451
<b>Total assets</b>	<b><u>\$ 11,305,904</u></b>	<b><u>\$ 2,400,038</u></b>	<b><u>\$ 1,269,581</u></b>	<b><u>\$ 14,975,523</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 289,246	\$ 114,471	\$ 103,661	\$ 507,378
Accrued liabilities	66,193	-	-	66,193
Deposits	38,369	-	-	38,369
<b>Total liabilities</b>	<b><u>393,808</u></b>	<b><u>114,471</u></b>	<b><u>103,661</u></b>	<b><u>611,940</u></b>
Deferred inflow of resources:				
Long-term notes receivable	-	22,142	-	22,142
Fund balances:				
Nonspendable	85,451	-	275,000	360,451
Restricted for:				
Recycling	15,191	-	-	15,191
Highways and streets	-	1,789,468	890,920	2,680,388
Parking	-	4,125	-	4,125
Park improvements	-	49,531	-	49,531
Drainage	-	1,633	-	1,633
Affordable housing	-	418,668	-	418,668
Tennis facilities	43,646	-	-	43,646
Committed to:				
Emergencies	4,830,633	-	-	4,830,633
Unassigned	5,937,175	-	-	5,937,175
<b>Total fund balances</b>	<b><u>10,912,096</u></b>	<b><u>2,263,425</u></b>	<b><u>1,165,920</u></b>	<b><u>14,341,441</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b><u>\$ 11,305,904</u></b>	<b><u>\$ 2,400,038</u></b>	<b><u>\$ 1,269,581</u></b>	<b><u>\$ 14,975,523</u></b>

Total Governmental Fund Balances	\$ 14,341,441
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	12,162,739
The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position	1,621,595
Pension actuarial liabilities and certain employer contributions are reported as deferred inflows and outflows of resources and are, therefore, not reported in the funds	1,181,886
Net pension liability (NPL) obligations are not due and payable in the current period and are not reported in the funds	(3,018,692)
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	(172,589)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 24,583,595</u></b>

**CITY OF SOLVANG**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 1,380,568	\$ -	\$ -	\$ 1,380,568
Sales taxes	1,405,281	-	-	1,405,281
Transient occupancy taxes	4,320,318	-	-	4,320,318
Other taxes	286,790	-	-	286,790
Special assessments	-	-	202,438	202,438
Licenses and permits	110,550	-	-	110,550
Fines and forfeits	-	-	8,705	8,705
Intergovernmental	5,000	-	613,442	618,442
Interest	109,264	30,383	10,822	150,469
Charges for services	773,113	189,196	-	962,309
Miscellaneous	198,845	-	3,917	202,762
Total revenues	<u>8,589,729</u>	<u>219,579</u>	<u>839,324</u>	<u>9,648,632</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,546,081	-	-	1,546,081
Public safety	1,733,709	-	-	1,733,709
Culture and recreation	1,989,041	-	-	1,989,041
Community development	559,661	-	-	559,661
Public works	1,657,481	79,025	204,688	1,941,194
Capital outlay	108,673	630,963	129,016	868,652
Total expenditures	<u>7,594,646</u>	<u>709,988</u>	<u>333,704</u>	<u>8,638,338</u>
Excess (deficiency) of revenues over expenditures	<u>995,083</u>	<u>(490,409)</u>	<u>505,620</u>	<u>1,010,294</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	175,363	-	-	175,363
Transfers out	(305,000)	-	(176,863)	(481,863)
Total other financing sources (uses)	<u>(129,637)</u>	<u>-</u>	<u>(176,863)</u>	<u>(306,500)</u>
Net change in fund balances	865,446	(490,409)	328,757	703,794
Fund balances, July 1	<u>10,046,650</u>	<u>2,753,834</u>	<u>837,163</u>	<u>13,637,647</u>
Fund balances, June 30	<u>\$ 10,912,096</u>	<u>\$ 2,263,425</u>	<u>\$ 1,165,920</u>	<u>\$ 14,341,441</u>

**CITY OF SOLVANG**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**June 30, 2018**

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 703,794</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$896,077 exceed depreciation (\$780,042) in the current period.	116,035
Decreases in liabilities for other post employment benefits (OPEB) do not provide current financial resources and are therefore not reported in the funds	5,881
Long-term notes receivable are not current financial resources and are deferred in the funds	(789)
Changes in the net pension liability do not use or provide current financial resources and are reported in the statement of activities, but not in the fund statements.	387,050
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	(10,046)
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>169,665</u>
Net differences	<u>667,796</u>
Change in Net Position of Governmental Activities	<u>\$ 1,371,590</u>

**CITY OF SOLVANG**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	Business-type Activities				Governmental Activities - Internal Service Fund
	Water	Wastewater	Transit	Totals	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 4,465,968	\$ 4,396,423	\$ 1,150,280	\$ 10,012,671	\$ 1,425,914
Receivables(net)	587,484	207,744	138,422	933,650	6,261
Deposits	609,453	-	-	609,453	-
Prepayments	2,551,165	962	525	2,552,652	-
Total current assets	8,214,070	4,605,129	1,289,227	14,108,426	1,432,175
Noncurrent assets:					
Other assets:					
Cash and cash equivalents	-	-	291,926	291,926	-
Total other noncurrent assets	-	-	291,926	291,926	-
Capital assets:					
Capital assets not being depreciated:					
Land	64,099	48,720	-	112,819	-
Construction in progress	248,747	-	21,291	270,038	-
Total	312,846	48,720	21,291	382,857	-
Capital assets being depreciated:					
Buildings and facilities	784,721	6,992,536	450,834	8,228,091	-
Distribution and collection systems	6,568,366	3,924,451	-	10,492,817	-
Infrastructure	1,566,232	3,709,130	19,547	5,294,909	-
Vehicles	37,390	374,945	345,508	757,843	603,208
Equipment	564,240	1,073,086	51,564	1,688,890	234,185
Less accumulated depreciation	(5,050,049)	(10,824,597)	(508,346)	(16,382,992)	(639,722)
Net capital assets being depreciated	4,470,900	5,249,551	359,107	10,079,558	197,671
Net capital assets	4,783,746	5,298,271	380,398	10,462,415	197,671
Total noncurrent assets	4,783,746	5,298,271	672,324	10,754,341	197,671
<b>Total assets</b>	12,997,816	9,903,400	1,961,551	24,862,767	1,629,846
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension plan deferrals	196,080	294,120	-	490,200	-
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	71,718	78,063	56,519	206,300	8,251
Other current liabilities	6,187	8,890	-	15,077	-
Compensated absences	18,908	57,382	-	76,290	-
Unearned advances	-	-	291,926	291,926	-
Deposits	-	1,000	-	1,000	-
Total current liabilities	96,813	145,335	348,445	590,593	8,251
Noncurrent liabilities:					
Compensated absences	7,100	2,800	-	9,900	-
Net other postemployment benefit liability	207,324	310,985	-	518,309	-
Net pension liability	395,158	592,738	-	987,896	-
Total noncurrent liabilities	609,582	906,523	-	1,516,105	-
<b>Total liabilities</b>	706,395	1,051,858	348,445	2,106,698	8,251
<b>DEFERRED INFLOW OF RESOURCES</b>					
Pension plan deferrals	38,496	57,743	-	96,239	-
<b>NET POSITION</b>					
Net investment in capital assets	4,783,746	5,298,271	380,398	10,462,415	197,671
Unrestricted	7,665,259	3,789,648	1,232,708	12,687,615	1,423,924
<b>Total net position</b>	\$ 12,449,005	\$ 9,087,919	\$ 1,613,106	\$ 23,150,030	\$ 1,621,595

**CITY OF SOLVANG**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2018**

	Business-type Activities				Governmental Activities Internal- Service Fund
	Water	Wastewater	Transit	Totals	
<b>OPERATING REVENUES</b>					
Sales of water	\$ 4,823,304	\$ -	\$ -	\$ 4,823,304	\$ -
Service fees	-	1,742,203	48,865	1,791,068	193,346
Miscellaneous	33,312	7,548	-	40,860	-
Total operating revenues	4,856,616	1,749,751	48,865	6,655,232	193,346
<b>OPERATING EXPENSES</b>					
Salaries and benefits	422,475	645,145	-	1,067,620	-
Purchased power	138,667	239,517	-	378,184	-
Transit operator	-	-	478,443	478,443	-
Services and supplies	805,914	798,001	280,477	1,884,392	6,525
Joint operating expenses	2,656,610	-	-	2,656,610	-
Depreciation and amortization	283,540	407,942	97,192	788,674	33,807
Total operating expenses	4,307,206	2,090,605	856,112	7,253,923	40,332
Operating income (loss)	549,410	(340,854)	(807,247)	(598,691)	153,014
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Operating subsidies	-	-	809,650	809,650	-
Gain on capital assets	-	21,699	-	21,699	-
Interest and investment revenue	63,032	53,275	12,766	129,073	16,651
Net nonoperating revenues (expenses)	63,032	74,974	822,416	960,422	16,651
Income (loss) before contributions and transfers	612,442	(265,880)	15,169	361,731	169,665
Contributions and transfers:					
Transfers in	305,000	-	1,500	306,500	-
Capital contributions	26,455	14,020	11,233	51,708	-
Net contributions and transfers	331,455	14,020	12,733	358,208	-
Increase (decrease) in net position	943,897	(251,860)	27,902	719,939	169,665
Total net position, July 1	11,505,108	9,339,779	1,585,204	22,430,091	1,451,930
Total net position, June 30	\$ 12,449,005	\$ 9,087,919	\$ 1,613,106	\$ 23,150,030	\$ 1,621,595

**CITY OF SOLVANG**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2018**

	Business-type Activities				Governmental Activities- Internal Service Fund
	Water	Wastewater	Transit	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 4,841,465	\$ 1,732,161	\$ 48,865	\$ 6,622,491	\$ -
Payments to suppliers	(3,364,877)	(801,624)	(694,896)	(4,861,397)	-
Payments to other funds for services	(270,195)	(168,101)	(56,890)	(495,186)	-
Payments from other funds for services	-	-	-	-	193,346
Payments for employees and benefits	(467,430)	(727,230)	-	(1,194,660)	-
Net cash provided by (used for) operating activities	738,963	35,206	(702,921)	71,248	193,346
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in	305,000	-	1,500	306,500	-
Operating subsidies	-	-	950,563	950,563	-
Net cash provided by (used for) noncapital financing activities	305,000	-	952,063	1,257,063	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from sale capital assets	-	25,938	-	25,938	-
Capital contributions	26,455	14,020	43,452	83,927	-
Purchases of capital assets	(305,132)	(70,900)	-	(376,032)	(147,826)
Net cash provided by (used for) capital and related financing activities	(278,677)	(30,942)	43,452	(266,167)	(147,826)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest receipts	51,142	43,487	8,778	103,407	12,938
Net cash provided by investing activities	51,142	43,487	8,778	103,407	12,938
Net increase (decrease) in cash and cash equivalents	816,428	47,751	301,372	1,165,551	58,458
Balances-beginning of the year	3,649,540	4,348,672	1,140,834	9,139,046	1,367,456
Balances-end of the year	\$ 4,465,968	\$ 4,396,423	\$ 1,442,206	\$ 10,304,597	\$ 1,425,914

**CITY OF SOLVANG**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Business-type Activities				Governmental Activities- Internal Service Fund
	Water	Wastewater	Transit	Totals	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 549,410	\$ (340,854)	\$ (807,247)	\$ (598,691)	\$ 153,014
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	283,540	407,942	97,192	788,674	33,807
Change in assets and liabilities:					
Decrease (increase) in prepayments	(33,352)	6,618	-	(26,734)	-
Increase (decrease) in net pension liability	(52,436)	(78,653)	-	(131,089)	-
Increase (decrease) in net OPEB liability	(784)	(1,176)	-	(1,960)	-
Increase (decrease) in compensated absences	(2,078)	4,548	-	2,470	-
Decrease (increase) in accounts receivable	(15,087)	(17,590)	2	(32,675)	-
Increase (decrease) in other liabilities	10,279	(6,831)	-	3,448	-
Increase (decrease) in accounts payable	(529)	61,202	7,132	67,805	6,525
Net cash provided by (used for) operating activities	\$ 738,963	\$ 35,206	\$ (702,921)	\$ 71,248	\$ 193,346

**Noncash capital financing activities:**  
None

**CITY OF SOLVANG**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

	<u>Other Post-employment Benefit Plan Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 587,982	\$ 36,945
Assessments receivable	-	46,573
	<u>587,982</u>	<u>83,518</u>
Total assets	<u>587,982</u>	<u>83,518</u>
<b>LIABILITIES</b>		
Payables:		
Due to Santa Ynez Valley		
Tourism Business Improvement District	-	83,518
	<u>-</u>	<u>83,518</u>
Total liabilities	<u>-</u>	<u>\$ 83,518</u>
<b>NET POSITION</b>		
Restricted for post-employment benefits other than pensions	<u>\$ 587,982</u>	

