



Last Resolution No. 16-979

Last Ordinance No. 16-317

REGULAR MEETING OF THE SOLVANG CITY COUNCIL

COUNCIL CHAMBERS

1644 OAK STREET

February 8, 2016

6:30pm

Please be advised that, pursuant to State Law, any member of the public may address the Council concerning any item on the Agenda. Please be aware that Items on the Consent Calendar are considered to be routine and are normally enacted by one vote of the Council.

**If you wish to speak on Items 3, 4, or 5 please do so during Public Communications.**

Regular City Council meetings are broadcast live on **Channel 23** in the Santa Ynez Valley

**CALL TO ORDER**

**ROLL CALL**

**PLEDGE OF ALLEGIANCE**

**CITY MANAGERS REPORT**

**1. PUBLIC COMMUNICATIONS – WRITTEN OR VERBAL**

At this time, please direct comments to the City Council regarding Consent Calendar Items or matters NOT on the agenda but within the jurisdiction of the Council. (Speakers are limited to five (5) minutes).

**2. COUNCIL COMMENTS AND REQUESTS**

Comments and requests from City Council Members. No action will be taken at this meeting.

**3. APPROVAL OF AGENDA AS PRESENTED**

**4. CITY COUNCIL MINUTES OF JANUARY 25, 2016**

Approval of Minutes.

**5. CONSENT AGENDA**

- a. Approval of Warrant Register
- b. Accept the WWTP Garage Structure as complete and direct the City Manager to execute and record the Notice of Completion

- c. Adopt Resolution 16-\_\_\_ approving and adopting CalRecycle's Beverage Container Recycling Payment Program
- d. Approve and authorize the Mayor to execute an amendment to the contract for Audit Services with Terry Krieg, CPA, at an annual cost of \$29,850.00

## **REGULAR AGENDA**

### **6. 2014/2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

- a. Accept into the record the 2014-2015 Comprehensive Annual Financial Report as presented by Terry Krieg, CPA; and
- b. Review the ending fund balances for fiscal year ended June 30, 2015.

### **7. SANTA YNEZ RIVER WATER CONSERVATION DISTRICT GROUNDWATER SUSTAINABILITY PRESENTATION**

Presentation by Bruce Wales regarding the recent State laws covering groundwater sustainability and formation of a Groundwater Sustainability Agency (GSA).

### **8. CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST (CERBT) – OTHER POST EMPLOYMENT BENEFITS LIABILITY PRESENTATION**

- a. Adopt Resolution No. 16-\_\_\_\_\_ approving the Agreement and Election of the City of Solvang to Prefund Other Post Employment Benefits through CalPERS;
- b. Approve the Delegation of Authority to Request Disbursements;
- c. Authorize the City Manager (or his designee) to take any additional actions necessary to participate in the CERBT program; and
- d. Approve and accept recommendation for utilizing Strategy 2 offered by CalPERS to prefund the OPEB.

### **9. COUNCIL MEMBER REPORTS (Oral reports: Each Council Member will give oral reports on their activities in relation to the following committee or agencies. In addition, each member may report on items that will be included on the agenda for such committee or agency and seek guidance from the Council as a whole on such items, including on what position to take on behalf of the City)**

- Santa Barbara County Association of Governments
- Air Pollution Control Board
- Joint Wastewater Committee
- Finance Committee
- Chumash Tribe
- Indian Gaming Benefit Committee
- California Joint Powers Insurance Authority

### **10. ADVANCE CALENDAR**

Informational Calendar – no action.

## **11. ADJOURNMENT**

Copies of staff reports and supporting documentation pertaining to each item on this agenda are available for public viewing and inspection at City Hall, 1644 Oak Street, Solvang, during regular business hours and on the City's website [www.cityofsolvang.com](http://www.cityofsolvang.com), in addition, any writings relating to an open session agenda item provided to a majority of the Council that is distributed within 72 hours of the meeting, after the posting of the agenda, will be identified and available separately at City Hall and may be posted to the website.

**In Compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, you should contact the office of Administrative Services at 688-5575 or the California Relay Service. Notification 48 hours prior to the meeting would enable the City to make reasonable arrangements to ensure accessibility to this meeting.**





MINUTES OF THE REGULAR MEETING OF THE  
SOLVANG CITY COUNCIL

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Council Chambers  
1644 Oak Street  
Solvang, CA 93463

January 25, 2016  
Monday  
6:30 pm

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Mayor Richardson introduced Dan Maiyo, serving as “Mayor for the Day”

**CALL TO ORDER:** Mayor for the Day Maiyo called the meeting to order at 6:30 p.m.

**ROLL CALL:**

PRESENT: Mayor Richardson, Council Members Duus, Jamieson, Skytt,  
and Zimmerman

STAFF: Brad Vidro, City Manager; Roy Hanley, City Attorney; Lt. Shawn  
O’Grady; Sandra Featherston, Administrative Services Director; and  
Lisa Martin, City Clerk

**PLEDGE OF ALLEGIANCE:** Led by Mayor for the Day Maiyo

Mayor Richardson returns to the dais to assume control of the meeting.

**CITY MANAGERS REPORT:** Informational report only

**SOLVANG CONFERENCE AND VISITORS BUREAU BIENNIAL REPORT**

Tracy Farhad, Executive Director, and Brenda Ball presented the biennial report, along with Sarah Brookshier and Greg Corso.

1. **PUBLIC COMMUNICATIONS – WRITTEN OR VERBAL**

Fred Kovol, Resident

- Updated the Council on the ID1 board meeting
- There is opportunity for change relative to the Investment Policy
- Encouraged the Council to avoid bonds for water improvements

Tanner and Elizabeth Padfield, Students

- Thanked the Council for their support of Solvang School District’s arts and music (SAM) program and beautifully performed the song “I Can’t Help Falling in Love with You”

2. **COUNCIL REQUESTS**

Council Member Zimmerman requested that a meeting of the Finance Committee be scheduled.

Council Member Skytt requested that we inquire with the County as to the status of the clean up at the Nojoqui slide so that people can resume hiking all the way to the waterfall.

Council Member Duus requested that the Annexation Study be added back to the Advance Calendar, as well as quarterly reports on all sphere of influence items.

**3. APPROVAL OF AGENDA AS PRESENTED**

No changes to the agenda.

**4. CITY COUNCIL MINUTES OF JANUARY 11, 2016**

*Motion made by Council Member Duus to approve the minutes as amended, seconded by Council Member Skytt, and **carried** with a verbal response of 5 ayes.*

**5. CONSENT AGENDA**

- a. Receive and File the Fire Department Report for the 4<sup>th</sup> Quarter of 2015
- b. Receive and File Santa Barbara County Sheriff's Report for December 2015
- c. Ratify appointments of Solvang Conference and Visitors Bureau Board Members
- d. Adopt Resolution 16-978 approving and adopting the updated Storer Transit Systems/Santa Ynez Valley Transit (SYVT) Federal Transit Administration (FTA) Zero Tolerance Drug and Alcohol Testing Policy.
- e. Adopt Resolution 16-979, a revised Stage 2 Drought Resolution with penalties amended per previous City Council action.

Item 5e was pulled from the consent agenda by Council Member Jamieson for further discussion.

Council Member Jamieson explained that the reason she had pulled item 5e was to allow for a better explanation to the public of the Council's action.

City Manager Vidro explained that there had been an error in the penalty structure outlined in the previous resolution so that was being corrected in the new resolution, in addition we are suspending the consumption penalties if and until such time that the conservation levels drop below 12.5% at which time the penalties would be put back into place. All other conservation regulations remain in effect.

Council Member Duus asked what if the month that conservation levels drop below 12.5% is a fluke. He would not want penalties to come back into play if for some reason there was some inaccurate reason for a one month drop in conservation.

City Manager Vidro responded that after a monthly meter read, it would most likely take two billing cycles for penalties to go back into effect due to the complexities of the financial system.

Sandra Featherson, Finance Director, indicated that at the point when meters are read each month by the Water Department, they are halfway through the billing cycle for the month. Conservation

percentages would be calculated thereafter, and if determined to be less than 12.5%, it would take two billing cycles to change back to the penalty rate structure.

Discussion clarifying that the penalties would apply system wide if they were reinstated, but only customers who are not meeting the required conservation levels would be penalized.

***Motion** was made by Council Member Duus, seconded by Council Member Skytt to approve consent items **5a through 5d** as presented. **Motion carried** with a roll call vote of 5 ayes.*

***Motion** was made by Council Member Skytt to approve consent item 5e. **No second.***

***Substitute motion** made by Council Member Duus to not accept consent item 5e, seconded by Council Member Zimmerman.*

Council Member Jamieson asked if we do not accept this resolution, would we go back to the decision we had made last meeting? Discussion ensued to determine what would be in effect.

Mayor Richardson indicated that if the substitute motion is passed the rate increase would be in effect and the penalties would also remain.

After further discussion including City Manager Vidro and City Attorney Hanley, Council Member Skytt clarified that if we don't do anything right now to approve item 5e the last action of council would be in effect, including the rate increase and suspension of the penalties until conservation levels dropped below 12.5%, with the penalty structure remaining the same as it is currently.

Council Member Zimmerman would like to enter another substitute motion to approve item 5e with elimination of the penalties.

Council Member Jamieson suggested that we review conservation levels and penalties in four months.

Council Member Duus will support penalties returning if we look at three months at a time and then re-review, but will not support for a one month period.

Discussion relating to the status of the motions.

***Substitute motion is amended** by Council Member Duus to approve consent item 5e and adopt Resolution No. 16-979 with elimination of Section No. 2 (consumption penalties) and renumbering of the following resolution items, seconded by Council Member Jamieson. **Motion passes 3-2** with Council Member Skytt and Mayor Richardson voting No.*

## **REGULAR AGENDA**

### **6. MID YEAR BUDGET REQUESTS**

Staff report by Sandra Featherson, Administrative Services Director.

Council Member Jamieson questioned the JPIA adjustment.

Council Member Duus requested to talk about the Council budget adjustment for new chairs. Staff clarified that the budget line item includes a new projector and that the cost of the chairs is approximately \$250 each.

Mayor Richardson asked if there was agreement that new chairs were necessary. There was concurrence that new council chairs were desired.

Council Member Zimmerman asked what the purchased water item was. Staff responded that that was the additional water we purchased to get us through the drought, as well as the Table A Suspended water which doesn't look like it will need to be paid this fiscal year. He also questioned the numbers that went from \$0 to \$15,000-30,000. Sandra Featherson explained that the numbers are moved from Equipment Replacement to Capital Equipment to show that it is a one time expense. Basically a re-budget item. The backhoe cost approximately \$129,000 and the cost is split across several departmental funds.

Mayor Richardson opened the item to public comment at 8:00 p.m.

Fred Kovol

- Why the decrease in the upland well development?

City Manager Vidro indicated that the budget came in approximately \$80,000 less than projected.

Mayor Richardson closed the item to Public Comment at 8:02 p.m.

*Motion made by Council Member Jamieson to accept the budget adjustments, seconded by Council Member Skytt. Motion passes 5-0.*

7. **COUNCIL MEMBER REPORTS (Oral reports: Each Council Member will give oral reports on their activities in relation to the following committee or agencies. In addition, each member may report on items that will be included on the agenda for such committee or agency and seek guidance from the Council as a whole on such items, including on what position to take on behalf of the City)**

- Santa Barbara County Association of Governments  
**Mayor Richardson** reported that Supervisor Janet Wolf is now Chair of SBCAG, and that three bridges in Carpinteria need to be rebuilt before the highway can be widened in that area from Carpinteria through Montecito. Project is estimated to be completed by 2022.
  - Air Pollution Control Board
  - Joint Wastewater Committee
  - Finance Committee
  - Chumash Tribe
  - Water Committee
- Council Member Zimmerman** reiterated Fred Kovol's comments relating to the ID#1 board meeting.

- Indian Gaming Benefit Committee
- California Joint Powers Insurance Authority

8. **ADVANCE CALENDAR**

None.

9. **ADJOURNMENT** Mayor Richardson adjourned the meeting at 8:09 p.m.

DRAFT





City of Solvang

# City of Solvang Warrant Register

By Check Number

Date Range: 01/01/2016 - 01/31/2016

Number	Payment Date	Vendor Number	Vendor Name	Payment Type	Payment Amount
Payable #	Payable Type	Payable Date	Payable Description	Payable Amount	
<b>Bank Code: APBNK-AP Bank Code</b>					
10009	California Code Check, Inc.		01/04/2016 EFT	0.00	3,156.25 1037
<a href="#">osSLV15-25</a>	Invoice	12/17/2015	Building Inspector 11/27-12/10/15	0.00	1,960.00
<a href="#">SLVG15-37</a>	Invoice	12/16/2015	Code Check fees	0.00	1,196.25
10195	City of Lompoc Finance Dept.		01/04/2016 EFT	0.00	1,666.66 1038
<a href="#">93327</a>	Invoice	12/23/2015	Wine Country Express	0.00	1,666.66
10797	Engel & Gray		01/04/2016 EFT	0.00	2,605.51 1039
<a href="#">14919</a>	Invoice	12/07/2015	Sludge Disposal	0.00	538.84
<a href="#">14923</a>	Invoice	12/08/2015	Sludge Disposal	0.00	502.82
<a href="#">14939</a>	Invoice	12/10/2015	Sludge Disposal	0.00	531.81
<a href="#">14964</a>	Invoice	12/28/2015	Sludge Disposal	0.00	508.99
<a href="#">14972</a>	Invoice	12/15/2015	Sludge Disposal	0.00	523.05
10723	Procure Janitorial Supply, Inc		01/04/2016 EFT	0.00	1,436.73 1040
<a href="#">89323</a>	Invoice	12/11/2015	Vets	0.00	94.22
<a href="#">89402</a>	Invoice	12/16/2015	Restroom 2	0.00	512.07
<a href="#">89406</a>	Invoice	12/23/2015	Annex	0.00	144.30
<a href="#">89407</a>	Invoice	12/16/2015	Muni	0.00	111.05
<a href="#">89602</a>	Invoice	12/23/2015	Restroom 3	0.00	395.00
<a href="#">89608</a>	Invoice	12/23/2015	Streets	0.00	180.09
11320	Rafael Ruiz Janitor Service		01/04/2016 EFT	0.00	1,500.00 1041
<a href="#">754</a>	Invoice	12/21/2015	Janitorial Service	0.00	1,500.00
91257	Richardson, Jim		01/04/2016 EFT	0.00	38.08 1042
<a href="#">INV0002631</a>	Invoice	12/22/2015	Mileage reimbursement	0.00	38.08
10337	Visit the Santa Ynez Valley		01/04/2016 EFT	0.00	41,801.90 1043
<a href="#">INV0002638</a>	Invoice	12/23/2015	October 2015	0.00	41,801.90
10258	The Valley Gardener		01/04/2016 EFT	0.00	460.00 1044
<a href="#">21028</a>	Invoice	12/25/2015	WWTP Bank Restoration - Long Term Maint...	0.00	460.00
10009	California Code Check, Inc.		01/11/2016 EFT	0.00	1,190.00 1045
<a href="#">osSLV15-26</a>	Invoice	12/31/2015	Building Inspector 12/11/15-12/24/15	0.00	1,190.00
10797	Engel & Gray		01/11/2016 EFT	0.00	1,600.19 1046
<a href="#">14992</a>	Invoice	12/24/2015	Sludge Disposal	0.00	529.34
<a href="#">14997</a>	Invoice	12/21/2015	Sludge Disposal	0.00	533.93
<a href="#">14999</a>	Invoice	12/22/2015	Sludge Disposal	0.00	536.92
10028	Hanley & Fleishman, LLP		01/11/2016 EFT	0.00	6,880.50 1047
<a href="#">2669</a>	Invoice	12/31/2015	Legal services	0.00	6,880.50
10276	Infosend, Inc		01/11/2016 EFT	0.00	2,088.95 1048
<a href="#">100834</a>	Invoice	12/31/2015	Utility Bill Printing and Distribution	0.00	2,088.95
10723	Procure Janitorial Supply, Inc		01/11/2016 EFT	0.00	1,618.65 1049
<a href="#">89605</a>	Invoice	12/23/2015	Restroom 1	0.00	443.12
<a href="#">89679</a>	Invoice	12/30/2015	Restroom 2	0.00	409.86
<a href="#">89681</a>	Invoice	12/30/2015	Streets	0.00	247.78
<a href="#">89737</a>	Invoice	12/31/2015	Restroom 3	0.00	172.91
<a href="#">89738</a>	Invoice	12/31/2015	Restroom 1	0.00	344.98
11320	Rafael Ruiz Janitor Service		01/11/2016 EFT	0.00	1,500.00 1050

## City of Solvang Warrant Register

Date Range: 01/01/2016 - 01/31/2016

Number	Payment Date	Vendor Number	Vendor Name	Payment Type	Payment Amount	
Payable #	Payable Type	Payable Date	Payable Description		Payable Amount	
<a href="#">755</a>	Invoice	01/04/2016	Janitorial Service	0.00	1,500.00	
10009	California Code Check, Inc.		01/19/2016 EFT	0.00	1,072.50	1051
<a href="#">SLVG15-38</a>	Invoice	01/01/2016	Code Check fees	0.00	1,072.50	
10797	Engel & Gray		01/19/2016 EFT	0.00	1,091.83	1052
<a href="#">15020</a>	Invoice	12/29/2015	Sludge Disposal	0.00	530.44	
<a href="#">15040</a>	Invoice	12/31/2015	Sludge Disposal	0.00	561.39	
10247	More Office Solutions		01/19/2016 EFT	0.00	649.48	1053
<a href="#">1113321</a>	Invoice	01/05/2016	Public Works / Planning Copier	0.00	649.48	
10723	Procure Janitorial Supply, Inc		01/19/2016 EFT	0.00	1,192.81	1054
<a href="#">89809</a>	Invoice	01/06/2016	Restroom 2	0.00	592.84	
<a href="#">89813</a>	Invoice	01/06/2016	Maintenance Shop	0.00	137.79	
<a href="#">89814</a>	Invoice	01/06/2016	Streets	0.00	216.11	
<a href="#">89815</a>	Invoice	01/06/2016	Vets Hall	0.00	246.07	
10142	SP Maintenance Services, Inc		01/19/2016 EFT	0.00	3,000.00	1055
<a href="#">55279</a>	Invoice	12/31/2015	Street Sweeping	0.00	3,000.00	
11182	Underground Service Alert of Southern California		01/19/2016 EFT	0.00	10.50	1056
<a href="#">1220150676</a>	Invoice	01/12/2016	14 New Tickets	0.00	10.50	
10337	Visit the Santa Ynez Valley		01/19/2016 EFT	0.00	35,020.30	1057
<a href="#">INV0002685</a>	Invoice	01/12/2016	November 2015	0.00	35,020.30	
10009	California Code Check, Inc.		01/25/2016 EFT	0.00	1,260.00	1058
<a href="#">osSLV16-01</a>	Invoice	01/14/2016	Building Inspector 12/25-1/7/16	0.00	1,260.00	
10166	Clinical Lab of San Bernardino		01/25/2016 EFT	0.00	710.00	1059
<a href="#">947643</a>	Invoice	01/12/2016	Lab Fees Blanket PO	0.00	710.00	
10797	Engel & Gray		01/25/2016 EFT	0.00	1,999.67	1060
<a href="#">15105</a>	Invoice	01/04/2016	Sludge Diposal blanket PO	0.00	524.87	
<a href="#">15113</a>	Invoice	01/05/2016	Sludge Diposal blanket PO	0.00	538.15	
<a href="#">15129</a>	Invoice	01/07/2016	Sludge Diposal blanket PO	0.00	477.99	
<a href="#">15134</a>	Invoice	01/08/2016	Sludge Diposal blanket PO	0.00	458.66	
10885	Moore & Associates, Inc.		01/25/2016 EFT	0.00	4,743.58	1061
<a href="#">16:3415</a>	Invoice	01/12/2016	Moore & Assoc SYVT Marketing-Advertising	0.00	2,206.38	
<a href="#">16:3416</a>	Invoice	01/12/2016	Moore & Assoc SYVT Prof Serv Management	0.00	2,537.20	
10247	More Office Solutions		01/25/2016 EFT	0.00	330.47	1062
<a href="#">1126254</a>	Invoice	01/18/2016	Parks & Rec. copier	0.00	330.47	
10790	Polydyne, Inc		01/25/2016 EFT	0.00	1,146.96	1063
<a href="#">1019366</a>	Invoice	01/06/2016	Polymer	0.00	1,146.96	
10723	Procure Janitorial Supply, Inc		01/25/2016 EFT	0.00	550.70	1064
<a href="#">89807</a>	Invoice	01/06/2016	Restroom 3	0.00	204.93	
<a href="#">89905</a>	Invoice	01/08/2016	Vets Hall	0.00	64.69	
<a href="#">89992</a>	Invoice	01/13/2016	Wastewater	0.00	173.44	
<a href="#">89993</a>	Invoice	01/13/2016	Wastewater	0.00	83.46	
<a href="#">90199</a>	Invoice	01/20/2016	Wastewater	0.00	24.18	
11320	Rafael Ruiz Janitor Service		01/25/2016 EFT	0.00	1,500.00	1065
<a href="#">758</a>	Invoice	01/18/2016	Janitorial Service	0.00	1,500.00	
10902	Staples Advantage		01/25/2016 EFT	0.00	139.77	1066
<a href="#">8037549061</a>	Invoice	01/09/2016	Supplies Planning Dept	0.00	139.77	
11257	Aramark Uniform Service		01/04/2016 Regular	0.00	231.79	32237
<a href="#">531093483</a>	Invoice	11/16/2015	Mats and towels	0.00	231.79	
90018	Bridget Eillott		01/04/2016 Regular	0.00	701.00	32238

## City of Solvang Warrant Register

Date Range: 01/01/2016 - 01/31/2016

Number	Payment Date	Vendor Number	Vendor Name	Payment Type	Payment Amount
Payable #	Payable Type	Payable Date	Payable Description		Payable Amount
<a href="#">INV0002628</a>	Invoice	12/22/2015	Continuing Education reimbursement	0.00	701.00
10070	Cal-Coast Irrigation		01/04/2016 Regular	0.00	273.25 32239
<a href="#">765460</a>	Invoice	12/03/2015	Water supplies	0.00	25.00
<a href="#">765482</a>	Invoice	12/04/2015	Supplies Water dept	0.00	40.23
<a href="#">765554</a>	Invoice	12/10/2015	Supplies Water Dept	0.00	97.25
<a href="#">765588</a>	Invoice	12/15/2015	Water leak at WWTP	0.00	110.77
10086	Central Coast Lead Testing LLC		01/04/2016 Regular	0.00	395.00 32240
<a href="#">351</a>	Invoice	12/14/2015	Vets Hall windows & doors	0.00	395.00
10655	Comcast		01/04/2016 Regular	0.00	13.23 32241
<a href="#">9241 12/15</a>	Invoice	12/20/2015	Acc# 8155 70 005 0009241	0.00	13.23
51766	COMMUNITY ACTION COMMISSION		01/04/2016 Regular	0.00	250.00 32242
<a href="#">INV0002626</a>	Invoice	12/22/2015	DEPOSIT REFUND 12/18/15	0.00	250.00
10576	Dekra-Lite Industries, Inc.		01/04/2016 Regular	0.00	3,200.27 32243
<a href="#">INV037927</a>	Invoice	11/18/2015	Back up Christmas lights	0.00	3,200.27
51592	Diane Kuyoomjian		01/04/2016 Regular	0.00	529.08 32244
<a href="#">INV0002629</a>	Invoice	12/22/2015	Landscape Rebate	0.00	529.08
10304	Federal Express Corporation		01/04/2016 Regular	0.00	198.05 32245
<a href="#">5-259-62523</a>	Invoice	12/18/2015	Shipping charges	0.00	198.05
11145	Ferguson Enterprises, Inc		01/04/2016 Regular	0.00	4,106.16 32246
<a href="#">2627161</a>	Invoice	12/11/2015	Parts for 3 Valve Replacements	0.00	4,106.16
10029	Firma Consultants, Inc.		01/04/2016 Regular	0.00	1,023.75 32247
<a href="#">21524.122115</a>	Invoice	12/21/2015	Valley Plaza Project	0.00	1,023.75
11229	ECWest		01/04/2016 Regular	0.00	8,582.39 32248
<a href="#">120315-SOLVANG</a>	Invoice	12/22/2015	Office Chairs	0.00	8,582.39
10148	Gemplers		01/04/2016 Regular	0.00	87.98 32249
<a href="#">CM041698</a>	Credit Memo	12/14/2015	Frank Pacheco uniform return	0.00	-82.94
<a href="#">SI02142737</a>	Invoice	12/17/2015	Uniform for Paul Matsukas and Nathan Giaci...	0.00	115.36
<a href="#">SI02148595</a>	Invoice	12/21/2015	Uniform Nathan Giacinto	0.00	55.56
11256	Greg Gorman		01/04/2016 Regular	0.00	300.00 32250
<a href="#">INV0002643</a>	Invoice	12/28/2015	Band for Tree Burn	0.00	300.00
11256	Greg Gorman		01/08/2016 Regular	0.00	-300.00 32250
10280	James Enderle		01/04/2016 Regular	0.00	300.00 32251
<a href="#">INV0002630</a>	Invoice	12/22/2015	City sign rent 1/1/16-6/30/16	0.00	300.00
51518	Larry Beach		01/04/2016 Regular	0.00	1,000.00 32252
<a href="#">INV0002632</a>	Invoice	12/22/2015	Landscape Rebate	0.00	1,000.00
10549	Level 3 Communications		01/04/2016 Regular	0.00	858.33 32253
<a href="#">09058513</a>	Invoice	12/10/2015	T-1 Line	0.00	858.33
51685	Linda Williams		01/04/2016 Regular	0.00	1,000.00 32254
<a href="#">INV0002633</a>	Invoice	12/22/2015	Landscape Rebate	0.00	1,000.00
51632	Linda Wright		01/04/2016 Regular	0.00	1,000.00 32255
<a href="#">INV0002634</a>	Invoice	12/22/2015	Landscape Rebate	0.00	1,000.00
10046	Lunde's Solvang Auto Repair		01/04/2016 Regular	0.00	56.50 32256
<a href="#">003934</a>	Invoice	12/18/2015	Truck 625 Smog Inspection	0.00	56.50
10697	Menveg Properties LLC		01/04/2016 Regular	0.00	405.00 32257
<a href="#">1/2016</a>	Invoice	01/01/2016	Transit Rent for January 2016	0.00	405.00
11126	Mission Ready Mix		01/04/2016 Regular	0.00	404.19 32258

City of Solvang Warrant Register

Date Range: 01/01/2016 - 01/31/2016

Number	Payment Date	Vendor Number	Vendor Name	Payment Type	Payment Amount
Payable #	Payable Type	Payable Date	Payable Description		Payable Amount
<a href="#">54655</a>	Invoice	12/22/2015	Sand slurry	0.00	404.19
11068	MNS Engineers, Inc.		01/04/2016 Regular	0.00	5,737.50 32259
<a href="#">66194-R1</a>	Invoice	12/15/2015	SWMP Professional Services	0.00	2,632.50
<a href="#">66402</a>	Invoice	12/15/2015	Annual NPDES Stormwater Report	0.00	810.00
<a href="#">66423</a>	Invoice	12/17/2015	SWMP Professional Services	0.00	2,295.00
51574	Monica Little		01/04/2016 Regular	0.00	100.00 32260
<a href="#">INV0002635</a>	Invoice	12/23/2015	Rain Barrel Rebate	0.00	100.00
10247	More Office Solutions		01/04/2016 Regular	0.00	19.01 32261
<a href="#">11000061</a>	Invoice	12/16/2015	Parks & Rec. copier	0.00	19.01
11187	Nu-Tech Pest Management		01/04/2016 Regular	0.00	354.00 32262
<a href="#">0116273</a>	Invoice	12/02/2015	Ants & Roaches Annex building	0.00	78.00
<a href="#">0116283</a>	Invoice	12/10/2015	Spiders Sunnyfields	0.00	65.00
<a href="#">0116557</a>	Invoice	12/14/2015	Ants, Earwigs, Spiders HCA	0.00	82.00
<a href="#">0116559</a>	Invoice	12/14/2015	Ground Squirrels HCA	0.00	129.00
11137	Pacific Gas & Electric Company		01/04/2016 Regular	0.00	20,346.12 32263
<a href="#">5526-1 12/15</a>	Invoice	12/15/2015	Acc# 3982645526-1	0.00	4,169.90
<a href="#">7582-5 12/15</a>	Invoice	12/17/2015	Acc# 0408007582-5	0.00	16,176.22
11111	Pacific Materials Laboratory of Santa Barbara, Inc.		01/04/2016 Regular	0.00	620.00 32264
<a href="#">118550</a>	Invoice	11/30/2015	WWTP Garage Constr Inspection & Testing	0.00	620.00
10999	Platinum Plus for Business dba Business Card		01/04/2016 Regular	0.00	1,640.42 32265
<a href="#">3831 12/15</a>	Invoice	12/10/2015	November 11 - December 10, 2015	0.00	1,640.42
10299	Praxair Distribution, Inc.		01/04/2016 Regular	0.00	46.88 32266
<a href="#">54481832</a>	Invoice	12/20/2015	Acetylene	0.00	46.88
10221	R & M Diesel Service & Towing		01/04/2016 Regular	0.00	411.53 32267
<a href="#">8207</a>	Invoice	12/17/2015	Truck # 610 Repairs	0.00	411.53
10012	RR Donnelley		01/04/2016 Regular	0.00	159.45 32268
<a href="#">549478121</a>	Invoice	12/08/2015	W-2's and 1099 forms	0.00	159.45
10004	Santa Barbara Co Sheriff Dept		01/04/2016 Regular	0.00	129,329.00 32269
<a href="#">16-153</a>	Invoice	12/18/2015	January 2016	0.00	129,329.00
11294	Scott Reardon's Locksmith Service		01/04/2016 Regular	0.00	365.04 32270
<a href="#">10753</a>	Invoice	12/10/2015	Sunny Fields Park locks	0.00	365.04
11173	SCVB		01/04/2016 Regular	0.00	168,750.00 32271
<a href="#">1517</a>	Invoice	01/01/2016	Qtr 3 FY 15/16	0.00	168,750.00
11150	Sprint Communications Company		01/04/2016 Regular	0.00	36.00 32272
<a href="#">12/15</a>	Invoice	12/19/2015	Acc# 921051930	0.00	36.00
10902	Staples Advantage		01/04/2016 Regular	0.00	266.14 32273
<a href="#">8037212260</a>	Invoice	12/12/2015	Supplies WWTP	0.00	146.21
<a href="#">8037301872</a>	Invoice	12/19/2015	Supplies Admin & Water dept	0.00	119.93
51767	STENERSEN, ANA		01/04/2016 Regular	0.00	250.00 32274
<a href="#">INV0002627</a>	Invoice	12/22/2015	DEPOSIT REFUND 12/11/15	0.00	250.00
11152	Sterling Codifiers		01/04/2016 Regular	0.00	500.00 32275
<a href="#">17110</a>	Invoice	01/01/2016	2016 Hosting fee for City codes	0.00	500.00
50250	Susan Noble		01/04/2016 Regular	0.00	607.80 32276
<a href="#">INV0002637</a>	Invoice	12/23/2015	Refund building permit	0.00	607.80
11176	The Gas Company		01/04/2016 Regular	0.00	282.40 32277
<a href="#">2500 7 12/15</a>	Invoice	12/28/2015	Acc# 194 215 2500 7 11/18-12/18/15	0.00	193.45
<a href="#">9410 6 12/15</a>	Invoice	12/22/2015	Acc# 188 514 9410 6 11/16-12/16/15	0.00	29.64

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Number	Payment Date	Vendor Number	Vendor Name	Payment Type	Payment Amount
Payable #	Payable Type	Payable Date	Payable Description		Payable Amount
<a href="#">9500 0 12/15</a>	Invoice	12/22/2015	Acc# 098 214 9500 0	0.00	59.31
11179	Todd Pipe & Supply		01/04/2016 Regular	0.00	237.84 32278
<a href="#">306623</a>	Invoice	12/10/2015	Supplies Maint. dpet	0.00	36.19
<a href="#">306623 discount</a>	Credit Memo	12/10/2015	Discount on Inv # 306623	0.00	-0.67
<a href="#">307051</a>	Invoice	12/16/2015	Supplies Maint. dept	0.00	6.07
<a href="#">307051 Discount</a>	Credit Memo	12/23/2015	Discount on Inv 307051	0.00	-0.11
<a href="#">307533</a>	Invoice	12/28/2015	Supplies for Grage at sewer plant	0.00	196.36
10298	TotalFunds by Hasler		01/04/2016 Regular	0.00	500.00 32279
<a href="#">1265 12/15</a>	Invoice	12/16/2015	Postage	0.00	500.00
10278	TransFirst Holdings Inc. dba TransFirst Health and		01/04/2016 Regular	0.00	43.17 32280
<a href="#">25106</a>	Invoice	12/11/2015	November 2015	0.00	43.17
10005	Valley PC Repair		01/04/2016 Regular	0.00	2,000.00 32281
<a href="#">8931</a>	Invoice	12/27/2015	City IT Support	0.00	2,000.00
10553	ValleyCrest Landscape		01/04/2016 Regular	0.00	2,130.75 32282
<a href="#">2677916</a>	Invoice	12/10/2015	Replace SM LLMD Phase 1 Irrigation Controll...	0.00	2,130.75
11212	Verizon California		01/04/2016 Regular	0.00	703.06 32283
<a href="#">1425 12/15</a>	Invoice	12/13/2015	Acc# 01 1780 1173009729 00	0.00	235.26
<a href="#">5575 12/15</a>	Invoice	12/13/2015	Acc# 01 1780 1152030043 10	0.00	147.98
<a href="#">6997 12/15</a>	Invoice	12/19/2015	Acc# 01 1780 1152042750 02	0.00	262.69
<a href="#">7459 12/15</a>	Invoice	12/25/2015	Acc# 01 1780 1123432309 01	0.00	57.13
10872	Verizon Wireless Services, LLC		01/04/2016 Regular	0.00	422.76 32284
<a href="#">97574853253</a>	Invoice	12/19/2015	Nov 20 - Dec 19, 2015	0.00	422.76
10858	Wallace Group A California Corporation		01/04/2016 Regular	0.00	77.00 32285
<a href="#">40648</a>	Invoice	12/17/2015	AP Creek Bike-Ped Bridge Project	0.00	77.00
10042	Western Exterminator Company		01/04/2016 Regular	0.00	78.75 32286
<a href="#">3710967</a>	Invoice	11/30/2015	November 2015	0.00	78.75
51587	Zachary DiPego		01/04/2016 Regular	0.00	37.80 32287
<a href="#">INV0002639</a>	Invoice	12/23/2015	Rain Barrel Rebate	0.00	37.80
11295	Advanced Automotive Solutions Inc.		01/11/2016 Regular	0.00	66.75 32304
<a href="#">17434</a>	Invoice	12/30/2015	# 626 Smog Test	0.00	66.75
10262	American Services & Products dba American Janit		01/11/2016 Regular	0.00	664.00 32305
<a href="#">47374</a>	Invoice	12/31/2015	Custodial	0.00	664.00
10038	ASCAP		01/11/2016 Regular	0.00	336.00 32306
<a href="#">INV0002672</a>	Invoice	01/06/2016	Special events music license fee	0.00	336.00
10579	Bengal Engineering, Inc.		01/11/2016 Regular	0.00	900.00 32307
<a href="#">2785</a>	Invoice	12/17/2015	Alisal Bridge Seismic Retrofit - Engrg Serv	0.00	900.00
11091	CivicPlus		01/11/2016 Regular	0.00	7,936.99 32308
<a href="#">156829</a>	Invoice	11/11/2015	Premium Website Setup	0.00	7,936.99
11225	Clean Machine Laundromat		01/11/2016 Regular	0.00	92.00 32309
<a href="#">364362</a>	Invoice	12/14/2015	8 Lbs Parks	0.00	8.00
<a href="#">364363</a>	Invoice	12/14/2015	8 Lbs Maintenance	0.00	8.00
<a href="#">364384</a>	Invoice	12/21/2015	8 Lbs Parks	0.00	8.00
<a href="#">364393</a>	Invoice	12/28/2015	14 Lbs Maintenance	0.00	14.00
<a href="#">364394</a>	Invoice	12/28/2015	8 Lbs Parks	0.00	8.00
<a href="#">364455</a>	Invoice	11/24/2015	8 Lbs Parks	0.00	8.00
<a href="#">364466</a>	Invoice	11/30/2015	8 Lbs Maintenance	0.00	8.00
<a href="#">364467</a>	Invoice	11/30/2015	8 Lbs Parks	0.00	8.00
<a href="#">364490</a>	Invoice	12/07/2015	8 Lbs Parks	0.00	8.00

