



SOLVANG

The Danish Capital of America

Annual Comprehensive Financial Report

Fiscal Year 2020-2021

**City of
Solvang**
Solvang, California

Annual Comprehensive Financial Report

For the year ended June 30, 2021

Prepared by:
Finance Department

City of Solvang
Annual Comprehensive Financial Report
For the year ended June 30, 2021

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INTRODUCTORY SECTION

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January 10, 2022

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, 2021.

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

The firm of Badawi & Associates, Certified Public Accountants has issued an unmodified independent auditor's report on the City of Solvang's financial statements for the fiscal year ended June 30, 2021. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the City of Solvang

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

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

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

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

The annual budget serves as the foundation for the City of Solvang’s financial planning and control system. Once a final draft budget is achieved, it is presented to the City Council. The Council holds public hearings on the proposed budget and ultimately adopts a formal budget. The budget is adopted by fund, department, program, and object. The Council periodically reviews during the fiscal year the City’s actual financial activity in relationship to the original budget, and as necessary amends the original budget to reflect changing conditions.

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

Local Economy

The City’s economy largely depends on tourism, which generates a more than half of the City’s General Fund revenues. Major attractions for visitors to the City include the City’s Danish themed village with unique shops, inns, bakeries, European style streets and architecture, cafes, local wineries, art galleries, golf courses, equestrian and other livestock production, the Santa Ines Mission, and the Elverhoj Museum of History and Art and special events.

This year the City saw an increase in property tax revenue of 4.2%, and sales tax revenues increased by 19.2%. Our top three sales tax generators by business category for FY 2020-21 are retail, food services, and manufacturing, in that order. Our largest General Fund revenue source, Transient Occupancy Tax (TOT) increased by 18.6%, and the occupancy rate was up by 4.1%.

While the trends in revenues showed significant increases in percent terms, it should be noted that the Fiscal Year ending June 30, 2021 is compared to the prior year when the State economy and tourism were shut-down, which resulted in significant losses for Solvang. The City lost approximately \$2M in total revenues compared to normal levels. Some of this loss was replenished by the funding from the American Rescue Plan, which will total approximately \$1.3M by the end of the 2021-22 Fiscal Year.

The City is also 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 \$1.6 million in capital projects. For fiscal year ending 2021-22, the City has budgeted approximately \$3.8 million for capital projects, mostly for wastewater, and public works. An additional \$60.2 million in capital projects are included in the City's Ten Year Capital Improvement Plan. These projects include about \$17.5 million in public works projects, \$17 million for wastewater system improvements, \$13 million for water and \$3.2 million for sewer improvements.

The major initiative planned for FY 2021-22 is the South Alisal Road Reconstruction Project, which will be followed by various General Fund, Measure A and Road Maintenance and Rehabilitation (RMRA) projects.

The General Fund ended fiscal 2020-21 with a fund balance of approximately \$11.7 million. Of that fund balance, \$4.8 million is committed for emergency reserves, and approximately \$6.2 million remained unassigned. There is approximately \$3.5 million available in Gas Tax, Impact Fees, Traffic Safety, Measure A, and Local Transportation funds, which will be used for future projects; mainly street infrastructure, improvements, maintenance and sidewalk projects.

Relevant Financial Policies

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

Starting in the 2019-20 Fiscal Year, the City reviews and adopts financial policies annually as part of the budget adoption process. The policies include strategic goals, budget monitoring, long-term financial planning, fund balance reserve, capital improvement program funding, and debt financing.

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 annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2020. The City has received this award for 31 of the last 32 years. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized ACFR 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 annual comprehensive 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 Finance division staff*. 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.

Respectfully submitted,



Xenia Bradford
City Manager



Jason Banta
Accounting Supervisor



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Solvang
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

ORGANIZATION CHART

Citizens of Solvang

City Council

City Attorney

City Manager/City Clerk

Contract Services:

- Economic Development
- Planning & Building
- Marketing & Tourism
- Public Relations
- Information Technology
- Police

- Finance
- Human Resources
- Recreation

Public Works
Director/City
Engineer

Maintenance
Water
Wastewater



City of Solvang
List of Elected and Appointed Officials
As of June 30, 2021

Elected Officials

Mayor
Mayor Pro Tem
Council Member
Council Member
Council Member

Charlie Uhrig
Claudia Orona
Robert Clarke
Jim Thomas
Mark Infanti

Appointed Officials

City Manager
City Attorney
Public Works Director/City Engineer

Xenia Bradford
David Fleishman
Matthew van der Linden

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Solvang, California (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB information on pages 17-29 and 91-95, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules on pages 99 to 109 and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

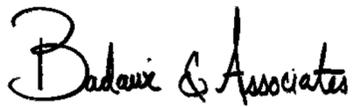
The combining and individual nonmajor fund financial statements, and budgetary comparison schedules on pages 99 to 109 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the budgetary comparison schedules on pages 99 to 109 are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Badawi & Associates".

Badawi & Associates, CPAs
Berkeley, California
January 4, 2022

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Management's Discussion and Analysis

As management of the City of Solvang, we offer readers of the City of Solvang's financial statements, this narrative overview and analysis of the financial activities of the City of Solvang for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-6 of this report.

Financial Highlights

- The general fund reported a fund balance of \$11.7 million at the end of the 2021 fiscal year; an increase of approximately \$1.4 million or 10% above the fiscal year 2019-2020 balance.
- Citywide, the total net position increased by \$1 million or 2% higher than 2019-2020 after conducting all operations and programs. The net position totaled \$47.8 million dollars at year-end. Of that amount, \$19.9 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 a net position of \$24.6 million dollars. Of the \$24.6 million dollars, \$8.3 million remains unrestricted and available.
- Overall, Citywide revenues from governmental activities, grants and taxes increased approximately \$1 million compared to the 2019-2020 fiscal year.
- Impact Fees ended FY 2020-2021 with a fund balance of \$1.6 million; a decrease of approximately \$514 thousand from FY 2019-2020.
- The Proprietary funds ended the fiscal year with a net position of \$23.2 million (including the funds' net investment in capital assets).
- The City's other non-major governmental funds ended FY 2020-2021 with a fund balance of \$1.9 million, an increase of \$700 thousand over FY 2019-20. The increase is due in part to increases in Measure A and Highway Users Tax funds received in FY 2020-21.



Management's Discussion and Analysis

Overview of the Financial Statements

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

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

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

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

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



Management's Discussion and Analysis

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

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

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

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

The basic governmental fund financial statements can be found on pages 42-45 of this report.

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



Management's Discussion and Analysis

The basic proprietary fund financial statements can be found on pages 48-53 of this report.

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

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

The fiduciary fund financial statements can be found on pages 56-57 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 61-87 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 91-95 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 100-103 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 \$47,766,700, at the close of the most recent fiscal year.



Management's Discussion and Analysis

City of Solvang Net Position

Table A-1 City of Solvang Net Position							
	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2020	2021	2020	2021	2020	2021	2020-2021
Assets:							
Current and other Assets	\$15,915,698	\$16,967,088	\$13,276,945	\$14,197,330	\$29,192,643	\$31,164,418	7%
Capital Assets	12,696,479	12,740,666	11,521,718	11,555,587	24,218,197	24,296,253	0%
Total Assets	\$28,612,177	\$29,707,754	\$24,798,663	\$25,752,917	\$53,410,840	\$55,460,671	4%
Deferred outflows of resources:							
Pension plan contributions and other pension deferrals	\$ 1,066,872	\$ 871,391	\$ 355,625	\$ 290,465	\$ 1,422,497	\$ 1,161,856	-18%
Current liabilities	\$ 558,521	\$ 679,920	\$ 358,980	\$ 979,693	\$ 917,501	\$ 1,659,613	81%
Noncurrent liabilities	4,937,674	4,747,104	1,683,233	1,667,249	6,620,907	6,414,353	-3%
Total Liabilities	\$ 5,496,195	\$ 5,427,024	\$ 2,042,213	\$ 2,646,942	\$ 7,538,408	\$ 8,073,966	7%
Deferred inflows of resources:							
Pension plan timing differen	\$ 362,823	\$ 586,395	\$ 120,943	\$ 195,466	\$ 483,766	\$ 781,861	62%
Net Position:							
Invested in capital assets	\$12,821,492	\$12,740,666	\$11,521,718	\$11,555,587	\$24,343,210	\$24,296,253	0%
Restricted	3,435,769	3,545,533	-	-	3,435,769	3,545,533	3%
Unrestricted	7,562,770	8,279,527	11,469,414	11,645,387	19,032,184	19,924,914	5%
Total Net Position	\$23,820,031	\$24,565,726	\$22,991,132	\$23,200,974	\$46,811,163	\$47,766,700	2%

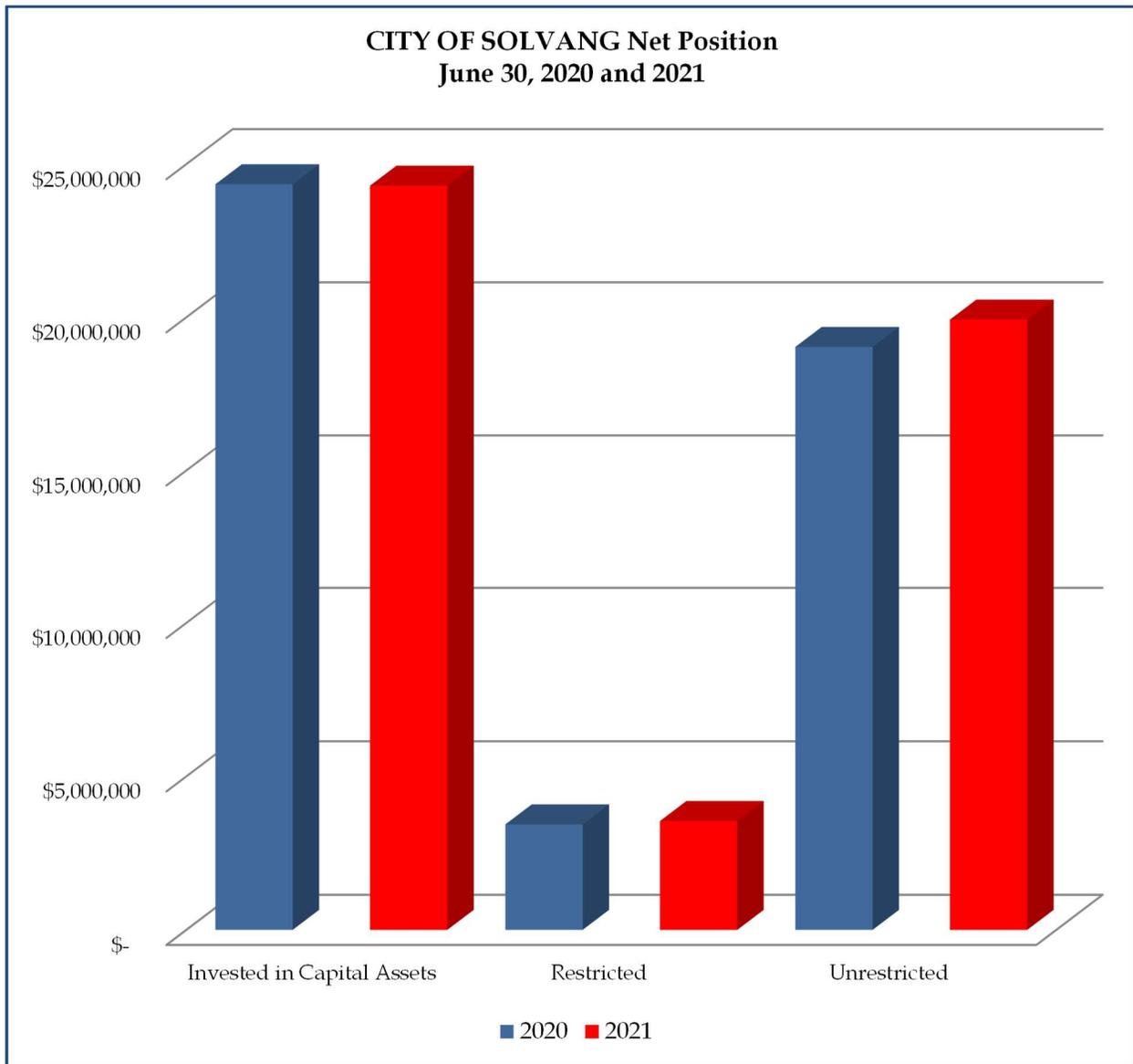
By far, the largest portion of the City of Solvang's net position (51%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City of Solvang uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

An additional portion of the City of Solvang's net position (7.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$20 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 \$900 thousand 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 80% 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 43.9% of all governmental-type revenues. In FY 2020-21, local hotel tax increased approximately \$640 thousand or 18.6% from fiscal year 2019-20.