**CITY OF SOLVANG**  
**Statement of Changes in Fiduciary Net Position**  
**Other Post-employment Benefit Plan**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Other Post-employment Benefit Plan Trust Fund</u>
<b>Additions:</b>	
Employer contributions	\$ 159,080
Investment Income:	
Net increase in fair value of investments	<u>30,282</u>
Total additions	<u>189,362</u>
<b>Deductions:</b>	
Benefit payments	86,041
Administrative expenses	<u>446</u>
Total deductions	<u>86,487</u>
Net increase in net position	102,875
<b>Net Position restricted for postemployment benefits other than pensions:</b>	
Beginning of year	<u>485,107</u>
End of year	<u><u>\$ 587,982</u></u>

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The City of Solvang is a municipal corporation governed by an elected five-member City Council. The accompanying financial statements present the government 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. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims are recorded only when payment is due. Assets in the governmental funds that do not meet the availability criterion for recognition as revenue in the governmental funds are classified as a deferred inflow of resources as those resources are not available for spending in the current period.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund type:

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

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

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

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

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

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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

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

**1. Deposits and Investments**

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

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

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

**2. Receivables and Payables**

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

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

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

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

**3. Inventories and Prepaid Items**

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

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

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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

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

**4. Capital Assets**

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). They are reported in the applicable governmental-type or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$100,000 for infrastructure type assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, 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:

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

**5. Compensated Absences**

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

**6. Long-term Obligations**

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

**7. Fund Balances – Governmental Funds**

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

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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

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

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

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

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

**8. Comparative Data**

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

**9. Pensions**

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

**10. Fair Value Measurements – Investments.**

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

**11. 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.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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

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

**11. Postemployment Benefits Other Than Pensions (OPEB) - Continued**

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.

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

**A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position**

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statements of net position. One element of that reconciliation explains that "capital assets are not financial resources and are not reported in the funds." The details of this \$12,162,739 difference are as follows:

Capital assets	\$ 21,527,589
Less: Accumulated depreciation	<u>(9,364,850)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at net position – governmental activities	<u>\$ 12,162,739</u>

Another element of the reconciliation explains that "long-term liabilities" are not due and payable in the current period and, therefore, are not reported in the funds. The details of this \$(172,589) difference are as follows:

Long-Term Obligations:	
Compensated absences payable	\$ <u>(172,589)</u>
Net adjustment to decrease fund balance total governmental Funds to arrive at net position - governmental activities	<u>\$ (172,589)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$667,796 difference and other significant components of the difference are as follows:

Capital outlay	\$ 896,077
Depreciation expense	(780,042)
Other post-employment benefit expense	5881
Net pension liability	387,050
Other items	<u>158,830</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 667,796</u>

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except repayments of internal balances in the general fund are budgeted as an expenditure for budgetary purposes. Appropriations lapse at fiscal 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.

**4. Detailed Notes on All Funds**

**A. Deposits and Investments**

Deposits and investments at June 30, 2018 consisted of the following:

Pooled demand deposits	\$ 1,366,897
Pooled investments (including \$36,945 in fiduciary funds)	<u>23,989,331</u>
 Total deposits and investments	 <u>\$ 25,356,228</u>

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is that they will be made only in institutions in California, they shall be insured or collateralized with United States backed securities, and time certificates of deposit shall have a maturity of less than three years. At June 30, 2018, \$1,169,531 of the City's bank balances of \$1,419,531 was exposed to credit risk as follows:

Uninsured and collateral held by pledging banks agent but not in the City's name:	<u>\$ 1,169,531</u>
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Of the discretely presented component unit's bank balance of 101,061, \$101,061 was insured and not exposed to credit risk.

Investments - At June 30, 2018, the City had the following investments.

Type Investment	Average Maturity	Fair Value
Negotiable time deposits	2 years	\$ 976,848
State Investment Pool (LAIF)	193 Days	<u>23,012,483</u>
		<u>\$ 23,989,331</u>

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

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

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

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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

**A. Deposits and Investments**

The investment in the LAIF is valued using level 1 inputs. The City is the fiduciary for the City's Other Post Employment Benefit Trust (OPEB). At June 30, 2018, the City had invested \$587,982 in the California Employer's Retiree Benefit Trust (CERBT) for the purpose of funding such retiree benefits.

**B. Receivables**

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

	General Fund and Internal Service	Impact Fee Fund	Nonmajor Funds	Total Governmental	Water Wastewater	Nonmajor Proprietary
Accounts	\$ 175,702	\$ -	\$ -	\$ 175,702	\$ 756,425	\$ -
Taxes	700,554	-	-	700,554	-	-
Interest	40,403	10,395	5,764	56,562	38,803	6,440
Notes	-	22,142	-	22,142	-	-
Governments	5,000	-	72,601	77,601	-	131,982
<b>Totals</b>	<b>\$ 921,659</b>	<b>\$32,537</b>	<b>\$ 290,912</b>	<b>\$ 1,032,561</b>	<b>\$ 795,228</b>	<b>\$ 138,422</b>

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

1. The composition of interfund transfers of June 30, 2018 is as follows:

	General Fund	Non-Major Funds	Internal Service	Water Enterprise Fund	Wastewater Enterprise Fund	Total Transfers
Transfers out:						
General fund	\$ -	\$ 175,363	\$ -	\$ -	\$ -	\$175,363
Transit fund	-	-	-	-	-	-
Enterprise funds	305,000	1,500	-	-	-	306,500
Nonmajor funds	-	-	-	\$ -	-	-
<b>Totals</b>	<b>\$ 305,000</b>	<b>\$ 176,863</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 481,863</b>

The primary purpose of the \$305,000 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**  
**June 30, 2018**

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

**D. Capital Assets**

Capital asset activity relating to governmental activities for the year ended June 30, 2018 was as follows:

<b>Governmental activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 1,943,104	\$ 501,052	\$ -	\$ 2,444,156
Construction in progress	<u>1,406,273</u>	<u>-</u>	<u>(1,101,242)</u>	<u>305,031</u>
Total capital assets, not being depreciated	<u>3,349,377</u>	<u>501,052</u>	<u>(1,101,242)</u>	<u>2,749,187</u>
Capital assets, being depreciated:				
Buildings	3,402,544	-	-	3,402,544
Machinery and equipment	679,039	27,427	-	706,466
Internal service fund – vehicles/equipment	702,963	149,552	(15,122)	837,393
Improvements	4,824,876	1,336,205	-	6,161,081
Infrastructure-street system	<u>8,375,676</u>	<u>132,635</u>	<u>-</u>	<u>8,508,311</u>
Total capital assets being depreciated	<u>17,985,098</u>	<u>1,645,819</u>	<u>(15,122)</u>	<u>19,615,795</u>
Less accumulated depreciation for:				
Buildings	(1,637,240)	(78,127)	-	(1,715,367)
Machinery and equipment	(638,439)	(23,371)	-	(661,810)
Internal service fund	(621,037)	(33,807)	15,122	(639,722)
Improvements	(3,076,936)	(212,023)	-	(3,288,959)
Infrastructure-street system	<u>(3,232,193)</u>	<u>(466,521)</u>	<u>-</u>	<u>(3,698,714)</u>
Total accumulated depreciation	<u>(9,205,845)</u>	<u>(813,849)</u>	<u>15,122</u>	<u>(10,004,572)</u>
Total capital assets, being depreciated, net	<u>8,779,253</u>	<u>831,970</u>	<u>-</u>	<u>9,611,223</u>
Governmental activities capital assets, net	<u>\$ 12,128,630</u>	<u>\$ 1,333,022</u>	<u>\$(1,101,242)</u>	<u>\$ 12,360,410</u>

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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

**D. Capital Assets (Continued)**

Capital asset activity relating to business-type activities for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 112,819	\$ -	\$ -	\$ 112,819
Construction in progress	966,206	23,300	(719,468))	270,038
	<u>1,079,025</u>	<u>23,300</u>	<u>(719,468)</u>	<u>382,857</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings and bus stop facilities	8,228,091	-	-	8,228,091
Distribution and collection systems	9,753,785	739,032	-	10,492,817
Infrastructure	5,294,909	-	-	5,294,909
Vehicles	757,843	-	-	757,843
Equipment	1,372,131	333,167	(16,408)	1,688,890
	<u>25,406,759</u>	<u>1,072,198</u>	<u>(16,408)</u>	<u>26,462,550</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings	(6,201,720)	(196,390)	-	(6,398,110)
Distribution and collection systems	(6,733,980)	(227,106)	-	(6,733,980)
Infrastructure	(1,368,541)	(152,756)	-	(1,521,297)
Vehicles	(313,408)	(139,314)	-	(452,722)
Equipment	(988,839)	(73,108)	12,170	(1,049,777)
	<u>(15,606,488)</u>	<u>(788,674)</u>	<u>12,170</u>	<u>(16,382,992)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>9,800,271</u>	<u>283,524</u>	<u>(4,238)</u>	<u>10,079,558</u>
Business-type activities capital assets, net	<u>\$ 10,879,297</u>	<u>\$ 306,824</u>	<u>\$ (723,706)</u>	<u>\$ 10,462,415</u>

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

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

**D. Capital Assets (Continued)**

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

**Governmental activities:**

General government	\$	44,432
Public safety		8,481
Culture and recreation		163,117
Infrastructure streets		564,012
Vehicles- internal service fund		<u>33,807</u>

Total depreciation expense-governmental activities	\$	<u>813,849</u>
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**Business-type activities:**

Water	\$	283,540
Wastewater		407,942
Transit		<u>97,192</u>

Total depreciation expense-governmental activities	\$	<u>788,674</u>
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**E. Long-Term Obligations**

*Changes in Long-term liabilities*

Long-term debt activity for the 2018 fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 142,777	\$ 89,812	\$ 60,000	\$ 172,589	\$60,000
Total	<u>\$ 144,761</u>	<u>\$ 89,812</u>	<u>\$ 60,000</u>	<u>\$ 172,589</u>	<u>\$60,000</u>
<b>Business-type Activities:</b>					
Compensated absences	\$ 79,564	\$ 76,290	\$ 69,664	\$ 86,190	\$76,290
Total	<u>\$ 79,564</u>	<u>\$ 76,290</u>	<u>\$ 69,664</u>	<u>\$ 86,190</u>	<u>\$76,290</u>

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

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

**5. Other Information**

**A. Risk Management**

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

The uninsured risk retained by the City is \$50,000 per incident for workers compensation claims, \$20,000 per incident for general liability claims, and \$5,000 per property damage claim. The Insurance Authority purchases commercial insurance for claims in excess of its deductible amounts which is \$5 million for liability and \$500,000 for workers compensation. Insurance transactions are accounted for in the general fund. Liabilities of the City are reported in the statement of net assets for the governmental activities when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Settlements have not exceeded coverage for each of the past three fiscal years. There were no changes in the balances of claims liabilities during the past two years.

**B. Contingencies and Commitments**

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

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

**C. Operating Agreements**

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

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

**5. Other Information (Continued)**

**D. Public Employee Pension Plan**

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

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

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

The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2017 (the measurement date), the active employee contribution rate to the PERF-C cost sharing plan ranged from 2 percent to 15.25 percent of annual pay, and the employer contribution rate ranged from 4.13 to 1,011 percent of annual pay. The City made employer contributions of \$267,856 during the measurement period ended June 30, 2017.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At June 30, 2018, the City reported a liability of \$4,006,588 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At the June 30, 2017 measurement date, the City's proportion was 0.04040 percent compared to 0.03943 percent at the June 30, 2016 measurement date.