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Number	Payment Date	Vendor Number	Vendor Name	Payment Type	Payment Amount
Payable #	Payable Type	Payable Date	Payable Description		Payable Amount
<a href="#">364493</a>	Invoice	12/07/2015	14 Lbs Maintenance	0.00	14.00
10655	Comcast		01/11/2016 Regular	0.00	106.05 32310
<a href="#">5898 12/15</a>	Invoice	12/28/2015	Acc# 8155 70 005 0125898	0.00	106.05
10886	Division of the State Architect		01/11/2016 Regular	0.00	184.80 32311
<a href="#">INV0002673</a>	Invoice	01/04/2016	October 2015 - December 2015	0.00	184.80
10630	ECS Imaging, Inc.		01/11/2016 Regular	0.00	5,850.00 32312
<a href="#">11189</a>	Invoice	12/29/2015	Annual renewal	0.00	5,850.00
10081	Harrison Hardware		01/11/2016 Regular	0.00	3.31 32313
<a href="#">335074</a>	Invoice	01/06/2016	Supplies Sunny Fields	0.00	34.62
<a href="#">Inv 332624</a>	Credit Memo	11/25/2015	Credit on invoice 332535	0.00	-31.31
10083	Inner Nature		01/11/2016 Regular	0.00	2,100.00 32314
<a href="#">10592</a>	Invoice	12/31/2015	Village planters	0.00	2,100.00
51768	LINDA URIBE		01/11/2016 Regular	0.00	31.00 32315
<a href="#">INV0002671</a>	Invoice	01/04/2016	LINDA URIBE	0.00	31.00
10046	Lunde's Solvang Auto Repair		01/11/2016 Regular	0.00	58.16 32316
<a href="#">004046</a>	Invoice	12/31/2015	# 624 Change Oil	0.00	58.16
10303	McMaster-Carr Supply Company		01/11/2016 Regular	0.00	132.99 32317
<a href="#">46448229</a>	Invoice	01/04/2016	Cutoff wheel	0.00	132.99
11126	Mission Ready Mix		01/11/2016 Regular	0.00	272.70 32318
<a href="#">54599</a>	Invoice	12/07/2015	2163 Holly Lane Slurry sand	0.00	272.70
11147	Muniservices Company		01/11/2016 Regular	0.00	1,285.48 32319
<a href="#">39978</a>	Invoice	12/11/2015	Suta services	0.00	1,285.48
10034	ReadyRefresh by Nestle		01/11/2016 Regular	0.00	11.87 32320
<a href="#">15L0018038034</a>	Invoice	12/26/2015	Drinking water for WWTP	0.00	11.87
11128	Nielsen Building Material		01/11/2016 Regular	0.00	262.99 32321
<a href="#">474224</a>	Invoice	12/08/2015	Supplies Maintenance	0.00	16.92
<a href="#">474490</a>	Invoice	12/09/2015	Supplies Parks	0.00	140.11
<a href="#">474925</a>	Invoice	12/11/2015	Supplies Muni	0.00	8.08
<a href="#">476824</a>	Invoice	12/23/2015	Supplies City Hall	0.00	8.09
<a href="#">476834</a>	Invoice	12/23/2015	Supplies Parks	0.00	89.79
11133	Nielsen's Market		01/11/2016 Regular	0.00	280.23 32322
<a href="#">12/15</a>	Invoice	01/06/2016	Supplies	0.00	280.23
11187	Nu-Tech Pest Management		01/11/2016 Regular	0.00	254.00 32323
<a href="#">0116560</a>	Invoice	12/30/2015	HCA Ground Squirrels	0.00	129.00
<a href="#">0117210</a>	Invoice	12/30/2015	Sunny Fields Gopher	0.00	125.00
10975	O'Reilly Automotive Stores, Inc. dba O'Reilly Auto		01/11/2016 Regular	0.00	49.66 32324
<a href="#">4372243909</a>	Invoice	12/28/2015	Flat bed wiper blades	0.00	49.66
11157	Paradise Mobile Welding		01/11/2016 Regular	0.00	580.00 32325
<a href="#">4172</a>	Invoice	11/25/2015	Flag Pole LW	0.00	580.00
10699	Santa Ynez Stone & Topsoil		01/11/2016 Regular	0.00	4.08 32326
<a href="#">6120</a>	Invoice	12/30/2015	Supplies Maintenance	0.00	4.08
11167	Santa Ynez Valley Hardware		01/11/2016 Regular	0.00	1,272.77 32327
<a href="#">12/15</a>	Invoice	12/31/2015	Supplies	0.00	1,272.77
10281	Satcom Global FZE		01/11/2016 Regular	0.00	42.75 32328
<a href="#">AS01160829</a>	Invoice	01/01/2016	SIM card	0.00	42.75
51769	SCVB		01/11/2016 Regular	0.00	252.23 32329

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Number	Payment Date	Vendor Number	Vendor Name	Payment Type	Payment Amount
Payable #	Payable Type	Payable Date	Payable Description		Payable Amount
<a href="#">INV0002674</a>	Invoice	01/06/2016	JULE FEST REFUND	0.00	252.23
11179	Todd Pipe & Supply		01/11/2016 Regular	0.00	11.56 32330
<a href="#">307571</a>	Invoice	12/28/2015	Supplies Parks	0.00	11.56
10992	Tyler Technologies, Inc		01/11/2016 Regular	0.00	40.00 32331
<a href="#">025-143825</a>	Invoice	01/01/2016	Utility billing 1/1/16 to 1/31/16	0.00	40.00
11212	Verizon California		01/11/2016 Regular	0.00	47.97 32332
<a href="#">2900 12/15</a>	Invoice	12/28/2015	Acc# 01 1780 1152005294 00	0.00	47.97
10266	Western Aeromedical Consortium		01/11/2016 Regular	0.00	67.00 32333
<a href="#">68853</a>	Invoice	12/19/2015	Trevor Holley drug screen	0.00	67.00
10875	Alliant Insurance		01/07/2016 Regular	0.00	673.00 32334
<a href="#">INV0002679</a>	Invoice	01/07/2016	October 1 to December 31, 2015	0.00	673.00
90024	Keith Cote		01/11/2016 Regular	0.00	77.57 32335
<a href="#">INV0002681</a>	Invoice	01/11/2016	Uniform reimbursement	0.00	77.57
10613	Advantage Group, The		01/18/2016 Regular	0.00	553.00 32336
<a href="#">90306</a>	Invoice	12/31/2015	December 2015	0.00	553.00
10010	Applied EarthWorks, Inc		01/18/2016 Regular	0.00	2,077.97 32337
<a href="#">2952-04</a>	Invoice	12/31/2015	Upland Wells - Archeological Monitoring	0.00	2,077.97
11257	Aramark Uniform Service		01/18/2016 Regular	0.00	231.79 32338
<a href="#">531163537</a>	Invoice	12/14/2015	Mats and towels	0.00	231.79
10151	B & B Steel & Supply of Santa Maria, Inc.		01/18/2016 Regular	0.00	196.56 32339
<a href="#">493699</a>	Invoice	01/07/2016	Supplies Maint. dept	0.00	196.56
10425	Brough Construction, Inc		01/18/2016 Regular	0.00	87,342.10 32340
<a href="#">150171</a>	Invoice	01/06/2016	Upland Wells - HCA South Wellhead Facilities	0.00	87,342.10
10073	Buellflat Rock Co, Inc		01/18/2016 Regular	0.00	1,301.30 32341
<a href="#">15-1065</a>	Invoice	12/31/2015	Fuel	0.00	589.84
<a href="#">15-1140</a>	Invoice	12/31/2015	Fuel	0.00	155.23
<a href="#">92119</a>	Invoice	12/31/2015	Concrete Sand & Cold Mix	0.00	556.23
10244	Buellton Auto Parts		01/18/2016 Regular	0.00	4.38 32342
<a href="#">85400</a>	Invoice	12/09/2015	Tractor	0.00	4.38
10170	Buellton Medical Center		01/18/2016 Regular	0.00	170.00 32343
<a href="#">INV0002684</a>	Invoice	01/04/2016	Trevor Holley physical	0.00	170.00
11279	Carollo Engineers, Inc		01/18/2016 Regular	0.00	41,850.00 32344
<a href="#">0145996</a>	Invoice	01/12/2016	River Wells Project - Design Services	0.00	20,400.00
<a href="#">0146055</a>	Invoice	01/06/2016	River Wells Project - Design Services	0.00	21,450.00
10330	CCI Central, Inc		01/18/2016 Regular	0.00	180.36 32345
<a href="#">23697</a>	Invoice	12/30/2015	Ink Cartridge for postage machine	0.00	180.36
10498	City Clerks Association of California		01/18/2016 Regular	0.00	90.00 32346
<a href="#">1129</a>	Invoice	01/04/2016	Lisa Martin membership application	0.00	90.00
11135	Colantuono, Highsmith & Whatley, PC		01/18/2016 Regular	0.00	3,568.00 32347
<a href="#">30174</a>	Invoice	01/06/2016	2013 ID #1 Rate-Making	0.00	3,568.00
10197	County of Santa Barbara		01/18/2016 Regular	0.00	203.00 32348
<a href="#">IRWMP Q1 15-16</a>	Invoice	12/21/2015	IRWM Program MOU	0.00	203.00
51770	DUNN, TOREY		01/18/2016 Regular	0.00	100.00 32349
<a href="#">INV0002682</a>	Invoice	01/12/2016	FULL REFUND DUE TO RAIN 1/9/16	0.00	100.00
10057	FGL Environmental, Inc.		01/18/2016 Regular	0.00	842.00 32350
<a href="#">1/16 #1</a>	Invoice	01/05/2016	Lab fees for water dept	0.00	360.00

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Number	Payment Date	Vendor Number	Vendor Name	Payment Type	Payment Amount
Payable #	Payable Type	Payable Date	Payable Description		Payable Amount
<a href="#">1/16 #2</a>	Invoice	01/05/2016	Lab fees for water dept	0.00	482.00
10148	Gemplers		01/18/2016 Regular	0.00	474.37 32351
<a href="#">SI02174233</a>	Invoice	01/06/2016	James Petersen safety gear	0.00	178.89
<a href="#">SI02174335</a>	Invoice	01/06/2016	Keith Cote Safety Gear	0.00	295.48
11262	Graphic Systems		01/18/2016 Regular	0.00	50.80 32352
<a href="#">66307</a>	Invoice	01/04/2016	Copies	0.00	50.80
10180	Jim's Service Center		01/18/2016 Regular	0.00	1,304.08 32353
<a href="#">12/15</a>	Invoice	12/31/2015	Fuel	0.00	1,304.08
10906	League of California Cities		01/18/2016 Regular	0.00	4,193.28 32354
<a href="#">158567</a>	Invoice	01/31/2016	Membership for 2016	0.00	4,193.28
10046	Lunde's Solvang Auto Repair		01/18/2016 Regular	0.00	64.75 32355
<a href="#">004094</a>	Invoice	01/06/2016	#621 Smog Inspection	0.00	64.75
10113	Mr. Backflow		01/18/2016 Regular	0.00	75.00 32356
<a href="#">1165</a>	Invoice	01/09/2016	Sunnyfields annual backflow testing	0.00	75.00
11218	Napa Auto Parts		01/18/2016 Regular	0.00	30.20 32357
<a href="#">656226</a>	Invoice	12/31/2015	Supplies for generator	0.00	30.20
10186	Neil Glendinning		01/18/2016 Regular	0.00	450.00 32358
<a href="#">1/2016</a>	Invoice	01/12/2016	Coed Volleyball	0.00	450.00
11187	Nu-Tech Pest Management		01/18/2016 Regular	0.00	203.00 32359
<a href="#">0116876</a>	Invoice	01/05/2016	Annex Ants & Roaches	0.00	78.00
<a href="#">0117211</a>	Invoice	01/05/2016	Sunnyfields Gophers	0.00	125.00
11111	Pacific Materials Laboratory of Santa Barbara, Inc.		01/18/2016 Regular	0.00	1,682.00 32360
<a href="#">118698</a>	Invoice	11/30/2015	WWTP Garage Constr Inspection & Testing	0.00	420.00
<a href="#">118755</a>	Invoice	11/30/2015	WWTP Garage Constr Inspection & Testing	0.00	1,020.00
<a href="#">118760</a>	Invoice	11/30/2015	WWTP Garage Constr Inspection & Testing	0.00	121.00
<a href="#">118799</a>	Invoice	12/07/2015	WWTP Garage Constr Inspection & Testing	0.00	121.00
10001	Dale Pena		01/18/2016 Regular	0.00	165.00 32361
<a href="#">617</a>	Invoice	12/18/2015	Council meeting	0.00	165.00
10063	Rio Vista Chevrolet		01/18/2016 Regular	0.00	441.32 32362
<a href="#">60800</a>	Invoice	01/07/2016	Truck 619 Repair	0.00	441.32
11239	S.Y. River Water Conservation		01/18/2016 Regular	0.00	2,907.90 32363
<a href="#">1/15-12/15</a>	Invoice	01/02/2016	Semi-Annual Groundwater Production	0.00	2,907.90
10033	S.Y.R.W.C.D. ID #1		01/18/2016 Regular	0.00	7,586.16 32364
<a href="#">0001 12/15</a>	Invoice	12/31/2015	Acc# 17040001 900 Alamo Pintado Rd	0.00	763.80
<a href="#">5001 12/15</a>	Invoice	12/31/2015	Acc# 17005001 1890 Old Mill Rd	0.00	5,291.52
<a href="#">7501 12/15</a>	Invoice	12/31/2015	Acc# 17037501 Alamo Pintado Rd	0.00	1,530.84
11227	Santa Maria Tire, Inc		01/18/2016 Regular	0.00	1,203.14 32365
<a href="#">102645</a>	Invoice	12/31/2015	SYVT bus tires	0.00	1,203.14
10902	Staples Advantage		01/18/2016 Regular	0.00	205.07 32366
<a href="#">8037454667</a>	Invoice	01/02/2016	Supplies	0.00	205.07
11178	Steve's Wheel & Tire		01/18/2016 Regular	0.00	779.45 32367
<a href="#">56824</a>	Invoice	12/15/2015	#610 Tires	0.00	427.04
<a href="#">57030</a>	Invoice	12/31/2015	#624 Tires	0.00	352.41
10526	Storer Transit Systems		01/18/2016 Regular	0.00	28,289.09 32368
<a href="#">7361T</a>	Invoice	12/31/2015	SYVT Storer Operations Contract	0.00	23,965.75
<a href="#">7363T</a>	Invoice	12/31/2015	Fuel Reimbursement	0.00	4,323.34
10051	Terry E. Krieg, CPA		01/18/2016 Regular	0.00	4,600.00 32369

## City of Solvang Warrant Register

Date Range: 01/01/2016 - 01/31/2016

Number	Payment Date	Vendor Number	Vendor Name	Payment Type	Payment Amount
Payable #	Payable Type	Payable Date	Payable Description		Payable Amount
<a href="#">1/2016</a>	Invoice	01/01/2016	Final billing FY 6/30/15	0.00	4,600.00
10107	UPS Store 1882		01/18/2016 Regular	0.00	11.76 32370
<a href="#">5220</a>	Invoice	12/18/2015	Shipped to Goldman Madgalin Krikes	0.00	11.76
10214	USA Blue Book		01/18/2016 Regular	0.00	37.52 32371
<a href="#">843496</a>	Invoice	01/11/2016	Supplies Water dept	0.00	37.52
11212	Verizon California		01/18/2016 Regular	0.00	344.99 32372
<a href="#">1998 1/16</a>	Invoice	01/01/2016	Acc# 01 1780 1111698911 01	0.00	104.01
<a href="#">5452 1/16</a>	Invoice	01/04/2016	Acc# 01 1780 1185131516 07	0.00	240.98
10858	Wallace Group A California Corporation		01/18/2016 Regular	0.00	10,321.70 32373
<a href="#">40698</a>	Invoice	01/05/2016	AP Creek Bike-Ped Bridge Project	0.00	10,321.70
10686	ZWorld GIS		01/18/2016 Regular	0.00	2,655.00 32374
<a href="#">2015-0074</a>	Invoice	01/03/2016	GIS System-Wide Updates	0.00	575.00
<a href="#">2015-0075</a>	Invoice	01/03/2016	Easements Plotted in GIS	0.00	2,080.00
51770	DUNN, TOREY		01/18/2016 Regular	0.00	125.00 32377
<a href="#">INV0002726</a>	Invoice	01/14/2016	FULL REFUND DUE TO RAIN 1/9/16	0.00	125.00
10432	Alcoholic Beverage Control		01/20/2016 Regular	0.00	25.00 32379
<a href="#">INV0002735</a>	Invoice	01/20/2016	Wine & Canvas Feb. 2016	0.00	25.00
10614	Autosys, Inc.		01/25/2016 Regular	0.00	404.00 32383
<a href="#">870</a>	Invoice	01/18/2016	Tank 2 valve control	0.00	404.00
10065	Brenntag Pacific, Inc		01/25/2016 Regular	0.00	1,076.42 32384
<a href="#">BP1592561</a>	Invoice	01/13/2016	Chlorine, Ammonia, and Analyzer Chemicals	0.00	1,076.42
10070	Cal-Coast Irrigation		01/25/2016 Regular	0.00	54.74 32385
<a href="#">765749</a>	Invoice	01/13/2016	Water Dept. Repair Meter	0.00	54.74
10076	Cannon Associates		01/25/2016 Regular	0.00	2,924.25 32386
<a href="#">60446</a>	Invoice	12/31/2015	WWTP Available Capacity Analysis	0.00	2,924.25
10197	County of Santa Barbara		01/25/2016 Regular	0.00	2,160.00 32387
<a href="#">COS FY2015-16</a>	Invoice	01/11/2016	MHAT 7/1/15 to 6/30/16	0.00	2,160.00
10387	Erickson Electric, Inc.		01/25/2016 Regular	0.00	445.00 32388
<a href="#">15401</a>	Invoice	01/12/2016	Circuits for Server location	0.00	445.00
10304	Federal Express Corporation		01/25/2016 Regular	0.00	20.45 32389
<a href="#">5-288-16016</a>	Invoice	01/15/2016	Overnight envelope to Surveyors office	0.00	20.45
11324	Foodbank of Santa Barbara Co.		01/25/2016 Regular	0.00	100.00 32390
<a href="#">INV0002736</a>	Invoice	01/21/2016	SBC VOAD membership, 2016	0.00	100.00
10148	Gemplers		01/25/2016 Regular	0.00	64.79 32391
<a href="#">SI02178513</a>	Invoice	01/08/2016	Nathan Uniform	0.00	64.79
10477	Government Finance Officers Association		01/25/2016 Regular	0.00	170.00 32392
<a href="#">1/2016</a>	Invoice	01/07/2016	Membership for Sandra Featherson 300194...	0.00	170.00
51771	LA IGLESIA DE DIOS DE LA PROFE		01/25/2016 Regular	0.00	450.00 32393
<a href="#">INV0002724</a>	Invoice	01/13/2016	DEPOSIT REFUND 12/19/15	0.00	450.00
51226	Laura Buff		01/25/2016 Regular	0.00	240.00 32394
<a href="#">INV0002737</a>	Invoice	01/21/2016	Toilet Rebate	0.00	240.00
10313	Maintenance Superintendents		01/25/2016 Regular	0.00	35.00 32395
<a href="#">1/16-12/16</a>	Invoice	01/21/2016	Membership due for Tim Keaty	0.00	35.00
10879	Martin Technical, Inc		01/25/2016 Regular	0.00	6,000.00 32396
<a href="#">11145</a>	Invoice	01/06/2016	WWTP Arc Flash Study	0.00	6,000.00

City of Solvang Warrant Register

Date Range: 01/01/2016 - 01/31/2016

Number	Payment Date	Vendor Number	Vendor Name	Payment Type	Payment Amount		
Payable #	Payable Type	Payable Date	Payable Description		Payable Amount		
10224	Christophe Millner		01/25/2016 Regular		0.00	200.20	32397
<a href="#">1/5/16</a>	Invoice	01/05/2016	Kung Fu Instructor		0.00	200.20	
11128	Nielsen Building Material		01/25/2016 Regular		0.00	4.70	32398
<a href="#">479041</a>	Invoice	01/11/2016	Supplies Maintenance Dept.		0.00	4.70	
11187	Nu-Tech Pest Management		01/25/2016 Regular		0.00	254.00	32399
<a href="#">0117147</a>	Invoice	01/14/2016	Ground Squirrels HCA		0.00	129.00	
<a href="#">0117212</a>	Invoice	01/14/2016	Gopher Sunnyfields		0.00	125.00	
11137	Pacific Gas & Electric Company		01/25/2016 Regular		0.00	22,058.31	32400
<a href="#">5526-1 1/16</a>	Invoice	01/14/2016	Acc# 3982645526-1		0.00	4,384.89	
<a href="#">7582-5 1/16</a>	Invoice	01/19/2016	Acc# 0408007582-5		0.00	17,673.42	
11111	Pacific Materials Laboratory of Santa Barbara, Inc.		01/25/2016 Regular		0.00	242.00	32401
<a href="#">118889</a>	Invoice	12/11/2015	WWTP Garage Constr Inspection & Testing		0.00	121.00	
<a href="#">118964</a>	Invoice	12/18/2015	WWTP Garage Constr Inspection & Testing		0.00	121.00	
11136	Petty Cash		01/25/2016 Regular		0.00	65.57	32402
<a href="#">1/16 Admin</a>	Invoice	01/20/2016	Admin reimbursement petty cash		0.00	65.57	
10999	Platinum Plus for Business dba Business Card		01/25/2016 Regular		0.00	3,329.03	32403
<a href="#">3831 1/16</a>	Invoice	01/21/2016	12/11/15-1/10/16		0.00	3,329.03	
10329	Safety Kleen		01/25/2016 Regular		0.00	75.00	32404
<a href="#">68765849</a>	Invoice	11/23/2015	Parks Dept.		0.00	75.00	
51559	San Lorenzo Foundation		01/25/2016 Regular		0.00	70.00	32405
<a href="#">INV0002725</a>	Invoice	01/14/2016	CANCELLED EVENT 9/10/16		0.00	70.00	
10004	Santa Barbara Co Sheriff Dept		01/25/2016 Regular		0.00	129,578.61	32406
<a href="#">16-170</a>	Invoice	01/19/2016	Late Arrest 15-18594		0.00	249.61	
<a href="#">16-174</a>	Invoice	01/20/2016	February 2016		0.00	129,329.00	
11294	Scott Reardon's Locksmith Service		01/25/2016 Regular		0.00	89.56	32407
<a href="#">10792</a>	Invoice	01/14/2016	Truck key		0.00	89.56	
10278	TransFirst Holdings Inc. dba TransFirst Health and		01/25/2016 Regular		0.00	66.03	32408
<a href="#">25363</a>	Invoice	01/11/2016	December 2015		0.00	66.03	
10992	Tyler Technologies, Inc		01/25/2016 Regular		0.00	40.00	32409
<a href="#">025-145931</a>	Invoice	02/01/2016	Utility billing online 2/1/16-2/29/16		0.00	40.00	
10553	ValleyCrest Landscape		01/25/2016 Regular		0.00	3,292.00	32410
<a href="#">4922857</a>	Invoice	12/30/2015	SM LLMD Landscape Maintenance		0.00	3,292.00	
11212	Verizon California		01/25/2016 Regular		0.00	372.03	32411
<a href="#">1425 1/16</a>	Invoice	01/13/2016	Acc# 01 1780 1173009729 00		0.00	236.03	
<a href="#">5575 1/16</a>	Invoice	01/13/2016	Acc# 01 1780 1152030043 10		0.00	136.00	
10042	Western Exterminator Company		01/25/2016 Regular		0.00	198.00	32412
<a href="#">3800261</a>	Invoice	12/31/2015	December 2015		0.00	78.75	
<a href="#">3800262</a>	Invoice	01/21/2016	December 2015 - February 2016		0.00	119.25	
10261	California Building Standards		01/26/2016 Regular		0.00	173.00	32413
<a href="#">INV0002741</a>	Invoice	01/26/2016	October 2015 - December 2015		0.00	173.00	
11296	Department of Conservation		01/26/2016 Regular		0.00	546.05	32414

City of Solvang Warrant Register

Date Range: 01/01/2016 - 01/31/2016

Number	Payment Date	Vendor Number	Vendor Name	Payment Type	Payment Amount
Payable #	Payable Type	Payable Date	Payable Description		Payable Amount
<a href="#">INV0002738</a>	Invoice	01/25/2016	October 2015 - December 2015	0.00	546.05

Bank Code APBNK Summary

Payment Type	Payable Count	Payment Count	Discount	Payment
Regular Checks	213	156	0.00	766,651.08
Manual Checks	0	0	0.00	0.00
Voided Checks	0	1	0.00	-300.00
Bank Drafts	0	0	0.00	0.00
EFT's	58	30	0.00	121,961.99
	<b>271</b>	<b>187</b>	<b>0.00</b>	<b>888,313.07</b>

### Fund Summary

Fund	Name	Period	Amount
998	POOLED CASH	1/2016	888,313.07
			<u>888,313.07</u>



**CITY COUNCIL  
STAFF REPORT / CONSENT AGENDA**

**TO: SOLVANG CITY COUNCIL MEMBERS**

**FROM:** Bridget Elliott, Associate Engineer, and  
Matt van der Linden, Public Works Director/City Engineer

**MEETING DATE:** February 8, 2016

**DATE PREPARED:** January 29, 2016

**SUBJECT: NOTICE OF COMPLETION, WWTP GARAGE STRUCTURE  
PROJECT, PW 042**

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**I. RECOMMENDATION:**

Accept completion of construction of the WWTP Garage Structure Project, PW 042, and direct the City Manager to execute and record the Notice of Completion.

**II. BACKGROUND:**

At its June 22, 2015 Regular Meeting, the Solvang City Council awarded the contract for the WWTP Garage Structure Project, PW 042. The contract was awarded to Hanly General Engineering Corp. in the amount of \$265,726 with a contingency amount of \$19,000.

**III. DISCUSSION:**

The construction phase of the project consisted of the construction of a prefabricated steel garage structure including site grading, stem wall and foundation, installation of electrical system, lighting, fire protection system, domestic water system, and appurtenant work. The site improvements included the installation of asphalt concrete pavement and a retaining wall along the south and west side of the building. The work occurred at the Wastewater Treatment Plant.

During the construction of the project an additional exterior safety light was added to the front of the building, the foundation design was value engineered and an additional 1,700 square feet of asphalt paving work was completed. The Change Order amount for this work came to a total of \$18,055.12. The original completion date of the project was January 19, 2015. A contract time extension was granted due to inclement weather conditions. The contractor has now successfully completed the project.

A summary of costs associated with this project is as follows:

Original Project Construction Cost	\$ 265,726.00
Constr Mgmt & Inspection	(In-House) \$ 0.00
Special Inspection Services	\$ 4,549.00
Change Order No. 1	\$ 18,055.12
<b>Total Project Cost</b>	<b>\$ 288,330.12</b>

The garage structure will protect the Wastewater Vac-Con Truck, and other valuable heavy equipment from premature damage due to excessive weather exposure and extend the useful life of this equipment. In addition to the much needed pavement improvements this project has added valuable improvements to the City.

**IV. FISCAL IMPACT:**

There is no fiscal impact to the Notice of Completion. However, the Notice of Completion starts the clock on the warranty period, and provides a period of time during which potential lien holders may address any non-payment issues with the contractor. Special inspection services were not originally anticipated but were provided by Pacific Materials Laboratory at a cost of \$4,549.

**V. ATTACHMENT:**

1. Site Plan
2. Notice of Completion, WWTP Garage Structure Project, PW 042

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

City of Solvang  
1644 Oak Street  
Solvang, CA 93463

NO FEE PER GOVERNMENT CODE 6103

**NOTICE OF COMPLETION**

Notice is hereby given that:

1. The undersigned is owner or corporate officer of the owner of the interest or estate stated below in the property hereinafter described
2. The full name of the owner is **City of Solvang**
3. The full address of the owner is **1644 Oak Street, Solvang CA 93463**
4. The nature of the interest or estate of the owner is; in fee
5. A work of improvement on the property hereinafter described was completed on **February 5, 2016**. The work done was **WWTP Garage Structure Project, PW 042**.
6. The name of the contractor, if any, for such work of improvement was **Hanly General Engineering Corp.**
7. The property on which said work of improvement was completed is in the City of Solvang, County of Santa Barbara, State of California, and is described as follows:

**The construction of prefabricated steel garage structure including site grading, stem wall foundation, installation of electrical system, lighting, fire protection system, domestic water system, and asphalt paving, and appurtenant work.**

Dated: February 08, 2016

Matt van der Linden, PE, Public Works Director/City Engineer



VERIFICATION

I, the undersigned say: I am the **City Manager** of the declarant of the foregoing Notice of Completion; I have read said Notice of Completion and know the contents thereof is true of my own knowledge. I declare under penalty of perjury that the foregoing is true and correct.

Executed on \_\_\_\_\_, 2016, at \_\_\_\_\_, California  
(Date of Signature) (City where signed)

\_\_\_\_\_  
Brad Vidro, City Manager

Accepted by the Solvang City Council on \_\_\_\_\_  
(Date Accepted)





CITY COUNCIL  
STAFF REPORT/CONSENT AGENDA

TO: SOLVANG CITY COUNCIL MEMBERS

FROM: Brad Vidro, City Manager

MEETING DATE: February 8, 2016

DATE PREPARED: January 29, 2016

**SUBJECT: RESOLUTION AUTHORIZING SUBMITTAL OF APPLICATION FOR  
PAYMENT PROGRAMS AND RELATED AUTHORIZATIONS FOR  
RECYCLING GRANTS**

---

I. RECOMMENDATION:

Adopt Resolution No. 16-\_\_\_\_\_

II. DISCUSSION:

The State of California has a Beverage Container Recycling City/County Payment Program. Based on its population, Solvang has received the city minimum amount of \$5,000 each year since 2004. CalRecycle is in the process of reviewing changes to the program which will include all recipients to submit an approved resolution by the governing body. The attached Resolution is framed from the template provided and will meet the State's requirement. It authorizes the City Manager to execute program related documents.

III. ALTERNATIVES:

The City Council could choose to not adopt the Resolution or authorizes someone else.

**IV. FISCAL IMPACT:**

There are no impacts with adopting the Resolution. As mentioned the City receives \$5,000 annually from CalRecycle which must be spent on eligible activities.

**V. ATTACHMENT:**

Resolution

**RESOLUTION 16 - \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SOLVANG  
AUTHORIZING SUBMITTAL OF APPLICATION FOR PAYMENT PROGRAMS AND  
RELATED AUTHORIZATIONS FOR RECYCLING GRANTS**

**WHEREAS**, pursuant to Public Resources Code sections 48000 et seq., 14581, and 42023.1(g) the Department of Resources Recycling and Recovery (CalRecycle) has established various payment programs to make payments to qualifying jurisdictions; and

**WHEREAS**, in furtherance of this authority CalRecycle is required to establish procedures governing the administration of the payment programs; and

**WHEREAS**, CalRecycle's procedures for administering payment programs require, among other things, an applicant's governing body to declare by resolution certain authorizations related to the administration of the payment program.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Solvang that:

1. The City Manager is authorized to submit an application to CalRecycle for any and all payment programs offered; and
2. That the City Manager, or his/her designee, is hereby authorized as Signature Authority to execute all documents necessary to implement and secure payment; and
3. That this authorization is effective until rescinded by the Signature Authority or the Solvang City Council.

**PASSED, APPROVED AND ADOPTED** this 8<sup>th</sup> day of February 2016, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Jim Richardson, Mayor

ATTEST:

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Lisa S. Martin, City Clerk





**CITY COUNCIL  
STAFF REPORT/CONSENT AGENDA**

**TO:** SOLVANG CITY COUNCIL MEMBERS

**FROM:** Sandra Featherson, Administrative Services Director

**MEETING DATE:** February 8, 2016

**DATE PREPARED:** January 31, 2016

**SUBJECT:** **AMENDMENT OF CONTRACT FOR AUDIT SERVICES  
WITH TERRY KRIEG, CPA**

---

**I. RECOMMENDATION:**

Approve amendment and authorize the Mayor to execute the amendment which will extend the current contract for auditing services with Mr. Terry Krieg, CPA, by a period of one year, covering fiscal 2015-2016 at an annual cost of \$29,850.

**II. DISCUSSION:**

Terry Krieg has performed auditing services for the City since fiscal year 2005-06. Staff has found him to be very thorough, conscientious, and efficient. He has developed a good rapport with staff and has fine tuned his approach to the audit in such a way that it is a very detailed but smooth process.

Terry does a preliminary audit in April/May each year. The preliminary audit work entails checking bank records, accounts payable, receivable records, utility billing accounts, etc. Business for the fiscal year typically closes at the end of August and Terry returns in September to do the final audit work. As part of the audit work, the City is provided with information necessary for their annual financial report.

Mr. Krieg is very well versed on the most current Governmental Accounting Standards Board rulings as they pertain to accounting and reporting. He is always

available to answer staff questions when needed or render an opinion when asked. Terry has assisted us this year during our financial system conversion and his knowledge and history of the City's financials was critical as we completed our implementation.

**III. ALTERNATIVES:**

Council could request staff to issue a request for proposal for audit services.

**IV. FISCAL IMPACT:**

Annual cost will be \$29,850 – which is the same fee as the prior year. Additional costs may be incurred should the city expend over \$750,000 in federal funds and be subject to the Single Audit Act.

**V. ATTACHMENTS:**

- A. Amendment
- B. January 31, 2016 Proposal by Terry E. Krieg CPA

**AMENDMENT NO. 5 TO AUDITING SERVICES AGREEMENT  
DATED FEBRUARY 8, 2015  
BETWEEN THE CITY OF SOLVANG  
AND TERRY E. KRIEG, CPA**

**THIS AMENDMENT**, made and entered into this 8th day of FEBRUARY 2016, between the CITY OF SOLVANG, a municipal corporation, hereinafter referred to as "City" and Terry E. Krieg, CPA, hereinafter referred to as the *Consultant or Contractor*.

In consideration of the mutual covenants and conditions set forth in the original agreement dated April 25, 2006, the parties agree to:

**Amend Contract No.: 0000074 to reflect the following changes:**

**Section 1.01 Terms:** *Changed from Fiscal Year Ending 6/30/15 to Fiscal Year Ending 6/30/16*

**Section 1.03 Compensation:** *Change: "In addition, total fee for basic audit services and compilation of State Reports for fiscal year 2014/15, shall be \$29,850. Additional services may be added at the rate specified in the proposal dated December 20, 2014 and attached as Exhibit B."*

*to: "In addition, total fee for basic audit services and compilation of State Reports for fiscal year 2015/16 shall be \$29,850. Additional services may be added at the rate specified in the proposal dated January 31, 2016."*

All remaining portions of the original agreement shall not be changed by this amendment.

Executed on FEBRUARY 8th at Solvang, California

ATTEST:

CITY OF SOLVANG

\_\_\_\_\_  
Lisa Martin, City Clerk

By: \_\_\_\_\_

Jim Richardson, Mayor

Date: \_\_\_\_\_

Approved as to form:

Contractor or Consultant

\_\_\_\_\_  
Roy Hanley, City Attorney

By: \_\_\_\_\_

*Terry Krieg CPA*  
Terry Krieg, CPA

Date: \_\_\_\_\_

*February 1, 2016*





## Terry E. Krieg, CPA

Certified Public Accountant

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January 31, 2016

Ms. Sandra Featherson  
Finance Director  
City of Solvang  
1644 Oak Street  
Solvang, California 93463

Dear Ms. Featherson:

I am pleased to submit this audit services proposal letter and set forth an understanding of the services that I propose to provide to the City of Solvang, California for the fiscal year ending June 30, 2016. I will audit the financial statements of the governmental-type activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information which collectively comprise the basic financial statements of the City of Solvang as of and for the fiscal year ending June 30, 2016.

Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A) to accompany the City's basic financial statements. As part of my engagement, I will apply certain limited procedures to the City's RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to me in its representation letter. Unless I encounter problems with the presentation of the RSI or with procedures relating to it, I will disclaim an opinion on it. The following RSI is required by generally accepted accounting principles and will be subject to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis (MD&A)
2. Schedule of Funding Progress for OPEB Plans; the information required by GASB statement Number 45 for other post employment benefit plans such as retiree medical benefit plans and GASB 68 for pension plans
3. General Fund Budgetary Comparison Schedule

Supplementary information other than RSI also accompanies the City's basic financial statements. I will subject the following supplementary information to the auditing procedures applied in my audit of the basic financial statements and will provide an opinion on it in relation to the basic financial statements:

1. Combining balance sheet and combining statement of revenues, expenditures and changes in fund balances for non-major governmental funds
2. Budget to actual comparison schedules for non-major special revenue funds having adopted budgets
3. Comparison schedules of capital assets used in governmental activities

The following additional information accompanying the basic financial statements will not be subjected to the auditing procedures applied in my audit of the basic financial statements, and for which my auditor's report will disclaim an opinion:

1. Introductory section of the Comprehensive Annual Financial Report
2. Statistical section of the Comprehensive Annual Financial Report

Ms. Sandra Featherson  
January 31, 2016  
Page 2

Since the City has implemented GASB statement 68, Accounting for Pensions, the City shall obtain and provide appropriate required information from the PERS and from its consulting actuary to enable to update the net pension liability for the plan year ended June 30, 2015.

#### AUDIT OBJECTIVES

The objective of my audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. My audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and will include tests of the accounting records of the City and other procedures I consider necessary to enable me to express such opinions. If my opinions on the financial statements are other than unqualified, I will fully discuss the reasons with you in advance. If, for any reason, I am unable to complete the audit or are unable to form or have not formed opinions, I may decline to express opinions or to issue a report as a result of this engagement.