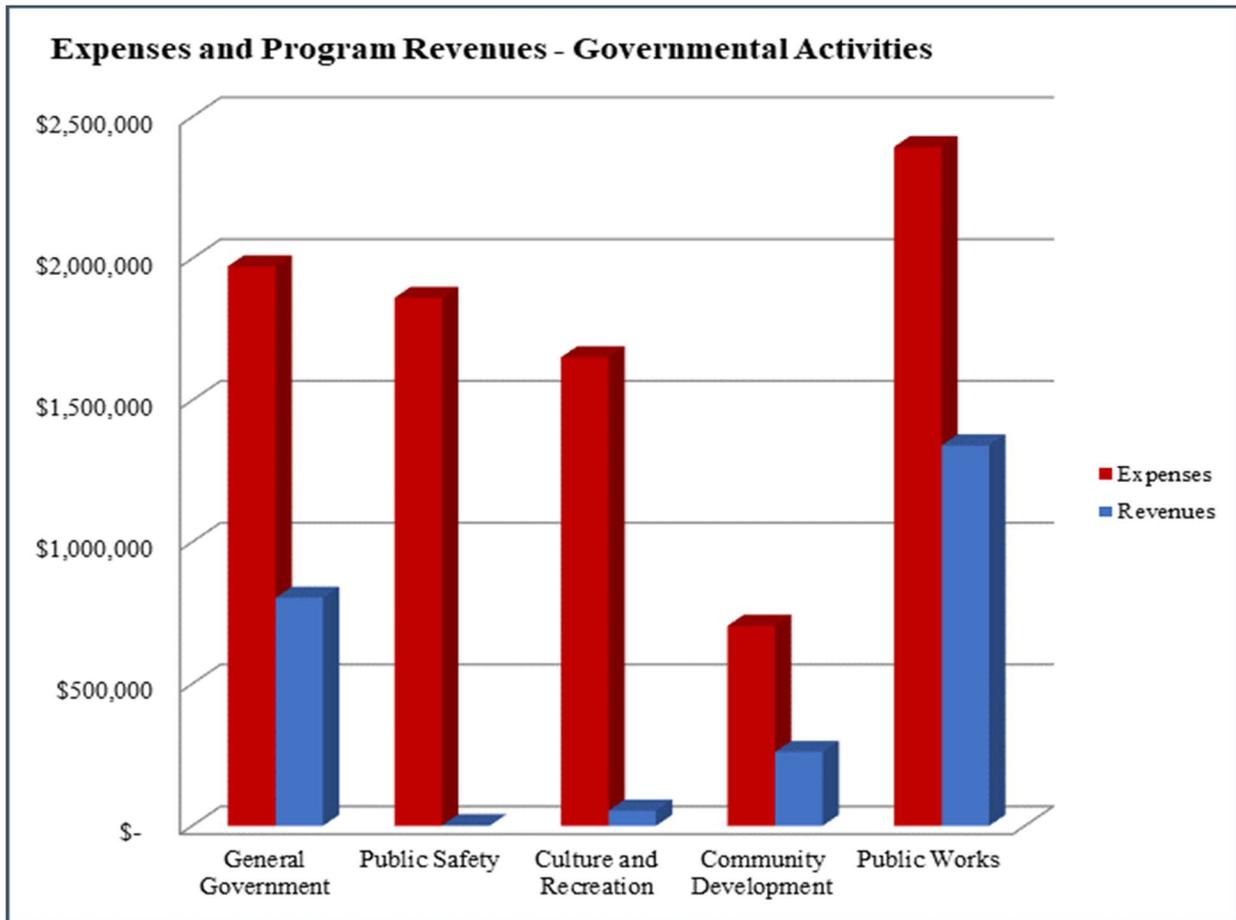
Management's Discussion and Analysis

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 \$746 thousand in net position for FY 2020-21. In FY 2019-20, there was a decrease of \$1.28 million.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2021	2020	2021	2020	2021	2020	2020-2021
Revenues:							
Program revenues							
Charges	\$ 1,116,674	\$ 1,059,800	\$ 6,555,550	\$ 6,283,555	\$ 7,672,224	\$ 7,343,355	4%
Operating grants and contributions	1,213,507	801,390	1,452,986	1,248,222	2,666,493	2,049,612	30%
Capital grants and contributions	129,594	134,144	22,978	4,707	152,572	138,851	10%
General revenues:							
Transient occupancy taxes	4,078,826	3,440,275	-	-	4,078,826	3,440,275	19%
Property, sales and other taxes	3,436,755	3,101,735	-	-	3,436,755	3,101,735	11%
Other	54,915	482,715	12,236	211,189	67,151	693,904	-90%
Total revenues	10,030,271	9,020,059	8,043,750	7,747,673	18,074,021	16,767,732	8%
Expenses:							
General government	1,973,026	2,532,206	-	-	1,973,026	2,532,206	-22%
Public safety	1,861,310	2,039,940	-	-	1,861,310	2,039,940	-9%
Culture and recreation	1,651,868	2,430,740	-	-	1,651,868	2,430,740	-32%
Community development	704,481	686,326	-	-	704,481	686,326	3%
Public works	2,393,971	2,816,624	-	-	2,393,971	2,816,624	-15%
Water	-	-	5,280,019	4,922,788	5,280,019	4,922,788	7%
Wastewater	-	-	2,222,770	2,481,979	2,222,770	2,481,979	-10%
Transit	-	-	1,029,086	982,433	1,029,086	982,433	5%
Total expenses	8,584,656	10,505,836	8,531,875	8,387,200	17,116,531	18,893,036	-9%
Increase (decrease) in net position before transfers	1,445,615	(1,485,777)	(488,125)	(639,527)	957,490	(2,125,304)	-145%
Transfers	(697,967)	102,992	697,967	(102,992)	-	-	
<i>Increase (decrease) in net position</i>	<i>747,648</i>	<i>(1,382,785)</i>	<i>209,842</i>	<i>(742,519)</i>	<i>957,490</i>	<i>(2,125,304)</i>	<i>-145%</i>
Net position, beginning (restated)	\$ 23,818,078	\$ 25,103,402	\$ 22,991,132	\$ 23,733,651	\$ 46,809,210	\$ 48,837,053	-4%
Change in reporting of component unit	\$ -	\$ 99,414	\$ -	\$ -	\$ -	\$ 99,414	
Net position, ending	\$ 24,565,726	\$ 23,820,031	\$ 23,200,974	\$ 22,991,132	\$ 47,766,700	\$ 46,811,163	2%

Management's Discussion and Analysis



Business-type Activities. For the City of Solvang's business-type activities, the City's net position increased, ending the year with a balance of \$23,200,974. The increase in net position for business-type activities (water, wastewater, and transit funds) was approximately \$210 thousand from the prior fiscal year. Water revenue increased by 5.92% due to an increase in consumption, primarily in exterior landscape usage. Wastewater revenue decreased by 0.22% due primarily to less connection fees. Water expenses increased slightly as the staff continue to maintain and replace aging infrastructure. In addition, the cost of water supply increased for all sources as power and chemical costs increased. Wastewater expenses decreased as staff work to maintain and replace aging infrastructure, and implement new WWTP upgrades.

Financial Analysis of Governmental Funds

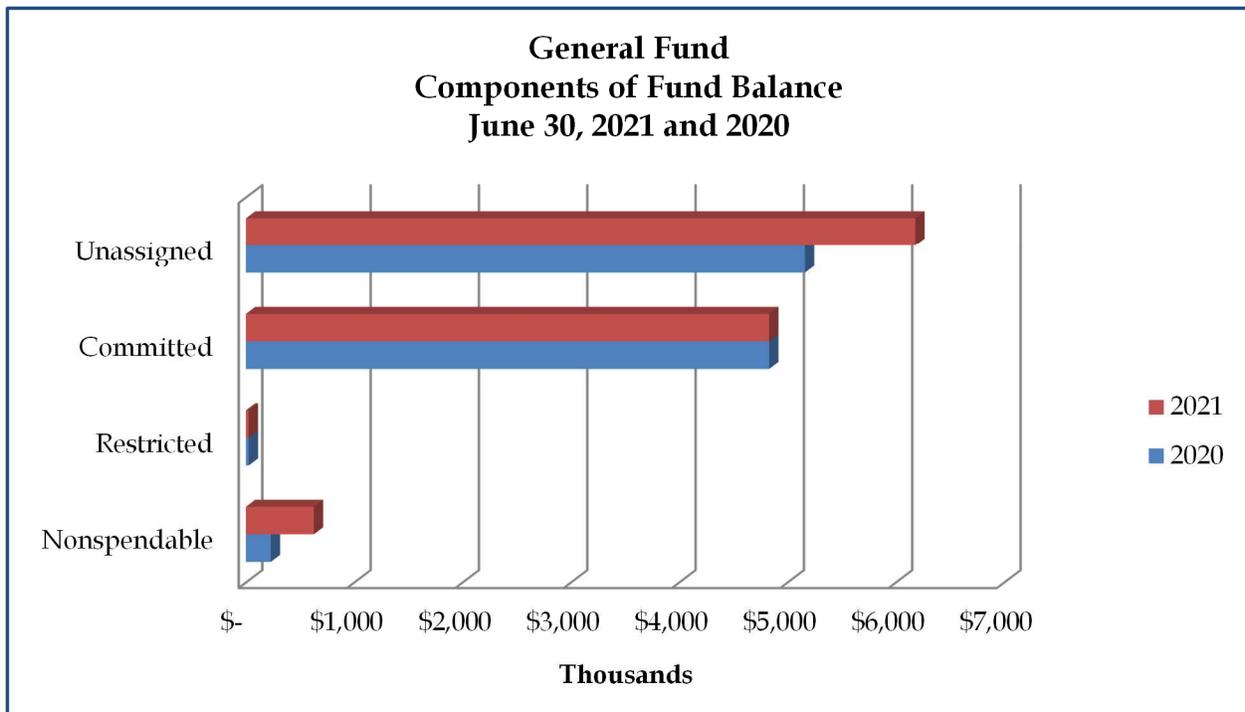
As noted earlier, the City of Solvang uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



Management's Discussion and Analysis

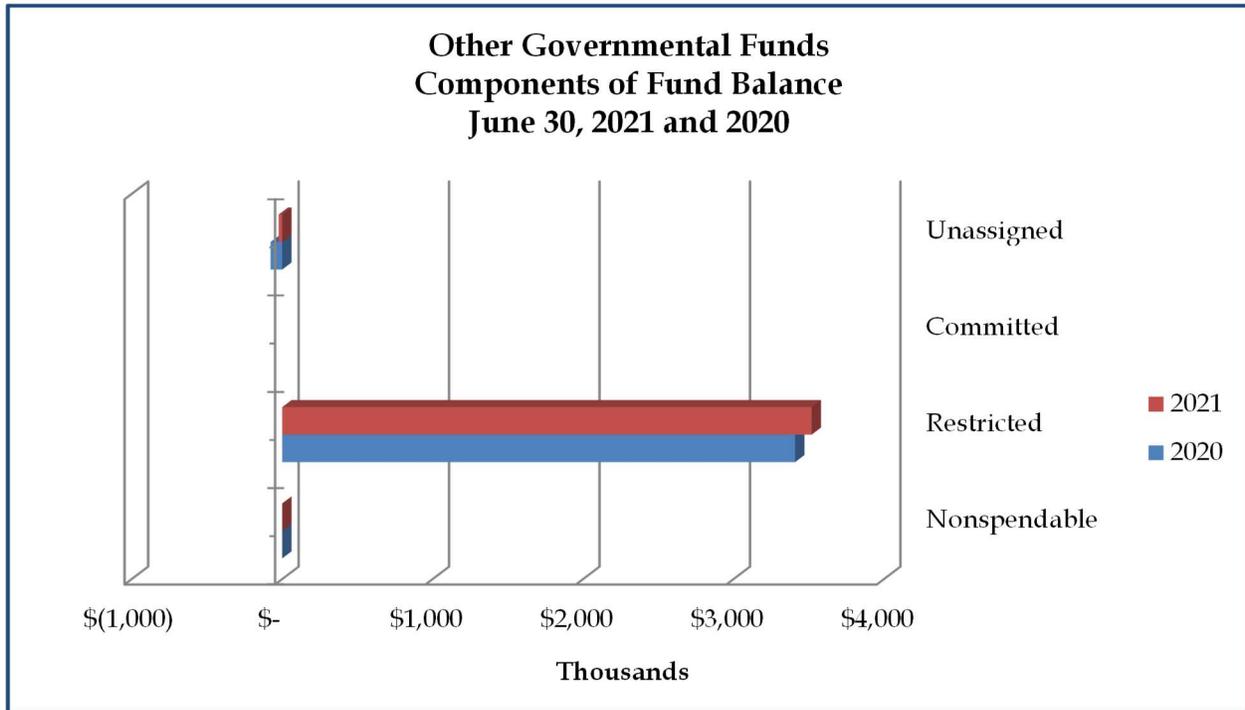
Governmental Funds. The focus of the City of Solvang's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Solvang's financing requirements. In particular, unassigned fund balance may serve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

At June 30, 2021, the City of Solvang's governmental funds reported combined fund balances of \$15,159,323, an increase of \$1,579,689 in comparison with the prior year. Approximately 40.61% of this amount (\$6,156,019) 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 (\$627,138), 2) restricted for particular purposes (\$3,545,533), or 3) committed for particular purposes (\$4,830,633). The increase in governmental funds from fiscal year 2019-20 to fiscal year 2020-21, was due primarily to increased revenues attributed to the end of COVID-19 pandemic closures.



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 \$6,179,842, while total fund balance increased to \$11,663,928. Impact Fees ended FY 2020-2021 with a fund balance of \$1.60 million, a decrease of approximately \$514 thousand from FY 2019-2020. The decrease is a result of using more impact fee funds to fund projects around the City of Solvang.

Management's Discussion and Analysis



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

Unrestricted net position for the Water and Wastewater funds at the end of the year were \$6,853,018 and \$3,031,353 respectively. The total decrease in net position for Water was \$238,082. The Wastewater fund increased its net position by \$478,368. The Wastewater Division shows an operating surplus due to the increase in revenues from sewer operations.

Transit operations unrestricted net position totaled \$1,761,016 an increase of \$76,420 from fiscal year 2019-20. Transit operations overall net position decreased by 1.36% to end the fiscal year at \$2,203,954, primarily due to more Capital expenditures compared to the prior fiscal year.



Management's Discussion and Analysis

General Fund Budgetary Highlights

Original budget compared to final budget. There were a few budget adjustments greater than \$50,000 during the fiscal year. Budget adjustments greater than \$50,000 are listed below:

Expenditure Budget Adjustments > \$50k	Initial Budget	Final Budget	Difference
Projects (Theater Sidewalk)	\$ 40,000	\$ 111,000	\$ 71,000
Purchased Water	185,640	575,640	390,000
WWTP Upgrades Project	2,500,000	3,302,000	802,000
			\$ 1,263,000

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	\$ 2,751,525	\$ 4,079,754	\$ 1,328,229
Sales Tax	1,359,000	1,606,443	247,443

Notable differences, between estimated expenditures and actual expenditures by Department were as follows:

Expenditures	Final Budgeted Expenditures	Actual Expenditures	Difference
General Government	\$ 516,429	\$ 541,876	\$ 25,447
Administration	1,201,272	1,325,385	124,113
Community Development	700,970	780,842	79,872
Culture and Recreation	1,222,704	1,369,065	146,361
Public Works	1,723,449	1,404,892	(318,557)
Public Safety	2,072,463	2,039,915	(32,548)

Most of these differences were due to a slight increase in expenses for City Employed staff and an increase in contracted services.



Management's Discussion and Analysis

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, 2021, amounts to \$24,296,253 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the wastewater treatment plant. The investment in capital assets increased by 0.3%. Major capital asset events (greater than \$100K) during fiscal year 2019-20 include the following:

WWTP Upgrade Phase 1 (In Progress)	\$	853,173
Solvang School Sidewalk Project		306,563
Fifth Street Sidewalk Project		392,067

Additional information on the City of Solvang's capital assets can be found in Note 5 on pages 74-75 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 2020 for estimated claim obligations and has no current obligation for 2020. This liability was fully funded and paid in 2020, 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 76 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 2021-22 fiscal year budget:

- In June 2021, the City Council adopted a General Fund budget with revenues greater than budgeted expenses. This was, in part, due to increased budgeted revenues of Transient Occupancy and Sales Taxes, both affected by a "return to normal" tourism numbers due to the end of COVID-19 closures.