For the fiscal year ending June 30, 2018 the City recognized pension expense of \$1,639,563. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

**5. Other Information (Continued)**

**D. Public Employee Pension Plans (continued)**

<u>Miscellaneous plan:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,185	\$ (74,285)
Changes in assumptions	643,340	(49,055)
Net difference between projected and actual earnings on pension plan investments	145,497	-
Changes in proportions and differences between expected and actual contributions	831,593	(226,023)
Pension contributions subsequent to the measurement date	279,932	-
<u>Safety plan:</u>		
Differences between expected and actual experience	1,760	(459)
Changes in assumptions	25,523	(1,958)
Net difference between projected and actual earnings on plan investments	5,565	-
Changes in proportions and differences between expected and actual contributions	22,407	(33,175)
Totals	<u>\$ 1,960,802</u>	<u>\$ (384,955)</u>

The \$279,932 in contributions made after the measurement date of the net pension liability but before the end of the City's June 30, 2018 fiscal year will be recognized as a reduction of the net pension liability in the subsequent period rather than in the current fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Miscellaneous and Safety Plans</u>	
<u>Measurement Period Ended June 30</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2019	\$ 878,554
2020	304,829
2021	202,173
2022	(89,641)
2023	-
Thereafter	-

*Actuarial Assumptions* – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	Varies by entry age and service
Investment rate of return	7.15 percent, net of pension plan investment expense, including inflation

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at the CalPERS website under Forms and Publications.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

**5. Other Information (Continued)**

**D. Public Employee Pension Plans (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 cash flows. The expected rate of return was then set equivalent to a single equivalent rate calculated by CalPERS and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0	.80	2.27
Inflation Sensitive	6.0	.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure & Forestland	3.0	3.90	5.36
Liquidity	2.0	(.40)	(0.90)

*Discount Rate* – The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 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 Employee Retirement Fund.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15 percent) or 1-percentage higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
City's proportionate share of the net pension liability			
Miscellaneous Plan	\$6,072,217	\$3,951,584	\$2,195,237
Safety plan	\$ 139,322	\$ 55,004	\$ (13,921)

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

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

**5. Other Information (Continued)**

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

The \$3,213,182 restricted amount in the governmental activities statement of net position represents amounts to be used only for specific purposes which restrictions are imposed by laws, formal agreements or other governments.

**F. Other Post- Employment Benefits**

*Plan Description.*

The City's defined benefit OPEB Plan provides OPEB for all eligible full-time general and public safety employees of the City. The City's plan is a single-employer defined benefit OPEB Plan administered by the City. The City Council through resolutions and regulations has the authority to establish and amend the benefit terms. A separate OPEB Trust Fund has been established by the City. The plans issues publicly available financial statements as a component of the City's of Solvang's Comprehensive Annual Financial Report and can be obtained at the City's internet address.

*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 and these are as follows:

*Employees Covered by the Benefit Terms.*

At June 30, 2018, 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
	55

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

*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 fiscal 2018 was \$159,080 which amount was based on the City's decision to prefund its obligation.

*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.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

**5. Other Information (Continued)**

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

*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:

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Assumed Gross Return</u>
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

*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.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

**5. Other Information (Continued)**

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

*Changes in the Net OPEB Liability*

	<i>Increase (Decrease)</i>		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (a)	Net OPEB Liability (a)– (b)
Balances at 6/30/2017	<u>\$2,566,184</u>	<u>\$485,107</u>	<u>\$2,081,077</u>
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	<u>95,034</u>	<u>102,875</u>	<u>(7,841)</u>
Balances at 6/30/2018	<u><u>\$2,661,218</u></u>	<u><u>\$587,982</u></u>	<u><u>\$2,073,236</u></u>

*Sensitivity of the Net OPEB Liability to changes in the discount rate and health- care cost trend rates*

Sensitivity of the net OPEB liability to changes in the discount rate:

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.

	<u>1% Decrease</u> (5.5%)	<u>Discount Rate</u> (6.5%)	<u>1% Increase</u> (7.5%)
Net OPEB Liability (Asset)	\$2,453,971	\$2,073,236	\$1,765,641

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

**5. Other Information (Continued)**

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

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates

	1% decrease to 3.0%	Healthcare Cost Trend Rate 4.0%	1% increase to 5.0%
Net OPEB liability (asset)	\$1,757,638	\$2,073,236	\$2,457,738

*OPEB plan fiduciary net position*

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

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2018, the City recognized OPEB expense of \$151,231. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

*Payable to the OPEB Plan*

At June 30, 2018, the City reported a payable of \$12,000 for the outstanding amount of contributions to the plan for the year ended June 30, 2018

*Deferred Inflows and Outflows*

Certain types of Total Other Liability changes are subject to deferral, as are investment gains and losses. To qualify for deferral, gains and losses must be based on GASB Statement 74/75 compliant valuations. Since the City's prior plan valuation was performed in accordance with GASB Statement 45, it is not possible to calculate compliant gains and losses. Therefore, valuation-based deferred items will not begin until the next valuation.

**G. Conduit Debt Obligation**

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

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2018**

**5. Other Information (Continued)**

**H. Change in Accounting Principle**

The City in fiscal 2018 adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 75, titled, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). The impact of the change was to restate the beginning of year net position of the City's governmental activities, business type activities as follows:

	Governmental Activities	Business Type Activities	Total City
Net position June 30, 2017, as originally Reported:	\$24,546,400	\$22,976,110	\$47,522,510
Change in accounting principle to implement GASB Statement Number 75 OPEB	(1,334,395)	(520,269)	(1,854,664)
Correction to transit enterprise for vehicle disposals	-	(25,750)	(25,750)
Net position June 30, 2017, as Restated	<u>\$23,212,005</u>	<u>\$22,430,091</u>	<u>\$45,342,096</u>

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# Required Supplementary Information

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## Required Supplementary Information

### CITY OF SOLVANG Budgetary Comparison Schedule - General Fund For the Fiscal Year Ended June 30, 2018

	<u>Budgetary Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Fund Balance, July 1</b>	\$ 10,046,650	\$ 10,046,650	\$ 10,046,650	\$ -
Resources (inflows):				
Property taxes	1,321,700	1,321,700	1,380,568	58,868
Sales taxes	1,190,000	1,190,000	1,405,281	215,281
Transient occupancy taxes	4,050,000	4,050,000	4,320,318	270,318
Other taxes	234,500	234,500	286,790	52,290
License and permits	145,000	120,000	110,550	(9,450)
Interest	63,108	74,108	109,264	35,156
Intergovernmental	5,000	5,000	5,000	-
Charges for services	715,371	706,870	773,113	66,243
Miscellaneous	2,200	59,750	198,845	139,095
Transfers in	187,251	187,251	175,363	(11,888)
Amounts available for charges to appropriations	<u>17,960,780</u>	<u>17,995,829</u>	<u>18,811,742</u>	<u>815,913</u>
<b>Charges to appropriations:</b>				
<i>General Government:</i>				
Nondepartmental:				
City council	37,200	37,200	36,600	600
Other	50,463	51,250	42,464	8,786
OPEB	181,039	195,039	190,382	4,657
Community support	169,000	169,000	169,000	-
<i>Administration:</i>				
Legal	80,000	80,000	68,140	11,860
General administration	1,161,543	1,158,342	1,039,495	118,847
Transfers out	305,000	305,000	305,000	-
<i>Public Safety:</i>				
Sheriff contract	1,715,565	1,715,565	1,660,733	54,832
Animal control	43,802	43,802	43,801	1
Resource deputy	40,000	40,000	26,905	13,095
Mental health & 211 program	2,825	2,825	2,270	555
<i>Culture and Recreation:</i>				
Tourism	953,000	953,000	923,024	29,976
Parks and recreation	994,950	1,017,050	924,483	92,567
Library	141,534	141,534	141,534	-
<i>Community Development:</i>				
City planning, building, development	627,772	671,657	559,661	111,996
<i>Public works:</i>				
<i>Public works, streets, engineering</i>	<u>2,249,871</u>	<u>2,296,971</u>	<u>1,766,154</u>	<u>530,817</u>
Total charges to appropriations	<u>8,753,564</u>	<u>8,878,235</u>	<u>7,899,646</u>	<u>978,589</u>
Fund Balance, June 30	<u>\$ 9,207,216</u>	<u>\$ 9,117,594</u>	<u>\$ 10,912,096</u>	<u>\$ 1,794,502</u>

**CITY OF SOLVANG**  
**Budgetary Comparison Schedule - General Fund**  
**Note to RSI**  
**For the Fiscal Year Ended June 30, 2018**

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

**Sources/inflows resources:**

Actual amounts "available for appropriation" from budgetary comparison schedule:	\$ 18,811,742
Differences - budget to GAAP:	
Transfers in are a budgetary resource but are not revenues for financial reporting purposes	(175,363)
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(10,046,650)</u>

Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 8,589,729</u>
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Sources outflows of resources:

Total charges to appropriations from budgetary comparison schedule	\$ 7,899,646
Differences - budget to GAAP:	
Transfers out are a budgetary use but are not expenditures for financial reporting purposes	<u>\$ (305,000)</u>

Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 7,594,646</u>
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**CITY OF SOLVANG**  
**Budgetary Comparison Schedule - Impact Fee Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Budgetary Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Fund Balance, July 1</b>	\$ 2,753,834	\$ 2,753,834	\$ 2,753,834	\$ -
Resources (inflows):				
Charges for services:				
Impact fees for:				
Parking in lieu	24,752	24,752	1,821	(22,931)
Traffic mitigation	30,670	30,670	181,829	151,159
Park fee	1,756	1,756	878	(878)
Drain	500	500	-	(500)
Affordable housing	9,336	9,336	4,668	(4,668)
Interest revenue	18,424	18,424	30,383	11,959
	<u>2,839,272</u>	<u>2,839,272</u>	<u>2,973,413</u>	<u>134,141</u>
Amounts available for charges to appropriations				
<b>Charges to appropriations:</b>				
<i>Special projects for:</i>				
HCA improvements	29,600	29,600	34,879	(5,279)
Mission Drive improvements	360,000	360,000	205,548	154,452
Fifth Street sidewalks	65,000	55,000	33,335	21,665
Second Street parcel	436,226	436,226	436,226	-
Total charges to appropriations	<u>890,826</u>	<u>880,826</u>	<u>709,988</u>	<u>170,838</u>
Fund Balance, June 30	<u>\$ 1,948,446</u>	<u>\$ 1,958,446</u>	<u>\$ 2,263,425</u>	<u>\$ 304,979</u>

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

Sources of Inflows/Resources:	
Actual amounts "available for appropriation" from budgetary comparison schedule	\$ 2,973,413
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(2,753,834)</u>
Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 219,579</u>

**CITY OF SOLVANG**  
**Schedule of The City's Proportionate Share of the Net Pension Liability**  
**(Last Ten Fiscal Years)**  
**As of June 30, 2018**

<u>Measurement Date</u>	Fiscal Year End			
	2015	2016	2017	2018
	6/30/14	6/30/15	6/30/16	6/30/17
City's proportion of the net pension liability	0.04055%	0.03911%	0.03943%	0.04040%
City's proportionate share of the net pension liability	\$ 2,523,180	\$ 2,684,713	\$ 3,411,989	\$ 4,006,588
City's covered payroll	\$ 2,346,026	\$ 2,413,263	\$ 2,247,735	\$ 2,271,637
City's proportionate share of the net pension liability as a percentage of covered payroll	107.55%	111.25%	151.80%	176.37%
Plan's fiduciary net position as a percentage of the total pension liability	79.82%	78.40%	75.87%	73.31%

Notes to the schedule:

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

**Changes in assumptions:** In fiscal 2016, the plan's discount rate was changed from 7.5 percent to 7.65 percent. In fiscal 2018, the plan's discount rate was changed from 7.65 percent to 7.15 percent.

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

**CITY OF SOLVANG**  
**Schedule of The City of Solvang's Contributions**  
**Public Employee's Retirement Plans**  
**(Last Ten Fiscal Years)**  
**As of June 30, 2018**

<b><i>Contributions for the fiscal year ending</i></b>	June 30			
	2015	2016	2017	2018
Contractually required contribution	\$ 390,955	\$ 275,424	\$ 267,856	\$ 279,932
Contributions in relation to the contractually required contribution	\$ (390,955)	\$ (275,424)	\$ (267,856)	\$ (279,932)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,413,263	\$ 2,212,540	\$ 2,247,735	\$ 2,271,637
Contributions as a percentage of covered payroll	16.20%	12.45%	11.92%	12.32%

Notes to the schedule:

**Plan valuation date:** June 30, 2016

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

**CITY OF SOLVANG**  
**Required Supplementary Information**  
**Schedule of Changes in The City's Net OPEB Liability and Related Ratios**  
**Last 10 Fiscal Years**

	<u>2017</u>	<u>2018</u>
<b>Total OPEB Liability:</b>		
Service cost	\$ 14,390	\$ 16,546
Interest	275,096	164,529
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments	<u>(121,194)</u>	<u>(86,041)</u>
<b>Net change in total OPEB Liability</b>	168,292	95,034
<b>Total OPEB liability, beginning of year</b>	<u>2,397,892</u>	<u>2,566,184</u>
<b>Total OPEB liability, end of year (a)</b>	<u><u>\$ 2,566,184</u></u>	<u><u>\$ 2,661,218</u></u>
<b>Plan fiduciary net position:</b>		
Contributions employer	\$ 174,832	\$ 159,080
Net investment income	27,989	30,282
Benefit payments	(121,194)	(86,041)
Administrative expense	<u>-</u>	<u>(446)</u>
<b>Net change in fiduciary net position</b>	81,627	102,875
<b>Plan fiduciary net position, beginning of year</b>	<u>403,480</u>	<u>485,107</u>
<b>Plan fiduciary net position, end of year (b)</b>	<u><u>\$ 485,107</u></u>	<u><u>\$ 587,982</u></u>
<b>City's net OPEB liability, end of year (a-b)</b>	<u><u>\$ 2,081,077</u></u>	<u><u>\$ 2,073,236</u></u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	23.33%	22.09%
<b>Covered payroll</b>	\$ 2,539,234	\$ 2,275,881
<b>City's net OPEB liability as a percentage of covered payroll</b>	82.0%	91.1%

**Notes to Schedule:**

Benefit changes: In fiscal 2018 there were no changes.