I will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the City, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during the audit I become aware that the City is subject to an audit requirement that is not encompassed in the terms of this engagement, I will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards may not satisfy the relevant legal, regulatory, or contractual requirements. My understanding is that the City of Solvang will be expending less than \$500,000 in federal grant funds in any one fiscal year; and that the City is therefore exempt from and not subject to Federal Single Audit A-133 Requirements.

#### MANAGEMENT RESPONSIBILITIES

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, I will assist with the preparation of your financial statements and the related note disclosures. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter my assistance with the preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you will be required to designate an individual with suitable skill, knowledge, or experience to oversee any non-audit services I provide and for evaluating the adequacy and results of those services and accepting responsibility for them. I understand that the City of Solvang has designated you, as its Finance Director, as the person to perform such oversight of my services.

Ms. Sandra Featherson  
January 31, 2016  
Page 3

For the fiscal year ending June 30, 2016, the City will be publishing its basic financial statements in a Comprehensive Annual Financial Report (CAFR). I will assist the City in reviewing the draft CAFR and in making suggestions for improvements in the format and content of such CAFRs.

#### MANAGEMENT RESPONSIBILITIES (Continued)

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental type activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregated remaining fund information of the City of Solvang and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to me and for ensuring the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to me in the representation letter that the effects of any uncorrected misstatements aggregated by me during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the City's financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us of all known or suspected fraud affecting the City's, (1) management, (2) employees who have significant roles in internal control, and (3) others where fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing me of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the City complies with applicable laws, regulations, contracts, agreements and grants and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse, if any, that I may report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for me previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to me corrective actions taken to address significant findings and recommendations resulting from those audits, engagements, performance audits, or other studies. You are also responsible for providing management's views on my current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

#### AUDIT PROCEDURES GENERAL

An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements; therefore, my audit will involve judgment about the number of transactions to be examined and the areas to be tested. I will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors or fraudulent financial reporting, misappropriation of assets, or violations of laws or government regulations that are applicable to the City or acts by management or employees acting on behalf of the City.

#### AUDIT PROCEDURES GENERAL (Continued)

Because the determination of abuse is subjective, Government Auditing Standards do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance, and because I will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, I will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that comes to my attention. I will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. My responsibility as auditor is limited to the period covered by my audit and does not extend to matters that might arise during any later periods for which I am not engaged as auditors.

My procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, direct confirmation of receivables, cash, investments and other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. I will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, I will also require certain written representations from you about the financial statements and related matters.

#### AUDIT PROCEDURES-INTERNAL CONTROLS

My audit will include obtaining an understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of my auditing procedures. Tests of controls may be performed to test the effectiveness of certain controls that I consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on financial statements. My tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in my report on internal control issued pursuant to Government Auditing Standards.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, I will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and Government Auditing Standards.

#### AUDIT PROCEDURES - COMPLIANCE

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I will perform tests of the City's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of my audit will not be to provide an opinion on overall compliance and I will not express such an opinion in my report on compliance issued pursuant to Government Auditing Standards

#### AUDIT ADMINISTRATION, FEES AND OTHER MATTERS

I understand that your employees will prepare all cash, investment, accounts receivable, and other confirmations I request and will locate and make available any documents selected by me for testing. The city agrees to finalize its general ledger account balances and to post all significant year end adjusting and correcting entries prior to my onsite visit for final audit fieldwork each year. The City agrees to provide all customary year end reconciliations, schedules, supporting ledgers, bank reconciliations, investment schedules, fixed asset and depreciation schedules, accounts payable reconciliations and similar documents as it has in prior years to assist in final fieldwork and testing of the accounting records.

I will provide copies of my reports to the City; however, management is responsible for the distribution of the reports and financial statements

The audit documentation for this engagement is the property of Terry E. Krieg, CPA, and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to Federal Agencies or their designee, a federal agency providing direct or indirect funding, or the US General Accounting Office for purposes of its quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such workpapers will be provided under the supervision of Terry E. Krieg, CPA. Furthermore, upon request, we may provide photocopies of selected audit documentation to the aforementioned parties. These other parties may intend, or decide, to distribute copies or information contained therein to others, including other governmental agencies.

I expect to perform the audit work during a mutually agreeable time period with interim audit work to be done in the month of April 2016 and to issue our reports by December 31, 2016. Our fees for such services, which includes all of our out of pocket expenses such as report reproduction, delivery, telephone, travel expenses and similar items, shall be as set forth in the attachment to this letter titled Schedule of Professional Auditing Fees.

Our invoices for such work will be rendered each month as the work progresses and are payable upon presentation. In accordance with standard practice, work may be suspended if your account becomes 30 days or more past due and may not be resumed until your account is paid in full.

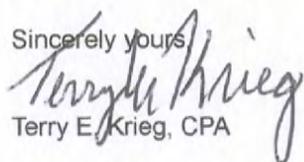
The above fee is based upon anticipated cooperation from your personnel, the assumption that unexpected circumstances will not be encountered during the audit, and the assumption that this will be a normal governmental audit. If significant additional time is required because of extraordinary circumstances not anticipated by us or the City of Solvang we will discuss it with you and will not perform any such additional work until we have obtained the City's written approval to perform such additional work.

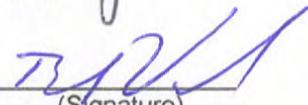
The audit documentation for this engagement shall be retained for a minimum of seven years after the report release date.

Ms. Sandra Featherson  
January 31, 2016  
Page 6

Government Auditing Standards requires I provide you with a copy of my most recent external peer review report and any letter of comment, and any subsequent peer review reports and letter of comment received during the period of our engagement. My 2013 peer review report dated February 11, 2014 accompanies this letter. I appreciate this opportunity to serve the City of Solvang and believe that this letter accurately summarizes the significant terms of the audit engagement. If you have any questions, please call me. If you agree with the terms of this engagement as described in this letter, please sign in the space provided below and return a signed copy to us as authorization to perform the work specified herein.

If you should have any questions or concerns about the provisions in this engagement letter, please feel free to call me on my cell phone at (707) 888-1052.

Sincerely yours,  
  
Terry E. Krieg, CPA

Accepted By:   
(Signature)

Title: CITY MANAGER

Date: 2-1-16



10201 S. 51<sup>st</sup> Street, Suite #170  
Phoenix, AZ 85044  
(480)704-6301 fax 785-4619

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## System Review Report

February 11, 2014

To the Owner of  
Terry Earl Krieg, CPA  
and the Peer Review Committee of the CA Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Terry Earl Krieg, CPA (the firm) in effect for the year ended August 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Terry Earl Krieg, CPA in effect for the year ended August 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Terry Earl Krieg, CPA has received a peer review rating of *pass*.

*Heidenreich & Heidenreich*

Heidenreich & Heidenreich, CPAs, PLLC



**Terry E. Krieg, CPA**  
**131-A, Stony Circle, Suite 500**  
**Santa Rosa, California 95401**  
**Schedule of Professional Fees for the City of Solvang, California**  
**Fiscal Year Ending June 30, 2016**

Description of Services To Be Provided	Estimated Hours	Quoted Rates	Fiscal Year June 30, 2016 Fixed Fees and Options
<b>BASIC AUDIT SERVICES:</b>			
Audit of basic financial statements	140	\$190	\$26,600
Drafting of the City's basic financial statements and notes			Included
Lodging costs			Included
Travel costs			Included
Total all inclusive price for basic audit services			<u>\$26,600</u>
<b>COMPILATION OF STATE REPORTS:</b>			
Separate pricing for compilation of the City's Annual State Controllers Report	20	\$190	<u>\$2,500</u>
Separate pricing for compilation of the City's Annual Street Report	4	\$190	<u>\$750</u>
Total fee for basic audit services and compilation of State Reports ( <b>No change in fee from fiscal 2015</b> )			<u>\$29,850</u>
<b>OPTIONAL SERVICES:</b>			
Separate pricing for Federal OMB Circular A-133 Single Audit, if Required when federal grant Expenditures exceed \$750,000	N/A		<u>To be arranged if service is required</u>
Consultation, reviews and accounting and reporting assistance services as Requested by the City	City to specify	\$190	<u>To be arranged if service requested by City City to specify maximum</u>





**CITY COUNCIL  
STAFF REPORT**

**TO:** SOLVANG CITY COUNCIL MEMBERS

**FROM:** Sandra Featherson, Administrative Services Director

**MEETING DATE:** February 8, 2016

**DATE PREPARED:** January 27, 2016

**SUBJECT:** 2014-2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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**I. RECOMMENDATION:**

1. Accept into the record as presented, the 2014-2015 Comprehensive Annual Financial Report as presented by Terry Krieg, CPA.
2. Review the ending fund balances for fiscal year ended June 30, 2015.

**II. DISCUSSION:**

Our independent auditor Terry Krieg, CPA, performed the City of Solvang's audit for the 2014-2015 financial records. Mr. Krieg conducts his audit in accordance with generally accepted auditing standards as they pertain to Government Auditing Standards issued by the Comptroller General of the United States. In his opinion our financial statements present fairly, in all material respects, the financial position of the City of Solvang as of June 30, 2015.

Once the audit is completed, the Administrative Services and Finance Department prepares the Comprehensive Annual Financial Report for the fiscal year then ended. This document includes the financial statements and accompanying notes prepared by the auditor. The public is encouraged to take the time to read through this document as it defines our financial and economic status on a variety of levels. It also fulfills our responsibility to report all financial conditions to the public as custodians of their funds.

**Solvang City Council Staff Report**

**Date: February 8, 2016**

**Subject: 2014-2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Page 2 of 4**

Mr. Krieg has noted there were no significant and unusual transactions reported in fiscal 2015 in the City's statement of net position and fund statements other than:

1. Reporting an overall \$1.69 million increase in the City net position as a result of City total revenues exceeding total 2015 expenses. Of the \$1.69 million increase, about \$1.1 million was generated by the City's governmental type activities. The City's business type activities reported a net overall increase of about \$595,000 in their combined net position.
2. The business-type funds collectively reported a positive \$106,000 increase in overall cash position for the 2015 fiscal year, and this was net of the \$609,000 cash decrease in the water fund. The cash decrease in the water fund resulted from repayment of the interfund loan, higher operating payments, and capital improvement costs.
3. The City's general fund generated \$1,076,000 more in revenues than in expenditures in the 2015 fiscal year. The general fund ended 2015 with a positive \$8.63 million fund balance.
4. There was a net \$157,000 decrease in the fund balance of the impact fee fund as a result of cash outflows for affordable housing assistance.
5. The City's internal service fund ended fiscal 2015 with about \$1.1 million in cash available for future capital asset needs.
6. The City was not subject to the Federal Single Audit Requirements in Fiscal 2015 because aggregated expenditures of Federal Awards were less than \$500,000. The dollar threshold which will trigger the single audit requirements increases to \$750,000 in fiscal 2016.

At the October 12, 2015 City Council Meeting, staff reported on the year end balances for each fund. As of June 30, 2015, the General Fund had a total fund balance of \$8,633,656. The Fund Balance Policy, revised in 2013, states for emergency reserves, fifty percent of the operating expenditures will be set aside. As of June 30, 2015, the General Fund balance committed for emergencies is currently at \$3.3 million, which represents 47% of our projected expenditures of \$7.1 million for FY 2015-16. The designations are as follows:

Nonspendable	\$ 127,805
Emergencies	\$ 3,366,484
Other Post Employment Benefits	\$ 248,418
Elverhoj Museum	\$ 5,000
Recycling Grant	\$ 14,290
Unassigned	\$ 4,871,659
<b>Total</b>	<b>\$ 8,633,656</b>

**Solvang City Council Staff Report**

**Date: February 8, 2016**

**Subject: 2014-2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Page 3 of 4**

As we budget for fiscal year 2016-17, we will ensure we commit fifty percent of the General Fund balance for emergencies.

After accounting for emergencies and other items, the General Fund has an unassigned balance of \$4.8 million. In the coming months as part of the annual budget process, Staff will be presenting options for using a portion of those funds to pay down some of our outstanding liabilities including:

- Other Post Employment Benefits (OPEB)
- Unfunded Pension Liability (CalPERS)

In addition, the City Council voted at its regular meeting of January 11, 2016, to utilize General Funds to pay approximately \$702,000 for Table A water to alleviate the impact to the Water Fund overall net position.

While the Enterprise funds all showed slight increases to their overall fund balances (shown below), the Water fund is of most concern.

<b>Fund #</b>	<b>Fund</b>	<b>FY 2013-14 Ending Fund Balance</b>	<b>FY 2014-15 Ending Fund Balance</b>	<b>Net Increase/ (Decrease)</b>
500	Water	\$ 6,058,124	\$ 6,212,705	\$ 154,581
501	Wastewater	\$ 9,648,746	\$ 9,792,705	\$ 143,959
502	Transit	\$ 1,199,507	\$ 903,136	\$ 296,371

The increase of \$155K in the Water fund was due primarily to Capital Contributions of \$497K, which represents water connection fees associated with the Skytt Mesa development. Although the Water fund has an unrestricted net position of \$2.39 million, (shown below) the 2015-16 budget is projecting a \$2.0M deficit due to well development projects and additional water purchases as a result of the drought. Assuming revenues and expenditures are as projected for June 30, 2015, that would leave the Water fund with a \$390,000 unrestricted net position (available reserves).

<b>Fund #</b>	<b>Fund</b>	<b>FY 2013-14 Unrestricted Net Position</b>	<b>FY 2014-15 Unrestricted Net Position</b>	<b>Net Increase/ Decrease</b>
500	Water	\$ 3,066,634	\$ 2,395,297	\$ (671,337)
501	Wastewater	\$ 4,578,071	\$ 3,769,647	\$ (808,424)
502	Transit	\$ 476,915	\$ 630,027	\$ 153,112

It should be noted water rates were not increased in November 21, 2014, although the City did implement a penalty structure in October 2014. City water customers did a great job of conserving water, however that resulted in less revenue to the City even with the penalties in place.

**III. ALTERNATIVES:**

None

**IV. FISCAL IMPACT:**

None

**V. ATTACHMENTS:**

- A. Letters from Terry E. Krieg, CPA
  - 1. Letter to those Charged with Governance
  - 2. Appropriations Limit
  - 3. Report on Internal Control over Financial Reporting, Compliance, and Other Matters
- B. Comprehensive Annual Financial Report

**CITY OF SOLVANG**

***Letter to Those Charged With Governance***

***June 30, 2015***





# Terry E. Krieg, CPA

Certified Public Accountant

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December 10, 2015

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

I have audited the basic financial statements of the governmental- type activities, business-type activities, discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Solvang for the year ended June 30, 2015, and have issued my report thereon dated December 10, 2015. Professional standards require that I provide you with the following information related to my audit.

### 1. My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material aspects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

As part of my audit, I considered the internal control of the City of Solvang. Such considerations were solely for the purpose of determining my audit procedures and not to provide assurance concerning such internal control. My responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. I am responsible for communicating significant matters related to the audit that are, in my professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, I am not required to design procedures specifically to identify such matters.

### 2. Other Information in Documents Containing Audited Financial Statements and Electronic Dissemination of Audited Financial Statements

My responsibility for other information in documents that contain the City of Solvang financial statements and my auditor's report, such as an official statement for a bond or debt offering, does not extend beyond the financial information identified in the report. I do not have an obligation to perform any procedures to corroborate other information contained in such other documents. To my knowledge, the City of Solvang's audited financial statements were not incorporated into other documents.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, I am not required to read the information in any such sites or to consider the consistency of other information in the electronic site with the original documents.

### 3. Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to the City's Administrative Services Director in the audit engagement letter and discussed with the City Manager. My understanding is that the City's Administrative Services Director has the responsibility for coordinating the audit process with my firm and for communicating to you significant audit matters.

#### 4. Significant Audit Findings

##### *A. Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Solvang are described in Note one to the financial statements.

##### *B. Changes in Accounting Policies*

There were no changes in accounting principles or changes in the application of adopted accounting principles and financial reporting practices in fiscal 2015 except that the City:

###### 1) Changes in Accounting Principles and Practices

Implemented the Governmental Accounting Standards Board Statement Number 68, titled, Accounting and Financial Reporting for Pensions. Implementation of the New Standard resulted in the City reporting (in the statement of net position) a net pension liability of \$2,523,180 which amount consisted of \$2,434,968 applicable to the City's miscellaneous pension plan and \$88,212 applicable to the closed safety plan. This combined \$2.5 net pension liability represents the City's proportionate share of the net pension liability for the entire net pension liability of the miscellaneous plans and safety plans held by the PERS in the pooled pension plans.

The City's \$2.5 million share of the total net pension liability was determined in connection with the PERS actuarial valuation of the plan as of June 30, 2013; and the City's share represents an allocation among an estimated 1,200 plus individual governments in the cost pool and the total net pension liability for this pooled plan of about \$8 billion plus.

In addition to the reporting of the City's proportionate share of the net pension liability, the PERS actuarial plan valuations also reported each governments share of what is reported as deferred outflows and deferred inflows of resources.

The deferred outflows of resources as of the plan measurement date of June 30, 2014 (The PERS reporting period is one year behind the City's June 30 fiscal year) was about \$862,643 representing employer pension contributions made in the 2015 fiscal year. The \$862,643 in employer contributions is employer contributions made by the City in fiscal 2015 and after the Plan measurement date of June 30, 2014. These employer contributions made after the June 30, 2014 Plan measurement date, will be considered in the calculations for the next measurement date of June 30, 2015 (This will be reported in the City's June 30, 2016 financial statements).

The implementation also resulted in the City reporting in its statement of net position \$748,601 in deferred inflows of resources (a liability like item). That amount was determined by the PERS as part of the actuarial plan valuations. This \$748,601 is an actuarial amount representing the City's share of the differences between the projected earnings on the plan's investments and the actual plan earnings. These differences are to be amortized to the plan between plan years 2015-2019.

1) Changes in Accounting Principles and Practices (Continued)

The implementation also resulted in the restatement and reduction of the City's beginning of fiscal year 2015 net position by about \$2.8 million dollars. The restatement and the net pension liability was allocated to both the governmental activities and business type activities of the City based upon relative proportions of employer pension costs.

In addition, there was a \$44,053 correction to the general fund deferred revenues (increased general fund balance, but had no impact on the City's total 2014 net position) and a net \$5,935 decrease in City net position as a result of reclassifying fiscal 2014 revenues miscoded to business type funds instead of governmental funds. The need for these corrections were detected by the City's Administrative Services Director, and in my judgment, were the result of unintentional and one-time mistakes in the coding of revenues, and were not reflective of a systemic deficiency in internal control.

2) New and Pending Accounting Standards of Significance

Governmental Accounting Standards Board (GASB) Statement Number 75, titled, Accounting and Financial Reporting for Post- Employment Benefits Other Than Pensions (OPEB) changes the method to be used to report the OPEB obligation and supersedes that current GASB 45 reporting model. Implementation may change significantly the City's OPEB liability amounts. This new standard is effective for fiscal years beginning after June 15, 2017 (The 2018 fiscal year) although earlier application is encouraged by the GASB. The City should consult with its actuary in order to obtain OPEB valuations that will be compliant with the requirements of GASB Statement Number 75.

Governmental Accounting Standards Board (GASB) Statement Number 72, titled, Fair Value Measurement and Application, changes the disclosures to be provided concerning City investments. This statement is effective in fiscal 2016 (The June 30, 2016 fiscal year), and will change the information in the notes to the financial statements concerning City investments.

*C. Significant and Unusual Transactions*

There were no significant and unusual transactions reported in fiscal 2014 in the City's statement of net position and fund statements other than:

1. Reporting an overall \$1.69 million increase in the City net position as a result of City total revenues exceeding total 2015 expenses. Of the \$1.69 million increase, about \$1.1 million was generated by the City's governmental type activities. The City's business type activities reported a net overall increase of about \$595,000 in their combined net position.
2. The business-type funds collectively reported a positive \$106,000 increase in overall cash position for the 2015 fiscal year, and this was net of the \$609,000 cash decrease in the water fund. The cash decrease in the water fund resulted from repayment of the interfund loan, higher operating payments, and capital improvement costs.
3. The City's general fund generated \$1,076,000 more in revenues than in expenditures in the 2015 fiscal year. The general fund ended 2015 with a positive \$8.63 million fund balance.

4. There was a net \$157,000 decrease in the fund balance of the impact fee fund as a result of cash outflows for affordable housing assistance.
5. The City's internal service fund ended fiscal 2015 with about \$1.1 million in cash available for future capital asset needs.
6. The City was not subject to the Federal Single Audit Requirements in Fiscal 2015 because aggregated expenditures of Federal Awards were less than \$500,000. The dollar threshold which will trigger the single audit requirements increases to \$750,000 in fiscal 2016.

#### *D. Transactions Having a Lack of Authoritative Guidance*

No significant dollar value transactions came to my attention where there was a lack of authoritative guidance regarding the application of accounting principles to the transactions.

#### *E. Accounting Estimates*

Accounting estimates are an integral part of financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimate affecting the financial statements was management's estimate of depreciation expense which estimates were based upon subsidiary schedules of capital assets and depreciation calculations using the straight-line method of depreciation, and the actuarially developed information pertaining to the City's unfunded Other Post-Employment Obligation (OPEB) and its Plan.

#### *F. Sensitive Financial Statement Disclosures*

The disclosures in the financial statements are to be neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were, in my judgment, no unusual and sensitive disclosures affecting the financial statements.

#### 5. Difficulties Encountered in Performing the Audit

I experienced no significant difficulties in dealing with management in performing and completing my audit.

#### 6. Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements and any detected by City staff as part of the year end closing process. Management was provided 12 proposed adjusting journal entries most of which related to the initial recording of the net pension liability (NPL) in order to implement GASB Statement Number 68 and the revenue reclassifications discussed in the previous sections.

7. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

8. Management Representations

I have requested certain representations from management that are included in the management representation letter.

9. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves the application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those financial statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

10. Financial Reporting Award

The City received from the Government Finance Officers Association (GFOA) a Certificate of Achievement for Excellence in Financial Reporting pertaining to the City's June 30, 2014 Comprehensive Annual Financial Report (CAFR).

11. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention as the City's auditors or prior to commencement of the financial statement audit. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention as the City's independent auditor.

This information is intended solely for the use of the City Council of the City of Solvang and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely yours

  
Terry E. Krieg



**CITY OF SOLVANG  
APPROPRIATIONS LIMIT  
JUNE 30, 2015**





**Terry E. Krieg, CPA**

Certified Public Accountant

---

Honorable Mayor and Members of  
The City Council  
City of Solvang

Independent Accountants' Report on Agreed-Upon Procedures  
Applied to Appropriations Limit Worksheets

I have applied the procedures enumerated below to the accompanying Appropriations Limit worksheet of the City of Solvang for the year then ended June 30, 2015. These procedures, which were agreed to by the City (as presented in the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*) were performed solely to assist the City of Solvang in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution.

This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which the report has been requested or for any other purpose.

The procedures performed and my findings were as follows:

1. I obtained the completed appropriation limit worksheets and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. I also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of my procedures.

2. For the accompanying Appropriations Limit worksheet, I added last year's limit and total adjustments, and compared the resulting amount to this year's limit.

Finding: No exceptions were noted as a result of my procedures.

3. I compared the current year information presented in the accompanying Appropriations Limit worksheet to the other worksheets described in No. 1 above.

Finding: No exceptions were noted as a result of my procedures.

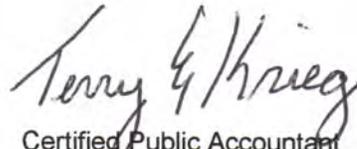
4. I compared prior year appropriations limit presented in the accompanying Appropriations Limit worksheet to the prior year appropriations limit adopted by the City Council for the prior year.

Finding: No exceptions were noted as a result of my procedures.

City Council  
City of Solvang  
Page 2

I was not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit worksheet. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*.

This report is intended solely for the use of the City of Solvang and should not be used by those who have not agreed to the procedures and taken the responsibility for the sufficiency of the procedures for their purposes.

  
Certified Public Accountant  
December 10, 2015

**Article XIII B Appropriation Limit Calculation**

Prior Year Limit		\$ 15,115,973
Multiply by:		
Change in per capita income	0.9977	
Change in population	1.0123	<u>1.00997171</u>
Total Appropriation Limit Fiscal Year 2014-2015		<u>\$ 15,266,706</u>



**CITY OF SOLVANG**

***Report on Internal Control Over Financial Reporting, Compliance  
and Other Matters***

***June 30, 2015***





**Terry E. Krieg, CPA**

Certified Public Accountant

---

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

Independent Auditor's Report

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

I have audited, 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, the financial statements of the governmental activities, the business type-activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Solvang, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Solvang's basic financial statements, and have issued my report thereon dated December 10, 2015.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered City of Solvang's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Solvang's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Solvang's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

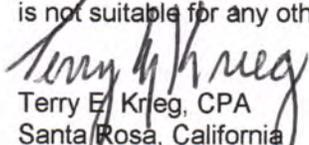
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Solvang's financial statements are free from material misstatement. I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## Purpose of Report

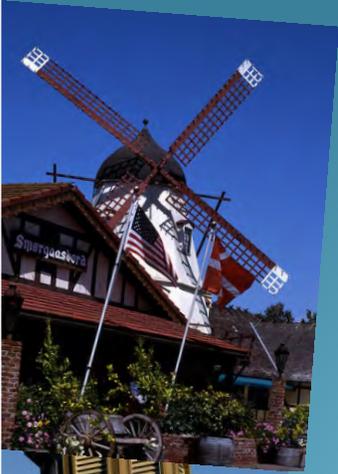
The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Solvang's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Solvang's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Terry E. Kreg, CPA  
Santa Rosa, California  
December 10, 2015



Fiscal Year Ended June 30, 2015

# COMPREHENSIVE ANNUAL FINANCIAL REPORT 2015



City of Solvang,  
California

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**CITY OF SOLVANG, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**June 30, 2015**

Prepared by:

Department of Administrative Services and Finance

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**City of Solvang  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2015**

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# INTRODUCTORY SECTION

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December 14, 2015

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, 2015.

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

The firm of Terry E. Krieg, Certified Public Accountant, has issued an unmodified independent auditor's report on the City of Solvang's financial statements for the fiscal year ended June 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

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

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

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

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

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

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

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

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

### ***Local Economy***

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

This year the City saw increases in both property tax and sales tax revenues. Sales tax has become more diverse over the years in terms of its origin, however, our top three sales tax generators by business category remain food products, general retail and construction, in that order. We are projecting these revenue sources to show similar growth in fiscal year 2016. Hotel taxes (TOT) increased this year as the occupancy rate increased about 3.5%.

While we have seen increasing trends in revenues, the City does not expect any major changes in our financial future and continues to spend within its means. The City continues to take a very conservative approach in the budgeting process. We strive to operate within current revenue streams and are careful to minimize use of reserves. Staff has an awareness of the challenges we face and continues to be conservative in their spending.

### ***Long Term Financial Planning and Major Initiatives***

This year the City completed about \$2.1 million in capital projects. For fiscal year ending 2016 the City has budgeted approximately \$4.5 million for capital projects, mostly for water and engineering. An additional \$25 million in capital projects are planned to be completed by the year 2025. These projects include about \$12.6 million in public works projects, \$355 thousand for parks and recreation, \$1 million for transit, \$8.5 million for water and \$2.1 million for wastewater system improvements.

The general fund ended fiscal 2015 with a fund balance of approximately \$8.6 million. Of that fund balance, \$3.4 million is committed for emergency reserves, and approximately \$4.9 million remained unassigned. There is approximately \$2.7 million available in Traffic Mitigation Impact Fees, Transportation Sales Tax Ballot Measures A, and Local Transportation Reserves, which will be used for future projects; mainly street infrastructure, street improvements, street maintenance, and sidewalk projects.

In fiscal year 2011 the City underwent a study for water and sewer to evaluate the utility rates and connection fees in an effort to ensure that we will be able to sustain the maintenance, capital infrastructure and required reserve levels for these funds and to ensure long term fiscal stability. The study was concluded in fiscal year 2011/12 and rate increases for a five year period were recommended and adopted by the City Council. The five year period ends in fiscal year 2015-16, and the City plans to initiate another rate study.

The City will also be evaluating financing options for the water and wastewater projects in the coming fiscal year. The new rates were effective starting November 21, 2011 and while they have brought in some additional revenue to the enterprise funds, the current drought situation in California has greatly impacted the fiscal health of the Water fund. The need to purchase additional water as well as implement new capital projects to ensure water resources for the Solvang community, including residents, businesses, and tourists have greatly increased expenses.

### ***Relevant Financial Policies***

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

### ***Awards and Acknowledgements***

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Solvang for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. The City has received this award for 21 of the last 22 years. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal and program requirements.

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

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

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

Respectfully submitted,



Brad Vidro  
City Manager



Sandra L. Featherson  
Administrative Services Director



Government Finance Officers Association

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

Presented to

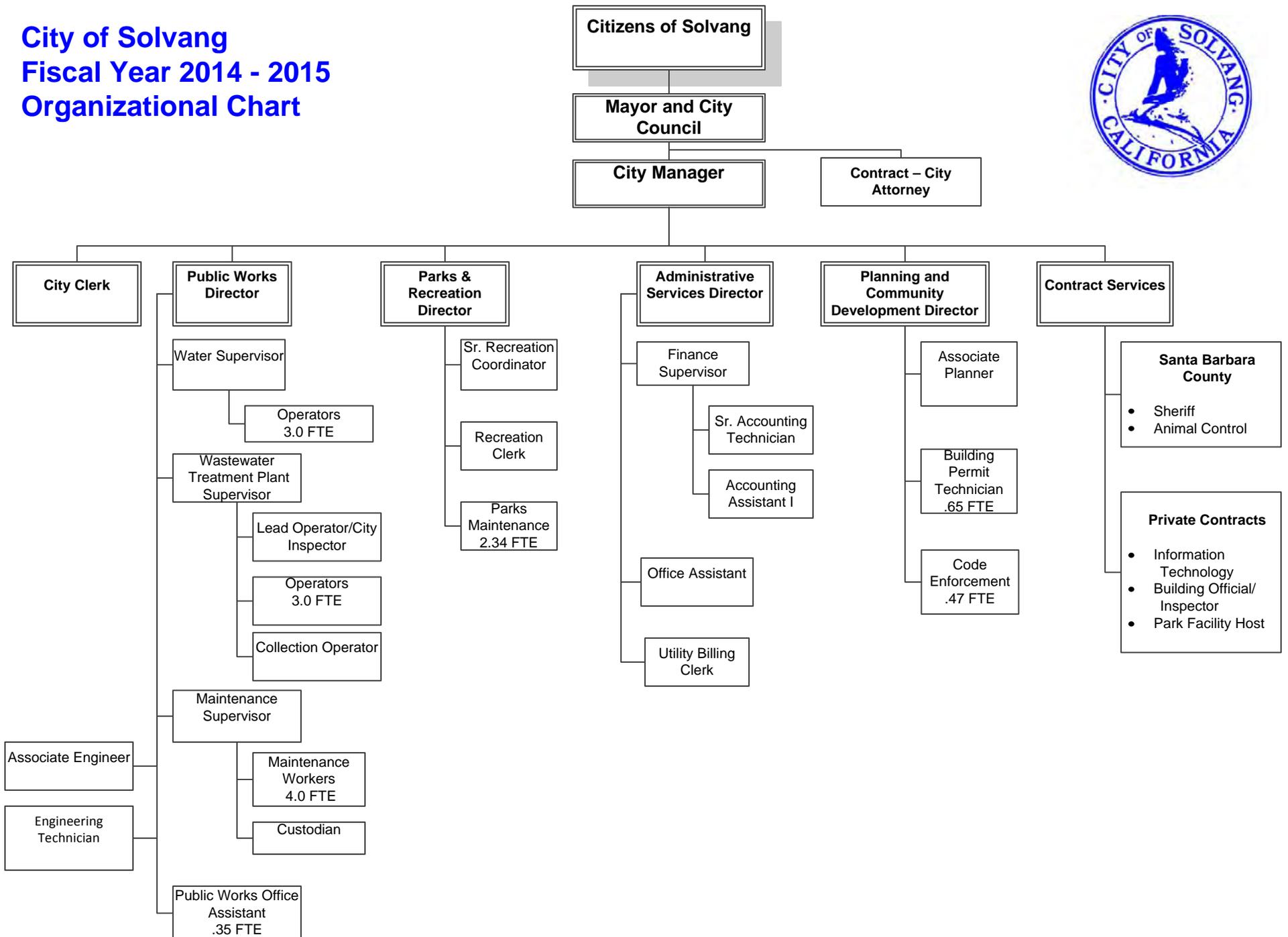
**City of Solvang  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

**City of Solvang  
Fiscal Year 2014 - 2015  
Organizational Chart**



City of Solvang  
List of Elected and Appointed Officials  
As of June 30, 2015

Elected Officials

Mayor	Jim Richardson
Council Member	Hans Duus
Council Member	Joan Jamieson
Council Member	Ed Skytt
Council Member	Neill Zimmerman

Appointed Officials

City Manager	Brad Vidro
City Attorneys	David Fleishman
	Roy Hanley
City Clerk	Mary Ellen Rio
Administrative Services Director	Sandra Featherson
Parks & Recreation Director	Fred Lageman
Planning/Community Development/Building	Arleen Pelster
Public Works Director/City Engineer	Matthew van der Linden

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# FINANCIAL SECTION

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**Terry E. Krieg, CPA**

Certified Public Accountant

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### **Independent Auditor's Report**

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

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Solvang, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Solvang's basic financial statements as listed in the Table of Contents.

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

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

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

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

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

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

#### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Solvang, California as of June 30, 2015, and the respective changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in note 5H to these financial statements, the City in fiscal 2015 made a change in accounting principle to implement Governmental Accounting Standards Board (GASB) Statement Number 68, titled, Accounting and Financial Reporting for Pensions. My opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 15 through 27 and the Budgetary Comparison Schedules, Schedule of OPEB Funding Progress, Schedule of Proportionate Share of Net Pension Liability and Schedule of The City's Pension Plan Contributions on pages 61 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

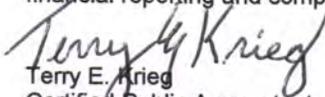
### *Other Information*

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

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued my report, dated December 10, 2015, on my consideration of the City of Solvang's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Solvang's internal control over financial reporting and compliance.

  
Terry E. Krieg  
Certified Public Accountant  
Santa Rosa, California  
December 10, 2015



## Management's Discussion and Analysis

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As management of the City of Solvang, we offer readers of the City of Solvang's financial statements, this narrative overview and analysis of the financial activities of the City of Solvang for the fiscal year ended June 30, 2015. 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 \$8.6 million at the end of the 2015 fiscal year; an increase of \$1,237,534 or 16.7% over fiscal year 2013-2014.
- Citywide, the total net position increased by \$1.7 million or 4% higher than 2013-2014 after conducting all operations and programs. The net position totaled \$39.5 million dollars at year-end. Of that amount, \$14.2 million (the unrestricted net position) may be used to meet the City's ongoing obligations and operating expenses for the next fiscal year.
- The City's Governmental activities reported net position of \$22.2 million dollars. Of the \$22.2 million dollars, \$7.5 million remains unrestricted and available.
- Overall, Citywide revenues from governmental activities, grants and taxes increased \$547,426 compared to the 2013-2014 fiscal year. This increase is a result of higher tax revenue.
- Impact Fees ended FY 2014-2015 with a fund balance of \$2.43 million; a decrease of 6% from 2013-2014. The decrease is the result of using impact fees for affordable senior housing within the City of Solvang.
- The Proprietary Enterprise funds ended the fiscal year with a net position of \$17.2 million (including the funds' net investment in capital assets); a 3.6% increase from fiscal year 2013-2014.
- The City's other non-major governmental funds ended FY 2014-2015 with a fund balance of \$569 thousand dollars.



## Management's Discussion and Analysis

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### Overview of the Financial Statements

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

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

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

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

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

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



## Management's Discussion and Analysis

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

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

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

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

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

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



## Management's Discussion and Analysis

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

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

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

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

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-58 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 as regards to the PERS cost sharing pool of which the City is a member, and the City's employer pension plan contributions. Required supplementary information can be found on pages 61-66 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on OPEB. Combining and individual fund statements and schedules can be found on pages 69-81 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 \$39,452,472, at the close of the most recent fiscal year.