Management's Discussion and Analysis

- In 2011, an annual increase in water rates was approved and scheduled for each November from fiscal year 2011-12 through fiscal year 2015-2016. The additional funds generated by the increase were intended to support maintenance and capital replacement costs, as well as provide 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 2021-22.
- As property values slowly increase, the taxable assessed value as a percentage of estimated actual value in property assessments increases, and contributes to the increase in City revenues.
- The City is receiving lower interest revenues from our investments, both in the State Wide Local Agency Investment Fund, and Certificates of Deposit than what was budgeted for. Interest rates are on the decline currently and this will be addressed during the budget process for FY 2022-23.
- 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 City Manager at:

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Solvang
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 15,587,976	\$ 9,498,176	\$ 25,086,152
Taxes receivable	8,949	-	8,949
Accounts receivable	1,160,115	1,287,759	2,447,874
Due from other government	76,502	-	76,502
Interest receivable	13,578	6,730	20,308
Deposits	-	633,087	633,087
Prepayments	41,920	2,771,578	2,813,498
Total current assets	<u>16,889,040</u>	<u>14,197,330</u>	<u>31,086,370</u>
Noncurrent assets:			
Receivables-long-term	78,048	-	78,048
Capital assets:			
Capital assets not being depreciated	2,762,040	1,216,363	3,978,403
Capital assets being depreciated, net	<u>9,978,626</u>	<u>10,339,224</u>	<u>20,317,850</u>
Total capital assets	<u>12,740,666</u>	<u>11,555,587</u>	<u>24,296,253</u>
Total noncurrent assets	<u>12,818,714</u>	<u>11,555,587</u>	<u>24,374,301</u>
Total assets	<u>29,707,754</u>	<u>25,752,917</u>	<u>55,460,671</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	709,256	236,420	945,676
Deferred outflows - OPEB	<u>162,135</u>	<u>54,045</u>	<u>216,180</u>
Total deferred outflows of resources	<u>871,391</u>	<u>290,465</u>	<u>1,161,856</u>

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	590,353	893,433	1,483,786
Accrued liabilities	-	8,970	8,970
Deposits	1,384	-	1,384
Unearned advances	28,183	1,000	29,183
Compensated absences, due within one year	60,000	76,290	136,290
Total current liabilities	679,920	979,693	1,659,613
Noncurrent liabilities:			
Compensated absences, due in more than one year	80,405	111,682	192,087
Net other post employment benefit liability	1,144,797	381,599	1,526,396
Net pension liability	3,521,902	1,173,968	4,695,870
Total noncurrent liabilities	4,747,104	1,667,249	6,414,353
Total liabilities	5,427,024	2,646,942	8,073,966
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	291,584	97,196	388,780
Deferred inflows - OPEB	294,811	98,270	393,081
Total deferred inflows of resources	586,395	195,466	781,861
NET POSITION			
Net investment in capital assets	12,740,666	11,555,587	24,296,253
Restricted for:			
Highways and streets	846,895	-	846,895
Capital improvements	2,698,638	-	2,698,638
Total restricted	3,545,533	-	3,545,533
Unrestricted	8,279,527	11,645,387	19,924,914
Total net position	\$ 24,565,726	\$ 23,200,974	\$ 47,766,700

City of Solvang
Statement of Activities
For the year ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
City Government:					
Governmental activities:					
General government	\$ 1,973,026	\$ 577,697	\$ 225,439	\$ -	\$ 803,136
Public safety	1,861,310	1,971	-	-	1,971
Culture and recreation	1,651,868	44,676	8,780	-	53,456
Community development	704,481	260,150	-	-	260,150
Public works	2,393,971	232,180	979,288	129,594	1,341,062
Total governmental activities	8,584,656	1,116,674	1,213,507	129,594	2,459,775
Business-type activities:					
Water	5,280,019	5,102,750	-	22,978	5,125,728
Wastewater	2,222,770	1,415,118	499,871	-	1,914,989
Transit	1,029,086	37,682	953,115	-	990,797
Total business-type activities	8,531,875	6,555,550	1,452,986	22,978	8,031,514
Total primary government	\$ 17,116,531	\$ 7,672,224	\$ 2,666,493	\$ 152,572	\$ 10,491,289
General Revenues:					
Taxes:					
Property taxes					
Sales taxes					
Transient occupancy taxes					
Other taxes					
Total taxes					
Investment earnings					
Miscellaneous					
Transfers					
Total general revenues and transfers					
Change in net position					
Net position - beginning of year, as restated					
Net position - end of year					

Net (Expense) Revenue
and Changes in Net Position

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (1,169,890)	\$ -	\$ (1,169,890)
(1,859,339)	-	(1,859,339)
(1,598,412)	-	(1,598,412)
(444,331)	-	(444,331)
(1,052,909)	-	(1,052,909)
<u>(6,124,881)</u>	<u>-</u>	<u>(6,124,881)</u>
-	(154,291)	(154,291)
-	(307,781)	(307,781)
-	(38,289)	(38,289)
-	(500,361)	(500,361)
<u>(6,124,881)</u>	<u>(500,361)</u>	<u>(6,625,242)</u>
1,542,764	-	1,542,764
1,606,443	-	1,606,443
4,078,826	-	4,078,826
287,548	-	287,548
7,515,581	-	7,515,581
9,490	12,236	21,726
45,425	-	45,425
(697,967)	697,967	-
<u>6,872,529</u>	<u>710,203</u>	<u>7,582,732</u>
747,648	209,842	957,490
23,818,078	22,991,132	46,809,210
<u>\$ 24,565,726</u>	<u>\$ 23,200,974</u>	<u>\$ 47,766,700</u>

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

City of Solvang
Balance Sheet
Governmental Funds
June 30, 2021

	Major Funds		Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Impact Fee Fund		
ASSETS				
Cash and investments	\$ 11,091,185	\$ 1,598,511	\$ 1,731,412	\$ 14,421,108
Receivables:				
Taxes receivable	8,949	-	-	8,949
Accounts receivable	967,417	-	192,698	1,160,115
Due from other government	76,502	-	-	76,502
Interest receivable	8,739	1,791	1,627	12,157
Due from other funds	20,658	-	-	20,658
Prepaid items	41,920	-	-	41,920
Loans and notes receivables	58,492	19,556	-	78,048
Total assets	\$ 12,273,862	\$ 1,619,858	\$ 1,925,737	\$ 15,819,457
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 580,367	\$ -	\$ 9,986	\$ 590,353
Due to other Funds	-	-	20,658	20,658
Deposits payable	1,384	-	-	1,384
Unearned revenues	28,183	-	-	28,183
Total liabilities	609,934	-	30,644	640,578
Deferred inflows of resources:				
Unavailable revenues	-	19,556	-	19,556
Fund Balances:				
Nonspendable (Prepaid items and loans)	100,412	-	-	100,412
Restricted for:				
Recycling	16,947	-	-	16,947
Highways and streets	-	846,895	1,918,916	2,765,811
Parking	-	8,032	-	8,032
Park improvements	-	45,987	-	45,987
Drainage	-	262,144	-	262,144
Affordable housing	-	437,244	-	437,244
Tennis facilities	9,368	-	-	9,368
Total restricted	26,315	1,600,302	1,918,916	3,545,533
Committed to:				
Emergencies	4,830,633	-	-	4,830,633
Total committed	4,830,633	-	-	4,830,633
Assigned to:				
Capital projects	526,726	-	-	526,726
Unassigned	6,179,842	-	(23,823)	6,156,019
Total fund balances	11,663,928	1,600,302	1,895,093	15,159,323
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,273,862	\$ 1,619,858	\$ 1,925,737	\$ 15,819,457

City of Solvang
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2021

Total Fund Balances - Total Governmental Funds	\$ 15,159,323
Amounts reported for governmental activities in the statement of net position are different	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds	12,464,585
The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position	1,444,370
Pension actuarial liabilities and certain employer contributions are reported as deferred inflows and outflows of resources and are, therefore, not reported in the funds	417,672
Net pension liability (NPL) obligations are not due and payable in the current period and are not reported in the funds	(3,521,902)
OPEB actuarial liabilities and certain employer contributions are reported as deferred inflows and outflows of resources and are, therefore, not reported in the funds	(132,676)
The net OPEB liability is not due and payable in the current period and is therefore not reported in the funds	(1,144,797)
Long-term notes receivable from developers are not current financial resources and are reported as deferred inflows in the funds	19,556
Some liabilities, including compensated absences, and claims are not due and payable in the current period and are therefore not reported in the funds	(140,405)
Net Position of Governmental Activities	<u>\$ 24,565,726</u>

City of Solvang

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2021

	Major Funds		Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Impact Fee Fund		
REVENUES:				
Property taxes	\$ 1,542,764	\$ -	\$ -	\$ 1,542,764
Sales taxes	1,606,443	-	-	1,606,443
Transient occupancy taxes	4,078,826	-	-	4,078,826
Other taxes	287,548	-	-	287,548
Special assessments	-	-	214,971	214,971
Licenses and permits	128,951	-	-	128,951
Fines and forfeits	7,494	-	-	7,494
Intergovernmental	230,439	258,649	845,233	1,334,321
Interest	6,846	1,622	2,192	10,660
Charges for services	758,056	1,971	5,231	765,258
Miscellaneous	54,205	-	-	54,205
Total revenues	8,701,572	262,242	1,067,627	10,031,441
EXPENDITURES:				
Current:				
General government	1,803,038	-	-	1,803,038
Public safety	1,855,060	-	-	1,855,060
Culture and recreation	1,504,503	-	-	1,504,503
Community development	747,382	-	-	747,382
Public works	1,280,047	-	194,877	1,474,924
Capital outlay	271,944	32,214	754,734	1,058,892
Total expenditures	7,461,974	32,214	949,611	8,443,799
REVENUES OVER (UNDER) EXPENDITURES	1,239,598	230,028	118,016	1,587,642
OTHER FINANCING SOURCES (USES):				
Transfers in	176,172	-	744,273	920,445
Transfers out	-	(744,273)	(182,172)	(926,445)
Total other financing sources (uses)	176,172	(744,273)	562,101	(6,000)
Net change in fund balances	1,415,770	(514,245)	680,117	1,581,642
FUND BALANCES:				
Beginning of year, as restated	10,248,158	2,114,547	1,214,976	13,577,681
End of year	\$ 11,663,928	\$ 1,600,302	\$ 1,895,093	\$ 15,159,323

City of Solvang

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 1,581,642
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Amounts reported for governmental activities in the Statement of Activities were different

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$832,502 exceed depreciation (\$725,259) in the current period.	107,243
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Decreases in liabilities for other post employment benefits (OPEB) and other related amounts do not provide current financial resources and are therefore not reported in the governmental fund statements.	92,293
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Long-term notes receivable are not current financial resources and are deferred in the funds	(2,586)
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Changes in the net pension liability do not use or provide current financial resources and are reported in the statement of activities, but not in the governmental fund statements.	(426,692)
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Some expenses in the statement of activities for noncurrent liabilities such as long-term compensated absences do not require the use of or provide current financial resources and, therefore, are not reported as expenditures in the governmental funds	105,916
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Internal service funds are consolidated by charging additional amounts or reducing charges to participating governmental activities to completely cover the internal service fund's costs	<u>(710,168)</u>
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Change in Net Position of Governmental Activities	<u>\$ 747,648</u>
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PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

Transit Enterprise Fund is used to account for transit operations.

Vehicle/Equipment Replacement Internal Service Fund is used to account for replacement costs of City vehicles and equipment and accumulate resources for replacement assets.

City of Solvang
Statement of Net Position
Proprietary Funds
June 30, 2021

	Enterprise Funds	
	Water	Wastewater
ASSETS		
Current assets:		
Cash and investments	\$ 3,583,184	\$ 4,305,951
Accounts receivable	624,355	370,571
Interest receivable	2,784	2,716
Deposits	632,101	836
Prepayments	2,762,435	8,768
Total current assets	<u>7,604,859</u>	<u>4,688,842</u>
Noncurrent assets:		
Capital assets:		
Capital assets not being depreciated	210,917	1,005,446
Capital assets being depreciated	5,432,589	4,463,697
Total capital assets	<u>5,643,506</u>	<u>5,469,143</u>
Total noncurrent assets	<u>5,643,506</u>	<u>5,469,143</u>
Total assets	<u>13,248,365</u>	<u>10,157,985</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	94,568	141,852
Deferred outflows - OPEB	21,618	32,427
Total deferred outflows of resources	<u>116,186</u>	<u>174,279</u>
LIABILITIES		
Current liabilities:		
Accounts payable	98,855	651,965
Other current liabilities	3,947	5,023
Deposits	-	1,000
Compensated absences - due within one year	18,908	57,382
Total current liabilities	<u>121,710</u>	<u>715,370</u>
Noncurrent liabilities:		
Compensated absences - due in more than one year	45,904	65,778
Net other postemployment benefit liability	152,640	228,959
Net pension liability	469,587	704,381
Total noncurrent liabilities	<u>668,131</u>	<u>999,118</u>
Total liabilities	<u>789,841</u>	<u>1,714,488</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	38,878	58,318
Deferred inflows - OPEB	39,308	58,962
Total deferred inflows of resources	<u>78,186</u>	<u>117,280</u>
NET POSITION		
Net investment in capital assets	5,643,506	5,469,143
Unrestricted	6,853,018	3,031,353
Total net position	<u>\$ 12,496,524</u>	<u>\$ 8,500,496</u>

See accompanying Notes to Basic Financial Statements.

Enterprise Funds		Vehicle/Equipment Replacement Internal Service Fund
Transit	Total	
\$ 1,609,041	\$ 9,498,176	\$ 1,166,868
292,833	1,287,759	-
1,230	6,730	1,421
150	633,087	-
375	2,771,578	-
<u>1,903,629</u>	<u>14,197,330</u>	<u>1,168,289</u>
-	1,216,363	-
442,938	10,339,224	276,081
442,938	11,555,587	276,081
442,938	11,555,587	276,081
2,346,567	25,752,917	1,444,370
-	236,420	-
-	54,045	-
-	290,465	-
142,613	893,433	-
-	8,970	-
-	1,000	-
-	76,290	-
<u>142,613</u>	<u>979,693</u>	<u>-</u>
-	111,682	-
-	381,599	-
-	1,173,968	-
-	1,667,249	-
<u>142,613</u>	<u>2,646,942</u>	<u>-</u>
-	97,196	-
-	98,270	-
-	195,466	-
442,938	11,555,587	276,081
1,761,016	11,645,387	1,168,289
<u>\$ 2,203,954</u>	<u>\$ 23,200,974</u>	<u>\$ 1,444,370</u>

City of Solvang
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2021

	Enterprise Funds	
	Water	Wastewater
OPERATING REVENUES:		
Sales of water	\$ 5,073,608	\$ -
Service fees	-	1,407,295
Miscellaneous	29,142	7,823
Total operating revenues	5,102,750	1,415,118
OPERATING EXPENSES:		
Salaries and benefits	597,357	877,192
Purchased power	147,108	280,866
Transit operator	-	-
Services and supplies	1,264,208	644,668
Joint operating expenses	2,922,190	-
Depreciation expense	351,293	420,044
Total operating expenses	5,282,156	2,222,770
OPERATING INCOME (LOSS)	(179,406)	(807,652)
NONOPERATING REVENUES (EXPENSES):		
Grant revenue	-	499,871
Operating subsidies	-	-
Gain on sale of capital assets	2,137	-
Interest and investment revenue	8,188	2,203
Total nonoperating revenues (expenses)	10,325	502,074
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(169,081)	(305,578)
Transfers in	-	802,000
Transfers out	(91,979)	(18,054)
Capital contributions	22,978	-
Net contributions and transfers	(69,001)	783,946
Change in net position	(238,082)	478,368
NET POSITION:		
Beginning of year	12,734,606	8,022,128
End of year	\$ 12,496,524	\$ 8,500,496

Enterprise Funds		Vehicle/Equipment Replacement Internal Service Fund
Transit	Total	
\$ -	\$ 5,073,608	\$ -
37,682	1,444,977	43,439
-	36,965	-
37,682	6,555,550	43,439
-	1,474,549	-
-	427,974	-
497,801	497,801	-
397,507	2,306,383	-
-	2,922,190	-
133,778	905,115	63,056
1,029,086	8,534,012	63,056
(991,404)	(1,978,462)	(19,617)
-	499,871	-
953,115	953,115	-
-	2,137	-
1,845	12,236	1,416
954,960	1,467,359	1,416
(36,444)	(511,103)	(18,201)
6,000	808,000	110,033
-	(110,033)	(802,000)
-	22,978	-
6,000	720,945	(691,967)
(30,444)	209,842	(710,168)
2,234,398	22,991,132	2,154,538
\$ 2,203,954	\$ 23,200,974	\$ 1,444,370