Changes of assumptions: In fiscal 2018, there were no changes.

Ten years of Data: Fiscal 2018 was the first year of implementation of the GASB statement Number 75. The City used the "roll-back" technique from paragraph 244 of GASB 75 to restate its June 30, 2017 net OPEB liability. Additional years information will be presented as it becomes available.

**CITY OF SOLVANG**  
**Required Supplementary Information**  
**Schedule of OPEB Plan Contributions**  
**Last 10 Fiscal Years**

	<b>2017</b>	<b>2018</b>
Actuarially determined contribution	\$ 179,853	\$ 117,453
Contributions in relation to the actuarially determined contribution	(174,832)	(159,080)
Contribution deficiency (Excess)	\$ 5,021	\$ (41,627)
Covered payroll	\$ 2,539,234	\$ 2,275,881
Contributions as a percentage of covered payroll	6.89%	6.99%

**Notes to schedule:**

Valuation Date	June 30, 2018
Methods and assumptions:	Entry age
Actuarial method	Level percentage of payroll, closed
Amortization method	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75 percent
Healthcare cost trend rates	4.0 percent per year
Salary increases	2.75 percent average including inflation
Investment rate of return	6.5 percent
Retirement age	2009 CalPERS 2,0 % @60 and 2,5% @ 55
Mortality	2014 CalPERS Retiree Mortality Table
Benefit changes	None in fiscal 2018
Changes of assumptions	None in fiscal 2018
Ten years of data	Fiscal 2018 was the first year that GASB Statement Number 75 was implemented by the City. Fiscal 2017 was the first year that GASB Statement Number 74 was implemented. Additional years' information will be presented as it becomes available.

**CITY OF SOLVANG**  
**Required Supplementary Information**  
**Schedule of OPEB Plan Investment Returns**  
**Last 10 Fiscal Years**

	<u>2017</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	6.01%	6.13%

Notes:

Ten Years of Data: Fiscal 2017 was the first year that the City implemented GASB Statement Number 74. Therefore only two years of data is presented. Additional information will be presented as it becomes available.

# Combining and Individual Fund Statements and Schedules

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**CITY OF SOLVANG**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	Special Revenue Funds				Capital Projects		Totals
	Traffic Safety	Gas Tax	Local Transportation	Measure A	Skytt Mesa Landscape and Lighting	City Projects Fund	
<b>Assets</b>							
Cash and investments	\$ 2,758	\$ 26,753	\$ 97,478	\$ 438,576	\$ 349,725	\$ 926	\$ 916,216
Receivables:							
Interest	54	585	649	1,932	1,534	1,010	5,764
Intergovernmental	313	11,853	353	60,082	-	-	72,601
Prepayments	-	-	-	-	-	275,000	275,000
<b>Total assets</b>	<b>\$ 3,125</b>	<b>\$ 39,191</b>	<b>\$ 98,480</b>	<b>\$ 500,590</b>	<b>\$ 351,259</b>	<b>\$ 276,936</b>	<b>\$ 1,269,581</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ 72,972	\$ 30,689	\$ -	\$ 103,661
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,972</b>	<b>30,689</b>	<b>-</b>	<b>103,661</b>
Fund balances:							
Nonspendable	-	-	-	-	-	275,000	275,000
Restricted for highways and streets	3,125	39,191	98,480	427,618	320,570	1,936	890,920
<b>Total fund balances</b>	<b>3,125</b>	<b>39,191</b>	<b>98,480</b>	<b>427,618</b>	<b>320,570</b>	<b>276,936</b>	<b>1,165,920</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,125</b>	<b>\$ 39,191</b>	<b>\$ 98,480</b>	<b>\$ 500,590</b>	<b>\$ 351,259</b>	<b>\$ 276,936</b>	<b>\$ 1,269,581</b>

**CITY OF SOLVANG**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2018**

	Special Revenue Funds					Capital Projects	Totals
	Traffic Safety	Gas Tax	Local Transportation	Measure A	Skytt Mesa Landscape and Lighting	City Projects Fund	
Revenues:							
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ 202,438	\$ -	\$ 202,438
Intergovernmental	-	153,301	83,415	376,726	-	-	613,442
Fines and forfeitures	8,705	-	-	-	-	-	8,705
Interest	115	1,196	1,312	6,263	-	1,936	10,822
Miscellaneous	-	-	-	-	3,917	-	3,917
Total revenues	<u>8,820</u>	<u>154,497</u>	<u>84,727</u>	<u>382,989</u>	<u>206,355</u>	<u>1,936</u>	<u>839,324</u>
Expenditures:							
Current:							
Public works:							
Highways and streets	-	-	-	53,440	151,248	-	204,688
Capital outlay	-	-	-	129,016	-	-	129,016
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,456</u>	<u>151,248</u>	<u>-</u>	<u>333,704</u>
Excess (deficiency) of revenues over expenditures	<u>8,820</u>	<u>154,497</u>	<u>84,727</u>	<u>200,533</u>	<u>55,107</u>	<u>1,936</u>	<u>505,620</u>
Other financing (uses):							
Transfers out	(10,057)	(115,306)	(50,000)	(1,500)	-	-	(176,863)
Total other financing (uses)	<u>(10,057)</u>	<u>(115,306)</u>	<u>(50,000)</u>	<u>(1,500)</u>	<u>-</u>	<u>-</u>	<u>(176,863)</u>
Net change in fund balances	(1,237)	39,191	34,727	199,033	55,107	1,936	328,757
Fund balances, July 1	<u>4,362</u>	<u>-</u>	<u>63,753</u>	<u>228,585</u>	<u>265,463</u>	<u>275,000</u>	<u>837,163</u>
Fund balances, June 30	<u>\$ 3,125</u>	<u>\$ 39,191</u>	<u>\$ 98,480</u>	<u>\$ 427,618</u>	<u>\$ 320,570</u>	<u>\$ 276,936</u>	<u>\$ 1,165,920</u>

**CITY OF SOLVANG**  
**Traffic Safety Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Fines and forfeitures	\$ 10,000	\$ 10,000	\$ 8,705	\$ (1,295)
Interest	57	57	115	58
Total revenues	<u>10,057</u>	<u>10,057</u>	<u>8,820</u>	<u>(1,237)</u>
Expenditures:				
Current:				
Highways and streets:				
Repairs and maintenance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	10,057	10,057	8,820	(1,237)
Other financing uses:				
Transfers out	(10,057)	(10,057)	(10,057)	-
Net change in fund balances	-	-	(1,237)	(1,237)
Fund balance, July 1	<u>4,362</u>	<u>4,362</u>	<u>4,362</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 4,362</u></u>	<u><u>\$ 4,362</u></u>	<u><u>\$ 3,125</u></u>	<u><u>\$ (1,237)</u></u>

**CITY OF SOLVANG**  
**Gas Tax Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 120,372	\$ 120,372	\$ 153,301	\$ 32,929
Interest	585	585	-	(585)
Miscellaneous	6,237	6,237	1,196	(5,041)
Total revenues	<u>127,194</u>	<u>127,194</u>	<u>154,497</u>	<u>27,303</u>
Expenditures:				
Current:				
Highways and streets:				
Street maintenance	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>127,194</u>	<u>127,194</u>	<u>154,497</u>	<u>27,303</u>
Other financing sources (uses):				
Transfers out	<u>(127,194)</u>	<u>(127,194)</u>	<u>(115,306)</u>	<u>11,888</u>
Net change in fund balances	-	-	39,191	39,191
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 39,191</u></u>	<u><u>\$ 39,191</u></u>

**CITY OF SOLVANG**  
**Local Transportation Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
TDA bike path allocation	\$ 4,408	\$ 4,408	\$ 4,045	\$ (363)
LSTP allocation	79,795	79,795	79,370	(425)
Interest	522	522	1,312	790
Total revenues	<u>84,725</u>	<u>84,725</u>	<u>84,727</u>	<u>2</u>
Expenditures:				
Current:				
Highways and streets:				
Storm water report	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess(deficiency) of revenues over expenditures	84,725	84,725	84,727	2
Other financing sources (uses)				
Transfers out	(50,000)	(50,000)	(50,000)	-
Net change in fund balances	34,725	34,725	34,727	2
Fund balance, July 1	<u>63,753</u>	<u>63,753</u>	<u>63,753</u>	<u>-</u>
Fund balance, June 30	<u>\$ 98,478</u>	<u>\$ 98,478</u>	<u>\$ 98,480</u>	<u>\$ 2</u>

**CITY OF SOLVANG**  
**MEASURE A Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year June 30, 2018**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
Allocations from Santa Barbara County	\$ 361,954	\$ 361,954	\$ 376,726	\$ 14,772
Interest earnings	593	593	6,263	5,670
Total revenues	<u>362,547</u>	<u>362,547</u>	<u>382,989</u>	<u>20,442</u>
Expenditures:				
Current:				
Highways and streets:				
Access ramps	40,000	40,000	25,123	14,877
Overlay crack seal	25,000	25,000	27,599	(2,599)
Sidewalk infill and repair	250,000	250,000	103,892	146,108
Drainage improvements	200,000	200,000	25,842	174,158
Total expenditures	<u>515,000</u>	<u>515,000</u>	<u>182,456</u>	<u>332,544</u>
Excess(deficiency) of revenues over expenditures	<u>(152,453)</u>	<u>(152,453)</u>	<u>200,533</u>	<u>352,986</u>
Other financing sources:				
Transfers out	<u>(1,500)</u>	<u>(1,500)</u>	<u>(1,500)</u>	<u>-</u>
Total other financing sources(uses)	<u>(1,500)</u>	<u>(1,500)</u>	<u>(1,500)</u>	<u>-</u>
Net change in fund balances	(153,953)	(153,953)	199,033	352,986
Fund balance, July 1	<u>228,585</u>	<u>228,585</u>	<u>228,585</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 74,632</u></u>	<u><u>\$ 74,632</u></u>	<u><u>\$ 427,618</u></u>	<u><u>\$ 352,986</u></u>

**CITY OF SOLVANG**  
**Skytt Mesa Landscaping and Lighting Maintenance District Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year June 30, 2018**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services:				
Special assessments	\$ 202,800	\$ 202,800	\$ 202,438	\$ (362)
Interest earnings	1,356	1,356	3,917	2,561
Total revenues	<u>204,156</u>	<u>204,156</u>	<u>206,355</u>	<u>2,199</u>
Expenditures:				
Current:				
Highways and streets:				
Open space maintenance	60,000	60,000	58,745	1,255
Utilities	1,000	1,000	463	537
Water and sewer cost	70,000	70,000	61,404	8,596
Street light power	3,000	3,000	2,340	660
Repairs and maintenance	5,000	6,000	5,996	4
Detention basin	5,000	5,000	9,800	(4,800)
Professional and administrative	12,500	12,500	12,500	-
Total expenditures	<u>156,500</u>	<u>157,500</u>	<u>151,248</u>	<u>6,252</u>
Net change in fund balances	47,656	46,656	55,107	8,451
Fund balance, July 1	<u>265,463</u>	<u>265,463</u>	<u>265,463</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 313,119</u></u>	<u><u>\$ 312,119</u></u>	<u><u>\$ 320,570</u></u>	<u><u>\$ 8,451</u></u>

**CITY OF SOLVANG**  
**City Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year June 30, 2018**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Interest earnings	\$ -	\$ -	\$ 1,936	\$ 1,936
Total revenues	<u>-</u>	<u>-</u>	<u>1,936</u>	<u>1,936</u>
Expenditures:				
Current:				
Highways and streets:				
Street projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	1,936	1,936
Net change in fund balances	-	-	1,936	1,936
Fund balance, July 1	<u>275,000</u>	<u>275,000</u>	<u>275,000</u>	<u>-</u>
Fund balance, June 30	<u>\$ 275,000</u>	<u>\$ 275,000</u>	<u>\$ 276,936</u>	<u>\$ 1,936</u>