## Management's Discussion and Analysis

### City of Solvang Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2014	2015	2014	2015	2014	2015	2014-2015
<b>Assets:</b>							
Current and other Assets	\$ 12,005,194	\$ 13,043,643	\$ 8,642,574	\$ 8,181,110	\$ 20,647,768	\$ 21,224,753	3%
Capital Assets	12,057,865	11,748,077	9,512,247	10,409,946	21,570,112	22,158,023	3%
<b>Total Assets</b>	<b>\$ 24,063,059</b>	<b>\$ 24,791,720</b>	<b>\$ 18,154,821</b>	<b>\$ 18,591,056</b>	<b>\$ 42,217,880</b>	<b>\$ 43,382,776</b>	<b>3%</b>
<b>Deferred outflows of resources:</b>							
Pension plan contributions and other pension deferrals	\$ 259,810	\$ 599,189	\$ 137,987	\$ 263,454	\$ 397,797	\$ 862,643	117%
Current liabilities	\$ 456,146	\$ 338,401	\$ 579,347	\$ 535,079	\$ 1,035,493	\$ 873,480	-16%
Noncurrent liabilities	2,717,304	2,310,400	1,103,455	860,466	3,820,759	3,170,866	-17%
<b>Total Liabilities</b>	<b>\$ 3,173,450</b>	<b>\$ 2,648,801</b>	<b>\$ 1,682,802</b>	<b>\$ 1,395,545</b>	<b>\$ 4,856,252</b>	<b>\$ 4,044,346</b>	<b>-17%</b>
<b>Deferred inflows of resources:</b>							
Pension plan timing difference	\$ -	\$ 494,553	\$ -	\$ 254,048		\$ 748,601	
<b>Net Position:</b>							
Invested in capital assets	\$ 12,057,865	\$ 11,748,077	\$ 9,512,247	\$ 10,409,946	\$ 21,570,112	\$ 22,158,023	3%
Restricted	3,155,589	3,004,851	-	-	3,155,589	3,004,851	-5%
Unrestricted	5,935,965	7,494,627	7,097,759	6,794,971	13,033,724	14,289,598	10%
<b>Total Net Position</b>	<b>\$ 21,149,419</b>	<b>\$ 22,247,555</b>	<b>\$ 16,610,006</b>	<b>\$ 17,204,917</b>	<b>\$ 37,759,425</b>	<b>\$ 39,452,472</b>	<b>4%</b>

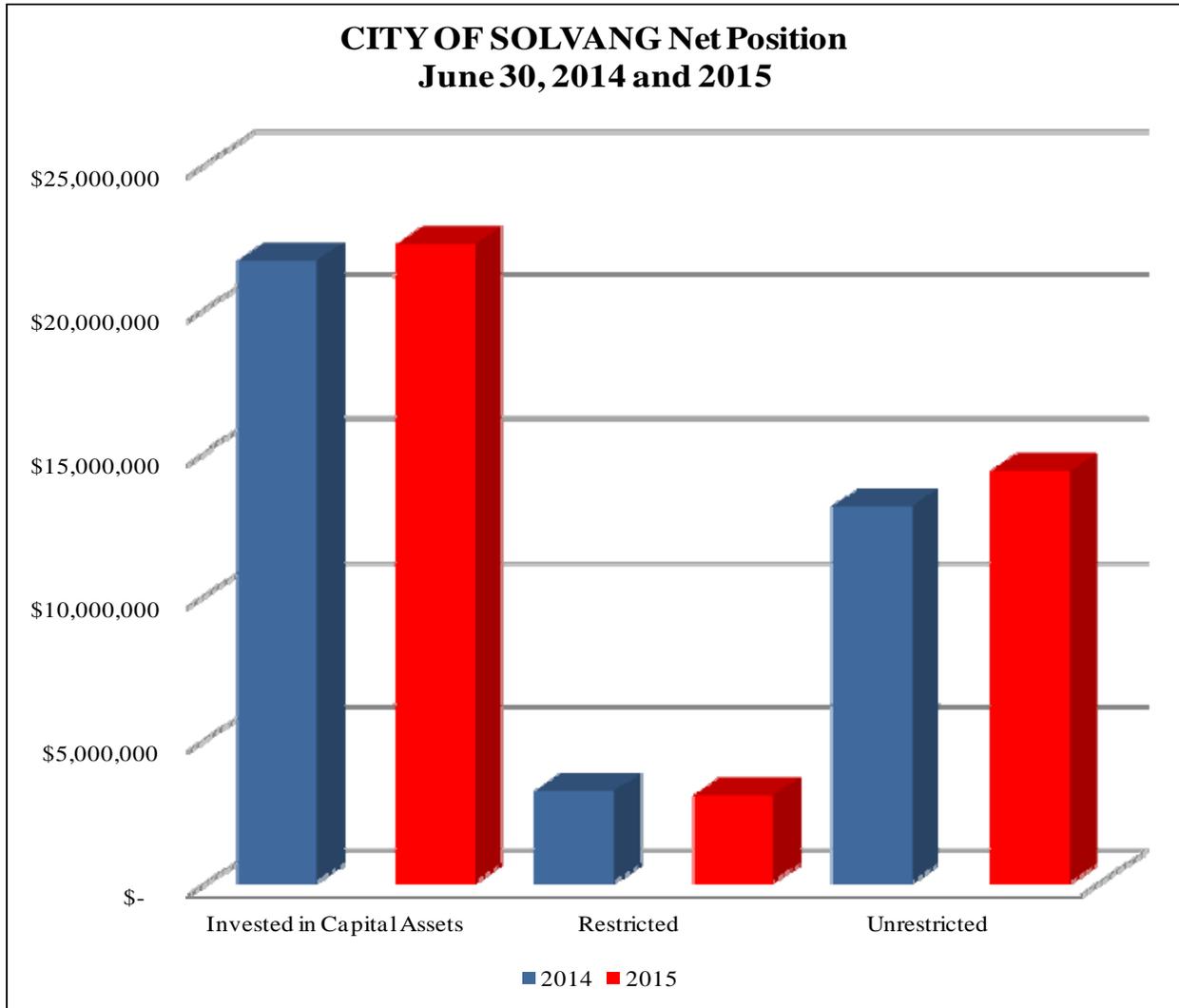
By far, the largest portion of the City of Solvang's net position (56.2%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City of Solvang uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

An additional portion of the City of Solvang's net position (7.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$14.3 million is unrestricted, and may be used to meet the government's ongoing obligations to its citizens and creditors.

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



## Management's Discussion and Analysis



The City of Solvang's overall net position increased by \$1.7 million from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities.** Taxes are the primary source of revenue for governmental activities and account for 75% of all revenues. The tax category includes property tax, sales tax, transient occupancy tax (TOT) and other taxes.

Solvang is a tourist community and the largest portion of its tax revenues come from transient occupancy tax (local hotel tax). These taxes generate 45% of all governmental-type revenues. In FY 2014-15, local hotel tax increased \$408,335 or 12% from fiscal year 2013-14. In addition, occupancy of rooms increased approximately 3.5% in fiscal year 2014-2015, to a new high of 72%.



## 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.

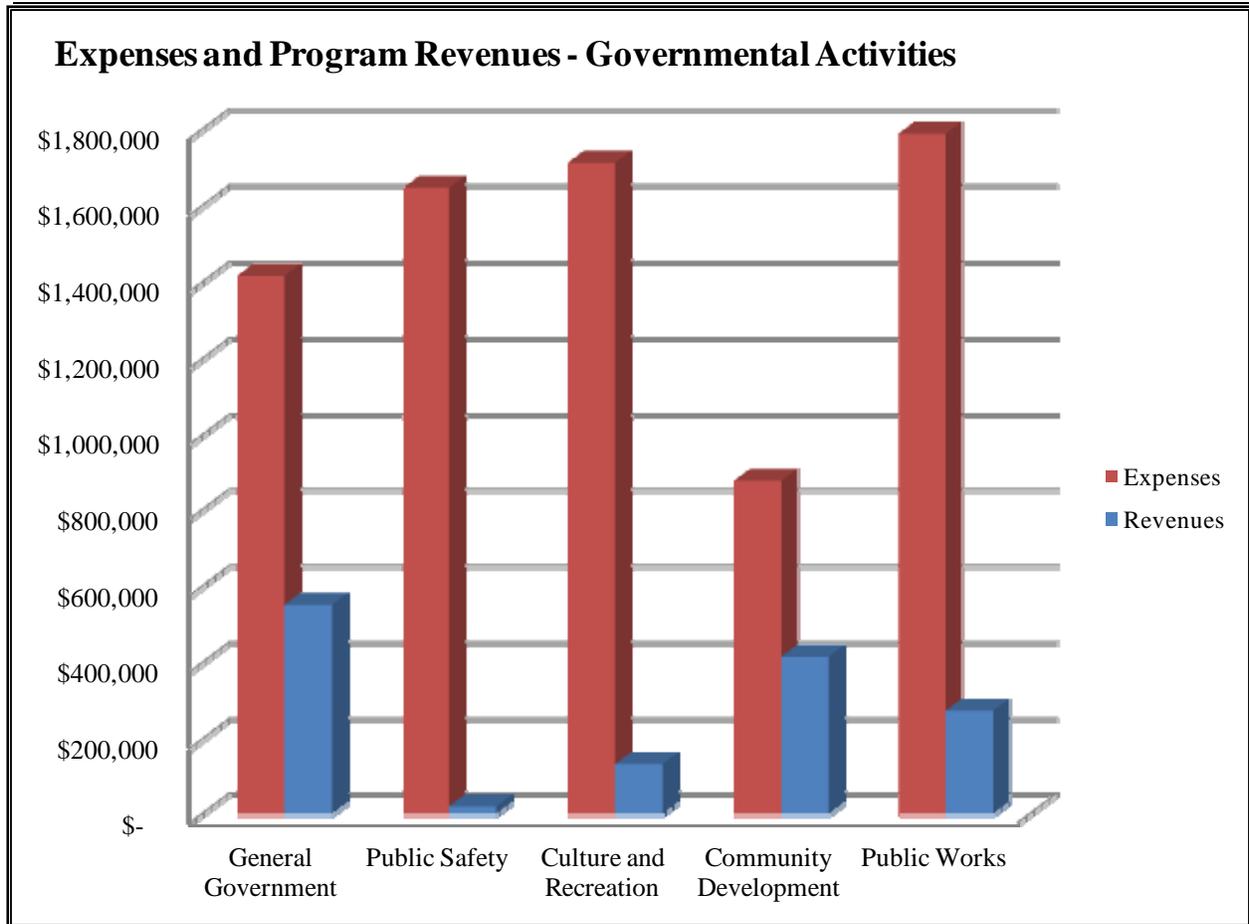
When all operations were concluded, the governmental activities function generated an increase of \$1M in net position primarily due to an increase in transient occupancy taxes and charges for services.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2015	2014	2015	2014	2015	2014	2014-2015
<b>Revenues:</b>							
Program revenues							
Charges	\$ 1,401,006	\$ 1,353,568	\$ 6,112,135	\$ 6,379,430	\$ 7,513,141	\$ 7,732,998	-3%
Operating grants and contributions	614,802	657,186	805,635	594,073	1,420,437	1,251,259	14%
Capital grants and contributions	40,559	57,401	950,429	911,348	990,988	968,749	2%
General revenues:							
Transient occupancy taxes	3,833,644	3,425,309			3,833,644	3,425,309	12%
Property, sales and other taxes	2,629,188	2,487,129			2,629,188	2,487,129	6%
Other	25,323	16,503			25,323	16,503	53%
Total revenues	8,544,522	7,997,096	7,868,199	7,884,851	16,412,721	15,881,947	3%
<b>Expenses:</b>							
General government	1,417,776	1,578,629			1,419,884	1,578,629	-10%
Public safety	1,647,930	1,639,642			1,645,822	1,639,642	0%
Culture and recreation	1,713,110	1,792,316			1,713,110	1,792,316	-4%
Community development	876,912	455,085			876,912	455,085	93%
Public works	1,789,458	1,701,142			1,789,458	1,701,142	5%
Water			4,765,816	5,067,560	4,765,816	5,067,560	-6%
Wastewater			1,799,891	1,800,351	1,799,891	1,800,351	0%
Transit			708,781	732,221	708,781	732,221	-3%
Total expenses	7,445,186	7,166,814	7,274,488	7,600,132	14,719,674	14,766,946	0%
Increase (decrease) in net position before transfers	1,099,336	830,282	593,711	284,719	1,693,047	1,115,001	52%
Transfers	(1,200)	(1,200)	1,200	1,200	-	-	
<i>Increase (decrease) in net position</i>	1,098,136	829,082	594,911	285,919	1,693,047	1,115,001	52%
Net position, beginning (restated)	21,149,419	22,214,155	16,610,006	17,279,680	37,759,425	39,493,835	-4%
Change in accounting principle (Note 5H)	-	(1,893,818)	-	(955,593)	-	(2,849,411)	
Net position, ending (restated)	\$ 22,247,555	\$ 21,149,419	\$ 17,204,917	\$ 16,610,006	\$ 39,452,472	\$ 37,759,425	4%



## Management's Discussion and Analysis



**Business-type Activities.** For the City of Solvang’s business-type activities, the City’s net position increased slightly, to end the year at \$17,204,917. The increase in net position for business-type activities (water, wastewater, and transit funds) was \$594,911 from the prior fiscal year. Capital Grants and Contributions slightly increased in the areas of water, wastewater and transit. These contributions are due in part to the ongoing development of the Skytt Mesa housing development project, (resulting in additional connection fees) and additional federal funds for capital assets in Transit.

### Financial Analysis of Governmental Funds

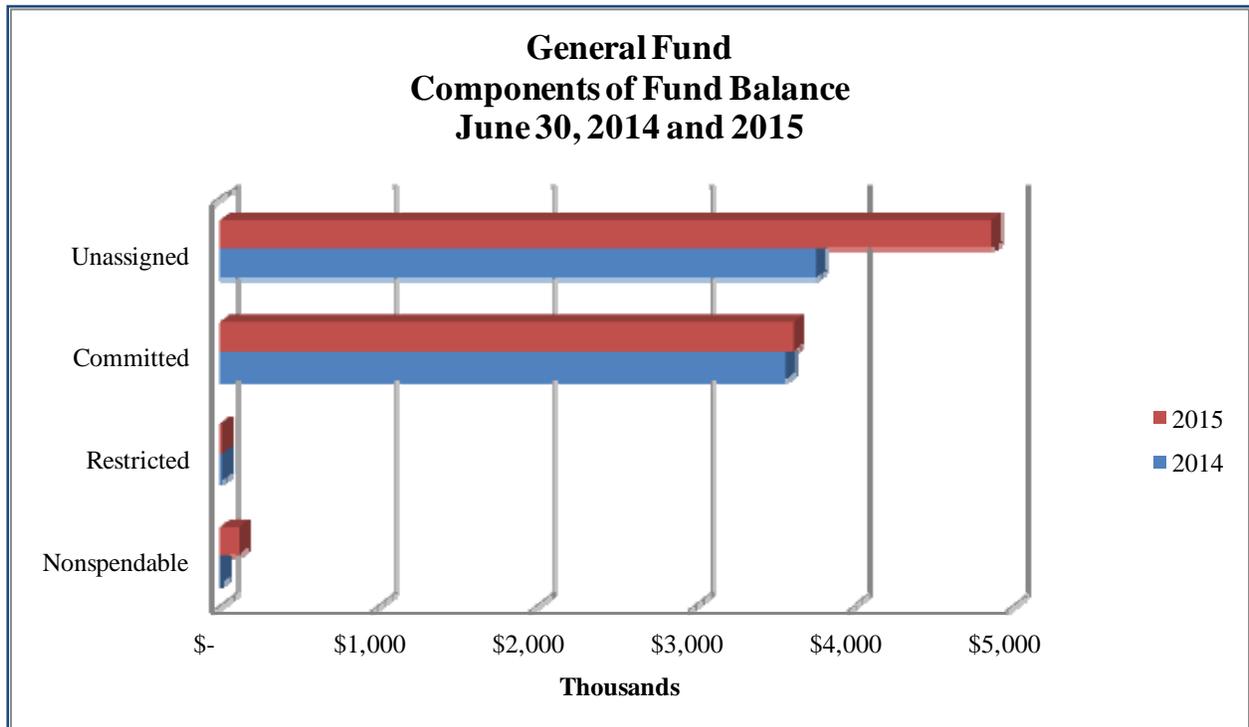
As noted earlier, the City of Solvang uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



## Management's Discussion and Analysis

**Governmental Funds.** The focus of the City of Solvang’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Solvang’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Solvang itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Solvang’s Council.

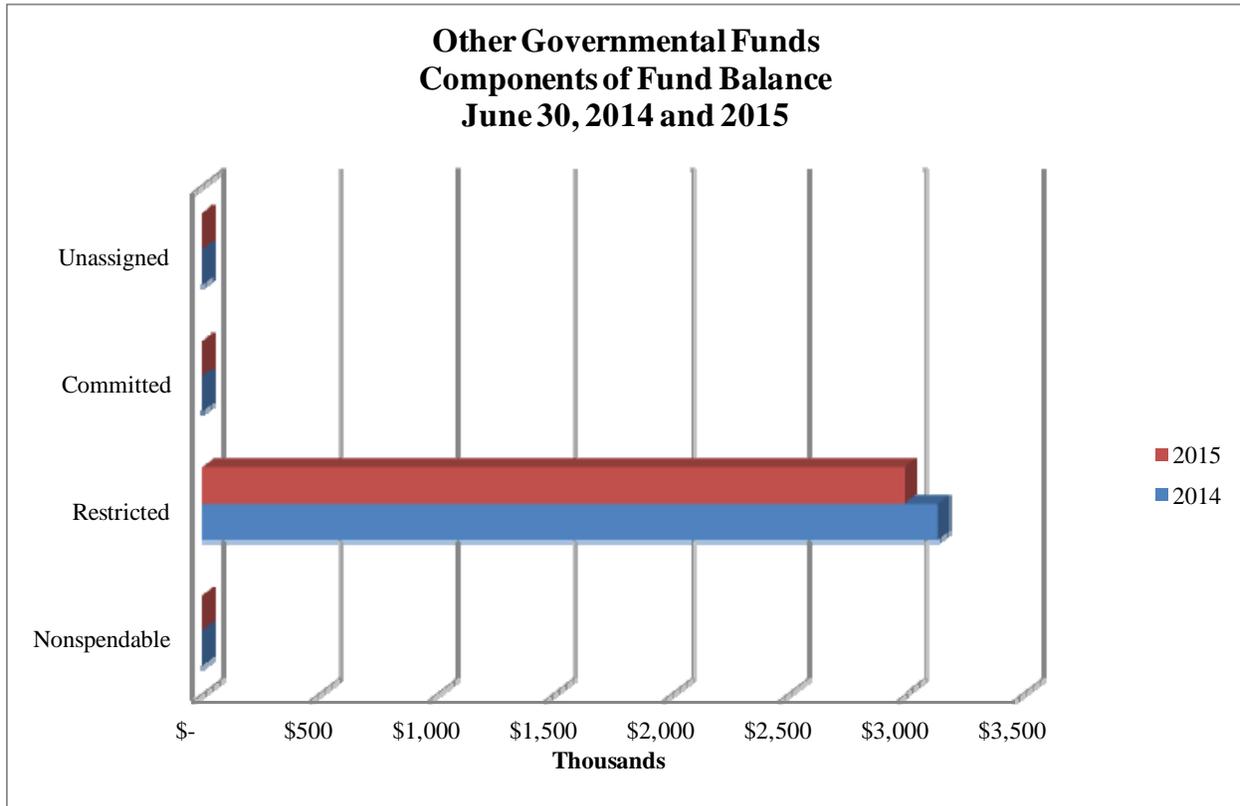
At June 30, 2015, the City of Solvang’s governmental funds reported combined fund balances of \$11,630,691, an increase of \$1,029,200 in comparison with the prior year. Approximately 42% of this amount (\$4,871,659) constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of the fund balance is either nonspendable, restricted, or committed, to indicate that it is 1) not in spendable form (\$127,805), 2) restricted for particular purposes (\$3,011,325), or 3) committed for particular purposes (\$3,619,902). The increase in governmental funds from fiscal year 2013-14 to 2014-2015, was due primarily to the increase in transient occupancy taxes.



The general fund is the chief operating fund of the City of Solvang. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,871,659, while total fund balance increased to \$8,633,656.



## 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 \$2,395,297 and \$3,769,647 respectively. The total growth in net position for Water was \$154,581, and Wastewater was \$143,959. Growth in the Water Fund and Wastewater funds can be contributed to additional capital contributions as a result of the ongoing development of Skytt Mesa. Overall sales of water were down due to conservation efforts by Solvang water customers.

Transit operations unrestricted net position totaled \$630,027, an increase of \$153,112 from fiscal year 2014-15. Transit operations overall net position increased by 33% to end the fiscal year at \$1,199,507, primarily due to an increase in capital contributions – money from federal programs to assist with transit operations.



## Management's Discussion and Analysis

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### General Fund Budgetary Highlights

**Original budget compared to final budget.** There were two budget amendments (greater than \$100 thousand), to increase original budgeted expenditures – they are listed below:

Expenditure Budget Adjustments	Initial Budget	Final Budget	Difference
CalPERS Liability Reduction	\$ -	\$ 117,269	\$ 117,269
Sewer Loan Repayment	\$ 165,700	\$ 490,870	\$ 325,170

The City Council chose to pay off a portion of its unfunded pension liability in fiscal year 2014-2015 requiring a budget adjustment. In addition, the City Council voted to pay off a loan from the Wastewater (Sewer) fund to the General fund. This is discussed more in Note 4.C on page 48 of this report. Generally, the movement of the appropriations between departments was not significant.

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

Revenue Source	Final Budgeted Revenues	Actual Revenues	Difference
Transient Occupancy Taxes	\$ 3,390,000	\$ 3,833,644	\$ 443,644
Sales Taxes	\$ 1,085,000	\$ 1,241,436	\$ 156,436
Property Taxes	\$ 1,051,300	\$ 1,140,579	\$ 89,279

A review of actual expenditures compared to the appropriations in the final budget yields no significant variances. Overall, actual expenditures were less than budgeted expenditures by \$452,361.

### 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, 2015, amounts to \$22,158,023 (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 2.7%. Major capital asset events during the current fiscal year included the following:



## Management's Discussion and Analysis

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Well Development	\$ 681,149
Sewer Line Replacement	\$ 647,387
Overlay/Crack Sealing	\$ 228,651
Bus Stop Improvements/Upgrades	\$ 217,874
Waterline Repair Project	\$ 123,798
Alamo Pintado Creek - Bike/Pedestrian Bridge	\$ 93,385

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

**Long-term Debt.** Under insurance arrangements, the City is self-insured for the first \$50,000 for each workers compensation claim and \$20,000 for each general liability claim and \$5,000 for property damage. The statement of net position also shows no liability for 2015 for estimated claim obligations and has no current obligation for 2015. This liability was fully funded and paid in 2015, and there were no pending claims at the end of the fiscal year.

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

Additional information on the City's long-term debt can be found starting on page 51 of the notes to the financial statements

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

The following economic factors currently affect the City of Solvang and were considered in developing the 2015-16 fiscal year budget:

- In June 2015, the City Council adopted a General Fund budget with expenditures greater than budgeted revenues. Given the anticipated amount of available unassigned fund balance at the end of FY 2014-15 of approximately \$4.8M, the City Council anticipated using those funds to make up the budgeted deficit of \$69K. We do not anticipate the reduction of any public services or staff in the coming year.
- In 2011, an annual increase in water rates was approved and scheduled for each November from fiscal year 2011-12 through fiscal year 2015-2016. The additional funds generated by the increase were to support maintenance and capital replacement costs, as well as adequate funding of reserves. However, with the State of California in a severe drought, the impact of



## Management's Discussion and Analysis

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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. In FY 2014-15, the City Council voted to not increase water usage rates, but to instead implement a penalty structure tied to usage and compared to calendar year 2013 as a baseline. All of these factors, in addition to anticipated increases in state and federal water quality mandates have contributed to increasing costs in the Water fund and a rapidly depleting unrestricted net position in the Water Fund. The City Council will be evaluating options for supporting the Water Fund in 2015-16.

- As property values slowly increase, the taxable assessed value as a percentage of estimated actual value in property assessments increases, and contributes to the increase in City revenues.
- As the economy continues to recover, economic indicators point to increased travel and tourism, which will hopefully result in continued increases in transient occupancy taxes and revenue for the City.
- On the expenditure side, increases are expected in pension and other employee benefit costs. These rates will be increasing 5-6% over the next 4 years as CalPERS adjusts their methodology and assumptions.
- The City of Solvang relies heavily on tourism, with over 1.5 million visitors annually, requiring twenty-four hour services for residents and non-residents alike.
- The State's budget remains a source of concern as it is always surrounded by uncertainty, however the State's finances continue to improve as a result of increased sales and property taxes.

### **Requests for Information**

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

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

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# Basic Financial Statements

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**CITY OF SOLVANG**  
**Statement of Net Position**  
**June 30, 2015**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>	Solvang Conference & Visitors Bureau
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 12,124,133	\$ 7,255,736	\$ 19,379,869	\$ 33,764
Net receivables	791,705	695,086	1,486,791	-
Prepayments	700	7,375	8,075	8,340
Total current assets	<u>12,916,538</u>	<u>7,958,197</u>	<u>20,874,735</u>	<u>42,104</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	222,913	222,913	-
Receivables-long-term	127,105	-	127,105	-
Capital assets not being depreciated	2,288,224	1,571,655	3,859,879	-
Capital assets being depreciated, net	9,459,853	8,838,291	18,298,144	-
Total noncurrent assets	<u>11,875,182</u>	<u>10,632,859</u>	<u>22,508,041</u>	<u>-</u>
Total assets	<u>24,791,720</u>	<u>18,591,056</u>	<u>43,382,776</u>	<u>42,104</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension plan contributions	599,189	263,454	862,643	-
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	199,434	236,858	436,292	-
Accrued liabilities	17,364	25,490	42,854	3,962
Compensated absences	60,000	48,798	108,798	-
Deposits	61,603	1,000	62,603	-
Unearned advances	-	222,933	222,933	-
Total current liabilities	<u>338,401</u>	<u>535,079</u>	<u>873,480</u>	<u>3,962</u>
Noncurrent liabilities:				
Compensated absences	84,761	9,900	94,661	-
Net other post employment benefit obligation	553,025	-	553,025	-
Net pension liability	1,672,614	850,566	2,523,180	-
Total noncurrent liabilities	<u>2,310,400</u>	<u>860,466</u>	<u>3,170,866</u>	<u>-</u>
Total liabilities	<u>2,648,801</u>	<u>1,395,545</u>	<u>4,044,346</u>	<u>3,962</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Pension plan timing differences	494,553	254,048	748,601	-
<b>NET POSITION</b>				
Net investment in capital assets	11,748,077	10,409,946	22,158,023	-
Restricted for:				
Highways and streets	2,755,681	-	2,755,681	-
Capital improvements	255,644	-	255,644	-
Unrestricted	7,488,153	6,794,971	14,283,124	38,142
Total net position	<u>\$ 22,247,555</u>	<u>\$ 17,204,917</u>	<u>\$ 39,452,472</u>	<u>\$ 38,142</u>

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

**CITY OF SOLVANG**  
**Statement of Activities**  
For the Fiscal Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position			Component Unit  Solvang Conference and Visitors Bureau
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
City government								
Governmental Activities:								
General government	\$ 1,417,776	\$ 552,656	\$ -	\$ -	\$ (865,120)	\$ -	\$ (865,120)	\$ -
Public safety	1,647,930	20,140	-	-	(1,627,790)	-	(1,627,790)	-
Culture and recreation	1,713,110	135,769	6,072	-	(1,571,269)	-	(1,571,269)	-
Community development	876,912	416,750	-	-	(460,162)	-	(460,162)	-
Public works	1,789,458	275,691	608,730	40,559	(864,478)	-	(864,478)	-
Total governmental activities	<u>7,445,186</u>	<u>1,401,006</u>	<u>614,802</u>	<u>40,559</u>	<u>(5,388,819)</u>	<u>-</u>	<u>(5,388,819)</u>	<u>-</u>
Business-Type Activities:								
Water	4,765,816	4,422,992	-	497,405	-	154,581	154,581	-
Wastewater	1,799,891	1,623,447	-	320,403	-	143,959	143,959	-
Transit	708,781	65,696	805,635	132,621	-	295,171	295,171	-
Total business-type activities	<u>7,274,488</u>	<u>6,112,135</u>	<u>805,635</u>	<u>950,429</u>	<u>-</u>	<u>593,711</u>	<u>593,711</u>	<u>-</u>
Total Primary government	<u>\$ 14,719,674</u>	<u>\$ 7,513,141</u>	<u>\$ 1,420,437</u>	<u>\$ 990,988</u>	<u>(5,388,819)</u>	<u>593,711</u>	<u>(4,795,108)</u>	<u>-</u>
Component Unit:								
Solvang Conference & Visitors Bureau	<u>\$ 803,479</u>	<u>\$ 84,029</u>	<u>\$ 656,286</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (63,164)</u>
<b>General revenues</b>								
Taxes:								
Property taxes					1,140,579	-	1,140,579	-
Sales taxes					1,241,436	-	1,241,436	-
Transient occupancy taxes					3,833,644	-	3,833,644	-
Other taxes					247,173	-	247,173	-
Interest					25,323	-	25,323	-
Transfers					(1,200)	1,200	-	-
Total general revenues and transfers					<u>6,486,955</u>	<u>1,200</u>	<u>6,488,155</u>	<u>-</u>
Increase (decrease) in net position					1,098,136	594,911	1,693,047	(63,164)
Net position, beginning					<u>21,149,419</u>	<u>16,610,006</u>	<u>37,759,425</u>	<u>101,306</u>
Net position, ending					<u>\$ 22,247,555</u>	<u>\$ 17,204,917</u>	<u>\$ 39,452,472</u>	<u>\$ 38,142</u>

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

**CITY OF SOLVANG**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 8,041,043	\$ 2,425,481	\$ 523,734	\$ 10,990,258
Taxes receivable	648,313	-	-	648,313
Accounts receivable	70,638	-	-	70,638
Due from other governments	-	-	62,571	62,571
Accrued interest receivable	7,334	1,835	338	9,507
Prepayments	700	-	-	700
Due from other governments - long term	127,105	-	-	127,105
	<u>\$ 8,895,133</u>	<u>\$ 2,427,316</u>	<u>\$ 586,643</u>	<u>\$ 11,909,092</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 182,549	\$ -	\$ 16,885	\$ 199,434
Accrued liabilities	17,325	-	39	17,364
Deposits	61,603	-	-	61,603
	<u>261,477</u>	<u>-</u>	<u>16,924</u>	<u>278,401</u>
Fund balances:				
Nonspendable	127,805	-	-	127,805
Restricted for:				
Recycling	14,290	-	-	14,290
Highways and streets	-	1,763,678	569,719	2,333,397
Parking	-	407,894	-	407,894
Park improvements	-	58,026	-	58,026
Drainage	-	100	-	100
Affordable housing	-	197,618	-	197,618
Committed to:				
Emergencies	3,366,484	-	-	3,366,484
Other Post Employment Benefits	248,418	-	-	248,418
Museum	5,000	-	-	5,000
Unassigned	4,871,659	-	-	4,871,659
	<u>8,633,656</u>	<u>2,427,316</u>	<u>569,719</u>	<u>11,630,691</u>
Total liabilities and fund balances	<u>\$ 8,895,133</u>	<u>\$ 4,854,632</u>	<u>\$ 586,643</u>	<u>\$ 11,909,092</u>

Total Governmental Fund Balances	\$ 11,630,691
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	11,696,901
The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position	1,185,727
Pension actuarial liabilities and certain employer contributions are reported as deferred inflows and outflows of resources and are not, therefore, reported in the funds	104,636
Net pension liability (NPL) obligations are not due and payable in the current period and are not reported in the funds	(1,672,614)
Some liabilities, including compensated absences, claims and other post employment benefit obligations are not due and payable in the current period and, therefore, are not reported in the funds	(697,786)
Net Position of Governmental Activities	<u>\$ 22,247,555</u>

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

**CITY OF SOLVANG**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 1,140,579	\$ -	\$ -	\$ 1,140,579
Sales taxes	1,241,436	-	-	1,241,436
Transient occupancy taxes	3,833,644	-	-	3,833,644
Other taxes	247,173	-	-	247,173
Special assessments	-	-	111,063	111,063
Licenses and permits	224,359	-	-	224,359
Fines and forfeits	-	-	10,922	10,922
Intergovernmental	88,052	-	642,460	730,512
Interest	25,323	6,474	1,824	33,621
Charges for services	737,367	244,871	-	982,238
Miscellaneous	6,072	-	168	6,240
	<u>7,544,005</u>	<u>251,345</u>	<u>766,437</u>	<u>8,561,787</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,544,863	-	-	1,544,863
Public safety	1,645,921	-	-	1,645,921
Culture and recreation	1,592,316	-	-	1,592,316
Community development	517,020	-	-	517,020
Housing	-	394,404	-	394,404
Public works	1,167,773	13,900	655,190	1,836,863
	<u>6,467,893</u>	<u>408,304</u>	<u>655,190</u>	<u>7,531,387</u>
Excess (deficiency) of revenues over expenditures	<u>1,076,112</u>	<u>(156,959)</u>	<u>111,247</u>	<u>1,030,400</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	161,422	-	-	161,422
Transfers out	-	-	(162,622)	(162,622)
	<u>161,422</u>	<u>-</u>	<u>(162,622)</u>	<u>(1,200)</u>
Net change in fund balances	1,237,534	(156,959)	(51,375)	1,029,200
Fund balances, July 1	<u>7,396,122</u>	<u>2,584,275</u>	<u>621,094</u>	<u>10,601,491</u>
Fund balances, June 30	<u>\$ 8,633,656</u>	<u>\$ 2,427,316</u>	<u>\$ 569,719</u>	<u>\$ 11,630,691</u>

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

**CITY OF SOLVANG**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**June 30, 2015**

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 1,029,200</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$470,303 exceed depreciation (\$739,847) in the current period.	(269,544)
Increases in liabilities for other post employment benefits (OPEB) do not require the use of current financial resources and are therefore not reported in the funds	(64,417)
Pension contributions subsequent to the plan measurement date are reported as expenditures in the funds, but are reported as deferred outflows in the statement of net position	599,189
Differences between the expected rate of return on pension plan investments and the actual rate of return are reported in the statement of net position as deferred inflows of resources, but are not reported in the funds	(494,553)
Changes in the net pension liability do not use or provide current financial resources and are reported in the statement of activities, but not in the fund statements.	221,204
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	(9,693)
Internal service funds are closed by charging additional amounts or reducing charges to participating governmental activities to completely cover the internal service fund's costs	104,015
Certain revenues are deferred in the funds until collected and available, and are reported as revenues in the statement of activities when earned.	<u>(17,265)</u>
Net differences	<u>68,936</u>
Change in Net Position of Governmental Activities	<u>\$ 1,098,136</u>

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

**CITY OF SOLVANG**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Business-type Activities				Governmental Activities - Internal Service Fund
	Water	Wastewater	Transit	Totals	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,583,628	\$ 3,934,782	\$ 737,326	\$ 7,255,736	\$ 1,133,875
Receivables(net)	524,633	168,026	2,427	695,086	676
Prepayments	6,014	836	525	7,375	-
Total current assets	<u>3,114,275</u>	<u>4,103,644</u>	<u>740,278</u>	<u>7,958,197</u>	<u>1,134,551</u>
Noncurrent assets:					
Other assets:					
Cash and cash equivalents	-	-	222,913	222,913	-
Internal Balances -advances to other funds	(309,000)	309,000	-	-	-
Total other noncurrent assets	<u>(309,000)</u>	<u>309,000</u>	<u>222,913</u>	<u>222,913</u>	<u>-</u>
Capital assets:					
Capital assets not being depreciated:					
Land	64,099	48,720	-	112,819	-
Construction in progress	760,495	698,341	-	1,458,836	-
Total	<u>824,594</u>	<u>747,061</u>	<u>-</u>	<u>1,571,655</u>	<u>-</u>
Capital assets being depreciated:					
Buildings and facilities	784,721	6,694,013	450,834	7,929,568	-
Distribution and collection systems Infrastructure	5,015,370	3,848,324	-	8,863,694	-
	1,272,105	2,997,311	19,547	4,288,963	-
Vehicles	-	349,991	328,930	678,921	526,382
Equipment	201,773	944,342	51,564	1,197,679	160,988
Less accumulated depreciation	<u>(4,281,155)</u>	<u>(9,557,984)</u>	<u>(281,395)</u>	<u>(14,120,534)</u>	<u>(636,194)</u>
Net capital assets being depreciated	<u>2,992,814</u>	<u>5,275,997</u>	<u>569,480</u>	<u>8,838,291</u>	<u>51,176</u>
Net capital assets	<u>3,817,408</u>	<u>6,023,058</u>	<u>569,480</u>	<u>10,409,946</u>	<u>51,176</u>
Total noncurrent assets	<u>3,508,408</u>	<u>6,332,058</u>	<u>792,393</u>	<u>10,632,859</u>	<u>51,176</u>
<b>Total assets</b>	<u>6,622,683</u>	<u>10,435,702</u>	<u>1,532,671</u>	<u>18,591,056</u>	<u>1,185,727</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension plan contributions	101,783	161,671	-	263,454	-
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	64,416	75,951	96,491	236,858	-
Other current liabilities	2,960	8,790	13,740	25,490	-
Compensated absences	10,527	38,271	-	48,798	-
Unearned advances	-	-	222,933	222,933	-
Deposits	-	1,000	-	1,000	-
Total current liabilities	<u>77,903</u>	<u>124,012</u>	<u>333,164</u>	<u>535,079</u>	<u>-</u>
Noncurrent liabilities:					
Compensated absences	7,100	2,800	-	9,900	-
Net pension liability	328,609	521,957	-	850,566	-
Total noncurrent liabilities	<u>335,709</u>	<u>524,757</u>	<u>-</u>	<u>860,466</u>	<u>-</u>
<b>Total liabilities</b>	<u>413,612</u>	<u>648,769</u>	<u>333,164</u>	<u>1,395,545</u>	<u>-</u>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Pension plan timing differences	98,149	155,899	-	254,048	-
<b>NET POSITION</b>					
Net investment in capital assets	3,817,408	6,023,058	569,480	10,409,946	51,176
Unrestricted	2,395,297	3,769,647	630,027	6,794,971	1,134,551
<b>Total net position</b>	<u>\$ 6,212,705</u>	<u>\$ 9,792,705</u>	<u>\$ 1,199,507</u>	<u>\$ 17,204,917</u>	<u>\$ 1,185,727</u>