City of Solvang
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2021

	Enterprise Funds	
	Water	Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 5,100,955	\$ 1,229,903
Payments to suppliers	(4,792,462)	(210,226)
Payments to other funds for services	(278,301)	(173,145)
Payments from other funds for services	-	-
Payments for employees and benefits	(550,744)	(800,106)
Net cash provided by (used in) operating activities	(520,552)	46,426
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in	-	802,000
Transfers out	(91,979)	(18,054)
Grants and operating subsidies	-	499,871
Net cash provided by (used in) noncapital financing activities	(91,979)	1,283,817
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sale of capital assets	2,137	-
Capital contributions	22,978	-
Purchases of capital assets	(12,725)	(899,345)
Net cash provided by (used in) capital and related financing activities	12,390	(899,345)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment received	19,875	12,703
Net cash provided by investing activities	19,875	12,703
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(580,266)	443,601
CASH AND INVESTMENTS - Beginning of year	4,163,450	3,862,350
CASH AND INVESTMENTS - End of year	\$ 3,583,184	\$ 4,305,951
RECONCILIATION OF OPERATING INCOME TO NET		
CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (179,406)	\$ (807,652)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	351,293	420,044
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(1,795)	(185,215)
Decrease (increase) in deposits	(22,648)	-
Decrease (increase) in prepayments	(723,628)	(8,768)
Increase (decrease) in accounts payable	8,863	550,151
Increase (decrease) in other liabilities	156	780
Increase (decrease) in compensated absences	2,026	10,207
Increase (decrease) in net OPEB liability and related deferred amounts	(12,305)	(18,460)
Increase (decrease) in net pension liability and related deferred amounts	56,892	85,339
Total adjustments	(341,146)	854,078
Net cash provided by operating activities	\$ (520,552)	\$ 46,426

Enterprise Funds		Vehicle/Equipment
Transit	Total	Replacement Internal Service Fund
\$ 37,682	\$ 6,368,540	\$ -
(775,944)	(5,778,632)	-
(58,601)	(510,047)	-
-	-	43,439
-	(1,350,850)	-
(796,863)	(1,270,989)	43,439
6,000	808,000	110,033
-	(110,033)	(802,000)
961,402	1,461,273	-
967,402	2,159,240	(691,967)
-	2,137	-
-	22,978	-
(26,914)	(938,984)	-
(26,914)	(913,869)	-
5,646	38,224	6,231
5,646	38,224	6,231
149,271	12,606	(642,297)
1,459,770	9,485,570	1,809,165
\$ 1,609,041	\$ 9,498,176	\$ 1,166,868
\$ (991,404)	\$ (1,978,462)	\$ (19,617)
133,778	905,115	63,056
-	(187,010)	-
-	(22,648)	-
-	(732,396)	-
60,763	619,777	-
-	936	-
-	12,233	-
-	(30,765)	-
-	142,231	-
194,541	707,473	63,056
\$ (796,863)	\$ (1,270,989)	\$ 43,439

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FIDUCIARY FUND FINANCIAL STATEMENTS

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

City of Solvang
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	Custodial Fund
ASSETS	
Cash and investments	\$ 42,608
Assessments receivable	44,280
Total assets	86,888
LIABILITIES	
Accounts payable	-
Total liabilities	-
NET POSITION	
Restricted for tourism	86,888
Total net position	\$ 86,888

City of Solvang
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2021

	<u>Custodial Fund</u>
ADDITIONS:	
Special assessments	\$ 375,004
Total additions	<u>375,004</u>
DEDUCTIONS:	
Pass-through payments	<u>309,944</u>
Total Deductions	<u>309,944</u>
Change in net position	65,060
NET POSITION:	
Beginning of year, as restated	<u>21,828</u>
End of year	<u><u>\$ 86,888</u></u>

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NOTES TO BASIC FINANCIAL STATEMENTS

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City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Financial Reporting Entity*

The City of Solvang is a municipal corporation governed by an elected five-member City Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

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

Separate financial statements are not available for these component units.

B. *Basis of Accounting and Measurement Focus*

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

Government-Wide Financial Statements

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

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

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements, Continued

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

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

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

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

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

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

Governmental Fund Financial Statements

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

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

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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

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

The *Impact Fee Fund* is a special revenue fund used to account for impact fees restricted by law to use only for the specific purpose of the fee.

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

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

Proprietary Fund Financial Statements

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements, Continued

Internal service fund balances and activities have been combined with governmental activities in the Government-Wide Financial Statements, and are comprised of the following fund:

Vehicle/Equipment Replacement Fund accounts for charges to the City departments for funding and acquisition of replacement vehicles and equipment.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements consist of a Statement of Fiduciary Net Position. The City has one type of fiduciary fund, a custodial fund. Custodial funds are used to account for fiduciary activities not required to be reported in an investment trust fund, pension trust fund, or private-purpose trust fund. The City reported the following custodial fund:

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

C. Cash, Cash Equivalents, and Investments

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

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

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk

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

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

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Cash, Cash Equivalents, and Investments, Continued

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

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

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

D. Receivables and Payables

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

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

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

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

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

E. Inventories and Prepaid Items

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

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

F. Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). They are reported in the applicable governmental-type or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$100,000 for infrastructure type assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Under the GASB 34 Implementation Rules, the City is a Phase 3 entity and was not required to record infrastructure assets existing or acquired prior to July 1, 2002 at the date these new financial reporting standards were implemented. The City has not recorded such assets. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. Property, plant, and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

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

G. Compensated Absences

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

H. Long-term Obligations

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

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Net Position

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

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

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

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

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

J. Fund Balances - Governmental Funds

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

Nonspendable amounts generally are items not expected to be converted into cash such as inventories and prepaid items.

Restricted amounts include those where constraints placed on the uses of the resources are externally imposed by grantors, contributors, other governments or by laws or regulations.

Committed amounts are those that can only be used for a specific purpose as determined by the City Council. Such committed amounts may be redeployed for other uses only by the direction of the City Council. Commitments are established, modified, or rescinded by the City Council adopting such action by resolution. The City's reported committed fund balance for emergencies was established by City resolution and can only be accessed during a significant decrease in revenues as defined per the City's policy.

Assigned amounts are fund balance amounts constrained by the City's intent to be used for specific purposes as determined by the City Manager or City Administrative Services Director, Unassigned fund balance amounts are the residual amounts reported in only the general fund.

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

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

K. Pensions

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

L. Postemployment Benefits Other Than Pensions (OPEB)

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

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

M. Use of Estimates

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

N. New Pronouncements

In 2021, the City adopted the new accounting standards to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 84, *Fiduciary Activities* - The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local government. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City reclassified its agency fund to a custodial fund as a result of implementing this statement.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

N. New Pronouncements, Continued

- GASB Statement No. 90, *Majority Equity Interest* - The objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if the government's holding of the equity meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. There was no impact on net position as a result of implementation of this statement.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates* - The objective of this statement is to address the accounting and financial reporting implications that result from the elimination of the London Interbank Offered Rate (LIBOR) that is notably used in most agreements in which variable payments made or received depend on an interbank offered rate (IBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. There was no impact on net position as a result of implementation of this statement.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* - The objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. There was no impact on net position as a result of implementation of this statement.
- GASB Statement No. 98, *The Annual Comprehensive Financial Report* - The objective of this statement is to address references in authoritative literature to the term *comprehensive annual financial report*. There was no impact on net position as a result of implementation of this statement.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Government-Wide Statement of Net Position			Total
	Governmental Activities	Business-Type Activities	Fiduciary Funds	
Cash and investments	\$ 15,587,976	\$ 9,498,176	\$ 42,608	\$ 25,128,760
Total cash and investments	\$ 15,587,976	\$ 9,498,176	\$ 42,608	\$ 25,128,760

Deposits and investments at June 30, 2021 consisted of the following:

City Treasury:

Deposits:

Cash on hand	\$ 550
Deposits with financial institution	1,597,072
Total cash on hand and deposits	1,597,622

Investments:

Certificates of deposit	248,440
Local Agency Investment Fund (LAIF)	23,282,698
Total investments	23,531,138
Total cash and investments	\$ 25,128,760

B. Deposits

At June 30, 2021, the carrying amount of the City's cash and cash equivalents were comprised of the general checking account which had a book balance of \$ 1,597,072 and petty cash of \$550. The bank balance in the City's general checking was \$2,028,227 fully insured and collateralized with securities held by the pledging financial institutions in the City's name as discussed below. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

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

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

2. CASH AND INVESTMENTS, CONTINUED

B. Deposits, Continued

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

C. Investments

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

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

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2021, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

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

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

As of June 30, 2021, the City had \$23,282,698 invested in LAIF, which had invested 2.31% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 3.37% in the previous year. The LAIF fair value factor of 1.00008297 was used to calculate the fair value of the investments in LAIF.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

2. CASH AND INVESTMENTS, CONTINUED

D. Risk Disclosures

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

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

Investment Type	Total	Investment Maturities (in years)	
		Less than 1 year	More than 1 year less than 5 years
Investments:			
Certificates of deposits	\$ 248,440	\$ 248,440	\$ -
Local Agency Investment Fund	23,282,698	23,282,698	-
Total	\$ 23,531,138	\$ 23,531,138	\$ -

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.

E. Investment Valuation

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

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

3. INTERFUND TRANSACTIONS

The composition of interfund transfers for the year ended June 30, 2021 is as follows:

Transfers out:	Transfers in					Total Transfers
	General Fund	Non-Major Governmental Funds	Wastewater Enterprise Fund	Transit Enterprise Fund	Internal Service Fund	
Impact Fee Fund	\$ -	\$ 744,273	\$ -	\$ -	\$ -	\$ 744,273
Non-Major Governmental Funds	176,172	-	-	6,000	-	182,172
Water Enterprise Fund	-	-	-	-	91,979	91,979
Wastewater Enterprise Fund	-	-	-	-	18,054	18,054
Internal Service Fund	-	-	802,000	-	-	802,000
Totals	\$ 176,172	\$ 744,273	\$ 802,000	\$ 6,000	\$ 110,033	\$ 1,838,478

Transfers of \$744,273 made from the Impact fee fund to Non-Major Governmental Funds were to fund various street project expenditures. Transfers from the Internal Service Fund to the Wastewater Enterprise Fund of \$802,000 was to fund wastewater capital projects. Transfers of \$176,172 were made from Non-Major Governmental Funds to the General Fund to fund the public works department for highway and street activities. \$91,979 and \$18,054 was transferred from the Water Enterprise Fund and Wastewater Enterprise Fund respectively to fund future vehicle and equipment replacement. \$6,000 was transferred from Non-Major Governmental Funds to the Transit Enterprise Fund to fund transportation activities.

The composition of due to and due from other funds as of June 30, 2021 is as follows:

Due to General Fund	
Non-Major Governmental Funds	\$ 20,658
Totals	\$ 20,658

4. LOANS AND NOTES RECEIVABLES

The notes receivable as of June 30, 2021, comprised of a development note receivable of \$19,556 and \$58,492 in micro loans to 53 local businesses to help with covering expenses for those businesses.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

5. CAPITAL ASSETS

Capital asset activity relating to governmental activities for the year ended June 30, 2021 was as follows:

Governmental activities:	Beginning Balance	Increases	Decreases/ Reclassification	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,721,866	\$ -	\$ -	\$ 2,721,866
Construction in progress	11,565	40,174	(11,565)	40,174
Total capital assets, not being depreciated	2,733,431	40,174	(11,565)	2,762,040
Capital assets, being depreciated:				
Buildings	3,402,544	-	-	3,402,544
Machinery and equipment	748,779	48,676	-	797,455
Internal service fund – vehicles/equipment	948,070	-	-	948,070
Improvements	6,628,904	17,676	-	6,646,580
Infrastructure-street system	9,720,520	737,541	-	10,458,061
Total capital assets being depreciated	21,448,817	803,893	-	22,252,710
Less accumulated depreciation for:				
Buildings	(1,867,705)	(76,169)	-	(1,943,874)
Machinery and equipment	(697,214)	(16,733)	-	(713,947)
Internal service fund	(608,933)	(63,056)	-	(671,989)
Improvements	(3,665,633)	(180,129)	-	(3,845,762)
Infrastructure-street system	(4,646,284)	(452,228)	-	(5,098,512)
Total accumulated depreciation	(11,485,769)	(788,315)	-	(12,274,084)
Total capital assets, being depreciated, net	9,963,048	15,578	-	9,978,626
Governmental activities capital assets, net	\$ 12,696,479	\$ 55,752	\$ (11,565)	\$ 12,740,666

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

5. CAPITAL ASSETS, CONTINUED

Capital asset activity relating to business-type activities for the year ended June 30, 2021 was as follows:

Business-type activities:	Beginning Balance	Increases	Decreases/ Reclassification	Ending Balance
Capital assets, not being depreciated				
Land	\$ 191,208	\$ -	\$ -	\$ 191,208
Construction in progress	171,982	853,173	-	1,025,155
Total capital assets, not being depreciated	363,190	853,173	-	1,216,363
Capital assets, being depreciated:				
Buildings and bus stop facilities	8,357,363	26,913	-	8,384,276
Distribution and collection systems	11,597,142	20,729	-	11,617,871
Infrastructure	6,228,998	-	-	6,228,998
Vehicles	894,649	-	-	894,649
Equipment	2,020,653	38,169	-	2,058,822
Total capital assets being depreciated	29,098,805	85,811	-	29,184,616
Less accumulated depreciation for:				
Buildings	(6,809,359)	(213,130)	-	(7,022,489)
Distribution and collection systems	(7,533,967)	(284,066)	-	(7,818,033)
Infrastructure	(1,889,121)	(204,855)	-	(2,093,976)
Vehicles	(494,533)	(112,807)	-	(607,340)
Equipment	(1,213,297)	(90,257)	-	(1,303,554)
Total accumulated depreciation	(17,940,277)	(905,115)	-	(18,845,392)
Total capital assets, being depreciated, net	11,158,528	(819,304)	-	10,339,224
Business-type activities capital assets, net	\$ 11,521,718	\$ 33,869	\$ -	\$ 11,555,587

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

Governmental activities:	
General government	\$ 67,450
Public safety	6,250
Culture and recreation	99,544
Infrastructure streets	552,015
Vehicles- internal service fund	63,056
Total depreciation expense-governmental activities	\$ 788,315
Business-type activities:	
Water	\$ 351,293
Wastewater	420,044
Transit	133,778
Total depreciation expense-business-type activities	\$ 905,115

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

6. LONG-TERM OBLIGATIONS

Long-term liability activity for the 2021 fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due in More Than One Year
Governmental						
Activities:						
Compensated absences	\$ 246,321	\$ 94,084	\$ (200,000)	\$ 140,405	\$ 60,000	\$ 80,405
Total	\$ 246,321	\$ 94,084	\$ (200,000)	\$ 140,405	\$ 60,000	\$ 80,405
Business-type						
Activities:						
Compensated absences	\$ 175,739	\$ 52,233	\$ (40,000)	\$ 187,972	\$ 76,290	\$ 111,682
Total	\$ 175,739	\$ 52,233	\$ (40,000)	\$ 187,972	\$ 76,290	\$ 111,682

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

7. RISK MANAGEMENT

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

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

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

8. CONTINGENCIES AND COMMITMENTS

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

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

Capital Project Commitments. As of June 30, 2021, the City had outstanding commitments with contractors for the following projects:

Project	General Fund	Water Fund	Wastewater Fund	Transit Fund	Grand Total
WWTP Aeration System Replacement - Construction	\$ -	\$ -	\$ 1,655,180	\$ -	\$ 1,655,180
Solvang General Plan Update	423,101	-	-	-	423,101
Water System Risk & Resiliency Assessment	-	111,175	-	-	111,175
WWTP Water Quality Project - Engineering/Design	-	-	97,019	-	97,019
SYVT Bus Purchase - CARES Act Phase 2	-	-	-	90,000	90,000
WWTP Aeration Replacement - CM & Inspection	-	-	83,660	-	83,660
WWTP Construction Engineering Support	-	-	53,000	-	53,000
Breeze 200 cost share	-	-	-	42,000	42,000
SYVT Bus Stop 8 Upgrades	-	-	-	32,867	32,867
Water - Emergency Response Plan	-	31,263	-	-	31,263
Second St. Drainage Phase II	28,100	-	-	-	28,100
Water Master Plan - Hydraulic Modeling	-	24,985	-	-	24,985
Sewer Master Plan Update 2021	-	-	23,255	-	23,255
Groundwater Sustainability Plan cost share	-	20,000	-	-	20,000
Living systems land management, Goats for Hire	19,200	-	-	-	19,200
Local Road Safety Plan	18,893	-	-	-	18,893
General Fund Fee Study	16,650	-	-	-	16,650
Stormwater Management Program	12,166	-	-	-	12,166
WWTP Water Quality Project - Envior Work	-	-	11,508	-	11,508
SWRCB - River Wells - EIR Addendum	-	9,194	-	-	9,194
Update Public Works Standard Details	6,961	-	-	-	6,961
Well7a SCADA intergration	-	4,700	-	-	4,700
Supplemental Water Purchase - Broker Services	-	3,583	-	-	3,583
Scan Public Works Project Files	1,656	-	-	-	1,656
Grand Total	\$ 526,726	\$ 204,899	\$ 1,923,621	\$ 164,867	\$ 2,820,113

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

9. OPERATING AGREEMENTS

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

10. PENSION PLANS

A. Plan Description

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

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

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

10. PENSION PLANS, CONTINUED

B. Benefits Provided

The rate plan provisions and benefits in effect at June 30, 2021 are summarized as follows:

	Rate Plan		
	Miscellaneous	PEPRA Miscellaneous	Safety
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1 2013
Benefit formula	2.5% @ 55	2.0% @ 62	2% @ 50
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	50 - 55
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	2.0%	2.0%
Required employee contribution rates	8.000%	7.250%	0.000%
Required employer contribution rates	13.146%	7.874%	0.000%
Required unfunded liability payment	\$ 288,702	\$ 333	\$ 9,675

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

The City’s contributions to the Plan for the measurement period ended June 30, 2020 were \$369,421. The City’s contributions to the Plan for the fiscal year ended June 30, 2021 recorded as deferred outflows of resources were \$400,915.

As of June 30, 2021, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$4,695,870.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

10. PENSION PLANS, CONTINUED

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

The City's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The City's proportionate share of the net pension liability was based on the City's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City's proportionate share of the net pension liability for each Plan as of measurement dates June 30, 2019 and 2020 were as follows:

Proportion - June 30, 2019	0.04206%
Proportion - June 30, 2020	0.04316%
Change - Increase (Decrease)	<u>0.00110%</u>

For the year ended June 30, 2021, the City recognized pension expense of \$969,838 at June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 243,920	\$ -
Changes in assumptions	-	33,211
Net difference between projected and actual earnings on pension plan investments	138,908	-
Changes in proportions	161,933	-
Differences between expected and actual contributions	-	355,569
Pension contributions subsequent to the measurement date	<u>400,915</u>	<u>-</u>
Totals	<u>\$ 945,676</u>	<u>\$ 388,780</u>

\$400,915 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

10. PENSION PLANS, CONTINUED

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

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

Fiscal Year Ended June 30		
2022	\$	(46,863)
2023		64,666
2024		71,519
2025		66,659

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return ⁽¹⁾	7.15%
Mortality	Derived by CalPERS membership data for all funds

(1) Net of pension plan investment expenses.

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. Further details of the December 2017 Experience Study can be found on the CalPERS website www.calpers.ca.gov.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

10. PENSION PLANS, CONTINUED

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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

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

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -

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

	1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
Net Pension Liability	\$ 7,231,638	\$ 4,695,870	\$ 2,601,122

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

10. PENSION PLANS, CONTINUED

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

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

Payable to the Pension Plan

At June 30, 2021, the City reported no payable for outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

11. RESTRICTED NET POSITION AND FUND BALANCES

The \$3,545,533 restricted amount in the governmental activities statement of net position represents amounts to be used only for specific purposes which restrictions are imposed by laws, formal agreements or other governments.

12. OTHER POST- EMPLOYMENT BENEFITS

A. Plan Description.

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

Benefits Provided.

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

Employees Covered by the Benefit Terms.

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries current receiving benefits	25
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	22
	47
	47

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

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

12. OTHER POST- EMPLOYMENT BENEFITS, CONTINUED

B. Contributions

The City’s plan is affiliated with the State of California PERS in so far as the City’s health insurance premium payments are paid to the PERS. The PERS through an aggregation of single employer plans pools administrative functions in regard to purchases of commercial health insurance policies and coverages. City regulations grant authority to the City Council to establish and amend contribution requirements. Employees are not required to contribute to the plan. The amount contributed for the measurement period ended June 30, 2020 was \$204,647 which amount was based on the City’s decision to prefund its obligation. The General Fund has typically been used to liquidate OPEB liabilities for governmental funds. The City’s contribution for fiscal year 2021 was \$214,130.

C. Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

D. Actuarial assumptions

The total net OPEB liability in the June 30, 2020 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 2017 CalPERS Mortality for Miscellaneous and Schools Employees.

Change of assumptions: For measurement date June 30, 2020, mortality rates were updated to reflect more current experience information. The 2017 CalPERS mortality tables were used for determining the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return weighing the expected future real rates of return by target asset allocation asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

Asset Class	Percentage of Portfolio	Assumed Gross Return
All Equities	40%	7.7950%
All Fixed Income	43%	4.5000%
Real Estate Investment Trusts	8%	7.5000%
All Commodities	4%	7.7950%
Treasury Inflation Protected Securities (TIPS)	5%	3.2500%

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

12. OTHER POST- EMPLOYMENT BENEFITS, CONTINUED

E. Discount Rate

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

F. Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (a)	Net OPEB Liability (a) - (b)
Balances at 6/30/2019 (Measurement Date)	\$ 2,730,480	\$ 705,736	\$ 2,024,744
Changes for the year:			
Service cost	17,469	-	17,469
Interest	174,097	-	174,097
Differences between expected and actual experience	(397,078)	-	(397,078)
Changes in assumptions	(49,124)		(49,124)
Contributions - employer	-	204,647	(204,647)
Net investment income	-	39,698	(39,698)
Benefit payments	(134,647)	(134,647)	-
Administrative expenses	-	(633)	633
Net changes	(389,283)	109,065	(498,348)
Balances at 6/30/2020 (Measurement Date)	\$ 2,341,197	\$ 814,801	\$ 1,526,396

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

	1% Decrease 5.50%	Discount Rate 6.50%	1% Increase 7.50%
Net OPEB Liability (Asset)	\$ 1,808,450	\$ 1,526,396	\$ 1,293,182

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

12. OTHER POST- EMPLOYMENT BENEFITS, CONTINUED

F. Net OPEB Liability, Continued

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

	1% decrease to 3.00%	Healthcare Cost Trend Rate 4.00%	1% increase to 5.00%
Net OPEB Liability (Asset)	\$ 1,271,963	\$ 1,526,396	\$ 1,836,116

G. OPEB Plan Fiduciary Net Position

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

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$91,072. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	\$ 214,130	\$ -
Differences between expected and actual experience	-	349,806
Changes in assumptions	-	43,275
Net difference between projected and actual earnings on OPEB plan investments	2,050	-
Totals	<u>\$ 216,180</u>	<u>\$ 393,081</u>

\$214,130 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

City of Solvang
Notes to the Basic Financial Statements
For the year ended June 30, 2021

12. OTHER POST- EMPLOYMENT BENEFITS, CONTINUED

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

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

Fiscal Year Ended June 30	
2022	\$ (53,000)
2023	(53,000)
2024	(52,998)
2025	(51,436)
2026	(53,121)
Thereafter	(127,476)

13. PRIOR PERIOD ADJUSTMENTS

The City recorded a prior period adjustment to establish beginning fiduciary net position for its custodial fund, as part of implementing GASB Statement No. 84, *Fiduciary Activities*, and to remove the Solvang Conference and Visitors Bureau due to the governing body of the City no longer being substantially the same as the governing body of the Bureau.

	Fund Balance/ Net Position, as Previously Reported at June 30, 2020	Prior Period Adjustments		Fund Balance/ Net Position, as Restated at June 30, 2020
		Solvang Conference and Visitors Bureau	Due to other governments	
Government-wide Financial Statements:				
Governmental Activities	\$ 23,820,031	\$ (1,953)	\$ -	\$ 23,818,078
Fund Financial Statements:				
Governmental Funds:				
Non-major governmental funds	\$ 1,216,929	\$ (1,953)	\$ -	\$ 1,214,976
Fiduciary Funds:				
Custodial fund	\$ -	\$ -	\$ 21,828	\$ 21,828

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Solvang
Required Supplementary Information
For the year ended June 30, 2021

1. DEFINED BENEFIT PENSION PLAN

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

Fiscal year:	2021	2020	2019	2018	2017	2016	2015
Measurement date:	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.04316%	0.04206%	0.04086%	0.04040%	0.03943%	0.03911%	0.03911%
Proportionate share of the net pension liability	\$ 4,695,870	\$ 4,310,393	\$ 3,937,533	\$ 4,006,588	\$ 3,411,989	\$ 2,684,713	\$ 2,684,713
Covered payroll	\$ 2,090,447	\$ 2,588,376	\$ 2,271,637	\$ 2,247,735	\$ 2,212,540	\$ 2,413,263	\$ 2,413,263
Proportionate share of the net pension liability as a percentage of covered payroll	224.63%	166.53%	173.33%	178.25%	154.21%	111.25%	111.25%
Plan's share of fiduciary net position as a percentage of total pension liability	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	78.40%

*Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016, and then decreased from 7.65% to 7.15% in fiscal year 2018.

The CalPERS mortality assumptions were adjusted in fiscal year 2019.

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

Fiscal year	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 400,915	\$ 369,421	\$ 339,043	\$ 279,932	\$ 267,856	\$ 275,424	\$ 390,955
Contribution in relation to the actuarially determined contributions	(400,915)	(369,421)	(339,043)	(279,932)	(267,856)	(275,424)	(390,955)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,617,922	\$ 2,090,447	\$ 2,588,376	\$ 2,271,637	\$ 2,247,735	\$ 2,212,540	\$ 2,413,263
Contributions as a percentage of covered payroll	24.78%	17.67%	13.10%	12.32%	11.92%	12.45%	16.20%

Note to Schedule

*Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

Methods and assumptions used to determine contribution rates:

Valuation date (for contractually required contribution):	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Actuarial cost method:	Entry Age						
Amortization method:	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value	15 Year Smoothed Market					
Inflation:	2.63%	2.63%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases:	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return:	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%
Retirement age:	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)	(4)	(4)	(4)	(4)

⁽¹⁾ Level percentage of payroll, closed

⁽²⁾ Depending on age, service, and type of employment

⁽³⁾ 50 for all plans, with the exception of 52 for Miscellaneous PEPRA 2%@62

⁽⁴⁾ Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

City of Solvang
Required Supplementary Information
For the year ended June 30, 2021

2. OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year	2021	2020	2019	2018
<i>Measurement Period</i>	2020	2019	2018	2017
Total OPEB Liability				
Service Cost	\$ 17,469	\$ 17,001	\$ 16,546	\$ 14,390
Interest on the total OPEB liability	174,097	169,714	164,529	275,096
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(397,078)	-	-	-
Changes of assumptions	(49,124)	-	-	-
Benefit payments, including refunds of employee contributions	(134,647)	(117,453)	(86,041)	(121,194)
Net change in total OPEB liability	(389,283)	69,262	95,034	168,292
Total OPEB liability - beginning	2,730,480	2,661,218	2,566,184	2,397,892
Total OPEB liability - ending (a)	\$ 2,341,197	\$ 2,730,480	\$ 2,661,218	\$ 2,566,184
Plan Fiduciary Net Position				
Contributions - employer	\$ 204,647	\$ 187,453	\$ 159,080	\$ 174,832
Contributions - employee	-	-	-	-
Net investment income	39,698	48,299	30,282	27,989
Benefit payments, including refunds of employee contributions	(134,647)	(117,453)	(86,041)	-
Administrative expense	(633)	(545)	(446)	(121,194)
Net change in plan fiduciary net position	109,065	117,754	102,875	81,627
Plan fiduciary net position - beginning	705,736	587,982	485,107	403,480
Plan fiduciary net position - ending (b)	\$ 814,801	\$ 705,736	\$ 587,982	\$ 485,107
Net OPEB liability/(asset) - ending (a) - (b)	\$ 1,526,396	\$ 2,024,744	\$ 2,073,236	\$ 2,081,077
Plan fiduciary net position as a percentage of the total OPEB liability	34.80%	25.85%	22.09%	18.90%
Covered-employee payroll	\$ 2,412,314	\$ 2,639,268	\$ 2,275,881	\$ 2,539,234
Net OPEB liability as a percentage of covered-employee payroll	63.28%	76.72%	91.10%	81.96%

Notes to Schedule

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

Change of assumptions: Mortality assumptions were updated in fiscal year 2021

Actuarially determined contributions are not calculated for the plan.

City of Solvang
Required Supplementary Information
For the year ended June 30, 2021

3. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgeting procedures

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except repayments of internal balances in the general fund are budgeted as an expenditure for budgetary purposes. Appropriations lapse at fiscal yearend. The appropriated budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department. Transfers between departments and other changes require City Council approval. The legal level of control is the department and fund level. The Council made supplemental appropriations during the fiscal year. Encumbrance accounting is not employed in governmental funds.