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

	June 30	
	2018	2017
Capital assets used in governmental activities:		
Land	\$ 2,444,156	\$ 1,943,104
Buildings	3,402,544	3,402,544
Improvements	6,161,081	4,824,876
Infrastructure - street system	8,508,311	8,375,676
Equipment	706,466	679,039
Construction in progress	305,031	1,406,273
Equipment-internal service operations	837,393	702,963
Total capital assets	\$ 22,364,982	\$ 21,334,475
Investment in capital assets from:		
General fund	\$ 11,902,316	\$ 11,766,216
Contributions from developers	710,214	710,214
Special revenue funds	7,951,912	7,191,935
Capital projects	963,147	963,147
Internal service	837,393	702,963
Total investment in capital assets used in governmental activities	\$ 22,364,982	\$ 21,334,475

**CITY OF SOLVANG**  
**Schedule of Changes in Capital Assets Used In Governmental Activities**  
**By Source**  
**For the Fiscal Year Ended June 30, 2018**

	Land	Buildings	Improvements and Infrastructure	Equipment	Construction in Progress (CIP)	Total Cost
General capital assets June 30, 2017	\$ 1,943,104	\$ 3,402,544	\$ 13,200,552	\$ 1,382,002	\$ 1,406,273	\$ 21,334,475
Add:						
Expenditures from:						
General fund	64,826	-	43,847	27,427	-	136,100
Special revenue funds	436,226	-	1,424,993	-	-	1,861,219
Capital projects	-	-	-	-	-	-
Internal service	-	-	-	149,552	-	149,552
Deduct:						
Retirements and contributions	-	-	-	(15,122)	(1,101,242)	(1,116,364)
General capital assets June 30, 2018	<u>\$ 2,444,156</u>	<u>\$ 3,402,544</u>	<u>\$ 14,669,392</u>	<u>\$ 1,543,859</u>	<u>\$ 305,031</u>	<u>\$ 22,364,982</u>

**CITY OF SOLVANG**  
**Schedule of Capital Assets Used in Governmental Activities**  
**By Function and Activity**  
**June 30, 2018**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements and Infrastructure</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Total Cost</u>
General government:						
Parks	\$ 708,021	\$ 80,336	\$ 2,241,190	\$ 52,004		\$ 3,081,551
Roads	501,052	-	10,596,965	66,682	78,675	11,243,374
Recreation	-	1,265,098	363,536	2,602	-	1,631,236
Administration	89,850	612,832	807,448	524,845	-	2,034,975
Total general government	<u>1,298,923</u>	<u>1,958,266</u>	<u>14,009,139</u>	<u>646,133</u>	<u>78,675</u>	<u>17,991,136</u>
Internal Service:						
Vehicle operations	-	-	-	837,393	-	837,393
Public safety:						
Emergency services	-	-	-	28,158	-	28,158
Fire protection	-	195,802	174,332	26,175	226,356	622,665
Total public safety	<u>-</u>	<u>195,802</u>	<u>174,332</u>	<u>54,333</u>	<u>226,356</u>	<u>650,823</u>
Veterans building	<u>63,483</u>	<u>1,224,476</u>	<u>426,781</u>	<u>6,000</u>	<u>-</u>	<u>1,720,740</u>
Parking district	<u>1,081,750</u>	<u>24,000</u>	<u>59,140</u>	<u>-</u>	<u>-</u>	<u>1,164,890</u>
Total general fixed assets	<u>\$ 2,444,156</u>	<u>\$ 3,402,544</u>	<u>\$ 14,669,392</u>	<u>\$ 1,543,859</u>	<u>\$ 305,031</u>	<u>\$ 22,364,982</u>

**CITY OF SOLVANG**  
**Schedule of Changes in Capital Assets Used In Governmental Activities**  
**By Function and Activity**  
**For the Fiscal Year Ended June 30, 2018**

<u>Function and Activity</u>	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
General government:				
Parks	\$ 3,062,992	\$ 18,559	\$ -	\$ 3,081,551
Roads	10,411,843	850,090	-	11,261,933
Recreation	1,612,677	-	-	1,612,677
Administration	<u>2,007,548</u>	<u>27,427</u>	<u>-</u>	<u>2,034,975</u>
Total general government	<u>17,095,060</u>	<u>896,076</u>	<u>-</u>	<u>17,991,136</u>
Internal service:				
Vehicle operations	<u>702,962</u>	<u>149,553</u>	<u>(15,122)</u>	<u>837,393</u>
Public safety:				
Emergency services	28,158	-	-	28,158
Fire protection	<u>622,665</u>	<u>-</u>	<u>-</u>	<u>622,665</u>
Total public safety	<u>650,823</u>	<u>-</u>	<u>-</u>	<u>650,823</u>
Museums	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Veterans building	<u>1,720,740</u>	<u>-</u>	<u>-</u>	<u>1,720,740</u>
Parking district	<u>1,164,890</u>	<u>-</u>	<u>-</u>	<u>1,164,890</u>
Total general capital assets	<u>\$ 21,334,475</u>	<u>\$ 1,045,629</u>	<u>\$ (15,122)</u>	<u>\$ 22,364,982</u>

**CITY OF SOLVANG**  
**Agency Fund**  
**Santa Ynez Valley Tourism Business Improvement District**  
**Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year June 30, 2018**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 38,683	\$ 479,244	\$ (480,982)	\$ 36,945
Assessments receivable	44,821	432,671	(430,919)	46,573
Total assets	<u>83,504</u>	<u>911,915</u>	<u>(911,901)</u>	<u>83,518</u>
<b>LIABILITIES</b>				
Deposits payable to Santa Ynez Valley Tourism Business Improvement District	\$ 83,504	\$ 479,244	\$ (479,230)	\$ 83,518
Total liabilities	<u>\$ 83,504</u>	<u>\$ 479,244</u>	<u>\$ (479,230)</u>	<u>\$ 83,518</u>

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# STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends	91-95
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	96-103
<i>These schedules contain information to help the reader assess the government's most significant local revenue sources: taxes and water revenues.</i>	
Debt Capacity	104-107
<i>These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	108-109
<i>These schedules help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	110-112
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 11,107,857	\$ 12,300,996	\$ 12,696,203	\$ 11,919,888	\$ 12,342,031	\$ 12,057,865	\$ 11,748,077	\$ 11,584,893	\$ 12,128,629	\$ 12,360,410
Restricted	3,979,184	2,844,598	2,489,588	2,892,272	3,061,331	3,155,589	3,011,325	3,121,123	3,597,517	3,213,182
Unrestricted	6,205,849	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
<b>Total governmental activities net position</b>	<b>\$ 21,292,890</b>	<b>\$ 21,635,435</b>	<b>\$ 21,857,837</b>	<b>\$ 21,119,613</b>	<b>\$ 22,214,155</b>	<b>\$ 21,149,419</b>	<b>\$ 22,247,555</b>	<b>\$ 23,504,532</b>	<b>\$ 23,212,005</b>	<b>\$ 24,583,595</b>
<b>Business-type activities:</b>										
Net investment in capital assets	\$ 9,170,992	\$ 8,849,559	\$ 8,672,748	\$ 9,707,588	\$ 9,346,335	\$ 9,512,247	\$ 10,409,946	\$ 10,943,614	\$ 10,879,295	\$ 10,462,415
Restricted	198,243	201,773	245,848	-	-	-	-	-	-	-
Unrestricted	7,994,220	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
<b>Total business-type activities net position</b>	<b>\$ 17,363,455</b>	<b>\$ 16,936,605</b>	<b>\$ 17,030,388</b>	<b>\$ 17,335,724</b>	<b>\$ 17,279,680</b>	<b>\$ 16,610,006</b>	<b>\$ 17,204,917</b>	<b>\$ 21,669,130</b>	<b>\$ 22,430,091</b>	<b>\$ 23,150,030</b>
<b>Primary government (City wide totals)</b>										
Net investment in capital assets	\$ 20,278,849	\$ 21,150,555	\$ 21,368,951	\$ 21,627,476	\$ 21,688,366	\$ 21,570,112	\$ 22,158,023	\$ 22,528,507	\$ 23,007,924	\$ 22,822,825
Restricted	4,177,427	3,046,371	2,735,436	2,892,272	3,061,331	3,155,589	3,011,325	3,121,123	3,597,517	3,213,182
Unrestricted	14,200,069	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
<b>Total primary government net position</b>	<b>\$ 38,656,345</b>	<b>\$ 38,572,040</b>	<b>\$ 38,888,225</b>	<b>\$ 38,455,337</b>	<b>\$ 39,493,835</b>	<b>\$ 37,759,425</b>	<b>\$ 39,452,472</b>	<b>\$ 45,173,662</b>	<b>\$ 45,642,096</b>	<b>\$ 47,733,625</b>

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses:</b>										
Governmental activities:										
General government	\$ 1,161,056	\$ 1,365,736	\$ 1,517,579	\$ 1,586,533	\$ 1,494,094	\$ 1,578,629	\$ 1,417,776	\$ 1,664,564	\$ 2,031,468	\$ 1,274,194
Public safety	1,844,664	1,331,385	1,359,241	1,538,315	1,621,864	1,639,642	1,647,930	1,637,483	1,675,872	1,737,083
Public works	1,246,541	1,582,810	1,508,809	1,517,240	1,444,453	1,792,316	1,789,458	2,045,387	2,499,428	2,375,931
Community development	431,801	397,297	363,259	398,088	426,574	455,085	876,912	463,965	434,362	559,661
Culture and recreation	1,549,866	1,408,087	1,819,964	1,667,929	1,676,227	1,701,142	1,713,110	1,858,427	1,865,952	2,022,884
Interest on long-term debt	65,151	25,657	7,244	4,878	3,114	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>6,299,079</b>	<b>6,110,972</b>	<b>6,576,096</b>	<b>6,712,983</b>	<b>6,666,326</b>	<b>7,166,814</b>	<b>7,445,186</b>	<b>7,669,826</b>	<b>8,507,082</b>	<b>7,969,753</b>
Business-type activities:										
Water	3,985,638	4,162,536	4,082,761	3,878,275	4,312,353	5,067,560	4,765,816	4,077,790	4,030,207	4,307,206
Wastewater	1,583,351	1,701,547	1,709,935	1,710,790	2,021,585	1,800,351	1,799,891	1,733,416	2,083,850	2,090,605
Transit	640,800	695,584	713,694	729,923	702,479	732,221	708,781	701,114	848,637	856,112
<b>Total Business-type Activities</b>	<b>6,209,789</b>	<b>6,559,667</b>	<b>6,506,390</b>	<b>6,318,988</b>	<b>7,036,417</b>	<b>7,600,132</b>	<b>7,274,488</b>	<b>6,512,320</b>	<b>6,962,694</b>	<b>7,253,923</b>
<b>Total Expenses</b>	<b>\$ 12,508,868</b>	<b>\$ 12,670,639</b>	<b>\$ 13,082,486</b>	<b>\$ 13,031,971</b>	<b>\$ 13,702,743</b>	<b>\$ 14,766,946</b>	<b>\$ 14,719,674</b>	<b>\$ 14,182,146</b>	<b>\$ 15,469,776</b>	<b>\$ 15,223,676</b>
<b>Program Revenues:</b>										
Governmental activities:										
Charges for services:										
General government	\$ 444,771	\$ 443,583	432,056	399,456	512,314	467,882	552,656	497,867	499,324	512,784
Public safety	30,249	26,241	31,832	14,587	23,871	26,170	20,140	14,251	19,039	11,506
Public works	126,495	32,719	81,662	168,750	240,098	262,060	275,691	325,298	430,863	502,886
Community development	164,365	86,313	106,020	97,214	300,738	446,915	416,750	412,305	287,874	168,769
Culture and recreation	335,088	164,675	361,251	223,785	178,733	150,541	135,769	104,343	119,547	120,414
Operating grants and contributions	1,014,270	733,592	842,969	703,603	810,876	657,186	614,802	530,193	773,860	630,949
Capital grants and contributions	349,869	162,635	105,883	-	340,272	57,401	40,559	116,767	921,294	198,314
<b>Total Governmental Activities</b>	<b>2,465,107</b>	<b>1,649,758</b>	<b>1,961,673</b>	<b>1,607,395</b>	<b>2,406,902</b>	<b>2,068,155</b>	<b>2,056,367</b>	<b>2,001,024</b>	<b>3,051,801</b>	<b>2,145,622</b>
Business-type Activity:										
Charges for services:										
Water	4,199,436	3,998,259	3,973,351	4,206,861	4,492,912	4,671,555	4,422,992	4,457,268	4,566,227	4,919,648
Wastewater	1,711,831	1,464,254	1,474,723	1,481,825	1,532,057	1,640,187	1,623,447	1,736,952	1,669,291	1,824,725
Transit	78,102	65,578	82,522	72,346	67,296	67,688	65,696	59,869	78,573	61,631
Operating grants and contributions	698,434	511,493	714,796	813,568	511,341	594,073	805,635	813,847	888,618	809,650
Capital grants and contributions	93,405	108,328	354,781	48,724	325,677	911,348	950,429	587,845	214,575	51,708
<b>Total Business-type Activities</b>	<b>6,781,208</b>	<b>6,147,912</b>	<b>6,600,173</b>	<b>6,623,324</b>	<b>6,929,283</b>	<b>7,884,851</b>	<b>7,868,199</b>	<b>7,655,781</b>	<b>7,417,284</b>	<b>7,667,362</b>
<b>Total Program Revenues</b>	<b>\$ 9,246,315</b>	<b>\$ 7,797,670</b>	<b>\$ 8,561,846</b>	<b>\$ 8,230,719</b>	<b>\$ 9,336,185</b>	<b>\$ 9,953,006</b>	<b>\$ 9,924,566</b>	<b>\$ 9,656,805</b>	<b>\$ 10,469,085</b>	<b>\$ 9,812,984</b>