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

**CITY OF SOLVANG**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2015**

	Business-type Activities				Governmental Activities Internal- Service Fund
	Water	Wastewater	Transit	Totals	
<b>OPERATING REVENUES</b>					
Sales of water	\$ 4,361,233	\$ -	\$ -	\$ 4,361,233	\$ -
Service fees	-	1,600,527	64,086	1,664,613	141,813
Miscellaneous	54,817	11,427	-	66,244	-
Total operating revenues	<u>4,416,050</u>	<u>1,611,954</u>	<u>64,086</u>	<u>6,092,090</u>	<u>141,813</u>
<b>OPERATING EXPENSES</b>					
Salaries and benefits	441,235	707,185	-	1,148,420	-
Purchased power	106,154	119,863	-	226,017	-
Transit operator	-	-	358,302	358,302	-
Services and supplies	615,643	563,015	241,825	1,420,483	-
Purchased water	470,350	-	-	470,350	-
Joint operating expenses	2,902,222	-	-	2,902,222	-
Depreciation and amortization	224,415	409,828	93,864	728,107	40,244
Total operating expenses	<u>4,760,019</u>	<u>1,799,891</u>	<u>693,991</u>	<u>7,253,901</u>	<u>40,244</u>
Operating income (loss)	<u>(343,969)</u>	<u>(187,937)</u>	<u>(629,905)</u>	<u>(1,161,811)</u>	<u>101,569</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Operating subsidies	-	-	805,635	805,635	-
Loss on capital assets	-	-	(14,790)	(14,790)	-
Interest and investment revenue	6,942	11,493	1,610	20,045	2,446
Interest expense	(5,797)	-	-	(5,797)	-
Net nonoperating revenues (expenses)	<u>1,145</u>	<u>11,493</u>	<u>792,455</u>	<u>805,093</u>	<u>2,446</u>
Income (loss) before contributions and transfers	<u>(342,824)</u>	<u>(176,444)</u>	<u>162,550</u>	<u>(356,718)</u>	<u>104,015</u>
Contributions and transfers:					
Transfers in	-	-	1,200	1,200	-
Capital contributions	497,405	320,403	132,621	950,429	-
Net contributions and transfers	<u>497,405</u>	<u>320,403</u>	<u>133,821</u>	<u>951,629</u>	<u>-</u>
Increase (decrease) in net position	154,581	143,959	296,371	594,911	104,015
Total net position, July 1	<u>6,058,124</u>	<u>9,648,746</u>	<u>903,136</u>	<u>16,610,006</u>	<u>1,081,712</u>
Total net position, June 30	<u>\$ 6,212,705</u>	<u>\$ 9,792,705</u>	<u>\$ 1,199,507</u>	<u>\$ 17,204,917</u>	<u>\$ 1,185,727</u>

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

**CITY OF SOLVANG**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2015**

	Business-type Activities				Governmental Activities- Internal Service Fund
	Water	Wastewater	Transit	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 4,491,519	\$ 1,615,014	\$ 64,086	\$ 6,170,619	\$ -
Payments to suppliers	(3,894,017)	(535,976)	(474,247)	(4,904,240)	-
Payments to other funds for services	(247,267)	(129,337)	(52,067)	(428,671)	-
Payments from other funds for services	-	-	-	-	141,813
Payments for employees and benefits	(491,583)	(775,783)	-	(1,267,366)	-
Net cash provided by (used for) operating activities	<u>(141,348)</u>	<u>173,918</u>	<u>(462,228)</u>	<u>(429,658)</u>	<u>141,813</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in	-	-	1,200	1,200	-
Operating subsidies	-	-	805,635	805,635	-
Interest paid	(5,797)	-	-	(5,797)	-
Repayment of internal balances	(285,905)	-	-	(285,905)	-
Receipt of internal balance repayments	-	772,850	-	772,850	-
Net cash provided by (used for) noncapital financing activities	<u>(291,702)</u>	<u>772,850</u>	<u>806,835</u>	<u>1,287,983</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from sale capital assets	-	-	7,500	7,500	-
Capital contributions	497,405	320,403	50,000	867,808	-
Purchases of capital assets	(681,149)	(775,804)	(191,145)	(1,648,098)	-
Net cash provided by (used for) capital and related financing activities	<u>(183,744)</u>	<u>(455,401)</u>	<u>(133,645)</u>	<u>(772,790)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest receipts	<u>7,930</u>	<u>11,099</u>	<u>1,528</u>	<u>20,557</u>	<u>2,317</u>
Net cash provided by investing activities	<u>7,930</u>	<u>11,099</u>	<u>1,528</u>	<u>20,557</u>	<u>2,317</u>
Net increase (decrease) in cash and cash equivalents	(608,864)	502,466	212,490	106,092	144,130
Balances-beginning of the year	<u>3,192,492</u>	<u>3,432,316</u>	<u>747,749</u>	<u>7,372,557</u>	<u>989,745</u>
Balances-end of the year	<u>\$ 2,583,628</u>	<u>\$ 3,934,782</u>	<u>\$ 960,239</u>	<u>\$ 7,478,649</u>	<u>\$ 1,133,875</u>

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

**CITY OF SOLVANG**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Business-type Activities				Governmental Activities- Internal Service Fund
	Water	Wastewater	Transit	Totals	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ (343,969)	\$ (187,937)	\$ (629,905)	\$ (1,161,811)	\$ 101,569
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	224,415	409,828	93,864	728,107	40,244
Change in assets and liabilities:					
Decrease (increase) in prepayments	2,975	(836)	-	2,139	-
Increase (decrease) in net pension liability	(44,210)	(70,223)	-	(114,433)	-
Decrease (increase) in accounts receivable	69,945	3,060	-	73,005	-
Increase (decrease) in other liabilities	(13,214)	(13,862)	5	(27,071)	-
Increase (decrease) in accounts payable	(37,290)	33,888	73,808	70,406	-
Net cash provided by (used for) operating activities	<u>\$ (141,348)</u>	<u>\$ 173,918</u>	<u>\$ (462,228)</u>	<u>\$ (429,658)</u>	<u>\$ 141,813</u>
<b>Noncash capital financing activities:</b>					
None					

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

**CITY OF SOLVANG**  
**Statement of Fiduciary Net Position**  
**Santa Ynez Valley Tourism Business Improvement District**  
**June 30, 2015**

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 83,371
Assessments receivable	94,137
Total assets	\$ 177,508
<b>LIABILITIES</b>	
Deposits payable to Santa Ynez Valley Tourism Business Improvement District	\$ 177,508
Total liabilities	\$ 177,508

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

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The City of Solvang is a municipal corporation governed by an elected five-member City Council. The accompanying financial statements present the government, its component units, entities for which the government is considered to be financially accountable. The Solvang Joint Powers Financing Authority is a legally separate corporate entity for which the City is financially accountable and is governed by the elected City Council. The Authority was formed to provide a method of financing public improvements. The financial activities of the Authority are blended with those of the City and are reported in the City's governmental funds, and as capital assets of the City and debt obligations of the City. The Solvang Conference and Visitors Bureau is a nonprofit benefit corporation established to promote tourism within the city; and it is reported as a discretely presented component unit because the City is financially accountable for it and the City has assumed the obligation to provide financial support to the Conference and Visitors Bureau. Separate financial statements are not available for these component units.

**B. Government-Wide and Fund Financial Statements**

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

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

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

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

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

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund type:

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

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

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

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

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

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

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

**1. Deposits and Investments**

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

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

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

**2. Receivables and Payables**

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

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

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

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

**3. Inventories and Prepaid Items**

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

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

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

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

**4. Capital Assets**

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

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

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

**5. Compensated Absences and Other Post Employment Benefits**

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

**6. Long-term Obligations**

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

**7. Fund Balances – Governmental Funds**

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

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

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

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

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

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

**8. Comparative Data**

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

**9. Pensions**

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

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statements of net position. One element of that reconciliation explains that “capital assets are not financial resources and are not reported in the funds.” The details of this \$11,696,901 difference are as follows:

Capital assets	\$ 18,734,225
Less: Accumulated depreciation	<u>(7,037,324)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at net position – governmental activities	<u>\$ 11,696,901</u>

Another element of the reconciliation explains that "long-term liabilities" are not due and payable in the current period and, therefore, are not reported in the funds. The details of this \$697,786 difference are as follows:

Long-Term Obligations:	
Net OPEB Obligation	\$ (553,025)
Compensated absences payable	<u>(144,761)</u>
Net adjustment to decrease fund balance total governmental Funds to arrive at net position - governmental activities	<u>\$ (697, 786)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$68,936 difference and other significant components of the difference are as follows:

Capital outlay	\$ 470,303
Depreciation expense	(739,847)
Other post employment benefit expense	(64,417)
Net pension liability	325,840
Other items	<u>77,058</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 68,936</u>

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**A. Budgetary Information**

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

**4. Detailed Notes on All Funds**

**A. Deposits and Investments**

Deposits and investments at June 30, 2015 consisted of the following:

Pooled demand deposits	\$ 1,003,042
Pooled investments (including \$83,371 in fiduciary funds)	<u>18,683,111</u>
Total deposits and investments	<u>\$ 19,686,153</u>

*Custodial Credit Risk* - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is that they will be made only in institutions in California, they shall be insured or collateralized with United States backed securities, and time certificates of deposit shall have a maturity of less than three years. At June 30, 2015, \$781,140 of the City's bank balances of \$1,121,140 was exposed to credit risk as follows:

Uninsured and collateral held by pledging banks agent but not in the City's name:	<u>\$ 781,140</u>
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Of the discretely presented component unit's bank balance of \$42,557, \$42,557 was insured and not exposed to credit risk.

Investments - At June 30, 2015, the City had the following investments.

Type Investment	Average Maturity	Fair Value
State Investment Pool (LAIF)	239 Days	\$ 18,683,111
		<u>\$ 18,683,111</u>

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

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

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

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**B. Receivables**

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

	General Fund and Internal Service	Impact Fee Fund	Nonmajor Funds	Total Governmental	Water Wastewater	Nonmajor Proprietary
Accounts	\$ 71,314	\$ -	\$ -	\$ 71,314	\$ 691,554	\$ -
Taxes	648,313	-	-	648,313	-	-
Interest	7,334	1,835	338	9,507	3,103	429
Governments	127,105	-	62,571	189,676	-	-
<b>Totals</b>	<u>\$ 854,066</u>	<u>\$1,835</u>	<u>\$ 62,909</u>	<u>\$ 918,810</u>	<u>\$ 694,657</u>	<u>\$ 429</u>

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

1. The composition of interfund transfers of June 30, 2015 is as follows:

	General Fund	Non-Major Funds	Transit Fund	Water Enterprise Fund	Wastewater Enterprise Fund	Total Transfers
<u>Transfers In:</u>						
<u>Transfers Out:</u>						
Nonmajor funds	\$ 161,422	\$ -	\$ 1,200	\$ -	\$ -	\$ 162,622
<b>Totals</b>	<u>\$ 161,422</u>	<u>\$ -</u>	<u>\$ 1,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,622</u>

The primary purpose of the transfers out of the nonmajor funds was to provide \$161,622 for projects being conducted by the general fund.

2. The composition of internal balances was:

Receivable Fund	Payable Fund	Amount
Advances:		
Wastewater enterprise:		
Loan to water enterprise for the purpose of financing early retirement of installment agreement	Water fund	\$ 309,000
	<b>Total</b>	<u>\$ 309,000</u>

The City's general fund repaid \$487,755 to the wastewater enterprise in principal payments during the fiscal year, and the water enterprise repaid \$285,905

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**D. Capital Assets**

Capital asset activity relating to governmental activities for the year ended June 30, 2015 was as follows:

<b>Governmental activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 1,943,104	\$ -	\$ -	\$ 1,943,104
Construction in progress	<u>203,430</u>	<u>146,940</u>	<u>(5,250)</u>	<u>345,120</u>
Total capital assets, not being depreciated	<u>2,146,534</u>	<u>146,940</u>	<u>(5,250)</u>	<u>2,288,224</u>
Capital assets, being depreciated:				
Buildings	3,371,474	-	-	3,371,474
Machinery and equipment	691,193	7,343	-	698,536
Internal service fund – vehicles/equipment	712,727	-	(25,357)	687,370
Improvements	4,809,169	-	(58,965)	4,750,204
Infrastructure-street system	<u>7,304,516</u>	<u>321,271</u>	<u>-</u>	<u>7,625,787</u>
Total capital assets being depreciated	<u>16,889,079</u>	<u>328,614</u>	<u>(84,322)</u>	<u>17,133,371</u>
Less accumulated depreciation for:				
Buildings	(1,392,989)	(84,035)	-	(1,477,024)
Machinery and equipment	(584,449)	(25,696)	-	(610,145)
Internal service fund	(621,307)	(40,244)	25,357	(636,194)
Improvements	(2,383,443)	(257,547)	58,965	(2,582,025)
Infrastructure-street system	<u>(1,995,560)</u>	<u>(372,570)</u>	<u>-</u>	<u>(2,368,130)</u>
Total accumulated depreciation	<u>(6,977,748)</u>	<u>(780,092)</u>	<u>84,322</u>	<u>(7,673,518)</u>
Total capital assets, being depreciated, net	<u>9,911,331</u>	<u>(451,478)</u>	<u>-</u>	<u>9,459,853</u>
Governmental activities capital assets, net	<u>\$12,057,865</u>	<u>\$ (304,538)</u>	<u>\$ (5,250)</u>	<u>\$ 11,748,077</u>

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**D. Capital Assets (Continued)**

Capital asset activity relating to business-type activities for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 112,819	\$ -	\$ -	\$ 112,819
Construction in progress	177,474	1,333,153	(51,791)	1,458,836
	<u>290,293</u>	<u>1,333,153</u>	<u>(51,791)</u>	<u>1,571,655</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings and bus stop facilities	7,711,694	217,874	-	7,929,568
Distribution and collection systems	8,863,694	-	-	8,863,694
Infrastructure	4,140,102	148,861	-	4,288,963
Vehicles	832,924	-	(154,003)	678,921
Equipment	1,786,093	-	(588,414)	1,197,679
	<u>23,334,507</u>	<u>366,735</u>	<u>(742,417)</u>	<u>22,958,825</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings	(5,556,318)	(200,581)	-	(5,756,899)
Distribution and collection systems	(6,054,339)	(228,919)	-	(6,283,258)
Infrastructure	(886,944)	(142,855)	-	(1,029,799)
Vehicles	(250,371)	(87,085)	131,713	(205,743)
Equipment	(1,364,582)	(68,667)	588,414	(844,835)
	<u>(14,112,554)</u>	<u>(728,107)</u>	<u>720,127</u>	<u>(14,120,534)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>9,221,953</u>	<u>(361,372)</u>	<u>(22,290)</u>	<u>8,838,291</u>
Business-type activities capital assets, net	<u>\$ 9,512,246</u>	<u>\$ 971,781</u>	<u>\$ (74,081)</u>	<u>\$ 10,409,946</u>

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**D. Capital Assets (Continued)**

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

**Governmental activities:**

General government	\$	69,023
Public safety		6,250
Culture and recreation		172,615
Infrastructure streets		491,957
Vehicles- internal service fund		40,244

Total depreciation expense-governmental activities	\$	780,089
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**Business-type activities:**

Water	\$	224,415
Wastewater		409,828
Transit		93,864

Total depreciation expense-governmental activities	\$	728,107
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**E. Long-Term Obligations**

*Changes in Long-term liabilities*

Long-term debt activity for the 2015 fiscal year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$135,068	\$ 60,030	\$ 50,337	\$ 144,761	\$60,000
Total	\$135,068	\$ 60,030	\$ 50,337	\$ 144,761	\$60,000
<b>Business-type Activities:</b>					
Compensated absences	\$ 63,211	\$ 58,699	\$ 63,211	\$ 58,699	\$48,798
Total	\$ 63,211	\$ 58,699	\$ 63,211	\$ 58,699	\$48,798

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

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**5. Other Information**

**A. Risk Management**

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

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

**B. Contingencies and Commitments**

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

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

**C. Operating Agreements**

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

*Museum Agreement.* The City has an agreement to provide financial support for a now privately owned non-profit museum. The City's commitment is to provide \$200,000 for operating cost from 2007 through 2015. The maximum support in any one year is \$25,000.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**5. Other Information (Continued)**

**D. Public Employee Pension Plan**

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

*Benefits Provided* - The CalPERS provides retirement, disability and death benefits. Retirement benefits are defined as 2.5 percent of the employees final 12 months average compensation times the employee's years of service (3.0 percent for safety employees) Employees with 10 years of continuous are eligible to retire at age 55 (age 50 for safety employees) Employees are eligible for service-related disability benefits regardless of the length of service. Five years of service is required for non-service-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Pre-retirement death benefits equal an employee's final full-year salary. Both plans provide for a 2 percent Cost of Living Adjustment (COLA). The public safety plan is closed to new entrants.

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

The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2014 (the measurement date), the active employee contribution rate is 7.942 percent of annual pay, and the average employer contribution rate is 18.775 percent of annual payroll for the miscellaneous plan. There are no active employees in the safety plan, therefore, no employee contributions were made during the measurement period ended June 30, 2014. The City made a contribution for the measurement period of \$2,775 toward the payment of the unfunded accrued liability.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions* - At June 30, 2015, the City reported a liability of \$2,434,968 and \$88,212 for its proportionate share of the net pension liability for the miscellaneous and safety plans, respectively. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2014, the City's proportion was 0.03913 percent for the miscellaneous plan and 0.00142 percent for the safety plan.

For the measurement period ending June 30, 2015, the City recognized pension expense of \$292,237 for its miscellaneous plan and \$3,841 for its safety plan. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**5. Other Information (Continued)**

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

<u>Miscellaneous Plan</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(662,072)
Changes in proportions and differences between City contributions and proportionate share of contributions	-	(65,206)
Pension contributions subsequent to the Measurement date	754,206	-
Totals	<u>\$ 754,206</u>	<u>\$ (727,278)</u>

The \$754,206 is reported as deferred outflows of resources related to pensions from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Miscellaneous Plan</u>	Deferred Outflows (Inflows) of Resources
Measurement Period Ended June 30	
2015	\$(188,806)
2016	(188,806)
2017	(184,148)
2018	(165,518)
2019	-
Thereafter	-

<u>Safety Plan</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(26,426)
Changes in proportions and differences between City contributions and proportionate share of contributions	5,103	-
Pension contributions subsequent to the Measurement date	108,437	-
Totals	<u>\$ 113,540</u>	<u>\$ (26,426)</u>

The \$108,437 is reported as deferred outflows of resources related to pensions from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**5. Other Information (Continued)**

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

<u>Safety Plan</u>	
<u>Measurement Period</u>	<u>Deferred Outflows</u>
<u>Ended June 30</u>	<u>(Inflows) of Resources</u>
2015	\$(4,783)
2016	(4,783)
2017	(5,149)
2018	(6,608)
2019	-
Thereafter	-

*Actuarial Assumptions* – The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	Varies by entry age and service
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at the CalPERS website under Forms and Publications.

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

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

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

*Discount Rate* – The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent will be applied to all plans in the Public Employee Retirement Fund.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**5. Other Information (Continued)**

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

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability			
Miscellaneous Plan	\$4,036,700	\$2,434,968	\$1,105,682
Safety Plan	\$151,396	\$88,212	\$36,151

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

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

The \$3,011,325 restricted amount in the governmental activities statement of net position represents amounts to be used only for specific purposes which restrictions are imposed by laws, formal agreements or other governments.

**F. Other Post- Employment Benefits**

*Plan Description.* The city administers the City's retired employee's healthcare plan, a single employer defined benefit health care plan. The plan provides medical benefits to eligible retired employees and their beneficiaries. The City's plan is affiliated with the State of California PERS in so far as the City's health insurance premium payments are paid to the PERS. The PERS through an aggregation of single employer plans pools administrative functions in regard to purchases of commercial health insurance policies and coverage. City resolutions and regulations assign the authority to establish and amend benefit provisions to the City. A separate OPEB trust fund has not been established by the City.

*Funding Policy.* The contribution requirements of plan members and the City are established and may be amended by the City. The required contribution is based on a projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the City Council. For the fiscal year ended June 30, 2015, the City contributed \$91,785 of current year premiums (100% of total premiums) and zero to prefund benefits. Plan members receiving benefits contributed no amounts of the total premiums.

*Annual OPEB Costs and the NET OPEB Obligation.* The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement Number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amounts actually contributed to the plan, and changes in the City's net OPEB obligation to the Plan:

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**5. Other Information (Continued)**

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

Annual required contribution (ARC)	\$157,863
Interest on net OPEB obligation	23,209
Adjustments to the ARC	<u>(24,870)</u>
Annual OPEB expense	156,202
Contributions made	(91,785)
Change in net OPEB obligation	64,417
Net OPEB Obligation, beginning of year	<u>488,608</u>
Net OPEB Obligation, end of year	<u><u>\$553,025</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2015	\$156,202	58.8%	\$553,025
June 30, 2014	\$152,253	46.6%	\$488,608
June 30, 2013	\$161,929	52.1%	\$407,271

*Funding Status and Funding Progress.* As of July 1, 2014, the most recent actuarial valuation date, the plan was zero funded. The actuarial accrued liability for benefits was \$2,990,235. And the actuarial value of plan assets was zero, resulting in an unfunded actuarial liability (UAAL) of \$2,990,235. The covered payroll (annual payroll of active employees covered by the plan) was \$1,884,642 and the ratio of the UAAL to the covered payroll was 153.89 percent.

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

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations. In the July 1, 2014 valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 4.75 percent investment rate of return based on assumed long-term return on plan assets or employer assets, as appropriate and a 3 percent assumed rate of inflation. This is based on the long-term historical returns for surplus funds invested pursuant to the California Government Code. An annual health care trend rate of 4 percent was also used in the valuation. There were no plan assets at the valuation date. The UAAL is being amortized as a level percentage of payroll over 27 years, the remaining closed amortization period at June 30, 2015.

**CITY OF SOLVANG**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**5. Other Information (Continued)**

**G. Conduit Debt Obligation**

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

**H. Change in Accounting Principle**

The City in fiscal 2015 implemented the Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pension*. The implementation of this accounting standard resulted in the restatement of the beginning of year net position of the City's governmental and business-type activities as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total Government</u>
<i>Net position, June 30, 2014, as originally reported</i>	\$22,980,904	\$17,633,867	\$40,614,771
<i>Change in accounting principle:</i>			
<i>Beginning of year net pension     Liability (NPL)</i>	(1,893,818)	(955,593)	(2,849,411)
<i>Revenue reclassifications</i>	62,333	(68,268)	(5,935)
<i>Net position, June 30, 2014 As restated</i>	<u>\$21,149,419</u>	<u>\$16,610,006</u>	<u>\$37,759,425</u>

The impact of the revenue reclassifications were as follows:

	<u>General Fund</u>	<u>Impact Fee Fund</u>	<u>Other Governmental Funds</u>
Fund balances, June 30, 2014 as originally reported:	\$7,352,069	\$2,584,275	\$558,761
Reclassify revenue from enterprise	-	-	62,333
Reclassify general fund deferred items	44,053	-	-
Fund balances, June 30, 2014 as restated	<u>\$7,396,122</u>	<u>\$2,584,275</u>	<u>\$621,094</u>

# Required Supplementary Information

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## Required Supplementary Information

### CITY OF SOLVANG Budgetary Comparison Schedule - General Fund For the Fiscal Year Ended June 30, 2015

	<u>Budgetary Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Fund Balance, July 1</b>	\$ 7,352,069	\$ 7,352,069	\$ 7,396,122	\$ 44,053
Resources (inflows):				
Property taxes	1,051,300	1,051,300	1,140,579	89,279
Sales taxes	1,085,000	1,085,000	1,241,436	156,436
Transient occupancy taxes	3,290,000	3,390,000	3,833,644	443,644
Other taxes	256,000	256,000	247,173	(8,827)
License and permits	154,000	154,000	224,359	70,359
Interest	10,875	10,875	25,323	14,448
Intergovernmental	5,000	5,000	88,052	83,052
Charges for services	717,371	683,451	737,367	53,916
Miscellaneous	2,000	2,000	6,072	4,072
Transfers in	161,422	161,422	161,422	-
	<u>14,085,037</u>	<u>14,151,117</u>	<u>15,101,549</u>	<u>950,432</u>
Amounts available for charges to appropriations				
<b>Charges to appropriations:</b>				
<i>General Government:</i>				
Nondepartmental:				
City council	37,200	37,200	29,500	7,700
Other	128,130	128,910	127,311	1,599
OPEB	59,209	59,209	-	59,209
Community support	196,350	196,350	196,350	-
<i>Administration:</i>				
Legal	88,000	95,500	75,897	19,603
General administration	1,032,389	1,037,640	996,515	41,125
Pension liability reduction	-	117,269	117,269	-
<i>Public Safety:</i>				
Sheriff contract	1,556,944	1,556,914	1,554,525	2,389
Animal control	36,419	36,419	36,419	-
Reserve deputy	55,000	55,000	52,869	2,131
Mental health & 211 program	2,750	2,750	2,108	642
<i>Culture and Recreation:</i>				
Tourism	766,074	766,064	726,278	39,786
Parks and recreation	893,542	970,963	866,038	104,925
<i>Community Development:</i>				
City planning	503,462	550,265	517,020	33,245
<i>Public works:</i>				
Public works, streets, engineering	1,211,799	1,304,665	1,167,773	136,892
Internal balances:				
Principal - internal loan repayment	165,700	490,870	487,755	3,115
Interest	-	2,021	2,021	-
Total charges to appropriations	<u>6,732,968</u>	<u>7,408,009</u>	<u>6,955,648</u>	<u>452,361</u>
Fund Balance, June 30	<u>\$ 7,352,069</u>	<u>\$ 6,743,108</u>	<u>\$ 8,145,901</u>	<u>\$ 1,402,793</u>

**CITY OF SOLVANG**  
**Budgetary Comparison Schedule - General Fund**  
**Note to RSI**  
**For the Fiscal Year Ended June 30, 2015**

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

**Sources/inflows resources:**

Actual amounts "available for appropriation" from budgetary comparison schedule:	\$ 15,101,549
Differences - budget to GAAP:	
Transfers in are a budgetary resource but are not revenues for financial reporting purposes	(161,422)
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(7,396,122)</u>

Total revenues as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 7,544,005</u>
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**Uses/outflows of resources:**

Actual amounts "total charges to appropriations" from the budgetary comparison schedule	\$ 6,955,648
Differences - budget to GAAP:	
Principal payments on internal balances are a use of budgetary resources but reduce fund liabilities for financial reporting purposes	<u>(487,755)</u>

Total expenditures as reported in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 6,467,893</u>
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**Note B. Explanation of Differences Between Budgetary End of Year Fund Balance and GAAP End of Year Fund Balance:**

End of year fund balance per budgetary comparison schedule	\$ 8,145,901
Repayments of internal balances are budgeted as expenditures and as an outflow of financial resources for budgetary purposes, but are not reported as expenditures for financial reporting purposes and instead reduce the fund internal liability balances	<u>487,755</u>
End of year fund balance as reported in the balance sheet for governmental funds and the statement of revenues, expenditures, and changes in fund balances	<u>\$ 8,633,656</u>

**CITY OF SOLVANG**  
**Budgetary Comparison Schedule - Impact Fee Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2015**

	<u>Budgetary Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Fund Balance, July 1</b>	\$ 2,584,275	\$ 2,584,275	\$ 2,584,275	\$ -
Resources (inflows):				
Charges for services:				
Impact fees for:				
Parking in lieu	3,657	3,657	17,500	13,843
Traffic mitigation	45,725	45,725	76,664	30,939
Park fee	21,950	21,950	24,584	2,634
Drain	-	-	100	100
Affordable housing	116,687	116,687	126,023	9,336
Interest revenue	8,000	8,000	6,474	(1,526)
	<u>2,780,294</u>	<u>2,780,294</u>	<u>2,835,620</u>	<u>55,326</u>
Amounts available for charges to appropriations				
<b>Charges to appropriations:</b>				
<i>Special projects for:</i>				
Parking	-	-	-	-
Streets and traffic mitigation	46,000	46,000	-	46,000
Affordable housing	394,404	394,404	394,404	-
Other projects	15,000	15,000	13,900	1,100
	<u>455,404</u>	<u>455,404</u>	<u>408,304</u>	<u>47,100</u>
Total charges to appropriations				
Fund Balance, June 30	<u>\$ 2,324,890</u>	<u>\$ 2,324,890</u>	<u>\$ 2,427,316</u>	<u>\$ 102,426</u>

**CITY OF SOLVANG**  
**Other Post Employment Benefits (OPEB)**  
**Schedule of Funding Progress**  
**June 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/1/2009	\$ -	\$ 1,918,713	\$ 1,918,713	0.00%	\$ 2,175,329	88.20%
7/1/2011	\$ -	\$ 2,976,436	\$ 2,976,436	0.00%	\$ 1,884,642	157.93%
7/1/2014	\$ -	\$ 2,900,235	\$ 2,900,236	0.00%	\$ 1,884,642	153.89%

**CITY OF SOLVANG**  
**Schedule of The City of Solvang's Proportionate Share of the Net Pension Liability**  
**(Last Ten Fiscal Years)**  
**As of June 30, 2015**

<u>Miscellaneous Plan</u>	<u>June 30, 2015</u>
City's plan proportion of the net pension liability	0.03913%
City's plan proportionate share of the net pension liability	\$ 2,434,968
City's covered employee payroll	\$ 2,203,163
City's proportionate share of the net pension liability as a percentage of covered employee payroll	110.52%
Plan's fiduciary net position	\$ 9,638,753
Plan fiduciary net position as a percentage of the total pension liability	79.83%
 <u>Safety Plan</u>	
City's plan proportion of the net pension liability	0.00142%
City's plan proportionate share of the net pension liability	\$ 88,212
City's covered employee payroll	N/A
City's proportionate share of the net pension liability as a percentage of covered employee payroll	N/A
Plan's fiduciary net position	\$ 383,496
Plan fiduciary net position as a percentage of the total pension liability	81.30%

Notes to the schedule:

**Benefit changes:** In fiscal 2015 there were no benefit changes.

**Changes in assumptions:** In fiscal 2015, there were no changes in assumptions.

**Last Ten Years:** Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**Safety Plan:** The safety plan is closed and there are no active covered employees.

**CITY OF SOLVANG**  
**Schedule of The City of Solvang's Contributions**  
**Public Employee's Retirement Plans**  
**(Last Ten Fiscal Years)**  
**As of June 30, 2015**

	Plan Measurement Year June 30, 2014
<b><u>Miscellaneous Plan</u></b>	
Contractually required contribution	\$ 395,021
Contributions in relation to the contractually required contribution	<u>\$ (395,021)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
City's covered employee payroll	\$ 2,203,163
Contributions as a percentage of covered employee payroll	17.93%
<b><u>Safety Plan</u></b>	
Contractually required contribution	\$ 2,775
Contributions in relation to the contractually required contribution	<u>\$ (2,775)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
City's covered employee payroll	N/A
Contributions as a percentage of covered employee payroll	N/A

Notes to the schedule:

**Plan valuation date:** June 30, 2013

**Last Ten Years:** Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

**Safety Plan:** The safety plan is closed and there are no active covered employees.

# Combining and Individual Fund Statements and Schedules

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**CITY OF SOLVANG**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	Special Revenue Funds					Capital Projects	Totals
	Traffic Safety	Gas Tax	Local Transportation	Measure A	Skytt Mesa Landscape and Lighting	City Projects Fund	
<b>Assets</b>							
Cash and investments	\$ 6,906	\$ 51,436	\$ 23,222	\$ 202,116	\$ 103,931	\$ 136,123	\$ 523,734
Receivables:							
Interest	-	44	66	-	44	184	338
Intergovernmental	1,348	-	-	59,662	-	1,561	62,571
<b>Total assets</b>	<b>\$ 8,254</b>	<b>\$ 51,480</b>	<b>\$ 23,288</b>	<b>\$ 261,778</b>	<b>\$ 103,975</b>	<b>\$ 137,868</b>	<b>\$ 586,643</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 7,326	\$ -	\$ 2,181	\$ 7,378	\$ 16,885
Accrued liabilities	-	-	39	-	-	-	39
<b>Total liabilities</b>	-	-	7,365	-	2,181	7,378	16,924
Fund balances:							
Restricted for highways and streets	8,254	51,480	15,923	261,778	101,794	130,490	569,719
<b>Total fund balances</b>	8,254	51,480	15,923	261,778	101,794	130,490	569,719
<b>Total liabilities and fund balances</b>	<b>\$ 8,254</b>	<b>\$ 51,480</b>	<b>\$ 23,288</b>	<b>\$ 261,778</b>	<b>\$ 103,975</b>	<b>\$ 137,868</b>	<b>\$ 586,643</b>

**CITY OF SOLVANG**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2015**

	Special Revenue Funds					Capital Projects	Totals
	Traffic Safety	Gas Tax	Local Transportation	Measure A	Skytt Mesa Landscape and Lighting	City Projects Fund	
Revenues:							
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ 111,063	\$ -	\$ 111,063
Intergovernmental	-	159,588	83,553	359,387	-	39,932	642,460
Fines and forfeitures	10,922	-	-	-	-	-	10,922
Interest	(5)	120	220	862	-	627	1,824
Miscellaneous	-	-	-	-	168	-	168
Total revenues	<u>10,917</u>	<u>159,708</u>	<u>83,773</u>	<u>360,249</u>	<u>111,231</u>	<u>40,559</u>	<u>766,437</u>
Expenditures:							
Current:							
Public works:							
Highways and streets	-	-	132,649	308,992	66,142	147,407	655,190
Total expenditures	<u>-</u>	<u>-</u>	<u>132,649</u>	<u>308,992</u>	<u>66,142</u>	<u>147,407</u>	<u>655,190</u>
Excess (deficiency) of revenues over expenditures	<u>10,917</u>	<u>159,708</u>	<u>(48,876)</u>	<u>51,257</u>	<u>45,089</u>	<u>(106,848)</u>	<u>111,247</u>
Other financing (uses):							
Transfers out	<u>(18,000)</u>	<u>(143,422)</u>	<u>-</u>	<u>(1,200)</u>	<u>-</u>	<u>-</u>	<u>(162,622)</u>
Total other financing (uses)	<u>(18,000)</u>	<u>(143,422)</u>	<u>-</u>	<u>(1,200)</u>	<u>-</u>	<u>-</u>	<u>(162,622)</u>
Net change in fund balances	(7,083)	16,286	(48,876)	50,057	45,089	(106,848)	(51,375)
Fund balances, July 1	<u>15,337</u>	<u>35,194</u>	<u>64,799</u>	<u>211,721</u>	<u>56,705</u>	<u>237,338</u>	<u>621,094</u>
Fund balances, June 30	<u>\$ 8,254</u>	<u>\$ 51,480</u>	<u>\$ 15,923</u>	<u>\$ 261,778</u>	<u>\$ 101,794</u>	<u>\$ 130,490</u>	<u>\$ 569,719</u>

**CITY OF SOLVANG**  
**Traffic Safety Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Fines and forfeitures	\$ 18,000	\$ 18,000	\$ 10,922	\$ (7,078)
Interest	-	-	(5)	(5)
Total revenues	<u>18,000</u>	<u>18,000</u>	<u>10,917</u>	<u>(7,083)</u>
Expenditures:				
Current:				
Highways and streets:				
Repairs and maintenance	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	18,000	18,000	10,917	(7,083)
Other financing uses:				
Transfers out	(18,000)	(18,000)	(18,000)	-
Net change in fund balances	-	-	(7,083)	(7,083)
Fund balance, July 1	<u>15,337</u>	<u>15,337</u>	<u>15,337</u>	<u>-</u>
Fund balance, June 30	<u>\$ 15,337</u>	<u>\$ 15,337</u>	<u>\$ 8,254</u>	<u>\$ (7,083)</u>

**CITY OF SOLVANG**  
**Gas Tax Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 143,122	\$ 143,122	\$ 159,588	\$ 16,466
Interest	300	300	120	(180)
Total revenues	<u>143,422</u>	<u>143,422</u>	<u>159,708</u>	<u>16,286</u>
Expenditures:				
Current:				
Highways and streets:				
Street light utilities	-	-	-	-
Street sweeping	-	-	-	-
Street maintenance	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>143,422</u>	<u>143,422</u>	<u>159,708</u>	<u>16,286</u>
Other financing sources (uses):				
Transfers out	<u>(143,422)</u>	<u>(143,422)</u>	<u>(143,422)</u>	<u>-</u>
Net change in fund balances	-	-	16,286	16,286
Fund balance, July 1	<u>60,610</u>	<u>60,610</u>	<u>35,194</u>	<u>(25,416)</u>
Fund balance, June 30	<u>\$ 60,610</u>	<u>\$ 60,610</u>	<u>\$ 51,480</u>	<u>\$ (9,130)</u>