City of Solvang
Required Supplementary Information
For the year ended June 30, 2021

B. Budgetary Comparison Schedule - General Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		\$
Fund Balance, July 1	10,248,158	10,248,158	10,248,158	-
Resources (inflows):				
Property taxes	1,533,492	1,533,492	1,542,764	9,272
Sales taxes	1,359,000	1,359,000	1,606,443	247,443
Transient occupancy taxes	2,791,525	2,791,525	4,078,826	1,287,301
Other taxes	250,500	250,500	287,548	37,048
Licenses and permits	105,000	105,000	128,951	23,951
Fines and forfeits	2,000	2,000	7,494	5,494
Intergovernmental	300,000	300,000	230,439	(69,561)
Interest	155,000	155,000	6,846	(148,154)
Charges for services	711,064	711,064	758,056	46,992
Miscellaneous	118,000	118,000	54,205	(63,795)
Transfers in	156,172	156,172	176,172	20,000
Amounts available for charges to appropriations	17,729,911	17,729,911	19,125,902	1,395,991
Charges to appropriations:				
<i>General Government:</i>				
Nondepartmental:				
City council	37,200	37,200	39,700	(2,500)
Other	91,149	91,149	96,442	(5,293)
OPEB	200,580	200,580	214,130	(13,550)
Community support	217,620	227,620	215,905	11,715
Administration:				
Legal	200,000	175,000	182,075	(7,075)
General administration	856,152	901,152	1,054,786	(153,634)
<i>Public Safety:</i>				
Sheriff contract	1,840,297	1,840,297	1,806,359	33,938
Animal control	44,459	44,459	46,256	(1,797)
Mental health & 211 program	2,852	2,852	2,445	407
<i>Culture and Recreation:</i>				
Tourism	541,083	551,083	855,457	(304,374)
Parks and recreation	570,321	587,821	464,191	123,630
Library	184,855	184,855	184,855	-
<i>Community Development:</i>				
City planning, building, development	644,720	618,970	747,382	(128,412)
<i>Public works:</i>				
Public works, streets, engineering	1,884,999	1,974,249	1,551,991	422,258
Total charges to appropriations	7,316,287	7,437,287	7,461,974	(24,687)
Fund Balance, June 30	10,413,624	10,292,624	11,663,928	1,371,304

City of Solvang
Required Supplementary Information
For the year ended June 30, 2021

C. Budgetary Comparison Schedule - Impact Fee Special Revenue Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 270,000	\$ 258,649	\$ (11,351)
Interest	18,424	18,424	1,622	(16,802)
Charges for services	28,539	28,539	1,971	(26,568)
Total revenues	46,963	316,963	262,242	(54,721)
EXPENDITURES:				
Current:				
Capital outlay	45,000	45,000	32,214	12,786
Total expenditures	45,000	45,000	32,214	12,786
REVENUES OVER (UNDER) EXPENDITURES	1,963	271,963	230,028	(41,935)
OTHER FINANCING SOURCES (USES):				
Transfers in	270,000	-	-	-
Transfers out	(795,000)	(795,000)	(744,273)	50,727
Total other financing sources (uses)	(525,000)	(795,000)	(744,273)	50,727
Net change in fund balances	\$ (523,037)	\$ (523,037)	(514,245)	\$ 8,792
FUND BALANCES:				
Beginning of the year			2,114,547	
End of year			\$ 1,600,302	

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SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

CAPITAL PROJECTS FUNDS

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

City of Solvang
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

	Special Revenue Funds				
	Traffic Safety	Gas Tax	Local Transportation	Measure A	Skytt Mesa Landscape and Lighting
ASSETS					
Cash and investments	\$ 1,602	\$ 241,062	\$ 233,193	\$ 896,871	\$ 358,684
Receivables:					
Accounts receivable	383	18,790	85,281	88,244	-
Interest receivable	7	275	216	855	274
Total assets	\$ 1,992	\$ 260,127	\$ 318,690	\$ 985,970	\$ 358,958
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 6,821
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	-	6,821
Fund Balances:					
Restricted for highways and streets	1,992	260,127	318,690	985,970	352,137
Unassigned	-	-	-	-	-
Total fund balances	1,992	260,127	318,690	985,970	352,137
Total liabilities and fund balances	\$ 1,992	\$ 260,127	\$ 318,690	\$ 985,970	\$ 358,958

Capital Projects

<u>City Projects</u>	
<u>Fund</u>	<u>Totals</u>
\$ -	\$ 1,731,412
-	192,698
-	1,627
<u>\$ -</u>	<u>\$ 1,925,737</u>

\$ 3,165	\$ 9,986
<u>20,658</u>	<u>20,658</u>
<u>23,823</u>	<u>30,644</u>

-	1,918,916
<u>(23,823)</u>	<u>(23,823)</u>
<u>(23,823)</u>	<u>1,895,093</u>
<u>\$ -</u>	<u>\$ 1,925,737</u>

City of Solvang
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2021

	Special Revenue Funds				
	Traffic Safety	Gas Tax	Local Transportation	Measure A	Skytt Mesa Landscape and Lighting
REVENUES:					
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ 214,971
Intergovernmental	-	227,964	170,199	447,070	-
Interest	16	739	417	2,403	267
Charges for services	5,231	-	-	-	-
Total revenues	5,247	228,703	170,616	449,473	215,238
EXPENDITURES:					
Current:					
Public works					
Highways and streets	-	-	-	-	194,877
Capital outlay	-	-	-	7,961	2,500
Total expenditures	-	-	-	7,961	197,377
REVENUES OVER (UNDER) EXPENDITURES	5,247	228,703	170,616	441,512	17,861
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(8,050)	(118,122)	(50,000)	(6,000)	-
Total other financing sources (uses)	(8,050)	(118,122)	(50,000)	(6,000)	-
Net change in fund balances	(2,803)	110,581	120,616	435,512	17,861
FUND BALANCES:					
Beginning of the year	4,795	149,546	198,074	550,458	334,276
End of year	\$ 1,992	\$ 260,127	\$ 318,690	\$ 985,970	\$ 352,137

Capital Projects

City Projects Fund	Totals
\$ -	\$ 214,971
-	845,233
(1,650)	2,192
-	5,231
<u>(1,650)</u>	<u>1,067,627</u>
-	194,877
<u>744,273</u>	<u>754,734</u>
<u>744,273</u>	<u>949,611</u>
<u>(745,923)</u>	<u>118,016</u>
744,273	744,273
-	(182,172)
<u>744,273</u>	<u>562,101</u>
(1,650)	680,117
<u>(22,173)</u>	<u>1,214,976</u>
<u>\$ (23,823)</u>	<u>\$ 1,895,093</u>

City of Solvang

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

Traffic Safety Special Revenue Fund

For the year ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ 50	\$ 50	\$ 16	\$ (34)
Charges for services	10,000	10,000	5,231	(4,769)
Total revenues	<u>10,050</u>	<u>10,050</u>	<u>5,247</u>	<u>(4,803)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(8,050)</u>	<u>(8,050)</u>	<u>(8,050)</u>	<u>-</u>
Total other financing sources (uses)	<u>(8,050)</u>	<u>(8,050)</u>	<u>(8,050)</u>	<u>-</u>
Net change in fund balances	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>(2,803)</u>	<u>\$ (4,803)</u>
FUND BALANCES:				
Beginning of the year			<u>4,795</u>	
End of year			<u>\$ 1,992</u>	

City of Solvang

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

Gas Tax Special Revenue Fund

For the year ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 260,507	\$ 260,507	\$ 227,964	\$ (32,543)
Interest	1,450	1,450	739	(711)
Total revenues	<u>261,957</u>	<u>261,957</u>	<u>228,703</u>	<u>(33,254)</u>
EXPENDITURES:				
Capital outlay	10	10	-	10
Total expenditures	<u>10</u>	<u>10</u>	<u>-</u>	<u>10</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>261,947</u>	<u>261,947</u>	<u>228,703</u>	<u>(33,244)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(118,122)	(118,122)	(118,122)	-
Total other financing sources (uses)	<u>(118,122)</u>	<u>(118,122)</u>	<u>(118,122)</u>	<u>-</u>
Net change in fund balances	<u>\$ 143,825</u>	<u>\$ 143,825</u>	110,581	<u>\$ (33,244)</u>
FUND BALANCES:				
Beginning of the year			<u>149,546</u>	
End of year			<u>\$ 260,127</u>	

City of Solvang

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

Local Transportation Special Revenue Fund

For the year ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 84,203	\$ 84,203	\$ 170,199	\$ 85,996
Interest	522	522	417	(105)
Total revenues	<u>84,725</u>	<u>84,725</u>	<u>170,616</u>	<u>85,891</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(50,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ 34,725</u>	<u>\$ 34,725</u>	120,616	<u>\$ 85,891</u>
FUND BALANCES:				
Beginning of the year			<u>198,074</u>	
End of year			<u>\$ 318,690</u>	

City of Solvang

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

Measure A Special Revenue Fund

For the year ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,002,739	\$ 1,002,739	\$ 447,070	\$ (555,669)
Interest	593	593	2,403	1,810
Total revenues	<u>1,003,332</u>	<u>1,003,332</u>	<u>449,473</u>	<u>(553,859)</u>
EXPENDITURES:				
Capital outlay	-	-	7,961	(7,961)
Total expenditures	<u>-</u>	<u>-</u>	<u>7,961</u>	<u>(7,961)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,003,332</u>	<u>1,003,332</u>	<u>441,512</u>	<u>(561,820)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	(3,000)	(3,000)	(6,000)	(3,000)
Total other financing sources (uses)	<u>(3,000)</u>	<u>(3,000)</u>	<u>(6,000)</u>	<u>(3,000)</u>
Net change in fund balances	<u>\$ 1,000,332</u>	<u>\$ 1,000,332</u>	435,512	<u>\$ (564,820)</u>
FUND BALANCES:				
Beginning of the year			550,458	
End of year			<u>\$ 985,970</u>	

City of Solvang

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

Skytt Mesa Landscape and Lighting Special Revenue Fund

For the year ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 214,968	\$ 214,968	\$ 214,971	\$ 3
Interest	1,500	1,500	267	(1,233)
Total revenues	216,468	216,468	215,238	(1,230)
EXPENDITURES:				
Current:				
Public works				
Highways and streets	202,150	202,150	194,877	7,273
Capital outlay	11,000	11,000	2,500	8,500
Total expenditures	213,150	213,150	197,377	15,773
Net change in fund balances	\$ 3,318	\$ 3,318	17,861	\$ 14,543
FUND BALANCES:				
Beginning of the year			334,276	
End of year			\$ 352,137	

City of Solvang

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

City Projects Capital Projects Fund

For the year ended June 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ 1,100	\$ 1,100	\$ (1,650)	\$ (2,750)
Total revenues	<u>1,100</u>	<u>1,100</u>	<u>(1,650)</u>	<u>(2,750)</u>
EXPENDITURES:				
Capital outlay	795,000	795,000	744,273	50,727
Total expenditures	<u>795,000</u>	<u>795,000</u>	<u>744,273</u>	<u>50,727</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(793,900)</u>	<u>(793,900)</u>	<u>(745,923)</u>	<u>47,977</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	795,000	795,000	744,273	(50,727)
Total other financing sources (uses)	<u>795,000</u>	<u>795,000</u>	<u>744,273</u>	<u>(50,727)</u>
Net change in fund balances	<u>\$ 1,100</u>	<u>\$ 1,100</u>	<u>(1,650)</u>	<u>\$ (2,750)</u>
FUND BALANCES:				
Beginning of the year			<u>(22,173)</u>	
End of year			<u>\$ (23,823)</u>	

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STATISTICAL SECTION

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

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

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities:										
Net investment in capital assets	\$ 11,919,888	\$ 12,342,031	\$ 12,057,865	\$ 11,748,077	\$ 11,584,893	\$ 12,128,629	\$ 12,360,410	\$ 12,565,957	\$ 12,696,479	\$ 12,740,666
Restricted	2,892,272	3,061,331	3,155,589	3,011,325	3,121,123	3,597,517	3,213,182	3,443,607	3,435,769	3,545,533
Unrestricted	6,307,453	6,810,793	5,935,965	7,488,153	8,798,516	7,485,859	9,010,003	9,093,838	7,687,783	8,279,527
Total governmental activities net position	\$ 21,119,613	\$ 22,214,155	\$ 21,149,419	\$ 22,247,555	\$ 23,504,532	\$ 23,212,005	\$ 24,583,595	\$ 25,103,402	\$ 23,820,031	\$ 24,565,726
Business-type activities:										
Net investment in capital assets	\$ 9,707,588	\$ 9,346,335	\$ 9,512,247	\$ 10,409,946	\$ 10,943,614	\$ 10,879,295	\$ 10,462,415	\$ 12,053,677	\$ 11,521,718	\$ 11,555,587
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	7,628,136	7,933,345	7,097,759	6,794,971	10,725,516	11,550,796	12,687,615	11,679,974	11,469,414	11,645,387
Total business-type activities net position	\$ 17,335,724	\$ 17,279,680	\$ 16,610,006	\$ 17,204,917	\$ 21,669,130	\$ 22,430,091	\$ 23,150,030	\$ 23,733,651	\$ 22,991,132	\$ 23,200,974
Primary government (City wide totals)										
Net investment in capital assets	\$ 21,627,476	\$ 21,688,366	\$ 21,570,112	\$ 22,158,023	\$ 22,528,507	\$ 23,007,924	\$ 22,822,825	\$ 24,619,634	\$ 24,218,197	\$ 24,296,253
Restricted	2,892,272	3,061,331	3,155,589	3,011,325	3,121,123	3,597,517	3,213,182	3,443,607	3,435,769	3,545,533
Unrestricted	13,935,589	14,744,138	13,033,724	14,283,124	19,524,032	19,036,655	21,697,618	20,773,812	19,157,197	19,924,914
Total primary government net position	\$ 38,455,337	\$ 39,493,835	\$ 37,759,425	\$ 39,452,472	\$ 45,173,662	\$ 45,642,096	\$ 47,733,625	\$ 48,837,053	\$ 46,811,163	\$ 47,766,700

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses:										
Governmental activities:										
General government	\$ 1,586,533	\$ 1,494,094	\$ 1,578,629	\$ 1,417,776	\$ 1,664,564	\$ 2,031,468	\$ 1,274,194	\$ 1,778,600	\$ 2,532,206	\$ 1,973,026
Public safety	1,538,315	1,621,864	1,639,642	1,647,930	1,637,483	1,675,872	1,737,083	1,820,369	2,039,940	1,861,310
Public works	1,517,240	1,444,453	1,792,316	1,789,458	2,045,387	2,499,428	2,375,931	2,821,441	2,430,740	1,651,868
Community development	398,088	426,574	455,085	876,912	463,965	434,362	559,661	822,307	686,326	704,481
Culture and recreation	1,667,929	1,676,227	1,701,142	1,713,110	1,858,427	1,865,952	2,022,884	2,182,521	2,816,624	2,393,971
Interest on long-term debt	4,878	3,114	-	-	-	-	-	-	-	-
Total Governmental Activities	6,712,983	6,666,326	7,166,814	7,445,186	7,669,826	8,507,082	7,969,753	9,425,238	10,505,836	8,584,656
Business-type activities:										
Water	3,878,275	4,312,353	5,067,560	4,765,816	4,077,790	4,030,207	4,307,206	4,861,159	4,922,788	5,280,019
Wastewater	1,710,790	2,021,585	1,800,351	1,799,891	1,733,416	2,083,850	2,090,605	2,343,221	2,481,979	2,222,770
Transit	729,923	702,479	732,221	708,781	701,114	848,637	856,112	996,657	982,433	1,029,886
Total Business-type Activities	6,318,988	7,036,417	7,600,132	7,274,488	6,512,320	6,962,694	7,253,923	8,201,037	8,387,200	8,531,875
Total Expenses	\$ 13,031,971	\$ 13,702,743	\$ 14,766,946	\$ 14,719,674	\$ 14,182,146	\$ 15,469,776	\$ 15,223,676	\$ 17,626,275	\$ 18,893,036	\$ 17,116,531
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	399,456	512,314	467,882	552,656	497,867	499,324	512,784	555,393	559,178	577,697
Public safety	14,587	23,871	26,170	20,140	14,251	19,039	11,506	76,077	4,888	1,971
Public works	168,750	240,098	262,060	275,691	325,298	430,863	502,886	260,504	250,905	232,180
Community development	97,214	300,738	446,915	416,750	412,305	287,874	168,769	160,043	153,619	260,150
Culture and recreation	223,785	178,733	150,541	135,769	104,343	119,547	120,414	108,954	91,210	44,676
Operating grants and contributions	703,603	810,876	657,186	614,802	530,193	773,860	630,949	680,790	801,390	1,213,507
Capital grants and contributions	-	340,272	57,401	40,559	116,767	921,294	198,314	118,731	134,144	129,594
Total Governmental Activities	1,607,395	2,406,902	2,068,155	2,056,367	2,001,024	3,051,801	2,145,622	1,960,492	1,985,334	2,459,775
Business-type Activity:										
Charges for services:										
Water	4,206,861	4,492,912	4,671,555	4,422,992	4,457,268	4,566,227	4,919,648	4,742,528	4,817,512	5,102,750
Wastewater	1,481,825	1,532,057	1,640,187	1,623,447	1,736,952	1,689,291	1,824,725	1,463,857	1,418,281	1,415,118
Transit	72,346	67,296	67,688	65,696	59,869	78,573	61,631	64,702	47,762	37,682
Operating grants and contributions	813,568	511,341	594,073	805,635	813,847	888,618	809,650	1,827,984	1,248,222	1,452,986
Capital grants and contributions	48,724	325,677	911,348	950,429	587,845	214,575	51,708	35,716	4,707	22,978
Total Business-type Activities	6,623,324	6,929,283	7,884,851	7,868,199	7,655,781	7,417,284	7,667,362	8,134,787	7,536,484	8,031,514
Total Program Revenues	\$ 8,230,719	\$ 9,336,185	\$ 9,953,006	\$ 9,924,566	\$ 9,656,805	\$ 10,469,085	\$ 9,812,984	\$ 10,095,279	\$ 9,531,818	\$ 10,491,289

