# VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT

BASIC FINANCIAL STATEMENTS
June 30, 2020

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**
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June 30, 2020

**FINANCIAL SECTION**

# FINANCIAL SECTION

Moss, Levy & Hartzheim LLP
Certified Public Accountants

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Vandenberg Village Community Services District
Lompoc, California

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Vandenberg Village Community Services District (the District) as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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.

### *Auditors' Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Vandenberg Village Community Services District, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.



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***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 8, the schedule of proportionate share of net pension liability on page 33, and the schedule of pension contributions on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020, on our consideration of the Vandenberg Village Community Services District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim LLP

Santa Maria, California
October 27, 2020

As management of the Vandenberg Village Community Services District (District), we offer this overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020 (FYE 20). It should be considered in conjunction with the information within the body of the audited financial statements and accompanying notes. All amounts, unless otherwise indicated, are expressed in whole dollars.

## MISSION STATEMENT

*To efficiently provide dependable drinking water delivery and wastewater collection services to Vandenberg Village residents, with a commitment to customer service.*

## FINANCIAL HIGHLIGHTS

- The District's net position (excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources, formerly entitled net assets) increased to $27.7 million. Of this amount, $10.4 million (unrestricted net position) may be used to meet the District's ongoing obligations to ratepayers and creditors.
- Compared to FYE 19, operating revenues increased by 5% to $4.66 million and operating expenses increased by 10% to $3.78 million.
- Total change in net position was $922,334.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

**1) Government-Wide Financial Statements.** The ***Government-Wide Financial Statements*** provide readers with a broad overview of the District's finances, combining both the water and wastewater enterprise funds data and can be found on **pages 9-11** of this report.

The *Statement of Net Position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position indicate whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the net position changed during the fiscal year. The District uses accrual based accounting. Changes in net position are reported when the event causing the change occurs (i.e., an expense that is incurred on June 30th, but is paid for in July, is reported as a decrease to net position in June).

The District charges a fee to customers to cover all or most of the costs of certain services it provides. The District's water and wastewater operations are reported as business-type activities on the Statement of Activities.

**2) 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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District has no general fund; therefore, all of the funds of the District can be categorized as proprietary funds.

***Proprietary funds***. The District maintains a single type of proprietary fund: enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The District uses enterprise funds to account for its water and wastewater operations.

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 and wastewater operations.

The ***Fund Financial Statements*** provide readers with a detail view of the District's water and wastewater enterprise funds data and can be found on **pages 12-16**.

The *Statement of Net Position – Proprietary Funds* presents information on assets, deferred outflows of resources, liabilities, and deferred inflows of resources for each enterprise fund.

The *Statement Revenues, Expenses, and Changes in Net Position – Proprietary Funds* presents information showing how the net position changed during the fiscal year for each enterprise fund.

The *Statement of Cash Flows – Proprietary Funds* gives an overview of cash received and cash paid out during the fiscal year, separated by activity type (operating, capital/financing, non-capital/financing, and investing).

**3) Notes to Basic Financial Statements.** The ***Notes to Basic Financial Statements*** provide additional information for a more complete understanding of the data provided in the basic financial statements and can be found on **pages 17-31** of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial analysis contains comparative information from the prior year.

### Net Position

Net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $27.7 million as of June 30, 2020. This is an increase of $0.9 million from fiscal year ended June 30, 2019.

| | Business-type activities | |
|---|---|---|
| | 2019 | 2020 |
| Current and Other Assets | $12,014,607 | $12,855,734 |
| Capital Assets | 23,042,192 | 22,697,385 |
| **Total Assets** | 35,056,799 | 35,553,119 |
| Deferred pensions | 447,987 | 410,285 |
| **Deferred Outflows of Resources** | 447,987 | 410,285 |
| Current Liabilities | 691,417 | 1,346,991 |
| Noncurrent Liabilities | 7,969,864 | 6,847,213 |
| **Total Liabilities** | 8,661,281 | 8,194,204 |
| Deferred Pensions | 51,283 | 54,644 |
| **Deferred Inflows of Resources** | $51,283 | $54,644 |
| NET POSITION | | |
| Net Investment in Capital Assets | 16,310,709 | 16,586,646 |
| Restricted | 427,663 | 323,118 |
| Unrestricted | 10,053,850 | 10,804,792 |
| **Total Net Position** | $26,792,222 | $27,714,556 |

The largest portion of the net position reflects investment in capital assets (e.g., land, easements, water rights, wells and pumps, mains and distribution systems, buildings and improvements, vehicles, furniture and equipment, and construction in progress). The District uses these capital assets to provide services to the residents of Vandenberg Village; consequently, these assets are not available for future spending.