**CITY OF SOLVANG**  
**Local Transportation Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
TDA bike path allocation	\$ 4,099	\$ 4,099	\$ 3,758	\$ (341)
LSTP allocation	79,795	79,795	79,795	-
Interest	150	150	220	70
Miscellaneous	-	-	-	-
Total revenues	<u>84,044</u>	<u>84,044</u>	<u>83,773</u>	<u>(271)</u>
Expenditures:				
Current:				
Highways and streets:				
Personnel costs	17,928	17,928	14,224	3,704
Sidewalks	25,000	25,000	25,291	(291)
Storm water permit	5,400	5,400	5,826	(426)
Professional services	55,000	55,000	55,007	(7)
Storm drain map update	30,000	30,000	23,912	6,088
Storm water report	7,500	7,500	8,389	(889)
Total expenditures	<u>140,828</u>	<u>140,828</u>	<u>132,649</u>	<u>8,179</u>
Excess(deficiency) of revenues over expenditures	<u>(56,784)</u>	<u>(56,784)</u>	<u>(48,876)</u>	<u>7,908</u>
Other financing sources:				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(56,784)	(56,784)	(48,876)	7,908
Fund balance, July 1	<u>64,799</u>	<u>64,799</u>	<u>64,799</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 8,015</u></u>	<u><u>\$ 8,015</u></u>	<u><u>\$ 15,923</u></u>	<u><u>\$ 7,908</u></u>

**CITY OF SOLVANG**  
**MEASURE A Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year June 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
Allocations from Santa Barbara County	\$ 342,561	\$ 342,561	\$ 359,387	\$ 16,826
Federal disaster assistance	-	-	-	-
Interest earnings	250	250	862	612
Total revenues	<u>342,811</u>	<u>342,811</u>	<u>360,249</u>	<u>17,438</u>
Expenditures:				
Current:				
Highways and streets:				
Street overlays	229,000	229,000	228,651	349
Sidewalk repairs	41,500	41,500	31,877	9,623
Other projects	49,000	49,000	48,464	536
Total expenditures	<u>319,500</u>	<u>319,500</u>	<u>308,992</u>	<u>10,508</u>
Excess(deficiency) of revenues over expenditures	<u>23,311</u>	<u>23,311</u>	<u>51,257</u>	<u>27,946</u>
Other financing sources:				
Transfers out	(1,200)	(1,200)	(1,200)	5,000
Transfers in	-	-	-	-
Total other financing sources(uses)	<u>(1,200)</u>	<u>(1,200)</u>	<u>(1,200)</u>	<u>-</u>
Net change in fund balances	22,111	22,111	50,057	32,946
Fund balance, July 1	<u>123,972</u>	<u>123,972</u>	<u>211,721</u>	<u>87,749</u>
Fund balance, June 30	<u>\$ 146,083</u>	<u>\$ 146,083</u>	<u>\$ 261,778</u>	<u>\$ 120,695</u>

**CITY OF SOLVANG**  
**Skytt Mesa Landscaping and Lighting Maintenance District Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year June 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Charges for services:				
Special assessments	\$ 111,000	\$ 111,000	\$ 111,063	\$ 63
Interest earnings	120	120	168	48
Total revenues	<u>111,120</u>	<u>111,120</u>	<u>111,231</u>	<u>111</u>
Expenditures:				
Current:				
Highways and streets:				
Open space maintenance	26,000	26,000	24,372	1,628
Utilities	250	250	244	6
Water and sewer cost	31,000	31,000	26,403	4,597
Street light power	1,750	1,750	1,551	199
Repairs and maintenance	800	800	757	43
Professional and administrative	13,000	13,000	12,815	185
Total expenditures	<u>72,800</u>	<u>72,800</u>	<u>66,142</u>	<u>6,658</u>
Excess(deficiency) of revenues over expenditures	<u>38,320</u>	<u>38,320</u>	<u>45,089</u>	<u>6,769</u>
Other financing sources:				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	38,320	38,320	45,089	6,769
Fund balance, July 1	<u>56,705</u>	<u>56,705</u>	<u>56,705</u>	<u>-</u>
Fund balance, June 30	<u>\$ 95,025</u>	<u>\$ 95,025</u>	<u>\$ 101,794</u>	<u>\$ 6,769</u>

**CITY OF SOLVANG**  
**City Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year June 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
Bridge Seismic	\$ 875,850	\$ 875,850	\$ 39,932	\$ (835,918)
Interest earnings	750	750	627	(123)
Total revenues	<u>876,600</u>	<u>876,600</u>	<u>40,559</u>	<u>(836,041)</u>
Expenditures:				
Current:				
Highways and streets:				
Alisal Bridge seismic retrofit	889,250	889,250	48,780	840,470
Bicycle Bridge -AP Creek	<u>230,000</u>	<u>230,000</u>	<u>98,627</u>	<u>131,373</u>
Total expenditures	<u>1,119,250</u>	<u>1,119,250</u>	<u>147,407</u>	<u>971,843</u>
Excess(deficiency) of revenues over expenditures	<u>(242,650)</u>	<u>(242,650)</u>	<u>(106,848)</u>	<u>135,802</u>
Other financing sources:				
Transfers out	-	-	-	-
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(242,650)	(242,650)	(106,848)	135,802
Fund balance, July 1	<u>237,338</u>	<u>237,338</u>	<u>237,338</u>	<u>-</u>
Fund balance, June 30	<u>\$ (5,312)</u>	<u>\$ (5,312)</u>	<u>\$ 130,490</u>	<u>\$ 135,802</u>

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

	June 30	
	2015	2014
Capital assets used in governmental activities:		
Land	\$ 1,943,104	\$ 1,943,104
Buildings	3,371,474	3,371,474
Improvements	4,750,204	4,809,169
Infrastructure - street system	7,625,787	7,304,516
Equipment	698,536	691,193
Construction in progress	345,120	203,430
Equipment-internal service operations	687,370	712,727
Total capital assets	\$ 19,421,595	\$ 19,035,613
Investment in capital assets from:		
General fund	\$ 11,384,166	\$ 11,384,166
Contributions from developers	710,214	710,214
Special revenue funds	6,639,845	6,228,506
Internal service	687,370	712,727
Total investment in capital assets used in governmental activities	\$ 19,421,595	\$ 19,035,613

**CITY OF SOLVANG**  
**Schedule of Changes in Capital Assets Used In Governmental Activities**  
**By Source**  
**For the Fiscal Year Ended June 30, 2015**

	Land	Buildings	Improvements and Infrastructure	Equipment	Construction in Progress (CIP)	Total Cost
General capital assets June 30, 2014	\$ 1,943,104	\$ 3,371,474	\$ 12,113,685	\$ 1,403,920	\$ 203,430	\$ 19,035,613
Add:						
Expenditures from:						
Special revenue funds	-	-	316,020	7,343	146,940	470,303
Internal service	-	-		-	-	-
Deduct:						
Transfers from CIP	-	-	5,250	-	(5,250)	-
Retirements and contributions	-	-	(58,964)	(25,357)	-	(84,321)
General capital assets June 30, 2015	<u>\$ 1,943,104</u>	<u>\$ 3,371,474</u>	<u>\$ 12,375,991</u>	<u>\$ 1,385,906</u>	<u>\$ 345,120</u>	<u>\$ 19,421,595</u>

**CITY OF SOLVANG**  
**Schedule of Capital Assets Used in Governmental Activities**  
**By Function and Activity**  
**June 30, 2015**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements and Infrastructure</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Total Cost</u>
General government:						
Parks	\$ 708,021	\$ 80,336	\$ 2,222,631	\$ 59,504	\$ -	\$ 3,070,492
Roads	-	-	8,415,354	66,682	345,120	8,827,156
Recreation	-	1,265,098	344,977	2,602	-	1,612,677
Administration	89,850	612,832	807,448	509,415	-	2,019,545
Total general government	<u>797,871</u>	<u>1,958,266</u>	<u>11,790,410</u>	<u>638,203</u>	<u>345,120</u>	<u>15,529,870</u>
Internal Service:						
Vehicle operations	-	-	-	687,370	-	687,370
Public safety:						
Emergency services	-	-	-	28,158	-	28,158
Fire protection	-	195,802	174,332	26,175	-	396,309
Total public safety	<u>-</u>	<u>195,802</u>	<u>174,332</u>	<u>54,333</u>	<u>-</u>	<u>424,467</u>
Veterans building	<u>63,483</u>	<u>1,193,406</u>	<u>352,109</u>	<u>6,000</u>	<u>-</u>	<u>1,614,998</u>
Parking district	<u>1,081,750</u>	<u>24,000</u>	<u>59,140</u>	<u>-</u>	<u>-</u>	<u>1,164,890</u>
Total general fixed assets	<u>\$ 1,943,104</u>	<u>\$ 3,371,474</u>	<u>\$ 12,375,991</u>	<u>\$ 1,385,906</u>	<u>\$ 345,120</u>	<u>\$ 19,421,595</u>

**CITY OF SOLVANG**  
**Schedule of Changes in Capital Assets Used In Governmental Activities**  
**By Function and Activity**  
**For the Fiscal Year Ended June 30, 2015**

<u>Function and Activity</u>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
General government:				
Parks	\$ 3,070,492	\$ -	\$ -	\$ 3,070,492
Roads	8,364,197	468,210	(5,251)	8,827,156
Recreation	1,630,429	-	(17,752)	1,612,677
Administration	2,012,202	7,343	-	2,019,545
Total general government	<u>15,077,320</u>	<u>475,553</u>	<u>(23,003)</u>	<u>15,529,870</u>
Internal service:				
Vehicle operations	<u>712,726</u>	<u>-</u>	<u>(25,356)</u>	<u>687,370</u>
Public safety:				
Emergency services	28,158	-	-	28,158
Fire protection	<u>437,521</u>	<u>-</u>	<u>(41,212)</u>	<u>396,309</u>
Total public safety	<u>465,679</u>	<u>-</u>	<u>-</u>	<u>424,467</u>
Museums	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Veterans building	<u>1,614,998</u>	<u>-</u>	<u>-</u>	<u>1,614,998</u>
Parking district	<u>1,164,890</u>	<u>-</u>	<u>-</u>	<u>1,164,890</u>
Total general capital assets	<u>\$ 19,035,613</u>	<u>\$ 475,553</u>	<u>\$ (48,359)</u>	<u>\$ 19,421,595</u>

**CITY OF SOLVANG**  
**Agency Fund**  
**Santa Ynez Valley Tourism Business Improvement District**  
**Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year June 30, 2015**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 78,036	\$ 657,650	\$ (652,315)	\$ 83,371
Assessments receivable	86,074	665,712	(657,649)	94,137
Total assets	<u>164,110</u>	<u>1,323,362</u>	<u>(1,309,964)</u>	<u>177,508</u>
<b>LIABILITIES</b>				
Deposits payable to Santa Ynez Valley Tourism Business Improvement District	\$ 164,110	\$ 676,385	\$ (662,987)	\$ 177,508
Total liabilities	<u>\$ 164,110</u>	<u>\$ 676,385</u>	<u>\$ (662,987)</u>	<u>\$ 177,508</u>

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# STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends	85-89
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>	
Revenue Capacity	90-97
<i>These schedules contain information to help the reader assess the government’s most significant local revenue sources: taxes and water revenues.</i>	
Debt Capacity	98-101
<i>These schedules present information to help the reader assess the affordability of the government’s current level of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	102-103
<i>These schedules help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information	104-106
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net investment in capital assets	\$ 5,167,411	\$ 7,734,628	\$ 9,551,357	\$ 11,107,857	\$ 12,300,996	\$ 12,696,203	\$ 11,919,888	\$ 12,342,031	\$ 12,057,865	\$ 11,748,077
Restricted	3,386,034	2,898,401	4,186,813	3,979,184	2,844,598	2,489,588	2,892,272	3,061,331	3,155,589	3,011,325
Unrestricted	6,055,631	6,546,525	5,876,210	6,205,849	6,489,841	6,672,046	6,307,453	6,810,793	5,935,965	7,488,153
<b>Total governmental activities net position</b>	<b>\$ 14,609,076</b>	<b>\$ 17,179,554</b>	<b>\$ 19,614,380</b>	<b>\$ 21,292,890</b>	<b>\$ 21,635,435</b>	<b>\$ 21,857,837</b>	<b>\$ 21,119,613</b>	<b>\$ 22,214,155</b>	<b>\$ 21,149,419</b>	<b>\$ 22,247,555</b>
Business-type activities:										
Net investment in capital assets	\$ 7,847,182	\$ 7,975,169	\$ 8,984,117	\$ 9,170,992	\$ 8,849,559	\$ 8,672,748	\$ 9,707,588	\$ 9,346,335	\$ 9,512,247	\$ 10,409,946
Restricted	221,848	238,062	173,052	198,243	201,773	245,848	-	-	-	-
Unrestricted	6,493,534	7,677,129	7,701,152	7,994,220	7,885,273	8,111,792	7,628,136	7,933,345	7,097,759	6,794,971
<b>Total business-type activities net position</b>	<b>\$ 14,562,564</b>	<b>\$ 15,890,360</b>	<b>\$ 16,858,321</b>	<b>\$ 17,363,455</b>	<b>\$ 16,936,605</b>	<b>\$ 17,030,388</b>	<b>\$ 17,335,724</b>	<b>\$ 17,279,680</b>	<b>\$ 16,610,006</b>	<b>\$ 17,204,917</b>
Primary government (City wide totals)										
Net investment in capital assets	\$ 13,014,593	\$ 15,709,797	\$ 18,535,474	\$ 20,278,849	\$ 21,150,555	\$ 21,368,951	\$ 21,627,476	\$ 21,688,366	\$ 21,570,112	\$ 22,158,023
Restricted	3,607,882	3,136,463	4,359,865	4,177,427	3,046,371	2,735,436	2,892,272	3,061,331	3,155,589	3,011,325
Unrestricted	12,549,165	14,223,654	13,577,362	14,200,069	14,375,114	14,783,838	13,935,589	14,744,138	13,033,724	14,283,124
<b>Total primary government net position</b>	<b>\$ 29,171,640</b>	<b>\$ 33,069,914</b>	<b>\$ 36,472,701</b>	<b>\$ 38,656,345</b>	<b>\$ 38,572,040</b>	<b>\$ 38,888,225</b>	<b>\$ 38,455,337</b>	<b>\$ 39,493,835</b>	<b>\$ 37,759,425</b>	<b>\$ 39,452,472</b>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses:</b>										
Governmental activities:										
General government	\$ 1,217,976	\$ 1,047,370	\$ 1,281,938	\$ 1,161,056	\$ 1,365,736	\$ 1,517,579	\$ 1,586,533	\$ 1,494,094	\$ 1,578,629	\$ 1,417,776
Public safety	1,688,592	1,884,612	1,846,271	1,844,664	1,331,385	1,359,241	1,538,315	1,621,864	1,639,642	1,647,930
Public works	1,286,304	1,334,696	898,366	1,246,541	1,582,810	1,508,809	1,517,240	1,444,453	1,792,316	1,789,458
Community development	349,513	404,963	491,168	431,801	397,297	363,259	398,088	426,574	455,085	876,912
Culture and recreation	1,278,400	1,478,007	1,505,286	1,549,866	1,408,087	1,819,964	1,667,929	1,676,227	1,701,142	1,713,110
Interest on long-term debt	113,878	134,427	105,365	65,151	25,657	7,244	4,878	3,114	-	-
<b>Total Governmental Activities</b>	<b>5,934,663</b>	<b>6,284,075</b>	<b>6,128,394</b>	<b>6,299,079</b>	<b>6,110,972</b>	<b>6,576,096</b>	<b>6,712,983</b>	<b>6,666,326</b>	<b>7,166,814</b>	<b>7,445,186</b>
Business-type activities:										
Water	3,333,290	3,604,158	3,786,981	3,985,638	4,162,536	4,082,761	3,878,275	4,312,353	5,067,560	4,765,816
Wastewater	1,393,923	1,422,398	1,554,414	1,583,351	1,701,547	1,709,935	1,710,790	2,021,585	1,800,351	1,799,891
Transit	462,318	559,059	558,479	640,800	695,584	713,694	729,923	702,479	732,221	708,781
<b>Total Business-type Activities</b>	<b>5,189,531</b>	<b>5,585,615</b>	<b>5,899,874</b>	<b>6,209,789</b>	<b>6,559,667</b>	<b>6,506,390</b>	<b>6,318,988</b>	<b>7,036,417</b>	<b>7,600,132</b>	<b>7,274,488</b>
<b>Total Expenses</b>	<b>\$ 11,124,194</b>	<b>\$ 11,869,690</b>	<b>\$ 12,028,268</b>	<b>\$ 12,508,868</b>	<b>\$ 12,670,639</b>	<b>\$ 13,082,486</b>	<b>\$ 13,031,971</b>	<b>\$ 13,702,743</b>	<b>\$ 14,766,946</b>	<b>\$ 14,719,674</b>
<b>Program Revenues:</b>										
Governmental activities:										
Charges for services:										
General government	\$ 400,041	\$ 397,820	\$ 397,820	\$ 444,771	\$ 443,583	432,056	399,456	512,314	467,882	552,656
Public safety	130,085	193,061	29,575	30,249	26,241	31,832	14,587	23,871	26,170	20,140
Public works	469,601	444,722	509,233	126,495	32,719	81,662	168,750	240,098	262,060	275,691
Community development	210,553	368,443	219,205	164,365	86,313	106,020	97,214	300,738	446,915	416,750
Culture and recreation	227,040	296,594	192,162	335,088	164,675	361,251	223,785	178,733	150,541	135,769
Operating grants and contributions	605,753	586,519	1,278,091	1,014,270	733,592	842,969	703,603	810,876	657,186	614,802
Capital grants and contributions	1,085,736	792,944	37,902	349,869	162,635	105,883	-	340,272	57,401	40,559
<b>Total Governmental Activities</b>	<b>3,128,809</b>	<b>3,080,103</b>	<b>2,663,988</b>	<b>2,465,107</b>	<b>1,649,758</b>	<b>1,961,673</b>	<b>1,607,395</b>	<b>2,406,902</b>	<b>2,068,155</b>	<b>2,056,367</b>
Business-type Activity:										
Charges for services:										
Water	3,628,170	4,146,380	4,340,564	4,199,436	3,998,259	3,973,351	4,206,861	4,492,912	4,671,555	4,422,992
Wastewater	1,629,620	1,683,943	1,854,815	1,711,831	1,464,254	1,474,723	1,481,825	1,532,057	1,640,187	1,623,447
Transit	52,345	99,544	91,387	78,102	65,578	82,522	72,346	67,296	67,688	65,696
Operating grants and contributions	538,702	553,978	523,305	698,434	511,493	714,796	813,568	511,341	594,073	805,635
Capital grants and contributions	1,468,671	493,676	121,479	93,405	108,328	354,781	48,724	325,677	911,348	950,429
<b>Total Business-type Activities</b>	<b>7,317,508</b>	<b>6,977,521</b>	<b>6,931,550</b>	<b>6,781,208</b>	<b>6,147,912</b>	<b>6,600,173</b>	<b>6,623,324</b>	<b>6,929,283</b>	<b>7,884,851</b>	<b>7,868,199</b>
<b>Total Program Revenues</b>	<b>\$ 10,446,317</b>	<b>\$ 10,057,624</b>	<b>\$ 9,595,538</b>	<b>\$ 9,246,315</b>	<b>\$ 7,797,670</b>	<b>\$ 8,561,846</b>	<b>\$ 8,230,719</b>	<b>\$ 9,336,185</b>	<b>\$ 9,953,006</b>	<b>\$ 9,924,566</b>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Net (Expense)/Revenue:</b>										
Governmental Activities	\$ (2,805,854)	\$ (3,203,972)	\$ (3,464,406)	\$ (3,833,972)	\$ (4,461,214)	\$ (4,614,423)	\$ (5,105,588)	\$ (4,259,424)	\$ (5,098,659)	\$ (5,388,819)
Business-type Activities	2,127,977	1,391,906	1,031,676	571,419	(411,755)	93,783	304,336	(107,134)	284,719	593,711
Total Net Expense	<u>\$ (677,877)</u>	<u>\$ (1,812,066)</u>	<u>\$ (2,432,730)</u>	<u>\$ (3,262,553)</u>	<u>\$ (4,872,969)</u>	<u>\$ (4,520,640)</u>	<u>\$ (4,801,252)</u>	<u>\$ (4,366,558)</u>	<u>\$ (4,813,940)</u>	<u>\$ (4,795,108)</u>
<b>General Revenues</b>										
Governmental Activities:										
Taxes:										
Property taxes	\$ 1,175,334	\$ 1,623,746	\$ 1,689,397	\$ 1,730,139	\$ 1,086,849	\$ 1,039,634	\$ 1,051,200	\$ 1,063,715	\$ 1,096,028	\$ 1,140,579
Transient occupancy taxes	2,198,064	2,405,993	2,419,606	2,239,260	2,372,338	2,507,857	2,683,564	2,985,512	3,425,309	3,833,644
Sales taxes	904,610	988,280	1,148,040	1,072,646	1,000,325	972,838	1,066,086	1,122,814	1,153,845	1,241,436
Other taxes	193,764	196,535	199,237	209,149	238,163	269,238	208,006	226,792	237,256	247,173
Motor Vehicle in Lieu-not restricted to a specific program	394,199	-	-	-	-	-	-	-	-	-
Investment earnings	242,253	460,688	324,048	195,003	90,989	47,258	21,439	6,223	16,503	25,323
Miscellaneous	24,569	35,098	53,636	1,017	-	-	-	-	-	-
Transfers	(3,620,666)	64,110	65,268	65,268	15,095	-	(1,000)	(51,090)	(1,200)	(1,200)
Special Item	-	-	-	-	-	-	(661,931)	-	-	-
Total general revenues, transfers and special item	<u>1,512,127</u>	<u>5,774,450</u>	<u>5,899,232</u>	<u>5,512,482</u>	<u>4,803,759</u>	<u>4,836,825</u>	<u>4,367,364</u>	<u>5,353,966</u>	<u>5,927,741</u>	<u>6,486,955</u>
Business-type Activity										
Investment earnings	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	1,553	-	-	-	-	-	-	-
Transfers	3,620,666	(64,110)	(65,268)	(66,285)	(15,095)	-	1,000	51,090	1,200	1,200
Total Business-type Activities	<u>3,620,666</u>	<u>(64,110)</u>	<u>(63,715)</u>	<u>(66,285)</u>	<u>(15,095)</u>	<u>-</u>	<u>1,000</u>	<u>51,090</u>	<u>1,200</u>	<u>1,200</u>
Total primary government	<u>\$ 5,132,793</u>	<u>\$ 5,710,340</u>	<u>\$ 5,835,517</u>	<u>\$ 5,446,197</u>	<u>\$ 4,788,664</u>	<u>\$ 4,836,825</u>	<u>\$ 4,368,364</u>	<u>\$ 5,405,056</u>	<u>\$ 5,928,941</u>	<u>\$ 6,488,155</u>
<b>Change in net position:</b>										
Governmental activities	\$ (1,293,727)	\$ 2,570,478	\$ 2,434,826	\$ 1,678,510	\$ 342,545	\$ 222,402	\$ (738,224)	\$ 1,094,542	\$ 829,082	\$ 1,098,136
Business-type activities	5,748,643	1,327,796	967,961	505,134	(426,850)	93,783	305,336	(56,044)	285,919	594,911
Total Changes in Net Position	<u>\$ 4,454,916</u>	<u>\$ 3,898,274</u>	<u>\$ 3,402,787</u>	<u>\$ 2,183,644</u>	<u>\$ (84,305)</u>	<u>\$ 316,185</u>	<u>\$ (432,888)</u>	<u>\$ 1,038,498</u>	<u>\$ 1,115,001</u>	<u>\$ 1,693,047</u>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	700	\$ 700	\$ 700	\$ 700	\$ 127,805
Restricted						-	14,726	12,553	13,291	14,290
Committed						3,043,543	3,194,614	2,998,543	3,570,693	3,619,902
Assigned						-	-	-	-	-
Unassigned						2,179,145	2,365,309	3,256,119	3,767,385	4,871,659
Reserved	528,711	29,487	391,545	209,015	14,556					
Unreserved	5,240,494	5,875,624	4,948,204	5,215,140	5,632,586					
Total general fund	<u>\$ 5,769,205</u>	<u>\$ 5,905,111</u>	<u>\$ 5,339,749</u>	<u>\$ 5,424,155</u>	<u>\$ 5,647,142</u>	<u>\$ 5,223,388</u>	<u>\$ 5,575,349</u>	<u>\$ 6,267,915</u>	<u>\$ 7,352,069</u>	<u>\$ 8,633,656</u>
All other governmental funds										
Nonspendable						-	\$ -	\$ -	\$ -	\$ -
Restricted						3,065,222	2,874,888	3,052,778	3,143,036	2,997,035
Committed						-	-	-	-	-
Assigned						-	-	-	-	-
Unassigned						-	-	-	-	-
Reserved	-	-	-	-	-					
Unreserved										
Special Revenue	875,993	317,717	501,736	441,956	757,039					
Capital Projects	1,462,674	1,822,347	2,232,411	2,314,170	2,087,559					
Other Purposes	884,054	726,827	1,357,645	1,224,651	-					
Total all other governmental funds	<u>\$ 3,222,721</u>	<u>\$ 2,866,891</u>	<u>\$ 4,091,792</u>	<u>\$ 3,980,777</u>	<u>\$ 2,844,598</u>	<u>\$ 3,065,222</u>	<u>\$ 2,874,888</u>	<u>\$ 3,052,778</u>	<u>\$ 3,143,036</u>	<u>\$ 2,997,035</u>

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>REVENUES</b>										
Taxes	\$ 4,471	\$ 5,214	\$ 5,457	\$ 5,252	\$ 4,538	\$ 4,761	\$ 5,009	\$ 5,555	\$ 5,922	\$ 6,463
Licenses and permits	85	138	93	115	75	77	102	195	280	224
Fines and forfeits	23	26	28	30	26	27	15	24	22	11
Charges for services	1,097	1,311	1,079	784	629	844	707	907	984	982
Special assessments	127	47	69	69	72	36	59	75	75	111
Intergovernmental	1,334	1,282	1,149	1,209	877	764	677	1,077	638	731
Investment earnings	335	603	464	279	113	44	59	48	24	34
Other revenues	333	265	146	195	25	209	58	91	15	6
Total Revenues	<u>7,805</u>	<u>8,886</u>	<u>8,485</u>	<u>7,933</u>	<u>6,355</u>	<u>6,762</u>	<u>6,686</u>	<u>7,972</u>	<u>7,960</u>	<u>8,562</u>
<b>EXPENDITURES</b>										
General government	1,148	1,020	1,136	1,244	1,231	1,294	1,342	1,335	1,393	1,547
Public safety	1,680	1,876	1,859	1,836	1,305	1,350	1,529	1,613	1,628	1,644
Culture and recreation	943	1,441	1,331	1,422	1,273	1,685	1,383	1,541	1,592	1,592
Public works	1,286	1,218	784	1,044	1,404	1,687	1,782	2,168	1,717	1,837
Community development	700	405	491	432	397	363	398	427	455	517
Housing										394
Capital outlay	265	2,604	1,584	1,551	1,194	554	84	13	-	-
Transportation	31	140	298							
Intergovernmental					39					
Debt service:										
Costs of issuance										
Principal	307	322	343	359	414	25	-	-	-	-
Interest	75	144	132	71	26	7	5	3	0	0
Total expenditures	<u>6,435</u>	<u>9,170</u>	<u>7,958</u>	<u>7,959</u>	<u>7,283</u>	<u>6,965</u>	<u>6,523</u>	<u>7,100</u>	<u>6,785</u>	<u>7,531</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,370</u>	<u>(284)</u>	<u>527</u>	<u>(26)</u>	<u>(928)</u>	<u>(203)</u>	<u>163</u>	<u>872</u>	<u>1,175</u>	<u>1,031</u>
Other Financing Sources (Uses)										
Transfers in	1,693	984	406	388	50	198	286	192	169	161
Transfers out	<u>(5,314)</u>	<u>(920)</u>	<u>(341)</u>	<u>(321)</u>	<u>(35)</u>	<u>(198)</u>	<u>(287)</u>	<u>(193)</u>	<u>(170)</u>	<u>(162)</u>
Total Other Financing Sources (Uses)	<u>(3,621)</u>	<u>64</u>	<u>65</u>	<u>67</u>	<u>15</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>
Net change in fund balances	<u>\$ (2,251)</u>	<u>\$ (220)</u>	<u>\$ 592</u>	<u>\$ 41</u>	<u>\$ (913)</u>	<u>\$ (203)</u>	<u>\$ 162</u>	<u>\$ 871</u>	<u>\$ 1,174</u>	<u>\$ 1,030</u>
Debt service as a percentage of noncapital expenditures	<u>6.31%</u>	<u>6.68%</u>	<u>7.69%</u>	<u>6.67%</u>	<u>7.35%</u>	<u>0.54%</u>	<u>0.08%</u>	<u>0.05%</u>	<u>0.00%</u>	<u>0.00%</u>

**Schedule 5**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(in thousands of dollars)**

Fiscal Year	Assessed Taxable Values			Total Direct Tax Rate
	Real Property	Personal Property	Totals	
2005-2006	990,496	17,824	\$ 1,008,320	1.00%
2006-2007	1,081,379	18,040	\$ 1,099,419	1.00%
2007-2008	950,539	19,265	\$ 931,274	1.00%
2008-2009	964,774	17,767	\$ 982,541	1.00%
2009-2010	970,504	34,529	\$ 1,005,033	1.00%
2010-2011	932,954	32,484	\$ 965,438	1.00%
2011-2012	923,105	32,296	\$ 955,401	1.00%
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%

**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
2005-2006	1.13%	0.00%	1.13%	0.40000%	0.07000%
2006-2007	1.00%	0.00%	1.00%	0.05410%	0.06576%
2007-2008	1.00%	0.00%	1.00%	0.04975%	0.06435%
2008-2009	1.00%	0.00%	1.00%	0.05000%	0.06108%
2009-2010	1.00%	0.00%	1.00%	0.05000%	0.06068%
2010-2011	1.00%	0.00%	1.00%	0.05000%	0.06187%
2011-2012	1.00%	0.00%	1.00%	0.05125%	0.00000%
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%

**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)**

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

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

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

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

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

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

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

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

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

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

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

<u>Fiscal Year</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collections within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections To Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount Collected</u>	<u>Percentage of Levy</u>
2005-06	1,001,261	986,931	98.6%	14,330	1,001,261	100.0%
2006-07	1,091,877	1,068,943	97.9%	22,934	1,091,877	100.0%
2007-08	1,157,306	1,129,300	97.6%	28,007	1,157,306	100.0%
2008-09	1,220,447	1,185,911	97.2%	34,535	1,220,447	100.0%
2009-10	606,892	592,046	97.6%	14,846	606,892	100.0%
2010-11	600,711	590,463	98.3%	10,247	600,711	100.0%
2011-12	593,794	586,171	98.7%	7,624	593,794	100.0%
2012-13	599,125	593,058	99.0%	6,067	599,125	100.0%
2013-14	606,613	601,774	99.2%	4,535	606,309	99.9%
2014-15	631,868	626,577	99.2%	-	626,577	99.2%

**Source:** Santa Barbara County Auditor-Controller's Office

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

Fiscal Year	City Wide Occupancy Rate	Average Daily Room Rates	Transient Occupancy Tax Revenues in Dollars Concentration By Hotel Size Based on Number of Rooms	
			50 or More Rooms	Under 50 Rooms
2006	61%	\$ 126.88	\$ 1,420,423 6	\$ 777,641 10
2007	60%	\$ 131.31	\$ 1,599,003 6	\$ 809,150 10
2008	63%	\$ 127.01	\$ 1,643,591 6	\$ 774,804 10
2009	62%	\$ 115.36	\$ 1,525,979 6	\$ 709,924 10
2010	62%	\$ 113.94	\$ 1,658,127 6	\$ 630,028 10
2011	63%	\$ 122.52	\$ 1,840,846 6	\$ 667,602 10
2012	67%	\$ 133.07	\$ 1,947,309 6	\$ 735,631 10
2013	67%	\$ 139.62	\$ 2,178,318 6	\$ 820,489 10
2014	68%	\$ 147.54	\$ 2,469,434 6	\$ 964,365 11
2015	72%	\$ 171.08	\$ 2,766,680 6	\$ 1,063,561 17

**Source:** City of Solvang Finance Department

**Note:** The City approved a limited number of vacation rentals that are reflected in the "under 50 Rooms"

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

<b>Fiscal Year</b>	<b>Monthly Base Rate</b>	<b>Rate Per CCF (748 Gallons)</b>	<b>Outside Users Rate per CCF</b>
2006	55.48	3.05	4.58
2007	55.48	3.05	4.58
2008	55.48	3.05	4.58
2009	55.48	3.05	4.58
2010	55.48	3.05	4.58
2011	55.48	3.05	4.58
2012	62.36 <sup>1</sup>	2.85 <sup>2</sup> 3.35 <sup>3</sup>	4.28 5.03
2013	65.63 <sup>1</sup>	3.00 <sup>2</sup> 3.53 <sup>3</sup>	4.50 5.30
2014	69.08 <sup>1</sup>	3.16 <sup>2</sup> 3.71 <sup>3</sup>	4.74 5.57
2015	72.71 <sup>1</sup>	3.16 <sup>2</sup> 3.71 <sup>3</sup>	4.74 5.57

**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**

<b>Water Revenue Concentration Data</b>					
<b>Fiscal Year</b>	<b>Class of Customer</b>				<b>Totals</b>
	<b>Single Family Residential</b>	<b>Multi Family Residential</b>	<b>Commercial</b>	<b>Other</b>	
<b>Revenue in Dollars and Number of Customers</b>					
<b>2006</b>	1,849,229	607,218	882,845	203,384	3,542,676
	1,566	87	214	36	1,903
<b>2007</b>	2,092,395	684,052	1,005,959	241,431	4,023,837
	1,593	85	213	50	1,941
<b>2008</b>	2,184,126	593,629	1,007,392	299,301	4,084,448
	1,612	87	213	52	1,964
<b>2009</b>	2,084,406	426,468	799,330	267,447	3,577,681
	1,650	85	214	56	2,005
<b>2010</b>	1,974,510	421,805	965,034	227,364	3,588,713
	1,650	85	217	56	2,008
<b>2011</b>	1,908,615	427,580	957,825	225,957	3,519,977
	1,660	85	231	57	2,033
<b>2012<sup>1</sup></b>	2,131,635	402,620	887,067	426,504	3,847,826
	1,659	82	264	113	2,118
<b>2013</b>	2,343,935	379,449	897,317	578,884	4,199,585
	1,687	82	263	121	2,153
<b>2014</b>	2,755,279	353,455	771,435	733,473	4,613,643
	1,695	69	226	118	2,108
<b>2015</b>	2,621,212	295,474	824,286	618,427	4,359,400
	1,734	70	226	118	2,148

**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

2015	2014	2013	2012
Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch
Atterdag Village	Atterdag Village	Atterdag Village	Atterdag Village
Chumash Casino Resort	Chumash Casino Resort	Chumash Casino Resort	Chumash Casino Resort
City of Solvang	City of Solvang	City of Solvang	City of Solvang
Hadsten House	Hadsten House	Mission Oaks	Mission Oaks
Inland Pacific Builders	Holiday Inn Express	N&G Investments	Rancho S.Y. Mobile Estates
Mission Oaks	Inland Pacific Builders	Oak Park Apartments	Solvang LLM
Rancho S.Y. Mobile Estates	Mission Oaks	Rancho S.Y. Mobile Estates	Solvang School
Solvang School	Rancho S.Y. Mobile Estates	Solvang School	Wine Valley Inn
Worldmark	Solvang School	Worldmark Solvang	Worldmark Solvang
2011	2010	2009	2008
Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch	Alisal Guest Ranch
Atterdag Village	Chumash Casino Resort	Chumash Casino Resort	Chumash Casino Resort
Chumash Casino Resort	City of Solvang	City of Solvang	City of Solvang
City of Solvang	Mission Oaks	Mission Oaks	Mission Oaks
Mission Oaks	Rancho S.Y. Mobile Estates	Petersen Inn	Mission Ready Mix
Rancho S.Y. Mobile Estates	Solvang LLM	Rancho S.Y. Mobile Estates	Rancho S.Y. Mobile Estates
Solvang LLM	Solvang Lutheran Home	Solvang Lutheran Home	Solvang Lutheran Home
Solvang School	Solvang School	Solvang School	Solvang Mesa LLC
Wine Valley Inn	Wine Valley Inn	Wine Valley Inn	Solvang School
Worldmark Solvang	Worldmark Solvang	Worldmark Solvang	Worldmark Resort
2007	2006		
Alisal Guest Ranch	Alisal Guest Ranch		
Chumash Casino Resort	City of Solvang		
City of Solvang	Mission Oaks		
Mission Oaks	Mission Ready Mix		
Mission Ready Mix	Nyborg Estates Master Assoc.		
Rancho S.Y. Mobile Estates	Petersen Village Inn		
Solvang Lutheran Home	Rancho S.Y. Mobile Estates		
Solvang Mesa LLC	Solvang Lutheran Home		
Solvang School	Solvang School		
Worldmark Resort	Wine Valley Inn		