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net (Expense)/Revenue:										
Governmental Activities	\$ (5,105,588)	\$ (4,259,424)	\$ (5,098,659)	\$ (5,388,819)	\$ (5,668,802)	\$ (5,455,281)	\$ (5,824,131)	\$ (7,464,746)	\$ (8,510,502)	\$ (6,124,881)
Business-type Activities	304,336	(107,134)	284,719	593,711	1,143,461	454,590	413,439	(66,250)	(850,716)	(500,361)
Total Net Expense	\$ (4,801,252)	\$ (4,366,558)	\$ (4,813,940)	\$ (4,795,108)	\$ (4,525,341)	\$ (5,000,691)	\$ (5,410,692)	\$ (7,530,996)	\$ (9,361,218)	\$ (6,625,242)
General Revenues										
Governmental Activities:										
Taxes:										
Property taxes	\$ 1,051,200	\$ 1,063,715	\$ 1,096,028	\$ 1,140,579	\$ 1,213,316	\$ 1,283,266	\$ 1,380,568	\$ 1,401,623	\$ 1,480,839	\$ 1,542,764
Transient occupancy taxes	2,683,564	2,985,512	3,425,309	3,833,644	4,195,940	4,330,599	4,320,318	4,618,425	3,440,275	4,078,826
Sales taxes	1,066,086	1,122,814	1,153,845	1,241,436	1,226,777	1,453,808	1,405,281	1,507,745	1,347,670	1,606,443
Other taxes	208,006	226,792	237,256	247,173	248,247	233,572	286,790	232,707	273,226	287,548
Investment earnings	21,439	6,223	16,503	25,323	43,499	48,294	109,264	413,701	364,465	9,490
Miscellaneous	-	-	-	-	-	-	-	34,436	118,250	45,425
Transfers	(1,000)	(51,090)	(1,200)	(1,200)	(2,000)	(852,390)	(306,500)	(311,467)	102,992	(697,967)
Special Item	(661,931)	-	-	-	-	-	-	-	-	-
Total general revenues, transfers and special item	4,367,364	5,353,966	5,927,741	6,486,955	6,925,779	6,497,149	7,195,721	7,897,170	7,127,717	6,872,529
Business-type Activity	-	-	-	-	-	-	-	258,866	211,189	12,236
Investment earnings	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	(102,992)	697,967
Transfers	1,000	51,090	1,200	1,200	2,000	852,390	306,500	311,467	108,197	710,203
Total Business-type Activities	1,000	51,090	1,200	1,200	2,000	852,390	306,500	570,333	108,197	710,203
Total primary government	\$ 4,368,364	\$ 5,405,056	\$ 5,928,941	\$ 6,488,155	\$ 6,927,779	\$ 7,349,539	\$ 7,502,221	\$ 8,467,503	\$ 7,235,914	\$ 7,582,732
Change in net position:										
Change in reporting of Component unit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,414	\$ -
Governmental activities	(738,224)	1,094,542	829,082	1,098,136	1,256,977	1,041,868	1,371,590	432,424	(1,283,371)	747,648
Business-type activities	305,336	(56,044)	285,919	594,911	1,145,461	1,306,980	719,939	504,083	(742,519)	209,842
Total Changes in Net Position	\$ (432,888)	\$ 1,038,498	\$ 1,115,001	\$ 1,693,047	\$ 2,402,438	\$ 2,348,848	\$ 2,091,529	\$ 936,507	\$ (1,926,476)	\$ 957,490

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	\$ 700	\$ 700	\$ 700	\$ 127,805	\$ 76,502	\$ 82,192	\$ 85,451	\$ 337,809	\$ 229,904	\$ 100,412
Restricted	14,726	12,553	13,291	14,290	18,680	12,206	58,837	298,837	26,612	26,315
Committed	3,194,614	2,998,543	3,570,693	3,619,902	4,127,320	4,127,320	4,830,633	4,830,633	4,830,633	4,830,633
Assigned	-	-	-	-	-	-	-	-	-	526,726
Unassigned	2,365,309	3,256,119	3,767,385	4,871,659	5,345,636	5,824,932	5,937,175	5,913,948	5,161,009	6,179,842
Reserved										
Total general fund	\$ 5,575,349	\$ 6,267,915	\$ 7,352,069	\$ 8,633,656	\$ 9,568,138	\$ 10,046,650	\$ 10,912,096	\$ 11,381,227	\$ 10,248,158	\$ 11,663,928
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,000	\$ 275,000	\$ -	\$ -	\$ -
Restricted	2,874,888	3,052,778	3,143,036	2,997,035	3,180,161	3,315,997	3,154,345	3,144,770	3,409,157	3,519,218
Unassigned	-	-	-	-	-	-	-	(21,695)	(77,681)	(23,823)
Total all other governmental funds	\$ 2,874,888	\$ 3,052,778	\$ 3,143,036	\$ 2,997,035	\$ 3,180,161	\$ 3,590,997	\$ 3,429,345	\$ 3,123,075	\$ 3,331,476	\$ 3,495,395

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)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
REVENUES										
Taxes	5,009	5,555	5,922	6,463	6,885	7,301	7,393	7,761	6,542	7,516
Licenses and permits	102	195	280	224	203	184	111	127	126	129
Fines and forfeits	15	24	22	11	9	9	9	7	4	7
Charges for services	707	907	984	982	956	920	962	834	722	766
Special assessments	59	75	75	111	153	203	202	193	207	215
Intergovernmental	677	1,077	638	731	619	1,489	618	708	918	1,334
Investment earnings	59	48	24	34	57	64	150	374	327	11
Other revenues	58	91	15	6	47	209	203	121	136	54
Total Revenues	6,686	7,972	7,960	8,562	8,929	10,379	9,649	10,124	8,982	10,032
EXPENDITURES										
General government	1,342	1,335	1,393	1,547	1,951	1,669	1,546	1,762	2,467	1,803
Public safety	1,529	1,613	1,628	1,644	1,631	1,662	1,734	1,814	2,023	1,855
Culture and recreation	1,383	1,541	1,592	1,592	1,695	1,654	1,989	1,952	2,195	1,505
Public works	1,782	2,168	1,717	1,837	2,068	3,255	1,941	1,649	1,534	1,475
Community development	398	427	455	517	464	434	560	776	622	747
Housing	-	-	-	394	-	-	-	-	-	-
Capital outlay	84	13	-	-	-	-	869	1,597	1,164	1,059
Debt service:										
Interest	5	3	-	-	-	-	-	-	-	-
Total expenditures	6,523	7,100	6,785	7,531	7,809	8,674	8,638	9,550	10,004	8,444
Excess (Deficiency) of Revenues over Expenditures	163	872	1,175	1,031	1,120	1,705	1,010	574	(1,022)	1,588
Other Financing Sources (Uses)										
Transfers in	286	192	169	161	176	431	175	176	156	920
Transfers out	(287)	(193)	(170)	(162)	(178)	(1246)	(482)	(588)	(156)	(926)
Change in reporting of component unit	-	-	-	-	-	-	-	-	97	-
Total Other Financing Sources (Uses)	286	192	169	161	176	431	175	176	97	(6)
Net change in fund balances	449	1,064	1,344	1,192	1,296	2,136	1,186	750	(925)	1,582
Debt service as a percentage of noncapital expenditures	0.08%	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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	
2011-2012	\$ 923,105	\$ 32,296	\$ 955,401	1.00%
2012-2013	924,661	32,642	957,303	1.00%
2013-2014	934,243	35,746	969,989	1.00%
2014-2015	979,763	32,966	1,012,729	1.00%
2015-2016	1,041,231	30,866	1,072,097	1.00%
2016-2017	1,105,535	32,355	1,137,891	1.00%
2017-2018	1,168,412	33,137	1,201,549	1.00%
2018-2019	1,224,324	34,740	1,259,064	1.00%
2019-2020	1,285,410	39,041	1,324,451	1.00%
2020-2021	1,390,521	40,945	1,431,466	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
2011-2012	1.00%	0.00%	1.00%	0.05125%	0.00000%
2012-2013	1.00%	0.00%	1.00%	0.05256%	0.00000%
2013-2014	1.00%	0.00%	1.00%	0.05256%	0.00000%
2014-2015	1.00%	0.00%	1.00%	0.05256%	0.00000%
2015-2016	1.00%	0.00%	1.00%	0.05256%	0.00000%
2016-2017	1.00%	0.00%	1.00%	0.05256%	0.05762%
2017-2018	1.00%	0.00%	1.00%	0.06631%	0.06313%
2018-2019	1.00%	0.00%	1.00%	0.06362%	0.06197%
2019-2020	1.00%	0.00%	1.00%	0.06294%	0.05583%
2020-2021	1.00%	0.00%	1.00%	0.06294%	0.05646%

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)

2021			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Santa Ynez Band of Mission Indians	\$ 29,072	1	2.20%
Worldmark, The Club	17,838	2	1.35%
Lombard Street, LP	16,935	3	1.28%
Alisal Guest Ranch	15,107	4	1.14%
SYBCI California Hotel No. 2, LLC	14,478	5	1.09%
Solvang Hotel Group, LP	13,864	6	1.05%
Garfield Beach CVS, LLC	8,660	7	0.65%
Alisal Oaks, LLC	8,007	8	0.60%
Wine Manor Management, LLC	6,931	9	0.52%
Oak Park Leasing, LLC	6,786	10	0.51%
Total	\$ 137,678		10.40%

2020			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Santa Ynez Band of Mission Indians	\$ 28,555	1	2.16%
Worldmark, The Club	17,505	2	1.32%
Lombard Street, LP	16,398	3	1.24%
Alisal Guest Ranch	14,373	4	1.09%
SYBCI California Hotel No. 2, LLC	14,224	5	1.07%
Solvang Hotel Group, LP	11,598	6	0.88%
1980s Old Mission Drive, LLC	8,353	7	0.63%
Alisal Oaks, LLC	7,851	8	0.59%
Wine Manor Management, LLC	6,798	9	0.51%
Oak Park Leasing, LLC	6,654	10	0.50%
Total	\$ 132,308		9.99%

2019			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Santa Ynez Band of Mission Indians	\$ 28,047	1	2.23%
Worldmark, The Club	17,178	2	1.36%
Alisal Guest Ranch	13,995	3	1.11%
SYBCI California Hotel, No. 2, LLC	13,974	4	1.11%
Lombard Street, LP	12,376	5	0.98%
Solvang Hotel Group, LP	10,978	6	0.87%
Alisal Oaks, LLC	7,698	7	0.61%
Wine Manor Management, LLC	6,668	8	0.53%
1980S Old Mission Drive, LLC	6,645	9	0.53%
Oak Park Leasing, LLC	6,524	10	0.52%
Total	\$ 124,083		9.86%

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%
Total	\$ 119,498		9.95%

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%
Total	\$ 117,676		10.34%

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%
Total	\$ 113,194		10.56%

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%
Total	\$ 122,761		12.12%

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%
Total	\$ 112,922		11.64%

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%
Total	\$ 111,022		11.60%

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

Source: Santa Barbara County Assessor's Office

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount Collected	Percentage of Levy
2011-12	\$ 593,794	\$ 586,171	98.7%	\$ 7,363	\$ 593,533	100.0%
2012-13	599,125	593,058	99.0%	5,786	598,844	100.0%
2013-14	606,613	601,774	99.2%	4,543	606,317	100.0%
2014-15	631,868	626,577	99.2%	4,859	631,436	99.9%
2015-16	667,906	661,254	99.0%	4,911	666,165	99.7%
2016-17	708,584	702,791	99.2%	4,195	706,986	99.8%
2017-18	747,495	738,881	98.8%	6,281	745,162	99.7%
2018-19	780,734	771,772	98.9%	5,974	777,746	99.6%
2019-20	821,350	809,645	98.6%	7,206	816,851	99.5%
2020-21	849,985	838,261	98.6%	-	838,261	98.6%

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
2012	67%	\$ 133	\$ 1,947,309	\$ 735,631
			6	10
2013	67%	140	2,178,318	820,489
			6	10
2014	68%	148	2,469,434	964,365
			6	11
2015	72%	171	2,766,680	1,063,561
			6	17
2016	74%	192	2,813,475	1,368,750
			6	18
2017	72%	189	2,852,189	1,477,881
			6	18
2018	70%	166	3,203,410	1,116,882
			7	18
2019	71%	177	3,397,220	1,143,566
			7	19
2020	55%	178	2,391,340	982,733
			7	21
2021	59%	193	2,684,185	1,404,844
			8	21

Source: City of Solvang Finance Department

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

Fiscal Year	Monthly Base Rate	Rate Per CCF (748 Gallons)	Outside Users Rate per CCF
2012	62.36 ¹	2.85 ² 3.35 ³	4.28 5.03
2013	65.63 ¹	3.00 ² 3.53 ³	4.50 5.30
2014	69.08 ¹	3.16 ² 3.71 ³	4.74 5.57
2015	72.71 ¹	3.16 ² 3.71 ³	4.74 5.57
2016	75.43 ¹	3.45 ² 4.05 ³	5.18 6.08
2017	75.43 ¹	3.45 ² 4.05 ³	5.18 6.08
2018	75.43 ¹	3.45 ² 4.05 ³	5.18 6.08
2019	75.43 ¹	3.45 ² 4.05 ³	5.18 6.08
2020	75.43 ¹	3.45 ² 4.05 ³	5.18 6.08
2021	75.43 ¹	3.45 ² 4.05 ³	5.18 6.08

Source: City of Solvang Finance Department

Notes:

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

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

This rate is for 0 to 1600 Cubic Feet.

(3) This rate is for 1601 Cubic Feet and above.