The next largest portion of the net position is restricted for future spending. This portion is cash and investments. Cash and investments increased in FYE 20 by $803,136 primarily due to conservative expenditure and investment income. Expenses were 4% under budget, saving $144,782. Investment income on Cash & Investments was $205,305.

The following are significant current fiscal year transactions that have had an impact on the Statement of Net Position:

- *Current and Other Assets* increased $841,127.
- *Capital Assets* decreased by $344,807. An increase in the capitalization threshold decreased Capital Assets by $27,963. Reallocation of assets from 60/40 to 50/50 between the Water Fund and the Wastewater Fund transferred $43,166 in net asset value from the Water Fund to the Wastewater Fund. The most notable addition to Capital Assets was the Lift Station #1

replacement. Ongoing projects with significant expenditures include the test well, replacement valves and hydrants, the sodium hypochlorite system, and the sewer camera van.
- Regular straight-line depreciation for the fiscal year ended June 30, 2020 decreased non-current assets by $763,098.
- On April 4, 2006, the Board of Directors approved Resolution 176-06 updating the District's Reserve Policy and establishing a goal equal to the sum of capital, operating, and emergency reserve requirements. As of June 30, 2020, the District has a balance of approximately $11.4 million. The reserve goal fluctuates from year to year based on the accumulated depreciation expense, the current operating budget, and the value of capital assets. Based on the criteria set forth by the resolution, the District's goal was $14.7 million in reserves at fiscal year-end. **The goal per the FY 20-21 budget for June 30, 2021 is $13.5 million.** See the following table for the June 30, 2020 goal calculations.

| **Resolution 176-06 Reserve Requirement using the FYE 20 Budget** | | | |
|---|---|---|---|
| Category | Requirement | Water | Wastewater |
| Capital Reserves | Accumulated Depreciation + 25% operating budget | $4,169,451 | $6,370,442 |
| Operating Reserves | 25% operating budget | 488,328 | 692,002 |
| Emergency Reserves | 10% capital assets | 900,256 | 2,040,196 |
| | | $5,558,035 | $9,102,640 |
| | | Total = $14,660,675 | |

| | | |
|---|---|---|
| **Current Balance (as of June 30, 2020)** | $3,417,763 | $8,026,751 |
| | Total = $11,444,514* | |

**Activities**

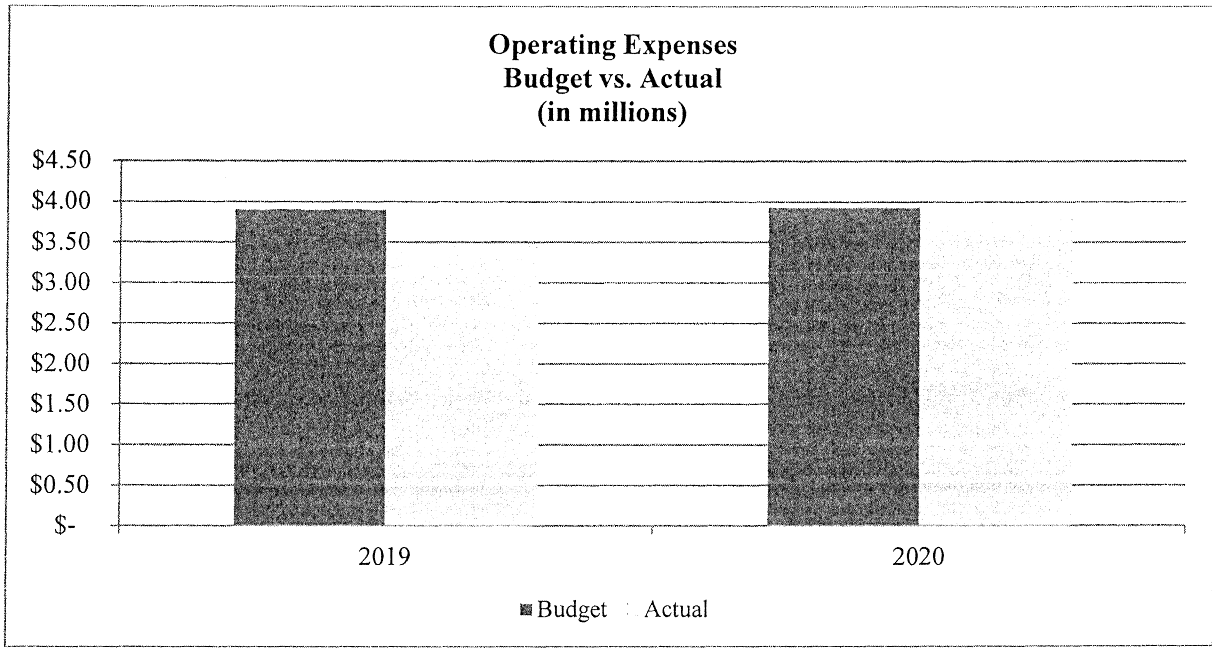
The District's financial position results from operating activities, investment activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