Source: City of Solvang Finance Department

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

Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Special Assessment Bonds <sup>1</sup>	Notes	Capital Lease Obligations	Capital Lease Obligations	Installment Agreement	Total Outstanding Debt	Percentage of Personal Income	Population	Debt per Capita
<b>Governmental Activities</b>					<b>Business-type Activities</b>						
2006	-	-	150	185	1,129	296	2,322	4,082	10.64%	5332	\$ 765.57
2007	-	-	125	145	871	228	2,149	3,518	11.12%	5429	\$ 648.00
2008	-	-	95	105	598	157	1,968	2,923	9.13%	5332	\$ 548.20
2009	-	-	65	65	309	81	1,777	2,297	6.87%	5446	\$ 421.78
2010	-	-	-	25	-	-	1,577	1,602	4.51%	5262	\$ 304.45
2011	-	-	-	-	-	-	1,366	1,366	3.77%	5289	\$ 258.27
2012	-	-	-	-	-	-	-	-	0% <sup>2</sup>	5281 <sup>3</sup>	\$ -
2013	-	-	-	-	-	-	-	-	0% <sup>2</sup>	5292 <sup>3</sup>	\$ -
2014	-	-	-	-	-	-	-	-	0% <sup>2</sup>	5363 <sup>3</sup>	\$ -
2015	-	-	-	-	-	-	-	-	0% <sup>2</sup>	5489 <sup>3</sup>	\$ -

**Source:** City of Solvang Finance Department

**Notes:**

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

**Schedule 14**  
**City of Solvang**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2015**

<b><u>Governmental Unit:</u></b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable<sup>2</sup></b>	<b>Amount Applicable to Primary Government</b>
<b>Direct and Overlapping General Fund Debt</b>			
Santa Barbara County Certificates of Participation	\$ 59,260,000	1.488%	\$ 881,789
Santa Ynez Valley Union High School District COP	5,900,000	16.705%	\$ 985,595
Buellton Union School District Cert of Participation	450,000	1.072%	\$ 4,824
Total Direct and Overlapping General Fund Debt			<u>\$ 1,872,208</u>
<b>Overlapping Tax and Assessment Debt</b>			
Allan Hancock Joint Community College District	\$ 130,094,576	4.351%	\$ 5,660,415
Buellton Union School district	8,536,637	1.072%	91,513
Solvang School District	7,011,674	79.815%	5,596,368
Total Overlapping Tax and Assessment Debt			<u>\$ 11,348,296</u>
Subtotal, overlapping debt			\$ 13,220,504
City of Solvang direct debt			-
Total direct and overlapping debt			<u><u>\$ 13,220,504</u></u>

**Source:** California Municipal Statistics, Inc.

**Notes:**

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

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

**Schedule 15  
City of Solvang  
Legal Debt Margin Information  
Last Ten Fiscal Years**

Fiscal Year	Debt Limit	Total Debt Applicable To Limit	Total Debt Applicable To Limit as Percentage of Debt Limit
2006	\$ 123,371,132	\$ -	0.00%
2007	\$ 164,912,850	\$ -	0.00%
2008	\$ 142,580,884	\$ -	0.00%
2009	\$ 147,381,177	\$ -	0.00%
2010	\$ 145,560,815	\$ -	0.00%
2011	\$ 144,815,718	\$ -	0.00%
2012	\$ 143,310,234	\$ -	0.00%
2013	\$ 35,898,852	\$ -	0.00%
2014	\$ 36,374,577	\$ -	0.00%
2015	\$ 37,977,325	\$ -	0.00%

**Legal Debt Margin Calculation for Fiscal Year 2015**

Assessed Value	\$ 1,012,728,660
Debt Limit (3.75% of assessed value)	37,977,325
Less debt applicable to limit:	
General Obligation bonds	0
Total debt applicable to limit	0
Legal Debt Margin	\$ 37,977,325

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

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

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

**Special Assessment Bonds**

Fiscal Year	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest	
2006	36,249	25,000	12,120	0.98
2007	39,374	25,000	10,270	1.12
2008	37,152	30,000	8,228	0.97
2009	20,093	30,000	5,993	0.56
2010	52,458	65,000	2,437	0.78
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-

**Water Installment Agreement and Capital Lease**

	Water Service Revenues <sup>1</sup>	Capital Impact Fees	Less Operating Expenses <sup>2</sup>	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2006	3,628,170	221,599	3,015,648	834,121	166,729	123,493	2.87
2007	4,023,837	262,037	3,491,089	794,785	172,523	115,099	2.76
2008	4,180,995	61,224	3,679,908	562,311	181,345	106,277	1.96
2009	4,085,678	40,385	3,887,122	238,941	193,705	99,937	0.81
2010	3,972,347	44,858	3,872,448	144,757	200,366	87,256	0.50
2011	3,973,351	22,276	3,876,241	119,386	210,612	77,010	0.42
2012	4,206,861	23,504	3,669,942	560,423	221,387	66,235	1.95
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	-	-	-

**Wastewater Capital Lease Obligation**

	Wastewater Service Revenues <sup>1</sup>	Capital Impact Fees	Less Operating Expenses <sup>2</sup>	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2006	1,629,620	401,622	1,005,316	1,025,926	60,800	-	16.87
2007	1,357,783	231,639	1,422,398	167,024	64,816	-	2.58
2008	1,610,699	60,550	1,554,414	116,835	68,828	1,265	1.67
2009	1,527,223	53,020	1,583,351	(3,108)	72,793	1,141	(0.04)
2010	1,429,716	63,470	1,263,965	229,221	81,129	3,111	2.72
2011	1,472,895	86,657	1,271,490	288,062	-	-	-
2012	1,481,825	25,220	1,245,897	261,148	-	-	-
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	-	-	-

Source: City of Solvang Finance Department

Notes:

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

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2006	5332	204,540,852	38,361	1.10%
2007	5429	171,822,421	31,649	1.20%
2008	5332	170,693,316	32,013	5.00%
2009	5446	181,994,428	33,418	8.20%
2010	5262	186,787,939	35,498	8.80%
2011	5289	191,476,316	36,203	3.70%
2012	5281 <sup>1</sup>	203,973,344	38,624 <sup>2</sup>	3.30% <sup>3</sup>
2013	5292 <sup>1</sup>	207,123,588	39,139 <sup>2</sup>	3.00% <sup>3</sup>
2014	5363 <sup>1</sup>	218,397,449	40,723 <sup>2</sup>	2.60% <sup>3</sup>
2015	5489 <sup>1</sup>	218,550,024	39,816 <sup>2</sup>	7.10% <sup>3</sup>

**Sources:** City of Solvang Finance Department

**Notes:**

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

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

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

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

Fiscal Year Ended June 30, 2009				Fiscal Year Ended June 30, 2008				Fiscal Year Ended June 30, 2007			
Employer	Number of Employees	Rank	Percentage of Total City Employment	Employer	Number of Employees	Rank	Percentage of Total City Employment	Employer	Number of Employees	Rank	Percentage of Total City Employment
Alisal Guest Ranch	280	1	9.33%	Alisal Guest Ranch	276	1	9.20%	Alisal Guest Ranch	278	1	9.27%
Solvang Lutheran Home	125	2	4.17%	MedSeek	160	2	5.33%	Lutheran Home	130	2	4.33%
Santa Ynez Valley Cottage Hospital	85	3	2.83%	Solvang Lutheran Home	130	3	4.33%	Chumash Casino Resort	97	3	3.23%
Root 246	70	4	2.33%	Santa Ynez Valley Cottage Hospital	85	4	2.83%	Santa Ynez Valley Cottage Hospital	86	4	2.87%
Nielsens Market	65	5	2.17%	Royal Scandinavian Inn (Chumash)	76	5	2.53%	New Frontiers Market	70	5	2.33%
New Frontiers Market	60	6	2.00%	Santa Ynez YMCA	73	6	2.43%	Solvang Unified School District	60	6	2.00%
Hotel Corque	54	7	1.80%	New Frontiers Market	67	7	2.23%	Nielsens Market	55	7	1.83%
Solvang Unified School District	54	8	1.80%	Solvang Unified School District	60	8	2.00%	City of Solvang	35	8	1.17%
City of Solvang	35	9	1.17%	Nielsens Market	55	9	1.83%	Worldmark Trendwest Hotel	30	9	1.00%
Worldmark Trendwest	30	10	1.00%	City of Solvang	35	10	1.17%	Petersen Inn Hotel	28	10	0.93%
<b>Totals</b>	<b>858</b>		<b>28.60%</b>	<b>Totals</b>	<b>1017</b>		<b>33.88%</b>	<b>Totals</b>	<b>869</b>		<b>28.97%</b>

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

Notes:

(1) Total City Labor Force is 2800, based on State of California Employment Development Department Data for FY 2014-2015.

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

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

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General government:</b>										
City Council (Stipend) <sup>1</sup>	-	-	-	-	-	-	-	-	-	-
City clerk	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City attorney (Contract) <sup>2</sup>	-	-	-	-	-	-	-	-	-	-
City manager	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Economic development	1.00	-	-	-	-	-	-	-	-	-
Finance	4.00	4.00	5.00	5.00	5.00	5.00	6.00	5.00	5.00	5.00
<b>Public safety<sup>2</sup>:</b>										
Police (Contract)	-	-	-	-	-	-	-	-	-	-
Fire	2.00	2.00	-	-	-	-	-	-	-	-
<b>Planning:</b>										
Planning	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.75	2.22	2.22
Building and safety <sup>2</sup>	1.00	0.50	0.50	0.50	0.50	0.50	1.00	0.75	0.90	0.90
<b>Public works:</b>										
Engineering	2.00	3.50	2.50	2.50	2.50	2.50	2.50	0.60	0.65	1.20
Roads and streets	1.00	2.00	2.35	2.35	2.35	2.35	2.35	3.78	3.95	4.05
Maintenance	4.00	3.00	3.65	3.65	3.65	3.65	3.65	2.58	2.51	2.51
<b>Parks:</b>										
Parks and recreation	5.00	7.00	5.50	5.80	6.50	6.50	5.50	5.84	5.84	5.84
<b>Water:</b>										
Treatment and distribution	4.00	4.00	4.00	4.00	4.00	4.00	4.00	5.10	5.00	5.15
<b>Wastewater:</b>										
Collection and treatment	6.00	6.00	6.00	6.00	6.00	6.00	6.00	7.10	6.90	7.10
<b>Totals</b>	<b>34.00</b>	<b>36.00</b>	<b>33.50</b>	<b>33.80</b>	<b>34.50</b>	<b>34.50</b>	<b>35.00</b>	<b>34.50</b>	<b>34.97</b>	<b>35.97</b>

**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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Police<sup>1</sup>:</b>										
Physical arrest	365	265	299	269	353	127	114	123	96	102
Traffic violations	583	737	610	707	548	266	109	105	125	67
<b>Fire<sup>1</sup>:</b>										
Emergency responses	424	486	510	498	484	589	385	197	430	358
Fires extinguished	30	18	16	18	16	15	17	3	9	9
<b>Planning:</b>										
Building permits issued	151	223	299	141	124	151	143	215	218	146
<b>Public Works:</b>										
Miles streets maintained	1.13	0.25	2.27	4.37	1.15	0.25	3.50	0.66	0.44	0.44
<b>Parks:</b>										
Community events held	5	14	22	17	17	18	18	18	21	21
<b>Water:</b>										
Number new connections	10	36	9	7	2	2	2	25	38	40
Daily average water production in MGD	1.02	1.46	1.48	1.38	1.15	1.31	1.27	1.38	1.38	1.05
Daily average water consumption in MGD	1.30	1.34	1.37	1.33	1.25	1.20	1.18	1.26	1.26	0.96
<b>Wastewater:</b>										
Number new connections	6	36	9	7	2	2	-	26	35	43
Daily average treatment in millions gallons(MGD)	0.82	0.60	0.60	0.69	0.73	0.72	0.77	0.75	0.71	0.69

**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**

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Fire<sup>1</sup></b>										
Stations	1	1	-	-	-	-	-	-	-	-
Engines	5	5	-	-	-	-	-	-	-	-
<b>Public Works:</b>										
Miles of streets	22	22	22	22	25	25	25	25	25	25
Streetlights	7	7	7	7	12	12	12	12	12	12
<b>Parks and recreation:</b>										
Community centers	3	3	3	3	3	2	2	2	2	2
Parks	4	4	4	4	4	4	4	4	4	4
Park acreage	63	63	63	63	63	63	63	63	63	63
<b>Water:</b>										
Miles of mains	32	35	35	35	35	35	35	35	36	36
Number connections	1,953	1,989	1,964	2,017	2,017	2,019	2,018	2,043	2,156	2,178
<b>Wastewater:</b>										
Miles of sewers	40	40	40	42	42	42	42	42	42	42
Number connections	1,771	1,989	1,964	2,017	1,981	1,985	1,985	2,011	2,047	2,090
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.



**CITY COUNCIL  
STAFF REPORT**

**FEBRUARY 8, 2016 MEETING**

**ITEM 7**

**SANTA YNEZ RIVER WATER CONSERVATION DISTRICT GROUNDWATER  
SUSTAINABILITY PRESENTATION**

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**I. RECOMMENDATION:**

No action will be taken by the Council at this meeting.

Presentation by Bruce Wales regarding the recent State laws covering groundwater sustainability and formation of a Groundwater Sustainability Agency (GSA).

Copies of the presentation will be available at the meeting.





**CITY COUNCIL  
STAFF REPORT**

**TO:** SOLVANG CITY COUNCIL MEMBERS

**FROM:** Sandra Featherson, Director of Administrative Services

**MEETING DATE:** February 9, 2016

**DATE PREPARED:** January 28, 2016

**SUBJECT:** **ELECTION TO PARTICIPATE IN THE CALIFORNIA  
EMPLOYERS' RETIREE BENEFIT TRUST (CERBT)  
AND OPEB PREFUNDING STRATEGY**

---

**I. RECOMMENDATION**

- A. Adopt Resolution No. 16-\_\_\_\_\_ approving the Agreement and Election of the City of Solvang to Prefund Other Post Employment Benefits through CalPERS;
- B. Approve the Delegation of Authority to Request Disbursements;
- C. Authorize the City Manager (or his designee) to take any additional actions necessary to participate in the CERBT program; and
- D. Approve and accept recommendation for utilizing Strategy 2 offered by CalPERS to prefund the OPEB.

**II. DISCUSSION**

The City currently provides Other Post Employment Benefits (OPEB) for its past, present, and future retirees, including medical, dental and life insurance. Dental and life insurance were offered to employees retiring prior to November 1, 2010.

The City has historically chosen to pay its OPEB expenses as they come due (as monthly reimbursements to retirees) rather than as they are earned. Payment of OPEB expenses as they come due (the pay-as-you-go method), rather than as they are earned, results in the accumulation of an unfunded liability for the future benefits. "Once a trust is established, the employer funds the OPEB benefits each year...and those accumulated contributions-together with investment returns compounded...are designed to fully pay for the OPEB benefits". "The power of compound interest generates a significant amount of investment return...thereby resulting in a significant reduction in the employer's contributions needed to fund

the OPEB benefits versus the amount needed under the pay-as-you-go approach.” (Milliman OPEB Consulting Services, “Establishing an OPEB Trust Fund” 2014)

Our most recent actuarial valuation, as of July 1, 2014, estimated the cost of these benefits and our unfunded liability to be \$2,421,445, based on a rate of 4.75%, (the rate of investment income that assets are assumed to earn that are used to pay benefits).

At the City Council meeting held on September 8<sup>th</sup>, 2014, CalPERS presented information regarding their Retiree Benefit Trust (CERBT). The CERBT is an IRS Section 115 trust – set up for the purpose of receiving employer contributions that will prefund OPEB costs for retirees and their beneficiaries. Established in 2007, the CERBT is currently used by 462 California public agencies (including 122 cities and towns) to prefund their OPEB liabilities. The assets held in the CERBT are co-invested and managed by the same CalPERS investment staff that manages the City’s pension assets. As with our pension funds, our OPEB assets would be accounted for in a separate City account.

The CERBT delivers a diversified investment portfolio, consisting of public market securities, offer to employers in the form of three asset allocation strategies. The three strategies provide a range of expected investment rate of return and corresponding investment return volatility so that employers can match the risk of their portfolio with the liquidity needs of their OPEB plan. The lowest return/volatility strategy is considered most appropriate for a well-funded mature plan, while the highest return/volatility strategy is considered most appropriate for a plan, like the City’s, that is not well-funded. Based on the information provided by CalPERS, staff is recommending the City Council move forward with Strategy 2 (See charts below). Strategy 2 provides an expected rate of return of 6.73% and a target allocation that is slightly more aggressive than Strategy 3. In addition, Strategy 2 has provided the best long term performance since its inception.

Features and Benefits of the CERBT Program

## CERBT asset allocation strategies

	Strategy 1	Strategy 2	Strategy 3
Expected Long Term Rate of Return <small>(General Inflation Rate Assumption of 2.75%)</small>	7.28%	6.73%	6.12%
Standard Deviation of Expected Returns	11.74%	9.32%	7.14%

- All CERBT asset allocation strategies share the same public market asset classes
  - Allocation strategies differ only to the extent to which they participate in each of the asset classes

Features and Benefits of the CERBT Program

## CERBT asset class target allocations

Asset Classification	Investment Management	Strategy 1	Strategy 2	Strategy 3
Global Equity	Passive MSCI All Country World Index	57%	40%	24%
Fixed Income	Active Barclays Capital Long Liability Index	27%	39%	39%
Global Real Estate (REITs)	Passive FTSE EPRA/NAREIT Developed Liquid Index	8%	8%	8%
Treasury Inflation Protected Securities (TIPS)	Active Barclays Capital Global Real: US TIPS Index	5%	10%	26%
Commodities	Active S&P GSCI Total Return Index	3%	3%	3%

The CERB is a self-funded, not-for-profit trust fund in which participating employers pay for all administrative and investment expenses. The fee rate may vary from year to year and may be changed without prior notice. Over the eight years that the CERBT has been in operation, the fee rate has ranged from 0.02% to 0.15% of assets held in an employer's account. Currently, annual CERBT expenses are 0.10% of the assets held.

Unlike the City's pension plans with CalPERS, the City Council is responsible for managing the funding policy of the OPEB plan – how much and when to contribute in order to pay for benefits.

### **III. FISCAL IMPACT:**

If the City Council accepts the recommendation to participate in the trust, staff recommends we deposit the amount currently committed to Other Post Employment Benefits of \$248,418, plus the amount of our Annual Required Contribution (ARC) as identified in our Valuation Report of \$153,638, for a total of \$402,056. In the FY 2015-16 budget, we allocated \$59,209. Once we receive our new valuation, the amount of our ARC may decrease and staff will return to Council with a final budget adjustment at that time. We are not required to make contributions and there are no minimum contributions, however staff recommends the City Council continue to approve an amount in the annual budget equivalent to the “pay-as-you-go” in addition to the Annual Required Contribution (ARC).

Currently CERBT expenses are 0.10% of the assets held in an employer's account. The administrative cost would be \$402.06. It is important to note, however, the fee rate may vary from year to year and may be changed without prior notice.

In addition, the City can use its current actuarial valuation as of July 1, 2014 (attached) to join the CERBT, however CalPERS will require a new valuation prior to June 30, 2015. The anticipated cost for the valuation is \$2,900.

According to CalPERS, “the impact of prefunding minimizes future cost impacts” and by prefunding we are able to use a higher discount rate which in turn lowers our liabilities and ARC.

### **IV. ATTACHMENTS:**

- A. CERBT Agreement and Election to Prefund Other Post Employment Benefits Through CalPERS
- B. CalPERS Delegation of Authority to Request Disbursements
- C. OPEB Actuarial Valuation as of July 1, 2014
- D. Resolution No. 16-\_\_\_\_\_

**CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST PROGRAM ("CERBT")**

**AGREEMENT AND ELECTION  
OF**

City of Solvang

(NAME OF EMPLOYER)

**TO PREFUND OTHER POST EMPLOYMENT  
BENEFITS THROUGH CalPERS**

WHEREAS (1) Government Code Section 22940 establishes in the State Treasury the Annuitants' Health Care Coverage Fund for the prefunding of health care coverage for annuitants (Prefunding Plan); and

WHEREAS (2) The California Public Employees' Retirement System (CalPERS) Board of Administration (Board) has sole and exclusive control and power over the administration and investment of the Prefunding Plan (sometimes also referred to as CERBT), the purposes of which include, but are not limited to (i) receiving contributions from participating employers and establishing separate Employer Prefunding Accounts in the Prefunding Plan for the performance of an essential governmental function (ii) investing contributed amounts and income thereon, if any, in order to receive yield on the funds and (iii) disbursing contributed amounts and income thereon, if any, to pay for costs of administration of the Prefunding Plan and to pay for health care costs or other post employment benefits in accordance with the terms of participating employers' plans; and

WHEREAS (3) City of Solvang

(NAME OF EMPLOYER)

(Employer) desires to participate in the Prefunding Plan upon the terms and conditions set by the Board and as set forth herein; and

WHEREAS (4) Employer may participate in the Prefunding Plan upon (i) approval by the Board and (ii) filing a duly adopted and executed Agreement and Election to Prefund Other Post Employment Benefits (Agreement) as provided in the terms and conditions of the Agreement; and

WHEREAS (5) The Prefunding Plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 43 consisting of an aggregation of single-employer plans, with pooled administrative and investment functions;

NOW, THEREFORE, BE IT RESOLVED THAT EMPLOYER HEREBY MAKES THE FOLLOWING REPRESENTATION AND WARRANTY AND THAT THE BOARD AND EMPLOYER AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

A. Representation and Warranty

Employer represents and warrants that it is a political subdivision of the State of California or an entity whose income is excluded from gross income under Section 115 (1) of the Internal Revenue Code.

B. Adoption and Approval of the Agreement; Effective Date; Amendment

(1) Employer's governing body shall elect to participate in the Prefunding Plan by adopting this Agreement and filing with the CalPERS Board a true and correct original or certified copy of this Agreement as follows:

Filing by mail, send to:        CalPERS  
  Special Programs and Marketing Division  
  CERBT (OPEB)  
  P.O. Box 1494  
  Sacramento, CA 95812-1494

Filing in person, deliver to:  
  CalPERS Mailroom  
  Special Programs and Marketing Division  
  CERBT (OPEB)  
  400 Q Street  
  Sacramento, CA 95811

(2) Upon receipt of the executed Agreement, and after approval by the Board, the Board shall fix an effective date and shall promptly notify Employer of the effective date of the Agreement.

(3) The terms of this Agreement may be amended only in writing upon the agreement of both CalPERS and Employer, except as otherwise provided herein. Any such amendment or modification to this Agreement shall be adopted and executed in the same manner as required for the Agreement. Upon receipt of the executed amendment or modification, the Board shall fix the effective date of the amendment or modification.

(4) The Board shall institute such procedures and processes as it deems necessary to administer the Prefunding Plan, to carry out the purposes of this Agreement, and to maintain the tax exempt status of the Prefunding Plan. Employer agrees to follow such procedures and processes.

### C. Other Post Employment Benefits (OPEB) Cost Reports and Employer Contributions

(1) Employer shall provide to the Board an OPEB cost report on the basis of the actuarial assumptions and methods prescribed by the Board. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by GASB 43. This OPEB cost report may be prepared as an actuarial valuation report or, if the employer is qualified under GASB 45 and 57, may be prepared as an Alternative Measurement Method (AMM) report.

- (a) Unless qualified under GASB 45 and 57 to provide an AMM report, Employer shall provide to the Board an actuarial valuation report. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by GASB 43 and 57, and shall be:
  - 1) prepared and signed by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board;
  - 2) prepared in accordance with generally accepted actuarial practice and GASB 43, 45 and 57; and,
  - 3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.
- (b) If qualified under GASB 45 and 57, Employer may provide to the Board an AMM report. Such report shall be for the Board's use in financial reporting, shall be prepared at least as often as the minimum frequency required by GASB 43 and 57, and shall be:
  - 1) affirmed by Employer's external auditor, or by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board, to be consistent with the AMM process described in GASB 45;
  - 2) prepared in accordance with GASB 43, 45, and 57; and,
  - 3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(2) The Board may reject any OPEB cost report submitted to it, but shall not unreasonably do so. In the event that the Board determines, in its sole discretion, that the OPEB cost report is not suitable for use in the Board's financial statements or if Employer fails to provide a required OPEB cost report, the Board may obtain, at

Employer's expense, an OPEB cost report that meets the Board's financial reporting needs. The Board may recover from Employer the cost of obtaining such OPEB cost report by billing and collecting from Employer or by deducting the amount from Employer's account in the Prefunding Plan.

(3) Employer shall notify the Board of the amount and time of contributions which contributions shall be made in the manner established by the Board.

(4) Employer contributions to the Prefunding Plan may be limited to the amount necessary to fully fund Employer's actuarial present value of total projected benefits, as supported by the OPEB cost report acceptable to the Board. As used throughout this document, the meaning of the term "actuarial present value of total projected benefits" is as defined in GASB Statement No. 45. If Employer's contribution causes its assets in the Prefunding Plan to exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board may refuse to accept the contribution.

(5) No contributions are required. If an employer elects to contribute then the contribution amount should not be less than \$5000 or the employer's annual required contribution (ARC), whichever amount is lower. Contributions can be made at any time following the seventh day after the effective date of the Agreement provided that Employer has first complied with the requirements of Paragraph C.

#### D. Administration of Accounts, Investments, Allocation of Income

(1) The Board has established the Prefunding Plan as an agent plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions, under the terms of which separate accounts will be maintained for each employer so that Employer's assets will provide benefits only under employer's plan.

(2) All Employer contributions and assets attributable to Employer contributions shall be separately accounted for in the Prefunding Plan (Employer's Prefunding Account).

(3) Employer's Prefunding Account assets may be aggregated with prefunding account assets of other employers and may be co-invested by the Board in any asset classes appropriate for a Section 115 Trust.

(4) The Board may deduct the costs of administration of the Prefunding Plan from the investment income or Employer's Prefunding Account in a manner determined by the Board.

(5) Investment income shall be allocated among employers and posted to Employer's Prefunding Account as determined by the Board but no less frequently than annually.

(6) If Employer's assets in the Prefunding Plan exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board, in compliance with applicable accounting and legal requirements, may return such excess to Employer.

## E. Reports and Statements

- (1) Employer shall submit with each contribution a contribution report in the form and containing the information prescribed by the Board.
- (2) The Board shall prepare and provide a statement of Employer's Prefunding Account at least annually reflecting the balance in Employer's Prefunding Account, contributions made during the period and income allocated during the period, and such other information as the Board determines.

## F. Disbursements

- (1) Employer may receive disbursements not to exceed the annual premium and other costs of post employment healthcare benefits and other post employment benefits as defined in GASB 43.
- (2) Employer shall notify CalPERS in writing in the manner specified by CalPERS of the persons authorized to request disbursements from the Prefunding Plan on behalf of Employer.
- (3) Employer's request for disbursement shall be in writing signed by Employer's authorized representative, in accordance with procedures established by the Board. The Board may require that Employer certify or otherwise establish that the monies will be used for the purposes of the Prefunding Plan.
- (4) Requests for disbursements that satisfy the requirements of paragraphs (2) and (3) will be processed monthly.
- (5) CalPERS shall not be liable for amounts disbursed in error if it has acted upon the written instruction of an individual authorized by Employer to request disbursements. In the event of any other erroneous disbursement, the extent of CalPERS' liability shall be the actual dollar amount of the disbursement, plus interest at the actual earnings rate but not less than zero.
- (6) No disbursement shall be made from the Prefunding Plan which exceeds the balance in Employer's Prefunding Account.

## G. Costs of Administration

Employer shall pay its share of the costs of administration of the Prefunding Plan, as determined by the Board.

## H. Termination of Employer Participation in Prefunding Plan

- (1) The Board may terminate Employer's participation in the Prefunding Plan if:

- (a) Employer gives written notice to the Board of its election to terminate;
- (b) The Board finds that Employer fails to satisfy the terms and conditions of this Agreement or of the Board's rules or regulations.

(2) If Employer's participation in the Prefunding Plan terminates for any of the foregoing reasons, all assets in Employer's Prefunding Account shall remain in the Prefunding Plan, except as otherwise provided below, and shall continue to be invested and accrue income as provided in Paragraph D.

(3) After Employer's participation in the Prefunding Plan terminates, Employer may not make contributions to the Prefunding Plan.

(4) After Employer's participation in the Prefunding Plan terminates, disbursements from Employer's Prefunding Account may continue upon Employer's instruction or otherwise in accordance with the terms of this Agreement.

(5) After the Employer's participation in the Prefunding Plan terminates, the governing body of the Employer may request either:

- (a) A trustee to trustee transfer of the assets in Employer's Prefunding Account; provided that the Board shall have no obligation to make such transfer unless the Board determines that the transfer will satisfy applicable requirements of the Internal Revenue Code, other law and accounting standards, and the Board's fiduciary duties. If the Board determines that the transfer will satisfy these requirements, the Board shall then have one hundred fifty (150) days from the date of such determination to effect the transfer. The amount to be transferred shall be the amount in the Employer's Prefunding Account as of the date of the transfer (the "transfer date") and shall include investment earnings up to an investment earnings allocation date preceding the transfer date. In no event shall the investment earnings allocation date precede the transfer date by more than 150 days.
- (b) A disbursement of the assets in Employer's Prefunding Account; provided that the Board shall have no obligation to make such disbursement unless the Board determines that, in compliance with the Internal Revenue Code, other law and accounting standards, and the Board's fiduciary duties, all of Employer's obligations for payment of post-employment health care benefits and other post-employment benefits and reasonable administrative costs of the Board have been satisfied. If the Board determines that the disbursement will satisfy these requirements, the Board shall then have one hundred fifty (150) days from the date of such determination to effect the disbursement. The amount to be disbursed shall be the amount in the Employer's Prefunding Account as of the date of the disbursement (the "disbursement date") and shall include investment earnings up to an investment earnings allocation date

preceding the disbursement date. In no event shall the investment earnings allocation date precede the disbursement date by more than 150 days.

(6) After Employer's participation in the Prefunding Plan terminates and at such time that no assets remain in Employer's Prefunding Account, this Agreement shall terminate.

(7) If, for any reason, the Board terminates the Prefunding Plan, the assets in Employer's Prefunding Account shall be paid to Employer after retention of (i) amounts sufficient to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants described by the employer's current substantive plan (as defined in GASB 43), and (ii) amounts sufficient to pay reasonable administrative costs of the Board.

(8) If Employer ceases to exist but Employer's Prefunding Plan continues to exist and if no provision has been made by Employer for ongoing payments to pay post employment health care benefits and other post employment benefits to annuitants for current and future annuitants, the Board is authorized to and shall appoint a third party administrator to carry out Employer's Prefunding Plan. Any and all costs associated with such appointment shall be paid from the assets attributable to contributions by Employer.

(9) If Employer should breach the representation and warranty set forth in Paragraph A., the Board shall take whatever action it deems necessary to preserve the tax-exempt status of the Prefunding Plan.

## I. General Provisions

### (1) Books and Records.

Employer shall keep accurate books and records connected with the performance of this Agreement. Employer shall ensure that books and records of subcontractors, suppliers, and other providers shall also be accurately maintained. Such books and records shall be kept in a secure location at the Employer's office(s) and shall be available for inspection and copying by CalPERS and its representatives.

### (2) Audit.

(a) During and for three years after the term of this Agreement, Employer shall permit the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, at all reasonable times during normal business hours to inspect and copy, at the expense of CalPERS, books and records of Employer relating to its performance of this Agreement.

(b) Employer shall be subject to examination and audit by the Bureau of State Audits, CalPERS, and its authorized representatives, and such

consultants and specialists as needed, during the term of this Agreement and for three years after final payment under this Agreement. Any examination or audit shall be confined to those matters connected with the performance of this Agreement, including, but not limited to, the costs of administering this Agreement. Employer shall cooperate fully with the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, in connection with any examination or audit. All adjustments, payments, and/or reimbursements determined to be necessary by any examination or audit shall be made promptly by the appropriate party.

(3) Notice.

- (a) Any notice, approval, or other communication required or permitted under this Agreement will be given in the English language and will be deemed received as follows:
1. Personal delivery. When personally delivered to the recipient. Notice is effective on delivery.
  2. First Class Mail. When mailed first class to the last address of the recipient known to the party giving notice. Notice is effective three delivery days after deposit in a United States Postal Service office or mailbox.
  3. Certified mail. When mailed certified mail, return receipt requested. Notice is effective on receipt, if delivery is confirmed by a return receipt.
  4. Overnight Delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account, Notice is effective on delivery, if delivery is confirmed by the delivery service.
  5. Telex or Facsimile Transmission. When sent by telex or fax to the last telex or fax number of the recipient known to the party giving notice. Notice is effective on receipt, provided that (i) a duplicate copy of the notice is promptly given by first-class or certified mail or by overnight delivery, or (ii) the receiving party delivers a written confirmation of receipt. Any notice given by telex or fax shall be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a nonbusiness day.
  6. E-mail transmission. When sent by e-mail using software that provides unmodifiable proof (i) that the message was sent, (ii) that the message was delivered to the recipient's information processing system, and (iii) of the time and date the message was delivered to

the recipient along with a verifiable electronic record of the exact content of the message sent.

Addresses for the purpose of giving notice are as shown in Paragraph B.(1) of this Agreement.

- (b) Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that said notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger or overnight delivery service.
- (c) Any party may change its address, telex, fax number, or e-mail address by giving the other party notice of the change in any manner permitted by this Agreement.
- (d) All notices, requests, demands, amendments, modifications or other communications under this Agreement shall be in writing. Notice shall be sufficient for all such purposes if personally delivered, sent by first class, registered or certified mail, return receipt requested, delivery by courier with receipt of delivery, facsimile transmission with written confirmation of receipt by recipient, or e-mail delivery with verifiable and unmodifiable proof of content and time and date of sending by sender and delivery to recipient. Notice is effective on confirmed receipt by recipient or 3 business days after sending, whichever is sooner.

#### (4) Modification

This Agreement may be supplemented, amended, or modified only by the mutual agreement of the parties. No supplement, amendment, or modification of this Agreement shall be binding unless it is in writing and signed by the party to be charged.

#### (5) Survival

All representations, warranties, and covenants contained in this Agreement, or in any instrument, certificate, exhibit, or other writing intended by the parties to be a part of their Agreement shall survive the termination of this Agreement until such time as all amounts in Employer's Prefunding Account have been disbursed.

#### (6) Waiver

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy shall be deemed a waiver of any other breach, failure, right, or remedy, whether or not similar, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

(7) Necessary Acts, Further Assurances

The parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement.

A majority vote of Employer's Governing Body at a public meeting held on the 8<sup>th</sup> day of the month of February in the year 2016, authorized entering into this Agreement.

Signature of the Presiding Officer: \_\_\_\_\_

Printed Name of the Presiding Officer: Jim Richardson, Mayor

Name of Governing Body: City of Solvang City Council

Name of Employer: City of Solvang

Date: \_\_\_\_\_

BOARD OF ADMINISTRATION  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY \_\_\_\_\_  
JOHN SWEDENSKY  
SPECIAL PROGRAMS AND MARKETING DIVISION  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

To be completed by CalPERS The effective date of this Agreement is: _____
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# DELEGATION OF AUTHORITY TO REQUEST DISBURSEMENTS

## RESOLUTION OF THE

City Council

\_\_\_\_\_  
(GOVERNING BODY)

## OF THE

City of Solvang

\_\_\_\_\_  
(NAME OF EMPLOYER)

The City Council delegates to the incumbents  
(GOVERNING BODY)

in the positions of City Manager and  
(TITLE)

Administrative Services Director and/or  
(TITLE)

\_\_\_\_\_  
(TITLE) authority to request on

behalf of the Employer disbursements from the Other Post Employment Prefunding  
Plan and to certify as to the purpose for which the disbursed funds will be used.

By Jim Richardson

Title Mayor

Witness \_\_\_\_\_

Date \_\_\_\_\_



**City of Solvang  
Actuarial Study of  
Retiree Health Liabilities  
As of July 1, 2014**

*Prepared by:  
Total Compensation Systems, Inc.*

*Date: August 2, 2014*

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**City of Solvang**  
**Actuarial Study of Retiree Health Liabilities**

**PART I: EXECUTIVE SUMMARY**

**A. Introduction**

City of Solvang engaged Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of July 1, 2014 (the valuation date). The numbers in this report are based on the assumption that they will first be used to determine accounting entries for the fiscal year ending June 30, 2014. If the report will first be used for a different fiscal year, the numbers will need to be adjusted accordingly.

This report does not reflect any cash benefits paid unless the retiree is required to provide proof that the cash benefits are used to reimburse the retiree's cost of health benefits. Costs and liabilities attributable to cash benefits paid to retirees are reportable under Governmental Accounting Standards Board (GASB) Standards 25/27.

This actuarial study is intended to serve the following purposes:

- To provide information to enable Solvang to manage the costs and liabilities associated with its retiree health benefits.
- To provide information to enable Solvang to communicate the financial implications of retiree health benefits to internal financial staff, the Council, employee groups and other affected parties.
- To provide information needed to comply with Governmental Accounting Standards Board Accounting Standards 43 and 45 related to "other postemployment benefits" (OPEB's).

Because this report was prepared in compliance with GASB 43 and 45, as appropriate, Solvang should not use this report for any other purpose without discussion with TCS. This means that any discussions with employee groups, governing Boards, etc. should be restricted to the implications of GASB 43 and 45 compliance.