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

Water Revenue Concentration Data					
Fiscal Year	Class of Customer				Totals
	Single Family Residential	Multi Family Residential	Commercial	Other	
	Revenue in Dollars and Number of Customers				
2012¹	2,131,635	402,620	887,067	426,504	3,847,826
	1,659	82	264	113	2,118
2013	2,343,935	379,449	897,317	578,884	4,199,585
	1,687	82	263	121	2,153
2014	2,755,279	353,455	771,435	733,473	4,613,643
	1,695	69	226	118	2,108
2015	2,621,212	295,474	824,286	618,427	4,359,400
	1,734	70	226	118	2,148
2016	2,667,228	289,436	819,771	588,547	4,364,982
	1,767	70	226	118	2,181
2017	2,762,880	309,802	774,336	637,288	4,484,306
	1,780	70	222	115	2,187
2018	2,973,360	322,513	796,271	704,473	4,796,616
	1,781	71	223	113	2,188
2019	2,902,029	321,349	801,045	662,831	4,687,254
	1,781	71	224	113	2,189
2020	3,018,851	321,125	752,049	671,384	4,763,409
	1,781	71	224	113	2,189
2021	3,193,794	335,547	771,099	747,515	5,047,955
	1,781	71	224	113	2,189

Source: City of Solvang Finance Department

Notes:

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

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

Fiscal Years Ended June 30

2021	2020	2019	2018
Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch
Atterdag Village	Atterdag Village	Atterdag Village	Atterdag Village
Chumash Casino Resort	Chumash Casino Resort	Chumash Casino Resort	Chumash Casino Resort
City of Solvang	City of Solvang	City of Solvang	City of Solvang
Mission Oaks	Mission Oaks	Mission Oaks	Holiday Inn Express
Rancho S.Y. Mobile Estates	Rancho S.Y. Mobile Estates	Rancho S.Y. Mobile Estates	Mission Oaks
Solvang Mesa, LLMD	Solvang Mesa, LLMD	Solvang Mesa, LLMD	Rancho S.Y. Mobile Estates
SY Cottage Hospital	Solvang School	Solvang School	Solvang Mesa, LLMD
The Landsby/Mad&Vin	Vinland Hotel	Vacations Inn Solvang	Solvang School
Worldmark	Worldmark	Worldmark	Worldmark
2017	2016	2015	2014
Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch
Atterdag Village	Atterdag Village	Atterdag Village	Atterdag Village
Chumash Casino Resort	Chumash Casino Resort	Chumash Casino Resort	Chumash Casino Resort
City of Solvang	City of Solvang	City of Solvang	City of Solvang
Hadsten House	Hadsten House	Hadsten House	Hadsten House
Holiday Inn Express	Holiday Inn Express	Inland Pacific Builders	Holiday Inn Express
Mission Oaks	Inland Pacific Builders	Mission Oaks	Inland Pacific Builders
Rancho S.Y. Mobile Estates	Mission Oaks	Rancho S.Y. Mobile Estates	Mission Oaks
Solvang School	Rancho S.Y. Mobile Estates	Solvang School	Rancho S.Y. Mobile Estates
Worldmark	Worldmark	Worldmark	Solvang School
2013	2012		
Alisal Guest Ranch	Alisal Guest Ranch		
Atterdag Village	Atterdag Village		
Chumash Casino Resort	Chumash Casino Resort		
City of Solvang	City of Solvang		
Mission Oaks	Mission Oaks		
N&G Investments	Rancho S.Y. Mobile Estates		
Oak Park Apartments	Solvang LLM		
Rancho S.Y. Mobile Estates	Solvang School		
Solvang School	Wine Valley Inn		
Worldmark Solvang	Worldmark Solvang		

Source: City of Solvang Finance Department

Schedule 13
City of Solvang
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Dollars in Thousands except for Per Capita)

Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Special Assessment Bonds ¹	Notes	Capital Lease Obligations		Instalment Agreement	Total Outstanding Debt	Percentage of Personal Income	Population	Debt per Capita
					Capital Lease Obligations	Capital Lease Obligations					
Governmental Activities											
Business-type Activities											
2012	-	-	-	-	-	-	-	-	0% ²	5281 ³	\$ -
2013	-	-	-	-	-	-	-	-	0% ²	5274 ³	\$ -
2014	-	-	-	-	-	-	-	-	0% ²	5336 ³	\$ -
2015	-	-	-	-	-	-	-	-	0% ²	5449 ³	\$ -
2016	-	-	-	-	-	-	-	-	0% ²	5495 ³	\$ -
2017	-	-	-	-	-	-	-	-	0% ²	5602 ³	\$ -
2018	-	-	-	-	-	-	-	-	0% ²	5613 ³	\$ -
2019	-	-	-	-	-	-	-	-	0% ²	5575 ³	\$ -
2020	-	-	-	-	-	-	-	-	0% ²	5562 ³	\$ -
2021	-	-	-	-	-	-	-	-	0% ²	5838 ³	\$ -

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, 2021

Governmental Unit:	Debt Outstanding	Estimated Percentage Applicable²	Amount Applicable to Primary Government
Direct and Overlapping General Fund Debt			
Santa Barbara County Certificates of Participation	\$ 30,500,000	1.508%	\$ 459,940
Santa Ynez Valley Union High School District COP	1,537,000	18.361%	282,209
Buellton Union School District Cert of Participation	-	0.000%	-
Total Gross Direct and Overlapping General Fund Debt			742,149
Less: Santa Barbara County Supported Obligations			(32,950)
Total Net Direct and Overlapping General Fund Debt			709,199
Overlapping Tax and Assessment Debt			
Allan Hancock Joint Community College District	\$ 133,075,032	4.589%	6,106,813
Santa Ynez Valley Union School District	11,935,000	18.361%	2,191,385
Buellton Union School district	5,718,268	0.904%	51,693
Solvang School District	9,123,721	81.344%	7,421,600
Total Overlapping Tax and Assessment Debt			15,771,491
Subtotal, overlapping debt			16,480,690 ³
City of Solvang direct debt			-
Total direct and overlapping debt			\$ 16,480,690

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
2012	\$ 143,310,234	\$ -	0.00%
2013	\$ 35,898,852	\$ -	0.00%
2014	\$ 36,374,577	\$ -	0.00%
2015	\$ 37,977,325	\$ -	0.00%
2016	\$ 40,226,713	\$ -	0.00%
2017	\$ 42,670,909	\$ -	0.00%
2018	\$ 45,058,074	\$ -	0.00%
2019	\$ 47,214,897	\$ -	0.00%
2020	\$ 49,930,185	\$ -	0.00%
2021	\$ 53,679,976		

<u>Legal Debt Margin Calculation for Fiscal Year 2021</u>	
Assessed Value	\$ 1,431,466,018
Debt Limit (3.75% of assessed value)	53,679,976
Less debt applicable to limit:	
General Obligation bonds	0
Total debt applicable to limit	0
Legal Debt Margin	<u>\$ 53,679,976</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		
		Principal	Interest	Coverage
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-

Water Installment Agreement and Capital Lease

	Water Service Revenues ¹	Capital Impact Fees	Less Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2012	4,206,861	23,504	3,669,942	560,423	221,387	66,235	1.95
2013	4,492,912	184,331	4,093,060	584,183	-	-	-
2014	4,671,555	481,283	4,842,994	309,844	-	-	-
2015	4,422,992	497,405	4,541,401	378,996	-	-	-
2016	4,457,268	294,184	3,851,606	899,846	-	-	-
2017	4,566,227	102,409	3,771,037	897,599	-	-	-
2018	4,919,648	26,455	4,023,666	922,437	-	-	-
2019	4,742,528	35,716	4,558,594	219,650	-	-	-
2020	4,915,834	4,707	4,566,663	353,878	-	-	-
2021	5,110,938	22,978	4,930,863	203,053	-	-	-

Wastewater Capital Lease Obligation

	Wastewater Service Revenues ¹	Capital Impact Fees	Less Operating Expenses ²	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2012	1,481,825	25,220	1,245,897	261,148	-	-	-
2013	1,532,057	141,346	1,566,073	107,330	-	-	-
2014	1,640,187	265,619	1,338,696	567,110	-	-	-
2015	1,623,447	320,403	1,390,063	553,787	-	-	-
2016	1,736,952	201,661	1,315,685	622,928	-	-	-
2017	1,669,291	90,875	1,630,740	129,426	-	-	-
2018	1,824,725	14,020	1,682,663	156,082	-	-	-
2019	1,763,132	-	1,944,950	(181,818)	-	-	-
2020	1,499,245	-	2,052,784	(553,539)	-	-	-
2021	1,417,321	-	1,802,726	(385,405)	-	-	-

Source: City of Solvang Finance Department

Notes:

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

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

Fiscal Year	Population ¹	Personal Income	Per Capita Personal Income ²	Unemployment Rate ³
2012	5281	203,973,344	38,624	3.30% ³
2013	5274	206,419,086	39,139	3.00% ³
2014	5336	217,297,928	40,723	2.60% ³
2015	5449	216,957,384	39,816	7.10% ³
2016	5495	216,140,330	39,334	7.14% ³
2017	5602	224,797,056	40,128	3.45% ³
2018	5613	225,238,464	40,128	3.45% ³
2019	5575	242,462,325	43,491	3.33% ³
2020	5562	250,395,678	45,019	4.70% ³
2021	5838	296,809,758	50,841	4.50% ³

Sources: City of Solvang Finance Department

Notes:

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

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

Fiscal Year Ended June 30, 2021				Fiscal Year Ended June 30, 2020				Fiscal Year Ended June 30, 2019			
Employer	Number of Employees	Rank	Percentage of Total City Employment ¹	Employer	Number of Employees	Rank	Percentage of Total City Employment ¹	Employer	Number of Employees	Rank	Percentage of Total City Employment ¹
Alisal Guest Ranch	326		10.87%	Alisal Guest Ranch	331	1	11.41%	Alisal Guest Ranch	369	1	12.30%
Atterdag Village (formerly Solvang Lutheran Home)	163		5.43%	Atterdag Village (formerly Solvang Lutheran Home)	174	2	6.00%	Atterdag Village (formerly Solvang Lutheran Home)	177	2	5.90%
New Frontiers Market	107		3.57%	New Frontiers Market	103	3	3.55%	New Frontiers Market	115	3	3.83%
Santa Ynez Cottage Hospital	88		2.93%	Santa Ynez Cottage Hospital	93	4	3.21%	Santa Ynez Cottage Hospital	93	4	3.10%
Landsby/Mad & Vin	69		2.30%	Solvang Unified School District	64	5	2.21%	Landsby/Mad & Vin	65	5	2.17%
Solvang Unified School District	68		2.27%	Valley Fresh Market	62	6	2.14%	Nielsen's Market/Valley Fresh	64	6	2.13%
Valley Fresh Market	65		2.17%	Landsby/Mad & Vin	58	7	2.00%	Solvang Brew	58	7	1.93%
Solvang Brew	51		1.70%	Hotel Corque	35	8	1.21%	Solvang Unified School District	57	8	1.90%
Hotel Corque	38		1.27%	Nielsen Building Materials	27	9	0.93%	Hotel Corque	54	9	1.80%
Nielsen Building Materials	27		0.90%	Solvang Brew	0*	10	0.00%	Root 246	46	10	1.53%
Totals	1002		33.40%	Totals	947		32.66%	Totals	1098		36.60%

*COVID related, normal count is 58

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 ¹	Employer	Number of Employees	Rank	Percentage of Total City Employment ¹	Employer	Number of Employees	Rank	Percentage of Total City Employment ¹
Alisal Guest Ranch	356	1	12.28%	Alisal Guest Ranch	303	1	10.45%	Alisal Guest Ranch	294	1	10.50%
Atterdag Village (formerly Solvang Lutheran Home)	170	2	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	3.00%	Santa Ynez Cottage Hospital	96	3	3.31%	Santa Ynez Cottage Hospital	91	3	3.25%
New Frontiers Market	77	4	2.66%	Solvang Brew	75	4	2.59%	Solvang Brew	75	4	2.68%
Solvang Brew	68	5	2.34%	Solvang Unified School District	68	5	2.34%	New Frontiers Market	70	5	2.50%
Solvang Unified School District	58	6	2.00%	Nielsens Market	62	6	2.14%	Nielsens Market	69	6	2.46%
Landsby	55	7	1.90%	New Frontiers Market	55	7	1.90%	Solvang Unified School District	67	7	2.39%
Hotel Corque	53	8	1.83%	Landsby	55	7	1.90%	Hotel Corque	51	8	1.82%
Nielsens Market	52	9	1.79%	Hotel Corque	47	8	1.62%	Landsby	46	9	1.64%
Root 246	47	10	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 ¹	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%

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

Notes:

(1) Total City Labor Force is 3000, based on State of California Employment Development Department Data for FY 2020-21.

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

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

Fiscal Year

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government:										
City Council (Stipend) ¹	-	-	-	-	-	-	-	-	-	-
City clerk	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-	-
City attorney (Contract) ²	-	-	-	-	-	-	-	-	-	-
City manager	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Economic development	-	-	-	-	-	-	-	-	-	-
Finance/Admin	6.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	3.00	6.00
Public safety²:										
Police (Contract)	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-
Planning:										
Planning	2.00	1.75	2.22	2.22	2.22	2.22	2.25	2.25	-	-
Building and safety ²	1.00	0.75	0.90	0.90	0.90	0.90	0.95	0.95	-	-
Public works:										
Engineering	2.50	0.60	0.65	1.20	1.20	1.55	2.10	2.10	1.20	1.00
Roads and streets	2.35	3.78	3.95	4.05	4.05	3.85	4.05	4.05	3.00	4.65
Maintenance	3.65	2.58	2.51	2.51	2.51	2.51	1.65	1.65	1.05	3.15
Parks:										
Parks and recreation	5.50	5.84	5.84	5.84	5.84	5.81	5.30	5.00	2.00	4.00
Water:										
Treatment and distribution	4.00	5.10	5.00	5.15	5.15	5.10	5.05	5.05	4.90	5.05
Wastewater:										
Collection and treatment	6.00	7.10	6.90	7.10	7.10	7.00	6.95	6.95	5.85	6.95
Totals	35.00	34.50	34.97	35.97	35.97	35.94	35.30	35.00	22.00	31.80

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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police¹:										
Physical arrest	114	123	96	102	126	136	107	154	178	105
Traffic violations	109	105	125	67	41	94	81	51	99	102
Fire¹:										
Emergency responses	385	197	430	358	615	652	678	845	598	652
Fires extinguished	17	3	9	9	12	12	9	17	11	11
Planning:										
Building permits issued	143	215	218	146	230	212	208	205	181	256
Public Works:										
Street Maintenance Centerline Miles	3.50	0.66	0.44	0.44	4.00	4.00	0.08	3.00	3.40	3.40
Parks:										
Community events held	18	18	21	21	17	14	14	14	9	3
Water:										
Number new connections	2	25	38	40	33	14	2	1	-	1
Daily average water production in MGD	1.27	1.38	1.38	1.05	0.94	0.98	1.10	1.07	1.14	1.23
Daily average water consumption in MGD	1.18	1.26	1.26	0.96	0.86	0.89	1.05	0.98	1.01	1.17
Wastewater:										
Number new connections	-	26	35	43	33	14	2	1	1	1
Daily average treatment in millions gallons(MGD)	0.77	0.75	0.71	0.69	0.62	0.65	0.62	0.65	0.66	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

	Fiscal Year									
Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Fire¹										
Stations	-	-	-	-	-	-	-	-	-	-
Engines	-	-	-	-	-	-	-	-	-	-
Public Works:										
Miles of streets	25	25	25	25	25	25	25	25	25	25
Streetlights	12	12	12	12	12	12	12	12	12	12
Parks and recreation:										
Community centers	2	2	2	2	2	2	2	2	2	2
Parks	4	4	4	4	4	4	4	4	4	4
Park acreage	63	63	63	63	63	63	63	63	63	63
Water:										
Miles of mains	35	35	36	36	36	36	36	36	36	36
Number connections	2,018	2,043	2,156	2,178	2,211	2,225	2,227	2,228	2,228	2,228
Wastewater:										
Miles of sewers	42	42	42	42	42	42	42	42	42	42
Number connections	1,985	2,011	2,047	2,090	2,123	2,137	2,139	2,140	2,141	2,141
Maximum plant capacity in millions of gallons	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50

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

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