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Net (Expense)/Revenue:</b>										
Governmental Activities	\$ (3,833,972)	\$ (4,461,214)	\$ (4,614,423)	\$ (5,105,588)	\$ (4,259,424)	\$ (5,098,659)	\$ (5,388,819)	\$ (5,668,802)	\$ (5,455,281)	\$ (5,824,131)
Business-type Activities	571,419	(411,755)	93,783	304,336	(107,134)	284,719	593,711	1,143,461	454,590	413,439
<b>Total Net Expense</b>	<b>\$ (3,262,553)</b>	<b>\$ (4,872,969)</b>	<b>\$ (4,520,640)</b>	<b>\$ (4,801,252)</b>	<b>\$ (4,366,558)</b>	<b>\$ (4,813,940)</b>	<b>\$ (4,795,108)</b>	<b>\$ (4,525,341)</b>	<b>\$ (5,000,691)</b>	<b>\$ (5,410,692)</b>
<b>General Revenues</b>										
Governmental Activities:										
Taxes:										
Property taxes	\$ 1,730,139	\$ 1,086,849	\$ 1,039,634	\$ 1,051,200	\$ 1,063,715	\$ 1,096,028	\$ 1,140,579	\$ 1,213,316	\$ 1,283,266	\$ 1,380,568
Transient occupancy taxes	2,239,260	2,372,338	2,507,857	2,683,564	2,985,512	3,425,309	3,833,644	4,195,940	4,330,599	4,320,318
Sales taxes	1,072,646	1,000,325	972,838	1,066,086	1,122,814	1,153,845	1,241,436	1,226,777	1,453,808	1,405,281
Other taxes	209,149	238,163	269,238	208,006	226,792	237,256	247,173	248,247	233,572	286,790
Investment earnings	195,003	90,989	47,258	21,439	6,223	16,503	25,323	43,499	48,294	109,264
Miscellaneous	1,017	-	-	-	-	-	-	-	-	-
Transfers	65,268	15,095	-	(1,000)	(51,090)	(1,200)	(1,200)	(2,000)	(852,390)	(306,500)
Special Item	-	-	-	(661,931)	-	-	-	-	-	-
<b>Total general revenues, transfers and special item</b>	<b>5,512,482</b>	<b>4,803,759</b>	<b>4,836,825</b>	<b>4,367,364</b>	<b>5,353,966</b>	<b>5,927,741</b>	<b>6,486,955</b>	<b>6,925,779</b>	<b>6,497,149</b>	<b>7,195,721</b>
Business-type Activity										
Investment earnings	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	(66,285)	(15,095)	-	1,000	51,090	1,200	1,200	2,000	852,390	306,500
<b>Total Business-type Activities</b>	<b>(66,285)</b>	<b>(15,095)</b>	<b>-</b>	<b>1,000</b>	<b>51,090</b>	<b>1,200</b>	<b>1,200</b>	<b>2,000</b>	<b>852,390</b>	<b>306,500</b>
<b>Total primary government</b>	<b>\$ 5,446,197</b>	<b>\$ 4,788,664</b>	<b>\$ 4,836,825</b>	<b>\$ 4,368,364</b>	<b>\$ 5,405,056</b>	<b>\$ 5,928,941</b>	<b>\$ 6,488,155</b>	<b>\$ 6,927,779</b>	<b>\$ 7,349,539</b>	<b>\$ 7,502,221</b>
<b>Change in net position:</b>										
Governmental activities	\$ 1,678,510	\$ 342,545	\$ 222,402	\$ (738,224)	\$ 1,094,542	\$ 829,082	\$ 1,098,136	\$ 1,256,977	\$ 1,041,868	\$ 1,371,590
Business-type activities	505,134	(426,850)	93,783	305,336	(56,044)	285,919	594,911	1,145,461	1,306,980	719,939
<b>Total Changes in Net Position</b>	<b>\$ 2,183,644</b>	<b>\$ (84,305)</b>	<b>\$ 316,185</b>	<b>\$ (432,888)</b>	<b>\$ 1,038,498</b>	<b>\$ 1,115,001</b>	<b>\$ 1,693,047</b>	<b>\$ 2,402,438</b>	<b>\$ 2,348,848</b>	<b>\$ 2,091,529</b>

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable	\$ -	\$ -	700	\$ 700	\$ 700	\$ 700	\$ 127,805	\$ 76,502	\$ 82,192	\$ 85,451
Restricted			-	14,726	12,553	13,291	14,290	18,680	12,206	58,837
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
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
Reserved	209,015	14,556								
Unreserved	5,215,140	5,632,586								
Total general fund	<u>\$ 5,424,155</u>	<u>\$ 5,647,142</u>	<u>\$ 5,223,388</u>	<u>\$ 5,575,349</u>	<u>\$ 6,267,915</u>	<u>\$ 7,352,069</u>	<u>\$ 8,633,656</u>	<u>\$ 9,568,138</u>	<u>\$ 10,046,650</u>	<u>\$ 10,912,096</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
Committed			-	-	-	-	-	-	-	-
Assigned			-	-	-	-	-	-	-	-
Unassigned			-	-	-	-	-	-	-	-
Reserved	-	-								
Unreserved										
Special Revenue	441,956	757,039								
Capital Projects	2,314,170	2,087,559								
Other Purposes	1,224,651	-								
Total all other governmental funds	<u>\$ 3,980,777</u>	<u>\$ 2,844,598</u>	<u>\$ 3,065,222</u>	<u>\$ 2,874,888</u>	<u>\$ 3,052,778</u>	<u>\$ 3,143,036</u>	<u>\$ 2,997,035</u>	<u>\$ 3,180,161</u>	<u>\$ 3,590,997</u>	<u>\$ 3,429,345</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)**

	<b>Fiscal Year</b>									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>REVENUES</b>										
Taxes	\$ 5,252	\$ 4,538	\$ 4,761	\$ 5,009	\$ 5,555	\$ 5,922	\$ 6,463	\$ 6,885	\$ 7,301	\$ 7,393
Licenses and permits	115	75	77	102	195	280	224	203	184	111
Fines and forfeits	30	26	27	15	24	22	11	9	9	9
Charges for services	784	629	844	707	907	984	982	956	920	962
Special assessments	69	72	36	59	75	75	111	153	203	202
Intergovernmental	1,209	877	764	677	1,077	638	731	619	1,489	618
Investment earnings	279	113	44	59	48	24	34	57	64	150
Other revenues	195	25	209	58	91	15	6	47	209	203
Total Revenues	<u>7,933</u>	<u>6,355</u>	<u>6,762</u>	<u>6,686</u>	<u>7,972</u>	<u>7,960</u>	<u>8,562</u>	<u>8,929</u>	<u>10,379</u>	<u>9,649</u>
<b>EXPENDITURES</b>										
General government	1,244	1,231	1,294	1,342	1,335	1,393	1,547	1,951	1,669	1,546
Public safety	1,836	1,305	1,350	1,529	1,613	1,628	1,644	1,631	1,662	1,734
Culture and recreation	1,422	1,273	1,685	1,383	1,541	1,592	1,592	1,695	1,654	1,989
Public works	1,044	1,404	1,687	1,782	2,168	1,717	1,837	2,068	3,255	1,941
Community development	432	397	363	398	427	455	517	464	434	560
Housing	-	-	-	-	-	-	394	-	-	-
Capital outlay	1,551	1,194	554	84	13	-	-	-	-	869
Transportation	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	39	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-	-	-
Costs of issuance	-	-	-	-	-	-	-	-	-	-
Principal	359	414	25	-	-	-	-	-	-	-
Interest	71	26	7	5	3	-	-	-	-	-
Total expenditures	<u>7,959</u>	<u>7,283</u>	<u>6,965</u>	<u>6,523</u>	<u>7,100</u>	<u>6,785</u>	<u>7,531</u>	<u>7,809</u>	<u>8,674</u>	<u>8,638</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(26)</u>	<u>(928)</u>	<u>(203)</u>	<u>163</u>	<u>872</u>	<u>1,175</u>	<u>1,031</u>	<u>1,120</u>	<u>1,705</u>	<u>1,010</u>
Other Financing Sources (Uses)										
Transfers in	388	50	198	286	192	169	161	176	431	175
Transfers out	(321)	(35)	(198)	(287)	(193)	(170)	(162)	(178)	(1,246)	(482)
Total Other Financing Sources (Uses)	<u>67</u>	<u>15</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>	<u>(815)</u>	<u>(307)</u>
Net change in fund balances	<u>\$ 41</u>	<u>\$ (913)</u>	<u>\$ (203)</u>	<u>\$ 162</u>	<u>\$ 871</u>	<u>\$ 1,174</u>	<u>\$ 1,030</u>	<u>\$ 1,118</u>	<u>\$ 890</u>	<u>\$ 704</u>
Debt service as a percentage of noncapital expenditures	<u>6.67%</u>	<u>7.35%</u>	<u>0.54%</u>	<u>0.08%</u>	<u>0.05%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<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	
2008-2009	964,774	17,767	\$ 982,541	1.00%
2009-2010	937,740	32,640	\$ 970,380	1.00%
2010-2011	932,954	32,484	\$ 965,438	1.00%
2011-2012	923,105	32,296	\$ 955,401	1.00%
2012-2013	924,661	32,642	\$ 957,303	1.00%
2013-2014	934,243	35,746	\$ 969,989	1.00%
2014-2015	979,763	32,966	\$ 1,012,729	1.00%
2015-2016	1,041,231	30,866	\$ 1,072,097	1.00%
2016-2017	1,105,535	32,355	\$ 1,137,891	1.00%
2017-2018	1,168,412	33,137	\$ 1,201,549	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
2008-2009	1.00%	0.00%	1.00%	0.05000%	0.06108%
2009-2010	1.00%	0.00%	1.00%	0.05000%	0.06068%
2010-2011	1.00%	0.00%	1.00%	0.05000%	0.06187%
2011-2012	1.00%	0.00%	1.00%	0.05125%	0.00000%
2012-2013	1.00%	0.00%	1.00%	0.05256%	0.00000%
2013-2014	1.00%	0.00%	1.00%	0.05256%	0.00000%
2014-2015	1.00%	0.00%	1.00%	0.05256%	0.00000%
2015-2016	1.00%	0.00%	1.00%	0.05256%	0.00000%
2016-2017	1.00%	0.00%	1.00%	0.05256%	0.05762%
2017-2018	1.00%	0.00%	1.00%	0.06631%	0.06313%

**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)**

2018			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Santa Ynez Band of Mission Indians	\$ 27,550	1	2.29%
Worldmark, The Club	16,400	2	1.36%
SYBCI California Hotel, No. 2, LLC	13,730	3	1.14%
Alisal Guest Ranch	13,159	4	1.10%
Palm Springs Inn, LLC	12,136	5	1.01%
Solvang Hotel Group, LP	10,763	6	0.90%
Alisal Oaks, LLC	7,548	7	0.63%
Wine Manor Management, LLC	6,540	8	0.54%
Oak Park Leasing, LLC	6,369	9	0.53%
M P Paso, LLC	5,303	10	0.44%
<b>Total</b>	<b>\$ 119,498</b>		<b>9.95%</b>

2016			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Santa Ynez Band of Mission Indians	\$ 26,696	1	2.49%
Worldmark, The Club	17,877	2	1.67%
SYBCI California Hotel, No. 2, LLC	13,310	3	1.24%
Alisal Guest Ranch	12,489	4	1.16%
Solvang Hotel Group, LP	10,393	5	0.97%
Palm Springs Inn LLC	7,519	6	0.70%
Alisal Oaks, LLC	7,290	7	0.68%
Wine Manor Management, LLC	6,321	8	0.59%
Cook, Frieda Survivors Trust	6,178	9	0.58%
M P Paso, LLC	5,121	10	0.48%
<b>Total</b>	<b>\$ 113,194</b>		<b>10.56%</b>