This actuarial report includes several estimates for Solvang's retiree health program. In addition to the tables included in this report, we also performed cash flow adequacy tests as required under Actuarial Standard of Practice 6 (ASOP 6). Our cash flow adequacy testing covers a twenty-year period. We would be happy to make this cash flow adequacy test available to Solvang in spreadsheet format upon request.

We calculated the following estimates separately for active employees and retirees. As requested, we also separated results by the following employee classifications: General Employees and Management & Confidential. We estimated the following:

- the total liability created. (The actuarial present value of total projected benefits or APVTPB)
- the ten year "pay-as-you-go" cost to provide these benefits.
- the "actuarial accrued liability (AAL)." (The AAL is the portion of the APVTPB attributable to employees' service prior to the valuation date.)
- the amount necessary to amortize the UAAL over a period of 25 years.

## Total Compensation Systems, Inc.

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- the annual contribution required to fund retiree benefits over the working lifetime of eligible employees (the "normal cost").
- The Annual Required Contribution (ARC) which is the basis of calculating the annual OPEB cost and net OPEB obligation under GASB 43 and 45.

We summarized the data used to perform this study in Appendix A. No effort was made to verify this information beyond brief tests for reasonableness and consistency.

All cost and liability figures contained in this study are estimates of future results. Future results can vary dramatically and the accuracy of estimates contained in this report depends on the actuarial assumptions used. Normal costs and liabilities could easily vary by 10 - 20% or more from estimates contained in this report.

### **B. General Findings**

We estimate the "pay-as-you-go" cost of providing retiree health benefits in the year beginning July 1, 2014 to be \$80,204 (see Section IV.A.). The "pay-as-you-go" cost is the cost of benefits for current retirees.

For current employees, the value of benefits "accrued" in the year beginning July 1, 2014 (the normal cost) is \$26,329. This normal cost would increase each year based on covered payroll. Had Solvang begun accruing retiree health benefits when each current employee and retiree was hired, a substantial liability would have accumulated. We estimate the amount that would have accumulated to be \$2,421,445. This amount is called the "actuarial accrued liability" (AAL). The remaining unamortized balance of the initial unfunded AAL (UAAL) is \$2,900,235. This leaves a "residual" AAL of *negative* \$478,790.

We calculated the annual cost to amortize the residual unfunded actuarial accrued liability using a 4.75% discount rate. We used an open 25 year amortization period. The current year cost to amortize the residual unfunded actuarial accrued liability is *negative* \$24,370.

Combining the normal cost with both the initial and residual UAAL amortization costs produces an annual required contribution (ARC) of \$153,638. The ARC is used as the basis for determining expenses and liabilities under GASB 43/45. The ARC is used in lieu of (rather than in addition to) the "pay-as-you-go" cost.

We based all of the above estimates on employees as of June, 2014. Over time, liabilities and cash flow will vary based on the number and demographic characteristics of employees and retirees.

### **C. Description of Retiree Benefits**

Following is a description of the current retiree benefit plan:

## Total Compensation Systems, Inc.

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	<u>General</u>	<u>Management &amp; Confidential</u>
Benefit types provided	Medical only**	Medical only**
Duration of Benefits	Lifetime	Lifetime
Required Service	5 years	5 years
Minimum Age	50	50
Dependent Coverage	No	No
City Contribution %	25% at 5 years of service plus 5% per year of service to 100% at 20*	25% at 5 years of service plus 5% per year of service to 100% at 20*
City Cap	Single rate	Single rate

\* Those hired prior to February 26, 2002 receive 100% at 5 years of service  
 \*\*Some grandfathered retirees also receive City-paid dental and life insurance

### D. Recommendations

It is outside the scope of this report to make specific recommendations of actions Solvang should take to manage the substantial liability created by the current retiree health program. Total Compensation Systems, Inc. can assist in identifying and evaluating options once this report has been studied. The following recommendations are intended only to allow the City to get more information from this and future studies. Because we have not conducted a comprehensive administrative audit of Solvang's practices, it is possible that Solvang is already complying with some or all of our recommendations.

- We recommend that Solvang inventory all benefits and services provided to retirees – whether contractually or not and whether retiree-paid or not. For each, Solvang should determine whether the benefit is material and subject to GASB 43 and/or 45.
- We recommend that Solvang conduct a study whenever events or contemplated actions significantly affect present or future liabilities, but no less frequently than every three years, as required under GASB 43/45.
- We recommend that the City communicate the magnitude of these costs to employees and include employees in discussions of options to control the costs.
- Under GASB 45, it is important to isolate the cost of retiree health benefits. Solvang should have all premiums, claims and expenses for retirees separated from active employee premiums, claims, expenses, etc. To the extent any retiree benefits are made available to retirees over the age of 65 – ***even on a retiree-pay-all basis*** – all premiums, claims and expenses for post-65 retiree coverage should be segregated from those for pre-65 coverage. Furthermore, Solvang should arrange for the rates or prices of all retiree benefits to be set on what is expected to be a self-sustaining basis.
- Solvang should establish a way of designating employees as eligible or ineligible for future OPEB benefits. Ineligible employees can include those in ineligible job classes; those hired after a designated date restricting eligibility; those who, due to their age at hire cannot qualify for City-paid OPEB benefits; employees who exceed the termination age for OPEB benefits, etc.
- Several assumptions were made in estimating costs and liabilities under Solvang's retiree health program. Further studies may be desired to validate any assumptions where there is

## Total Compensation Systems, Inc.

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any doubt that the assumption is appropriate. (See Appendices B and C for a list of assumptions and concerns.) For example, Solvang should maintain a retiree database that includes – in addition to date of birth, gender and employee classification – retirement date and (if applicable) dependent date of birth, relationship and gender. It will also be helpful for Solvang to maintain employment termination information – namely, the number of OPEB-eligible employees in each employee class that terminate employment each year for reasons other than death, disability or retirement.

Respectfully submitted,



Geoffrey L. Kischuk, FSA, MAAA, FCA  
Consultant  
Total Compensation Systems, Inc.  
(805) 496-1700

## PART II: BACKGROUND

### A. Summary

Accounting principles provide that the cost of retiree benefits should be “accrued” over employees' working lifetime. For this reason, the Governmental Accounting Standards Board (GASB) issued in 2004 Accounting Standards 43 and 45 for retiree health benefits. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees (including early retirees).

### B. Actuarial Accrual

To actuarially accrue retiree health benefits requires determining the amount to expense each year so that the liability accumulated at retirement is, on average, sufficient (with interest) to cover all retiree health expenditures without the need for additional expenses. There are many different ways to determine the annual accrual amount. The calculation method used is called an “actuarial cost method.”

Under most actuarial cost methods, there are two components of actuarial cost - a “normal cost” and amortization of something called the “unfunded actuarial accrued liability.” Both accounting standards and actuarial standards usually address these two components separately (though alternative terminology is sometimes used).

The normal cost can be thought of as the value of the benefit earned each year if benefits are accrued during the working lifetime of employees. This report will not discuss differences between actuarial cost methods or their application. Instead, following is a description of a commonly used, generally accepted actuarial cost method that will be permitted under GASB 43 and 45. This actuarial cost method is called the “entry age normal” method.

Under the entry age normal cost method, the actuary determines the annual amount needing to be expensed from hire until retirement to fully accrue the cost of retiree health benefits. This amount is the normal cost. Under GASB 43 and 45, normal cost can be expressed either as a level dollar amount or a level percentage of payroll.

The normal cost is determined using several key assumptions:

- The current ***cost of retiree health benefits*** (often varying by age, Medicare status and/or dependent coverage). The higher the current cost of retiree benefits, the higher the normal cost.
- The ***“trend” rate*** at which retiree health benefits are expected to increase over time. A higher trend rate increases the normal cost. A “cap” on City contributions can reduce trend to zero once the cap is reached thereby dramatically reducing normal costs.
- ***Mortality rates*** varying by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce normal costs, the mortality assumption is not likely to vary from employer to employer.
- ***Employment termination rates*** have the same effect as mortality inasmuch as higher termination rates reduce normal costs. Employment termination can vary considerably between public agencies.
- The ***service requirement*** reflects years of service required to earn full or partial retiree benefits.

## Total Compensation Systems, Inc.

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While a longer service requirement reduces costs, cost reductions are not usually substantial unless the service period exceeds 20 years of service.

- **Retirement rates** determine what proportion of employees retire at each age (assuming employees reach the requisite length of service). Retirement rates often vary by employee classification and implicitly reflect the minimum retirement age required for eligibility. Retirement rates also depend on the amount of pension benefits available. Higher retirement rates increase normal costs but, except for differences in minimum retirement age, retirement rates tend to be consistent between public agencies for each employee type.
- **Participation rates** indicate what proportion of retirees are expected to elect retiree health benefits if a significant retiree contribution is required. Higher participation rates increase costs.
- The **discount rate** estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets. For example, employer funds earning money market rates in the county treasury are likely to earn far less than an irrevocable trust containing a diversified asset portfolio including stocks, bonds, etc. A higher discount rate can dramatically lower normal costs. GASB 43 and 45 require the interest assumption to reflect likely *long term* investment return.

The assumptions listed above are not exhaustive, but are the most common assumptions used in actuarial cost calculations. The actuary selects the assumptions which - taken together - will yield reasonable results. It's not necessary (or even possible) to predict individual assumptions with complete accuracy.

If all actuarial assumptions are exactly met and an employer expensed the normal cost every year for all past and current employees and retirees, a sizeable liability would have accumulated (after adding interest and subtracting retiree benefit costs). The liability that would have accumulated is called the actuarial accrued liability or AAL. The excess of AAL over the **actuarial value of plan assets** is called the *unfunded* actuarial accrued liability (or UAAL). Under GASB 43 and 45, in order for assets to count toward offsetting the AAL, the assets have to be held in an irrevocable trust that is safe from creditors and can only be used to provide OPEB benefits to eligible participants.

The actuarial accrued liability (AAL) can arise in several ways. At inception of GASB 43 and 45, there is usually a substantial UAAL. Some portion of this amount can be established as the "transition obligation" subject to certain constraints. UAAL can also increase as the result of operation of a retiree health plan - e.g., as a result of plan changes or changes in actuarial assumptions. Finally, AAL can arise from actuarial gains and losses. Actuarial gains and losses result from differences between actuarial assumptions and actual plan experience.

Under GASB 43 and 45, employers have several options on how the UAAL can be amortized as follows:

- The employer can select an amortization period of 1 to 30 years. (For certain situations that result in a reduction of the AAL, the amortization period must be at least 10 years.)
- The employer may apply the same amortization period to the total combined UAAL or can apply different periods to different components of the UAAL.
- The employer may elect a "closed" or "open" amortization period.
- The employer may choose to amortize on a level dollar or level percentage of payroll method.

## PART III: LIABILITIES AND COSTS FOR RETIREE BENEFITS

### A. Introduction.

We calculated the actuarial present value of projected benefits (APVPB) separately for each employee. We determined eligibility for retiree benefits based on information supplied by Solvang. We then selected assumptions for the factors discussed in the above Section that, based on plan experience and our training and experience, represent our best prediction of future plan experience. For each employee, we applied the appropriate factors based on the employee's age, sex and length of service.

We summarized actuarial assumptions used for this study in Appendix C.

### B. Medicare

The extent of Medicare coverage can affect projections of retiree health costs. The method of coordinating Medicare benefits with the retiree health plan's benefits can have a substantial impact on retiree health costs. We will be happy to provide more information about Medicare integration methods if requested.

### C. Liability for Retiree Benefits.

For each employee, we projected future premium costs using an assumed trend rate (see Appendix C). To the extent Solvang uses contribution caps, the influence of the trend factor is further reduced.

We multiplied each year's projected cost by the probability that premium will be paid; i.e. based on the probability that the employee is living, has not terminated employment and has retired. The probability that premium will be paid is zero if the employee is not eligible. The employee is not eligible if s/he has not met minimum service, minimum age or, if applicable, maximum age requirements.

The product of each year's premium cost and the probability that premium will be paid equals the expected cost for that year. We discounted the expected cost for each year to the valuation date July 1, 2014 at 4.75% interest.

Finally, we multiplied the above discounted expected cost figures by the probability that the retiree would elect coverage. A retiree may not elect to be covered if retiree health coverage is available less expensively from another source (e.g. Medicare risk contract) or the retiree is covered under a spouse's plan.

For any current retirees, the approach used was similar. The major difference is that the probability of payment for current retirees depends only on mortality and age restrictions (i.e. for retired employees the probability of being retired and of not being terminated are always both 1.0000).

We added the APVPB for all employees to get the actuarial present value of total projected benefits (APVTPB). The APVTPB is the estimated present value of all future retiree health benefits for all **current** employees and retirees. The APVTPB is the amount on July 1, 2014 that, if all actuarial assumptions are exactly right, would be sufficient to expense all promised benefits until the last current employee or retiree dies or reaches the maximum eligibility age.

## Total Compensation Systems, Inc.

### Actuarial Present Value of Total Projected Benefits at July 1, 2014

	<i>Total</i>	<i>General Employees</i>	<i>Management &amp; Confidential</i>
Active: Pre-65	\$542,158	\$449,675	\$92,483
Post-65	\$1,206,877	\$1,010,041	\$196,836
Subtotal	\$1,749,035	\$1,459,716	\$289,319
Retiree: Pre-65	\$37,752	\$7,541	\$30,211
Post-65	\$844,313	\$547,889	\$296,424
Subtotal	\$882,065	\$555,430	\$326,635
Grand Total	\$2,631,100	\$2,015,146	\$615,954
Subtotal Pre-65	\$579,910	\$457,216	\$122,694
Subtotal Post-65	\$2,051,190	\$1,557,930	\$493,260

The APVTPB should be accrued over the working lifetime of employees. At any time much of it has not been "earned" by employees. The APVTPB is used to develop expense and liability figures. To do so, the APVTFB is divided into two parts: the portions attributable to service rendered prior to the valuation date (the past service liability or actuarial accrued liability under GASB 43 and 45) and to service after the valuation date but prior to retirement (the future service liability).

The past service and future service liabilities are each funded in a different way. We will start with the future service liability which is funded by the normal cost.

#### **D. Cost to Prefund Retiree Benefits**

##### 1. Normal Cost

The average hire age for eligible employees is 37. To accrue the liability by retirement, the City would accrue the retiree liability over a period of about 23 years (assuming an average retirement age of 60). We applied an "entry age normal" actuarial cost method to determine funding rates for active employees. The table below summarizes the calculated normal cost.

#### **Normal Cost Year Beginning July 1, 2014**

	<i>Total</i>	<i>General Employees</i>	<i>Management &amp; Confidential</i>
<b># of Employees</b>	32	25	7
<b>Per Capita Normal Cost</b>			
Pre-65 Benefit	N/A	\$213	\$269
Post-65 Benefit	N/A	\$540	\$803
<b>First Year Normal Cost</b>			
Pre-65 Benefit	\$7,208	\$5,325	\$1,883
Post-65 Benefit	\$19,121	\$13,500	\$5,621
Total	\$26,329	\$18,825	\$7,504

Accruing retiree health benefit costs using normal costs levels out the cost of retiree health benefits over time and more fairly reflects the value of benefits "earned" each year by employees. This normal cost would increase each year based on covered payroll.

## Total Compensation Systems, Inc.

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### 2. Amortization of Unfunded Actuarial Accrued Liability (UAAL)

If actuarial assumptions are borne out by experience, the City will fully accrue retiree benefits by expensing an amount each year that equals the normal cost. If no accruals had taken place in the past, there would be a shortfall of many years' accruals, accumulated interest and forfeitures for terminated or deceased employees. This shortfall is called the actuarial accrued liability (AAL). We calculated the AAL as the APVTPB minus the present value of future normal costs.

The initial UAAL was amortized using a closed amortization period of 28 years. The City can amortize the remaining or residual UAAL over many years. The table below shows the annual amount necessary to amortize the UAAL over a period of 25 years at 4.75% interest. (Thirty years is the longest amortization period allowable under GASB 43 and 45.) GASB 43 and 45 will allow amortizing the UAAL using either payments that stay the same as a dollar amount, or payments that are a flat percentage of covered payroll over time. The figures below reflect the level percentage of payroll method.

#### **Actuarial Accrued Liability as of July 1, 2014**

	<i>Total</i>	<i>General Employees</i>	<i>Management &amp; Confidential</i>
Active: Pre-65	\$484,709	\$406,810	\$77,899
Post-65	\$1,054,671	\$901,369	\$153,302
Subtotal	\$1,539,380	\$1,308,179	\$231,201
Retiree: Pre-65	\$37,752	\$7,541	\$30,211
Post-65	\$844,313	\$547,889	\$296,424
Subtotal	\$882,065	\$555,430	\$326,635
Subtot Pre-65	\$522,461	\$414,351	\$108,110
Subtot Post-65	\$1,898,984	\$1,449,258	\$449,726
Grand Total	\$2,421,445	\$1,863,608	\$557,837
Unamortized Initial UAAL	\$2,900,235		
Plan assets at 6/30/14	\$0		
Residual UAAL	(\$478,790)		
Residual UAAL Amortization at 4.75% over 25 Years	(\$24,370)		

### 3. Annual Required Contributions (ARC)

If the City determines retiree health plan expenses in accordance with GASB 43 and 45, costs will include both normal cost and one or more components of UAAL amortization costs. The sum of normal cost and UAAL amortization costs is called the Annual Required Contribution (ARC) and is shown below.

## Total Compensation Systems, Inc.

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### Annual Required Contribution (ARC) Year Beginning July 1, 2014

	<i>Total</i>
Normal Cost	\$26,329
Initial UAAL Amortization	\$151,679
Residual UAAL Amortization	(\$24,370)
ARC	\$153,638

The normal cost remains as long as there are active employees who may some day qualify for City-paid retiree health benefits. This normal cost would increase each year based on covered payroll.

#### 4. Other Components of Annual OPEB Cost (AOC)

Expense and liability amounts may include more components of cost than the normal cost plus amortization of the UAAL. This will apply to employers that don't fully fund the Annual Required Cost (ARC) through an irrevocable trust.

- The annual OPEB cost (AOC) will include assumed interest on the net OPEB obligation (NOO). The annual OPEB cost will also include an amortization adjustment for the net OPEB obligation. (It should be noted that there is no NOO if the ARC is fully funded through a qualifying "plan".)
- The net OPEB obligation will equal the accumulated differences between the (AOC) and qualifying "plan" contributions.

### PART IV: "PAY AS YOU GO" FUNDING OF RETIREE BENEFITS

We used the actuarial assumptions shown in Appendix C to project ten year cash flow under the retiree health program. Because these cash flow estimates reflect average assumptions applied to a relatively small number of employees, estimates for individual years are **certtain** to be *in*accurate. However, these estimates show the size of cash outflow.

The following table shows a projection of annual amounts needed to pay the City share of retiree health premiums.

<i>Year Beginning</i>			<i>Management &amp;</i>
<i>July 1</i>	<i>Total</i>	<i>General Employees</i>	<i>Confidential</i>
2014	\$80,204	\$54,099	\$26,105
2015	\$75,384	\$53,390	\$21,994
2016	\$81,891	\$58,728	\$23,163
2017	\$86,041	\$64,031	\$22,010
2018	\$91,519	\$68,253	\$23,266
2019	\$98,539	\$73,911	\$24,628
2020	\$107,023	\$80,824	\$26,199
2021	\$115,577	\$87,519	\$28,058
2022	\$125,228	\$94,762	\$30,466
2023	\$125,813	\$93,358	\$32,455

### **PART V: RECOMMENDATIONS FOR FUTURE VALUATIONS**

To effectively manage benefit costs, an employer must periodically examine the existing liability for retiree benefits as well as future annual expected premium costs. GASB 43/45 require triennial valuations. In addition, a valuation should be conducted whenever plan changes, changes in actuarial assumptions or other employer actions are likely to cause a material change in accrual costs and/or liabilities.

Following are examples of actions that could trigger a new valuation.

- An employer should perform a valuation whenever the employer considers or puts in place an early retirement incentive program.
- An employer should perform a valuation whenever the employer adopts a retiree benefit plan for some or all employees.
- An employer should perform a valuation whenever the employer considers or implements changes to retiree benefit provisions or eligibility requirements.
- An employer should perform a valuation whenever the employer introduces or changes retiree contributions.

We recommend Solvang take the following actions to ease future valuations.

- We have used our training, experience and information available to us to establish the actuarial assumptions used in this valuation. We have no information to indicate that any of the assumptions do not reasonably reflect future plan experience. However, the City should review the actuarial assumptions in Appendix C carefully. If the City has any reason to believe that any of these assumptions do not reasonably represent the expected future experience of the retiree health plan, the City should engage in discussions or perform analyses to determine the best estimate of the assumption in question.

**PART VI: APPENDICES**

**APPENDIX A: MATERIALS USED FOR THIS STUDY**

We relied on the following materials to complete this study.

- We used paper reports and digital files containing employee demographic data from the City personnel records.
- We used relevant sections of collective bargaining agreements provided by the City.

### **APPENDIX B: EFFECT OF ASSUMPTIONS USED IN CALCULATIONS**

While we believe the estimates in this study are reasonable overall, it was necessary for us to use assumptions which inevitably introduce errors. We believe that the errors caused by our assumptions will not materially affect study results. If the City wants more refined estimates for decision-making, we recommend additional investigation. Following is a brief summary of the impact of some of the more critical assumptions.

1. Where actuarial assumptions differ from expected experience, our estimates could be overstated or understated. One of the most critical assumptions is the medical trend rate. The City may want to commission further study to assess the sensitivity of liability estimates to our medical trend assumptions. For example, it may be helpful to know how liabilities would be affected by using a trend factor 1% higher than what was used in this study. There is an additional fee required to calculate the impact of alternative trend assumptions.
2. We used an "entry age normal" actuarial cost method to estimate the actuarial accrued liability and normal cost. GASB allows this as one of several permissible methods under GASB45. Using a different cost method could result in a somewhat different recognition pattern of costs and liabilities.

**APPENDIX C: ACTUARIAL ASSUMPTIONS AND METHODS**

Following is a summary of actuarial assumptions and methods used in this study. The City should carefully review these assumptions and methods to make sure they reflect the City's assessment of its underlying experience. It is important for Solvang to understand that the appropriateness of all selected actuarial assumptions and methods are Solvang's responsibility. Unless otherwise disclosed in this report, TCS believes that all methods and assumptions are within a reasonable range based on the provisions of GASB 43 and 45, applicable actuarial standards of practice, Solvang's actual historical experience, and TCS's judgment based on experience and training.

**ACTUARIAL METHODS AND ASSUMPTIONS:**

**ACTUARIAL COST METHOD:** Entry age normal. The allocation of OPEB cost is based on years of service. We used the level percentage of payroll method to allocate OPEB cost over years of service.

Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire. The present value of future benefits and present value of future normal costs are determined on an employee by employee basis and then aggregated.

To the extent that different benefit formulas apply to different employees of the same class, the normal cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees).

**AMORTIZATION METHODS:** We used a level percent, closed 28 year amortization period for the initial UAAL. We used a level percent, open 25 year amortization period for any residual UAAL.

**SUBSTANTIVE PLAN:** As required under GASB 43 and 45, we based the valuation on the substantive plan. The formulation of the substantive plan was based on a review of written plan documents as well as historical information provided by Solvang regarding practices with respect to employer and employee contributions and other relevant factors.

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### ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 27 (ASOP 27). Among other things, ASOP 27 provides that economic assumptions should reflect a consistent underlying rate of general inflation. For that reason, we show our assumed long-term inflation rate below.

INFLATION: We assumed 2.75% per year.

INVESTMENT RETURN / DISCOUNT RATE: We assumed 4.75% per year. This is based on assumed long-term return on employer assets.. We used the “Building Block Method” as described in ASOP 27 Paragraph 3.6.2. Our assessment of long-term returns for employer assets is based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq.

TREND: We assumed 4% per year. Our long-term trend assumption is based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. Trend increases in excess of general inflation result in dramatic increases in unemployment, the number of uninsured and the number of underinsured. These effects are nearing a tipping point which will inevitably result in fundamental changes in health care finance and/or delivery which will bring increases in health care costs more closely in line with general inflation. We do not believe it is reasonable to project historical trend vs. inflation differences several decades into the future.

PAYROLL INCREASE: We assumed 2.75% per year. This assumption applies only to the extent that either or both of the normal cost and/or UAAL amortization use the level percentage of payroll method. For purposes of applying the level percentage of payroll method, payroll increase must not assume any increases in staff or merit increases.

ACTUARIAL VALUE OF PLAN ASSETS (AVA): There were no plan assets on the valuation date.

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### NON-ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 35 (ASOP 35).

#### ***MORTALITY***

<i>Employee Type</i>	<i>Mortality Tables</i>
Miscellaneous	2009 CalPERS Mortality for Miscellaneous Employees

#### ***RETIREMENT RATES***

<i>Employee Type</i>	<i>Retirement Rate Tables</i>
Miscellaneous	2009 CalPERS 2.5%@55 Rates for Miscellaneous Employees

#### ***VESTING RATES***

See Table page 5

#### ***COSTS FOR RETIREE COVERAGE***

Retiree liabilities are based on actual retiree costs. Liabilities for active participants are based on the first year costs shown below. Subsequent years' costs are based on first year costs adjusted for trend and limited by any City contribution caps.

<i>Employee Type</i>	<i>Future Retirees Pre-65</i>	<i>Future Retirees Post-65</i>
General Employees	\$6,519	\$3,733
Management & Confidential	\$6,519	\$3,733

#### ***PARTICIPATION RATES***

<i>Employee Type</i>	<i>&lt;65 Non-Medicare Participation %</i>	<i>65+ Medicare Participation %</i>
Statutory Minimum Benefits	75%	75%
Additional Benefits	100%	100%

#### ***TURNOVER***

<i>Employee Type</i>	<i>Turnover Rate Tables</i>
Miscellaneous	2009 CalPERS Turnover for Miscellaneous Employees

#### ***SPOUSE PREVALENCE***

To the extent not provided and when needed to calculate benefit liabilities, 80% of retirees assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality.

#### ***SPOUSE AGES***

To the extent spouse dates of birth are not provided and when needed to calculate benefit liabilities, female spouse assumed to be three years younger than male.

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### APPENDIX D: DISTRIBUTION OF ELIGIBLE PARTICIPANTS BY AGE

#### **ELIGIBLE ACTIVE EMPLOYEES**

<i>Age</i>	<i>Total</i>	<i>General Employees</i>	<i>Management &amp; Confidential</i>
Under 25	0	0	0
25-29	1	1	0
30-34	6	5	1
35-39	4	4	0
40-44	1	0	1
45-49	4	3	1
50-54	7	4	3
55-59	3	3	0
60-64	5	5	0
65 and older	1	0	1
Total	32	25	7

#### **ELIGIBLE RETIREES**

<i>Age</i>	<i>Total</i>	<i>General Employees</i>	<i>Management &amp; Confidential</i>
Under 50	0	0	0
50-54	0	0	0
55-59	0	0	0
60-64	4	1	3
65-69	3	2	1
70-74	2	2	0
75-79	3	3	0
80-84	1	1	0
85-89	2	1	1
90 and older	1	1	0
Total	16	11	5

### APPENDIX E: CALCULATION OF GASB 43/45 ACCOUNTING ENTRIES

This report is to be used to calculate accounting entries rather than to provide the dollar amount of accounting entries. How the report is to be used to calculate accounting entries depends on several factors. Among them are:

- 1) The amount of prior accounting entries;
- 2) Whether individual components of the ARC are calculated as a level dollar amount or as a level percentage of payroll;
- 3) Whether the employer using a level percentage of payroll method elects to use for this purpose projected payroll, budgeted payroll or actual payroll;
- 4) Whether the employer chooses to adjust the numbers in the report to reflect the difference between the valuation date and the first fiscal year for which the numbers will be used.

To the extent the level percentage of payroll method is used, the employer should adjust the numbers in this report as appropriate to reflect the change in OPEB covered payroll. It should be noted that OPEB covered payroll should only reflect types of pay generating pension credits for plan participants. Please note that plan participants do not necessarily include all active employees eligible for health benefits for several reasons. Following are examples.

- 1) The number of hours worked or other eligibility criteria may differ for OPEB compared to active health benefits;
- 2) There may be active employees over the maximum age OPEB are paid through. For example, if an OPEB plan pays benefits only to Medicare age, any active employees currently over Medicare age are not plan participants;
- 3) Employees hired at an age where they will exceed the maximum age for benefits when the service requirement is met are also not plan participants.

Finally, GASB 43 and 45 require reporting covered payroll in RSI schedules regardless of whether any ARC component is based on the level percentage of payroll method. This report does not provide, nor should the actuary be relied on to report covered payroll.

GASB 45 Paragraph 26 specifies that the items presented as RSI "should be calculated in accordance with the parameters." The RSI items refer to Paragraph 25.c which includes annual covered payroll. Footnote 3 provides that when the ARC is based on covered payroll, the payroll measure may be the projected payroll, budgeted payroll or actual payroll. Footnote 3 further provides that comparisons between the ARC and contributions should be based on the same measure of covered payroll.

At the time the valuation is being done, the actuary may not know which payroll method will be used for reporting purposes. The actuary may not even know for which period the valuation will be used to determine the ARC. Furthermore, the actuary doesn't know if the client will make adjustments to the ARC in order to use it for the first year of the biennial or triennial period. (GASB 45 is silent on this.) Even if the actuary were to know all of these things, it would be a rare situation that would result in me knowing the appropriate covered payroll

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number to report. For example, if the employer uses actual payroll, that number would not be known at the time the valuation is done.

As a result, we believe the proper approach is to report the ARC components as a dollar amount. It is the client's responsibility to turn this number into a percentage of payroll factor by using the dollar amount of the ARC (adjusted, if desired) as a numerator and then calculating the appropriate amount of the denominator based on the payroll determination method elected by the client for the appropriate fiscal year.

If we have been provided with payroll information, we are happy to use that information to help the employer develop an estimate of covered payroll for reporting purposes. However, the validity of the covered payroll remains the employer's responsibility even if TCS assists the employer in calculating it.

### APPENDIX F: GLOSSARY OF RETIREE HEALTH VALUATION TERMS

Note: The following definitions are intended to help a *non-actuary* understand concepts related to retiree health valuations. Therefore, the definitions may not be actuarially accurate.

Actuarial Accrued Liability: The amount of the actuarial present value of total projected benefits attributable to employees' past service based on the actuarial cost method used.

Actuarial Cost Method: A mathematical model for allocating OPEB costs by year of service.

Actuarial Present Value of Total Projected Benefits: The projected amount of all OPEB benefits to be paid to current and future retirees discounted back to the valuation date.

Actuarial Value of Assets: Market-related value of assets which may include an unbiased formula for smoothing cyclical fluctuations in asset values.

Annual OPEB Cost: This is the amount employers must recognize as an expense each year. The annual OPEB expense is equal to the Annual Required Contribution plus interest on the Net OPEB obligation minus an adjustment to reflect the amortization of the net OPEB obligation.

Annual Required Contribution: The sum of the normal cost and an amount to amortize the unfunded actuarial accrued liability. This is the basis of the annual OPEB cost and net OPEB obligation.

Closed Amortization Period: An amortization approach where the original ending date for the amortization period remains the same. This would be similar to a conventional, 30-year mortgage, for example.

Discount Rate: Assumed investment return net of all investment expenses. Generally, a higher assumed interest rate leads to lower normal costs and actuarial accrued liability.

Implicit Rate Subsidy: The estimated amount by which retiree rates are understated in situations where, for rating purposes, retirees are combined with active employees.

Mortality Rate: Assumed proportion of people who die each year. Mortality rates always vary by age and often by sex. A mortality table should always be selected that is based on a similar "population" to the one being studied.

Net OPEB Obligation: The accumulated difference between the annual OPEB cost and amounts contributed to an irrevocable trust exclusively providing retiree OPEB benefits and protected from creditors.

Normal Cost: The dollar value of the "earned" portion of retiree health benefits if retiree health benefits are to be fully accrued at retirement.

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<u>OPEB Benefits:</u>	Other PostEmployment Benefits. Generally medical, dental, prescription drug, life, long-term care or other postemployment benefits that are not pension benefits.
<u>Open Amortization Period:</u>	Under an open amortization period, the remaining unamortized balance is subject to a new amortization schedule each valuation. This would be similar, for example, to a homeowner refinancing a mortgage with a new 30-year conventional mortgage every two or three years.
<u>Participation Rate:</u>	The proportion of retirees who elect to receive retiree benefits. A lower participation rate results in lower normal cost and actuarial accrued liability. The participation rate often is related to retiree contributions.
<u>Retirement Rate:</u>	The proportion of active employees who retire each year. Retirement rates are usually based on age and/or length of service. (Retirement rates can be used in conjunction with vesting rates to reflect both age and length of service). The more likely employees are to retire early, the higher normal costs and actuarial accrued liability will be.
<u>Transition Obligation:</u>	The amount of the unfunded actuarial accrued liability at the time actuarial accrual begins in accordance with an applicable accounting standard.
<u>Trend Rate:</u>	The rate at which the cost of retiree benefits is expected to increase over time. The trend rate usually varies by type of benefit (e.g. medical, dental, vision, etc.) and may vary over time. A higher trend rate results in higher normal costs and actuarial accrued liability.
<u>Turnover Rate:</u>	The rate at which employees cease employment due to reasons other than death, disability or retirement. Turnover rates usually vary based on length of service and may vary by other factors. Higher turnover rates reduce normal costs and actuarial accrued liability.
<u>Unfunded Actuarial Accrued Liability:</u>	This is the excess of the actuarial accrued liability over assets irrevocably committed to provide retiree health benefits.
<u>Valuation Date:</u>	The date as of which the OPEB obligation is determined. Under GASB 43 and 45, the valuation date does not have to coincide with the statement date.
<u>Vesting Rate:</u>	The proportion of retiree benefits earned, based on length of service and, sometimes, age. (Vesting rates are often set in conjunction with retirement rates.) More rapid vesting increases normal costs and actuarial accrued liability.

**RESOLUTION NO. 16-\_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SOLVANG APPROVING AN AGREEMENT AND ELECTION TO PREFUND OTHER POST EMPLOYMENT BENEFITS THROUGH CALPERS**

**WHEREAS**, the City of Solvang provides medical benefits to retirees known as other post-employment benefits (OPEB) and currently funds its OPEB expenses on a “pay-as-you-go” basis; and

**WHEREAS**, the City Council desires to prefund other post-employment benefits (OPEB) expenses by establishing an OPEB trust which would allow the City to invest its OPEB assets in higher-yielding investments; and

**WHEREAS**, staff determined that the proposal from the California Public Employee’s Retirement System (CalPERS) for the California Employers’ Retiree Benefit Trust (CERBT) Fund program best met the City’s needs; and

**WHEREAS**, in order to establish an OPEB trust with CalPERS, the City Council must approve entering into an agreement with CalPERS entitled “Agreement and Election of City of Solvang to Prefund Other Post Employment Benefits through CalPERS”.

**NOW, THEREFORE**, the City Council of the City of Solvang hereby resolves as follows:

SECTION 1. The City Manager or his designee is authorized to execute the Agreement and Election of City of Solvang to Prefund Other Post Employment Benefits through CalPERS, a copy of which is attached to this resolution as Exhibit A.

SECTION 2. The City Manager or his designee is authorized to take any additional actions necessary to participate in the CalPERS CERBT program.

**ADOPTED AND APPROVED THIS 8<sup>TH</sup> DAY OF FEBRUARY, 2016, BY THE FOLLOWING VOTE:**

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

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Jim Richardson, Mayor

**ATTEST:**

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Lisa S. Martin, City Clerk





**ADVANCE CALENDAR ITEMS**

Below is an Advance Calendar of anticipated agenda items. The dates are tentative but reflect an overview of items to come.

Tentative Meeting Date	Item
February 22, 2016	Award Contract for Vets Hall Lead Abatement & Painting City/Chumash Ad Hoc Committee Status Drought Ordinance Update Model Water Efficient Landscape Ordinance Can & Will Serve Letter Expiration Code Revision Marijuana Ordinance Discussion
March 14, 2016	Warrant Register- Consent
March 28, 2016	ADA Transition Plan
<b><u>Future Unscheduled Items</u></b>	Award Consultant Contract- Seismic Retrofit Construction Mngmt Award Construction Contract- Alisal Bridge Seismic Retrofit Resolution of Intent re: Installment Sale Water Revenue Bonds Citywide Sidewalk Master Plan Storm Water Resource Plan Ratify Reappointment of Shirley Stacy to Library Advisory Comm- June Sphere of Influence/Annexation Study Marijuana Cultivation & Delivery Ordinance First Reading Building Fee revisions/Calif. Code Check Agreement Wireless Facilities Regulations Conveyance Ordinance Update /Conveyance Renewals –July Findings of SYCSD Recycled Water Planning Study Resolution of Support for SBCAG Regional Bike & Ped Plan Measure A Program of Projects Solvang Mesa LLMD Assessment, Resolution of Intent Solvang Mesa LLMD Resolution of Assessment

Warrant Register 1<sup>st</sup> meeting of each month  
 SCVB Report 2<sup>nd</sup> meeting of each month (biennial)  
 Sheriff's Report 2<sup>nd</sup> meeting of each month  
 Fire Department Report quarterly