| | Business-type activities 2019 | 2020 |
|---|---|---|
| Charges for Services | $4,442,115 | $4,648,489 |
| Connection Fees and Contributions | 444,700 | 0 |
| Investment Earnings | 240,649 | 205,305 |
| Other Revenues | 269,508 | 9,720 |
| **Total Revenues** | 5,396,972 | 4,863,514 |
| Operating Expenses | 3,451,058 | 3,780,768 |
| Non-operating Expenses | 154,909 | 160,692 |
| **Total Expenses** | 3,605,967 | 3,941,460 |
| **Change in Net Position** | 1,791,005 | 922,334 |
| **Net Position, beginning of year** | 25,001,217 | 26,792,222 |
| **Net Position, end of fiscal year** | $26,792,222 | $27,714,556 |

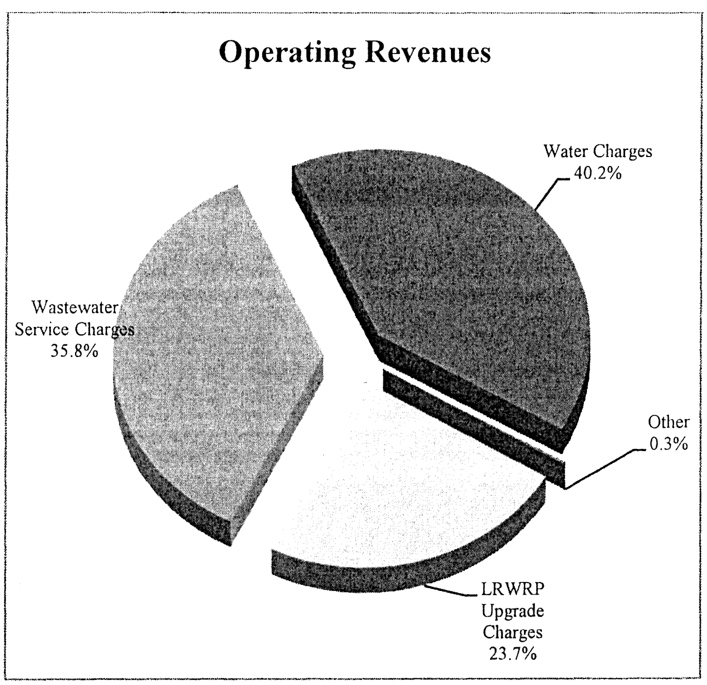
The following are significant current fiscal year transactions that have had an impact on the Statement of Activities:
- *Charges for Services* include $1.87 million in water use and service charges; $1.67 million in wastewater service charges; and $1.1 million in LRWRP upgrade charges.
- *Other Revenues* include unbudgeted revenues of $9,720.