2014			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Santa Ynez Band of Mission Indians	\$ 26,108	1	2.69%
Worldmark, The Club	17,467	2	1.80%
SYBCI California Hotel, No. 2, LLC	13,026	3	1.34%
Alisal Guest Ranch	12,743	4	1.31%
Solvang Hotel Group, LP	10,144	5	1.05%
Kabir Bluestar, LLC	8,879	6	0.92%
Alisal Oaks, LLC	7,116	7	0.73%
Cook, Frieda Survivors Trust	6,030	8	0.62%
NWK1, Inc	5,889	9	0.61%
Copper Alisal Holdings, LLC	5,520	10	0.57%
<b>Total</b>	<b>\$ 112,922</b>		<b>11.64%</b>

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

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

2017			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Santa Ynez Band of Mission Indians	\$ 27,063	1	2.38%
Worldmark, The Club	16,000	2	1.41%
SYBCI California Hotel, No. 2, LLC	13,490	3	1.19%
Alisal Guest Ranch	12,337	4	1.08%
Palm Springs Inn, LLC	11,901	5	1.05%
Solvang Hotel Group, LP	10,552	6	0.93%
Alisal Oaks, LLC	7,401	7	0.65%
Wine Manor Management, LLC	6,415	8	0.56%
Cook, Frieda Survivors Trust	6,272	9	0.55%
Skytt Properties, LLC	6,245	10	0.55%
<b>Total</b>	<b>\$ 117,676</b>		<b>10.34%</b>

2015			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Santa Ynez Band of Mission Indians	\$ 26,226	1	2.59%
Worldmark, The Club	17,543	2	1.73%
Skytt Properties, LLC	14,927	3	1.47%
SYBCI California Hotel, No. 2, LLC	13,078	4	1.29%
Alisal Guest Ranch	12,477	5	1.23%
Solvang Hotel Group, LP	10,190	6	1.01%
NWK1, Inc	7,740	7	0.76%
Kabir Bluestar, LLC	7,375	8	0.73%
Alisal Oaks, LLC	7,148	9	0.71%
Cook, Frieda Survivors Trust	6,057	10	0.60%
<b>Total</b>	<b>\$ 122,761</b>		<b>12.12%</b>

2013			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Santa Ynez Band of Mission Indians	\$ 25,649	1	2.68%
Worldmark, The Club	17,141	2	1.79%
Alisal Guest Ranch	12,795	3	1.34%
Solvang Hotel Group, LP	9,945	4	1.04%
SYBCI California Hotel, No. 2, LLC	9,507	5	0.99%
NWK1, Inc	8,844	6	0.92%
Wine Valley Inn, LLC	8,732	7	0.91%
Alisal Oaks, LLC	6,977	8	0.73%
Cook, Frieda Survivors Trust	5,912	9	0.62%
Copper Alisal Holdings, LLC	5,520	10	0.58%
<b>Total</b>	<b>\$ 111,022</b>		<b>11.60%</b>

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

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

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>
2008-09	1,220,447	1,185,911	97.2%	33,946	1,219,857	100.0%
2009-10	606,892	592,046	97.6%	14,415	606,461	99.9%
2010-11	600,711	590,463	98.3%	9,803	600,266	99.9%
2011-12	593,794	586,171	98.7%	7,185	593,356	99.9%
2012-13	599,125	593,058	99.0%	5,633	598,690	99.9%
2013-14	606,613	601,774	99.2%	4,327	606,101	99.9%
2014-15	631,868	626,577	99.2%	4,613	631,190	99.9%
2015-16	667,906	661,254	99.0%	4,373	665,627	99.7%
2016-17	708,584	702,791	99.2%	3,261	706,051	99.6%
2017-18	747,495	738,881	98.8%	-	738,881	98.8%

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	
			50 or More Rooms	Under 50 Rooms
2009	62%	\$ 115.36	\$ 1,525,979 6	\$ 709,924 10
2010	62%	\$ 113.94	\$ 1,658,127 6	\$ 630,028 10
2011	63%	\$ 122.52	\$ 1,840,846 6	\$ 667,602 10
2012	67%	\$ 133.07	\$ 1,947,309 6	\$ 735,631 10
2013	67%	\$ 139.62	\$ 2,178,318 6	\$ 820,489 10
2014	68%	\$ 147.54	\$ 2,469,434 6	\$ 964,365 11
2015	72%	\$ 171.08	\$ 2,766,680 6	\$ 1,063,561 17
2016	74%	\$ 191.84	\$ 2,813,475 6	\$ 1,368,750 18
2017	72%	\$ 188.51	\$ 2,852,189 6	\$ 1,477,881 18
2018	70%	\$ 166.43	\$ 3,203,410 7	\$ 1,116,882 18

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

<b>Fiscal Year</b>	<b>Monthly Base Rate</b>	<b>Rate Per CCF (748 Gallons)</b>	<b>Outside Users Rate per CCF</b>
2009	55.48	3.05	4.58
2010	55.48	3.05	4.58
2011	55.48	3.05	4.58
2012	62.36 <sup>1</sup>	2.85 <sup>2</sup> 3.35 <sup>3</sup>	4.28 5.03
2013	65.63 <sup>1</sup>	3.00 <sup>2</sup> 3.53 <sup>3</sup>	4.50 5.30
2014	69.08 <sup>1</sup>	3.16 <sup>2</sup> 3.71 <sup>3</sup>	4.74 5.57
2015	72.71 <sup>1</sup>	3.16 <sup>2</sup> 3.71 <sup>3</sup>	4.74 5.57
2016	75.43 <sup>1</sup>	3.45 <sup>2</sup> 4.05 <sup>3</sup>	5.18 6.08
2017	75.43 <sup>1</sup>	3.45 <sup>2</sup> 4.05 <sup>3</sup>	5.18 6.08
2018	75.43 <sup>1</sup>	3.45 <sup>2</sup> 4.05 <sup>3</sup>	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**

<b>Water Revenue Concentration Data</b>					
<b>Fiscal Year</b>	<b>Class of Customer</b>				<b>Totals</b>
	<b>Single Family Residential</b>	<b>Multi Family Residential</b>	<b>Commercial</b>	<b>Other</b>	
	<b>Revenue in Dollars and Number of Customers</b>				
<b>2009</b>	2,084,406	426,468	799,330	267,447	3,577,681
	1,650	85	214	56	2,005
<b>2010</b>	1,974,510	421,805	965,034	227,364	3,588,713
	1,650	85	217	56	2,008
<b>2011</b>	1,908,615	427,580	957,825	225,957	3,519,977
	1,660	85	231	57	2,033
<b>2012<sup>1</sup></b>	2,131,635	402,620	887,067	426,504	3,847,826
	1,659	82	264	113	2,118
<b>2013</b>	2,343,935	379,449	897,317	578,884	4,199,585
	1,687	82	263	121	2,153
<b>2014</b>	2,755,279	353,455	771,435	733,473	4,613,643
	1,695	69	226	118	2,108
<b>2015</b>	2,621,212	295,474	824,286	618,427	4,359,400
	1,734	70	226	118	2,148
<b>2016</b>	2,667,228	289,436	819,771	588,547	4,364,982
	1,767	70	226	118	2,181
<b>2017</b>	2,762,880	309,802	774,336	637,288	4,484,306
	1,780	70	222	115	2,187
<b>2018</b>	2,973,360	322,513	796,271	704,473	4,796,616
	1,781	71	223	113	2,188

**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

2018	2017	2016	2015
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
Holiday Inn Express	Hadsten House	Hadsten House	Hadsten House
Mission Oaks	Holiday Inn Express	Holiday Inn Express	Inland Pacific Builders
Rancho S.Y. Mobile Estates	Mission Oaks	Inland Pacific Builders	Mission Oaks
Solvang Mesa, LLMD	Rancho S.Y. Mobile Estates	Mission Oaks	Rancho S.Y. Mobile Estates
Solvang School	Solvang School	Rancho S.Y. Mobile Estates	Solvang School
Worldmark	Worldmark	Worldmark	Worldmark
2014	2013	2012	2011
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	Mission Oaks	Mission Oaks	Mission Oaks
Holiday Inn Express	N&G Investments	Rancho S.Y. Mobile Estates	Rancho S.Y. Mobile Estates
Inland Pacific Builders	Oak Park Apartments	Solvang LLM	Solvang LLM
Mission Oaks	Rancho S.Y. Mobile Estates	Solvang School	Solvang School
Rancho S.Y. Mobile Estates	Solvang School	Wine Valley Inn	Wine Valley Inn
Solvang School	Worldmark Solvang	Worldmark Solvang	Worldmark Solvang
2010	2009		
Alisal Guest Ranch	Alisal Guest Ranch		
Chumash Casino Resort	Chumash Casino Resort		
City of Solvang	City of Solvang		
Mission Oaks	Mission Oaks		
Rancho S.Y. Mobile Estates	Petersen Inn		
Solvang LLM	Rancho S.Y. Mobile Estates		
Solvang Lutheran Home	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 <sup>1</sup>	Notes	Capital Lease Obligations	Capital Lease Obligations	Installment Agreement	Total Outstanding Debt	Percentage of Personal Income	Population	Debt per Capita
<b>Governmental Activities</b>					<b>Business-type Activities</b>						
2009	-	-	65	65	309	81	1,777	2,297	6.87%	5446	\$ 421.78
2010	-	-	-	25	-	-	1,577	1,602	4.51%	5262	\$ 304.45
2011	-	-	-	-	-	-	1,366	1,366	3.77%	5289	\$ 258.27
2012	-	-	-	-	-	-	-	-	0% <sup>2</sup>	5281 <sup>3</sup>	\$ -
2013	-	-	-	-	-	-	-	-	0% <sup>2</sup>	5292 <sup>3</sup>	\$ -
2014	-	-	-	-	-	-	-	-	0% <sup>2</sup>	5363 <sup>3</sup>	\$ -
2015	-	-	-	-	-	-	-	-	0% <sup>2</sup>	5489 <sup>3</sup>	\$ -
2016	-	-	-	-	-	-	-	-	0% <sup>2</sup>	5451 <sup>3</sup>	\$ -
2017	-	-	-	-	-	-	-	-	0% <sup>2</sup>	5593 <sup>3</sup>	\$ -
2018	-	-	-	-	-	-	-	-	0% <sup>2</sup>	5771 <sup>3</sup>	\$ -

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, 2018**

<u>Governmental Unit:</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>2</sup></u>	<u>Amount Applicable to Primary Government</u>
<b>Direct and Overlapping General Fund Debt</b>			
Santa Barbara County Certificates of Participation	\$ 45,465,000	1.529%	\$ 695,160
Santa Ynez Valley Union High School District COP	2,205,000	18.189%	\$ 401,067
Buellton Union School District Cert of Participation	138,100	0.986%	\$ 1,362
Total Gross Direct and Overlapping General Fund Debt			<u>\$ 1,097,589</u>
Less: Santa Barbara County Supported Obligations			<u>\$ (49,463)</u>
<b>Total Net Direct and Overlapping General Fund Debt</b>			<u>\$ 1,048,126</u>
<b>Overlapping Tax and Assessment Debt</b>			
Allan Hancock Joint Community College District	\$ 127,809,237	4.595%	\$ 5,872,834
Santa Ynez Valley Union School District	\$ 7,500,000	18.189%	\$ 1,364,175
Buellton Union School district	7,485,887	0.986%	\$ 73,811
Solvang School District	6,739,202	80.641%	\$ 5,434,560
<b>Total Overlapping Tax and Assessment Debt</b>			<u>\$ 12,745,380</u>
Subtotal, overlapping debt			\$ 13,793,506 <sup>3</sup>
City of Solvang direct debt			-
Total direct and overlapping debt			<u><u>\$ 13,793,506</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
2009	\$ 147,381,177	\$ -	0.00%
2010	\$ 145,560,815	\$ -	0.00%
2011	\$ 144,815,718	\$ -	0.00%
2012	\$ 143,310,234	\$ -	0.00%
2013	\$ 35,898,852	\$ -	0.00%
2014	\$ 36,374,577	\$ -	0.00%
2015	\$ 37,977,325	\$ -	0.00%
2016	\$ 40,226,713	\$ -	0.00%
2017	\$ 42,670,909	\$ -	0.00%
2018	\$ 45,058,074	\$ -	0.00%

**Legal Debt Margin Calculation for Fiscal Year 2017**

Assessed Value	\$ 1,201,548,643
Debt Limit (3.75% of assessed value)	45,058,074
Less debt applicable to limit:	
General Obligation bonds	<u>0</u>
Total debt applicable to limit	<u>0</u>
Legal Debt Margin	<u><u>\$ 45,058,074</u></u>

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

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

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

**Special Assessment Bonds**

Fiscal Year	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest	
2009	20,093	30,000	5,993	0.56
2010	52,458	65,000	2,437	0.78
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-