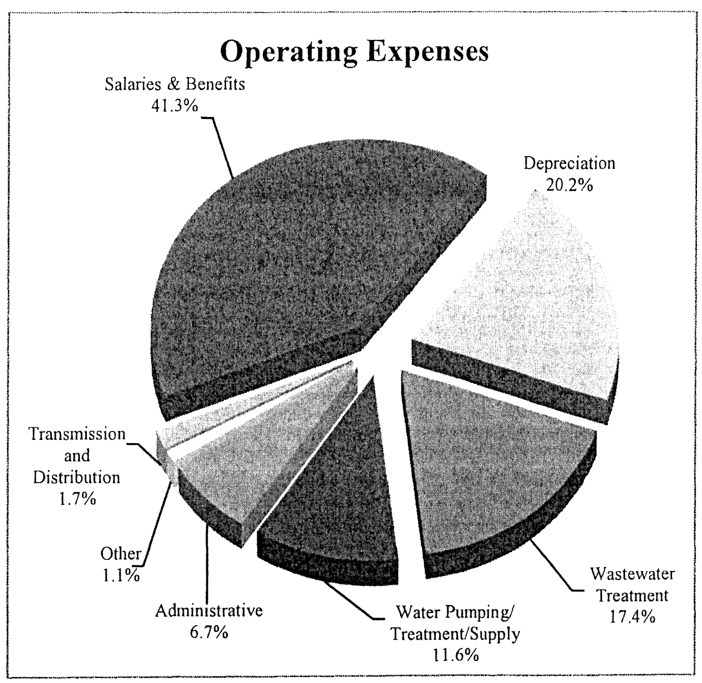
* The cash available for reserves does not include Developers' Connection Fees ($112,319) nor Developers' Conservation Funds ($183,567), as these two accounts are designated to be used solely for Developer-related asset purchases and Water Conservation expenditures. The bank account which holds employee payroll deductions for Flex Spending health benefits accounts ($2,167) and the account which holds funds designated for the maintenance of Lot 54 ($25,065) are also withheld from the cash available for reserves. By adding the Developers' Connection Fees, the Developers' Conservation Funds, the employee flex spending account, and the current balance available for reserves, we balance to the Cash and investments on the Statement of Net Position ($112,319 + $183,567+ $2,167+ $25,065 + $11,444,515 = $11,767,633).

- *Non-Operating Revenues and Expenses:* There is non-operating LRWRP interest of $120,347 and non-operating loss of $12,382 for disposal of surplus assets. There is also a decrease of $27,963 for assets removed from the asset list due to an increase in the capitalization threshold from $1,000 to $5,000.
- Revenues are estimated based on current rates and average number of customers per calendar year. Water revenues are based on a five-year average water usage. For FYE 20, unrestricted operating revenues exceeded projections by 3%.




The charts below reflect major categories of actual FYE 20 operating revenues and expenses. On the revenue side, water and wastewater service charges account for 99.8% ($4.65 million) of the District's operating revenues. An addition to operating revenue, the District received interest income of $205,305. On the expense side, employee salaries and benefits are 41.3% ($1.56 million) of the total operating expenses. Wastewater treatment is also a major component of operating expenses. It accounts for 17.7% ($0.66 million) of the total annual expenses. Water pumping and treatment accounts for 11.2% ($0.44 million).



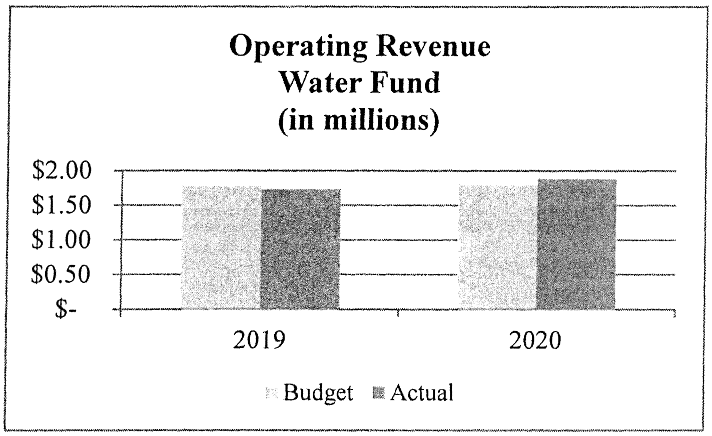



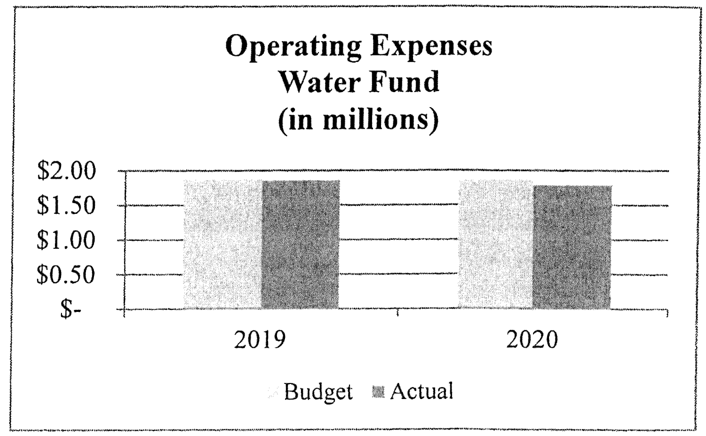
## FUND FINANCIAL STATEMENT ANALYSIS

As noted earlier in this report, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District does not have a general fund but separates all revenues and expenses into their specific water or wastewater enterprise fund, based on either actual fund expenditures or, as in the case of administrative salaries, an estimated percentage. During this fiscal year, the District transferred $43,166 in net asset value between the funds (many assets were allocated 50/50 between water and wastewater) and the District's enterprise funds both ended the year with positive fund balances.