**Water Installment Agreement and Capital Lease**

	Water Service Revenues <sup>1</sup>	Capital Impact Fees	Less Operating Expenses <sup>2</sup>	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2009	4,085,678	40,385	3,887,122	238,941	193,705	99,937	0.81
2010	3,972,347	44,858	3,872,448	144,757	200,366	87,256	0.50
2011	3,973,351	22,276	3,876,241	119,386	210,612	77,010	0.42
2012	4,206,861	23,504	3,669,942	560,423	221,387	66,235	1.95
2013	4,492,912	184,331	4,093,060	584,183	-	-	-
2014	4,671,555	481,283	4,842,994	309,844	-	-	-
2015	4,422,992	497,405	4,541,401	378,996	-	-	-
2016	4,457,268	294,184	3,851,606	899,846	-	-	-
2017	4,566,227	102,409	3,771,037	897,599	-	-	-
2018	4,919,648	26,455	4,023,666	922,437	-	-	-

**Wastewater Capital Lease Obligation**

	Wastewater Service Revenues <sup>1</sup>	Capital Impact Fees	Less Operating Expenses <sup>2</sup>	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2009	1,527,223	53,020	1,583,351	(3,108)	72,793	1,141	(0.04)
2010	1,429,716	63,470	1,263,965	229,221	81,129	3,111	2.72
2011	1,472,895	86,657	1,271,490	288,062	-	-	-
2012	1,481,825	25,220	1,245,897	261,148	-	-	-
2013	1,532,057	141,346	1,566,073	107,330	-	-	-
2014	1,640,187	265,619	1,338,696	567,110	-	-	-
2015	1,623,447	320,403	1,390,063	553,787	-	-	-
2016	1,736,952	201,661	1,315,685	622,928	-	-	-
2017	1,669,291	90,875	1,630,740	129,426	-	-	-
2018	1,824,725	14,020	1,682,663	156,082	-	-	-

Source: City of Solvang Finance Department

**Notes:**

- (1) Water and wastewater revenues include operating revenues and interest revenues.
- (2) Operating Expenses exclude depreciation and amortization

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

<u>Fiscal Year</u>	<u>Population<sup>1</sup></u>	<u>Personal Income</u>	<u>Per Capita Personal Income<sup>2</sup></u>	<u>Unemployment Rate<sup>3</sup></u>
2009	5446	181,994,428	33,418	8.20%
2010	5262	186,790,476	35,498	8.80%
2011	5289	191,476,316	36,203	3.70%
2012	5281	203,973,344	38,624	3.30% <sup>3</sup>
2013	5292	207,123,588	39,139	3.00% <sup>3</sup>
2014	5363	218,397,449	40,723	2.60% <sup>3</sup>
2015	5489	218,550,024	39,816	7.10% <sup>3</sup>
2016	5451	214,409,634	39,334	7.14% <sup>3</sup>
2017	5593	224,435,904	40,128	3.45% <sup>3</sup>
2018	5771	250,986,561	43,491	3.45% <sup>3</sup>

**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, 2018				Fiscal Year Ended June 30, 2017				Fiscal Year Ended June 30, 2016			
Employer	Number of Employees	Rank	Percentage of Total City Employment <sup>1</sup>	Employer	Number of Employees	Rank	Percentage of Total City Employment <sup>1</sup>	Employer	Number of Employees	Rank	Percentage of Total City Employment <sup>1</sup>
Alisal Guest Ranch	356		12.28%	Alisal Guest Ranch	303	1	10.45%	Alisal Guest Ranch	294	1	10.50%
Atterdag Village (formerly Solvang Lutheran Home)	170		5.86%	Atterdag Village (formerly Solvang Lutheran Home)	170	2	5.86%	Atterdag Village (formerly Solvang Lutheran Home)	167	2	5.96%
Santa Ynez Cottage Hospital	87		3.00%	Santa Ynez Cottage Hospital	96	3	3.31%	Santa Ynez Cottage Hospital	91	3	3.25%
New Frontiers Market	77		2.66%	Solvang Brew	75	4	2.59%	Solvang Brew	75	4	2.68%
Solvang Brew	68		2.34%	Solvang Unified School District	68	5	2.34%	New Frontiers Market	70	5	2.50%
Solvang Unified School District	58		2.00%	Nielsens Market	62	6	2.14%	Nielsens Market	69	6	2.46%
Landsby	55		1.96%	New Frontiers Market	55	7	1.90%	Solvang Unified School District	67	7	2.39%
Hotel Corque	53		1.83%	Landsby	55	7	1.96%	Hotel Corque	51	8	1.82%
Nielsens Market	52		1.79%	Hotel Corque	47	8	1.62%	Landsby	46	9	1.64%
Root 246	47		1.62%	Root 246	42	9	1.45%	Root 246	46	9	1.64%
Totals	1023		35.28%	Totals	973		33.55%	Totals	976		34.86%

Fiscal Year Ended June 30, 2015				Fiscal Year Ended June 30, 2014				Fiscal Year Ended June 30, 2013			
Employer	Number of Employees	Rank	Percentage of Total City Employment <sup>1</sup>	Employer	Number of Employees	Rank	Percentage of Total City Employment	Employer	Number of Employees	Rank	Percentage of Total City Employment
Alisal Guest Ranch	298	1	10.64%	Alisal Guest Ranch	285	1	8.91%	Alisal Guest Ranch	261	1	7.91%
Atterdag Village (formerly Solvang Lutheran Home)	145	2	5.18%	Atterdag Village (formerly Solvang Lutheran Home)	130	2	4.06%	Atterdag Village (formerly Solvang Lutheran Home)	130	2	3.94%
Santa Ynez Cottage Hospital	91	3	3.25%	Nielsens Market	75	3	2.34%	Solvang Unified School District	100	3	3.03%
Nielsens Market	69	4	2.46%	Solvang Unified School District	71	4	2.22%	Santa Ynez Cottage Hospital	88	4	2.67%
Solvang Unified School District	65	5	2.32%	Santa Ynez Cottage Hospital	67	5	2.09%	Nielsens Market	63	5	1.91%
Solvang Brew	65	5	2.32%	Solvang Brew	67	5	2.09%	Root 246	50	6	1.52%
New Frontiers Market	60	6	2.14%	Root 246	60	6	1.88%	New Frontiers Market	50	6	1.52%
Hotel Corque	56	7	2.00%	Hotel Corque	58	7	1.81%	Hotel Corque	49	7	1.48%
Landsby	56	7	2.00%	New Frontiers Market	52	8	1.63%	Hadsten House	43	8	1.30%
Root 246	53	8	1.89%	Hadsten House	47	9	1.47%	City of Solvang	36	9	1.09%
Totals	958		34.21%	Totals	912		28.50%	Totals	870		26.36%

Fiscal Year Ended June 30, 2012				Fiscal Year Ended June 30, 2011				Fiscal Year Ended June 30, 2010			
Employer	Number of Employees	Rank	Percentage of Total City Employment	Employer	Number of Employees	Rank	Percentage of Total City Employment	Employer	Number of Employees	Rank	Percentage of Total City Employment
Alisal Guest Ranch	275	1	9.17%	Alisal Guest Ranch	270	1	9.00%	Alisal Guest Ranch	280	1	9.33%
Atterdag Village (formerly Solvang Lutheran Home)	126	2	4.20%	Solvang Lutheran Home	120	2	4.00%	Solvang Lutheran Home	125	2	4.17%
New Frontiers Market	91	3	3.03%	Santa Ynez Valley Cottage Hospital	82	3	2.73%	Santa Ynez Valley Cottage Hospital	85	3	2.83%
Santa Ynez Cottage Hospital	85	4	2.83%	Root 246	67	4	2.23%	Root 246	70	4	2.33%
Nielsens Market	75	5	2.50%	Nielsens Market	63	5	2.10%	Nielsens Market	65	5	2.17%
Solvang Unified School District	65	6	2.17%	New Frontiers Market	58	6	1.93%	New Frontiers Market	60	6	2.00%
Root 246	58	7	1.93%	Hotel Corque	52	7	1.73%	Hotel Corque	54	7	1.80%
Hotel Corque	46	8	1.53%	Solvang Unified School District	52	8	1.73%	Solvang Unified School District	54	8	1.80%
City of Solvang	36	9	1.20%	City of Solvang	35	9	1.17%	City of Solvang	35	9	1.17%
Worldmark Trendwest	25	10	0.83%	Worldmark Trendwest	29	10	0.97%	Worldmark Trendwest	30	10	1.00%
Totals	882		29.40%	Totals	828		27.60%	Totals	858		28.60%

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

Notes:

(1) Total City Labor Force is 2900, based on State of California Employment Development Department Data for FY 2017-18.

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

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

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General government:</b>										
City Council (Stipend) <sup>1</sup>	-	-	-	-	-	-	-	-	-	-
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) <sup>2</sup>	-	-	-	-	-	-	-	-	-	-
City manager	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Economic development	-	-	-	-	-	-	-	-	-	-
Finance	5.00	5.00	5.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00
<b>Public safety<sup>2</sup>:</b>										
Police (Contract)	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-
<b>Planning:</b>										
Planning	2.00	2.00	2.00	2.00	1.75	2.22	2.22	2.22	2.22	2.25
Building and safety <sup>2</sup>	0.50	0.50	0.50	1.00	0.75	0.90	0.90	0.90	0.90	0.95
<b>Public works:</b>										
Engineering	2.50	2.50	2.50	2.50	0.60	0.65	1.20	1.20	1.55	2.10
Roads and streets	2.35	2.35	2.35	2.35	3.78	3.95	4.05	4.05	3.85	4.05
Maintenance	3.65	3.65	3.65	3.65	2.58	2.51	2.51	2.51	2.51	1.65
<b>Parks:</b>										
Parks and recreation	5.80	6.50	6.50	5.50	5.84	5.84	5.84	5.84	5.81	5.30
<b>Water:</b>										
Treatment and distribution	4.00	4.00	4.00	4.00	5.10	5.00	5.15	5.15	5.10	5.05
<b>Wastewater:</b>										
Collection and treatment	6.00	6.00	6.00	6.00	7.10	6.90	7.10	7.10	7.00	6.95
<b>Totals</b>	<b>33.80</b>	<b>34.50</b>	<b>34.50</b>	<b>35.00</b>	<b>34.50</b>	<b>34.97</b>	<b>35.97</b>	<b>35.97</b>	<b>35.94</b>	<b>35.30</b>

**Source:** The City of Solvang Finance Department.

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

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

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

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Police<sup>1</sup>:</b>										
Physical arrest	269	353	127	114	123	96	102	126	136	107
Traffic violations	707	548	266	109	105	125	67	41	94	81
<b>Fire<sup>1</sup>:</b>										
Emergency responses	498	484	589	385	197	430	358	615	652	678
Fires extinguished	18	16	15	17	3	9	9	12	12	9
<b>Planning:</b>										
Building permits issued	141	124	151	143	215	218	146	230	212	208
<b>Public Works:</b>										
Miles streets maintained	4.37	1.15	0.25	3.50	0.66	0.44	0.44	4.00	4.00	0.08
<b>Parks:</b>										
Community events held	17	17	18	18	18	21	21	17	14	14
<b>Water:</b>										
Number new connections	7	2	2	2	25	38	40	33	14	2
Daily average water production in MGD	1.38	1.15	1.31	1.27	1.38	1.38	1.05	0.94	0.98	1.10
Daily average water consumption in MGD	1.33	1.25	1.20	1.18	1.26	1.26	0.96	0.86	0.89	1.05
<b>Wastewater:</b>										
Number new connections	7	2	2	-	26	35	43	33	14	2
Daily average treatment in millions gallons(MGD)	0.69	0.73	0.72	0.77	0.75	0.71	0.69	0.62	0.65	0.62

**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**

	<b>Fiscal Year</b>									
Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Fire<sup>1</sup></b>										
Stations	-	-	-	-	-	-	-	-	0	0
Engines	-	-	-	-	-	-	-	-	0	0
<b>Public Works:</b>										
Miles of streets	22	25	25	25	25	25	25	25	25	25
Streetlights	7	12	12	12	12	12	12	12	12	12
<b>Parks and recreation:</b>										
Community centers	3	3	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
<b>Water:</b>										
Miles of mains	35	35	35	35	35	36	36	36	36	36
Number connections	2,017	2,017	2,019	2,018	2,043	2,156	2,178	2,211	2,225	2,227
<b>Wastewater:</b>										
Miles of sewers	42	42	42	42	42	42	42	42	42	42
Number connections	2,017	1,981	1,985	1,985	2,011	2,047	2,090	2,123	2,137	2,139
Maximum plant capacity in millions of gallons	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	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.