### Water Fund

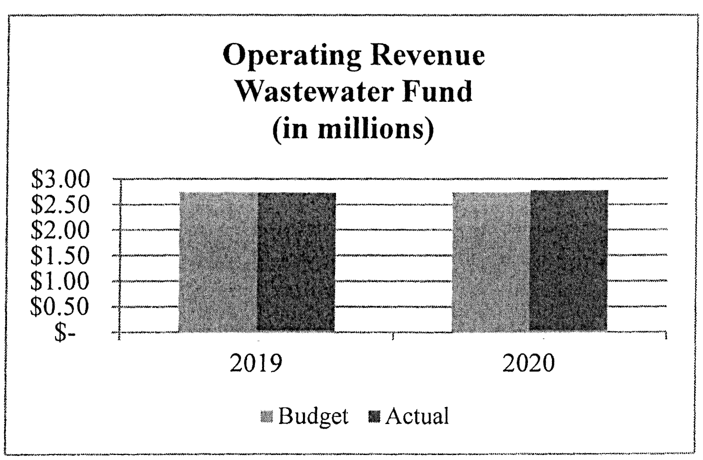
The water fund's net position increased by $100,776. Unrestricted water revenues exceeded projections by $77,811, a 4% variance. Total unrestricted water revenues were $1.87 million with $1.42 million (76%) collected from residential customers and the remaining $0.46 million (24%) collected from commercial, bulk residential, irrigation, and other. Water fund operating expenses of $1.86 million were 4% under budget and primarily consist of salaries and benefits (55%), administration (5%), pumping (14%), and depreciation (10%).

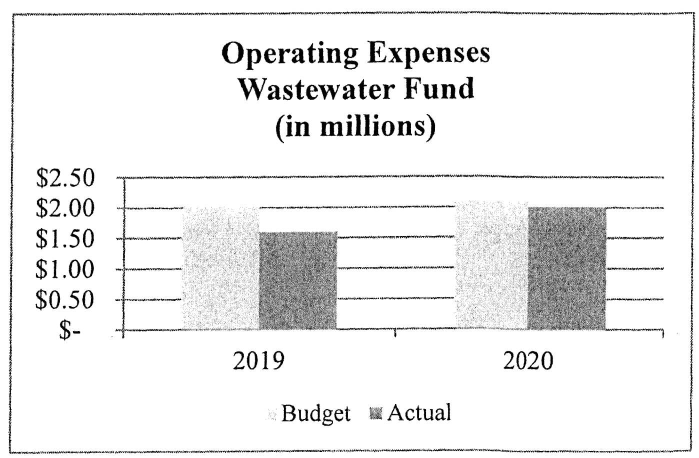



### Wastewater Fund

The wastewater fund's net position increased by $821,558. Unrestricted wastewater revenues exceeded projections by $14,537, less than a 1% variance. Wastewater fund expenses of $1.9 million were 5% under budget and primarily consist of wastewater treatment (33%), salaries and benefits (28%), administration (4%), and depreciation (30%). The total volume of wastewater for FYE 20 decreased by 0.3%; 147.2 million gallons compared to 147.7 million gallons last fiscal year.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including pumping and treatment equipment, water and wastewater transmission and distribution lines, and construction work in progress. At the end of FYE 20, the District had $31.9 million invested in a broad range of capital assets, including land, buildings, equipment, furniture, vehicles, and infrastructure. Major capital asset events during the current fiscal year are discussed on page 4 of this report and in Note 4 to the financial statements.

### Debt Administration

At fiscal year end, the long-term debt reported by the District consisted of payments owed to the City of Lompoc for the District's portion of the State Revolving Fund loan obtained to finance the LRWRP upgrade project. Additional information on the District's long-term debt can be found in Notes 7 and 8 to the financial statements.

## ECONOMIC OUTLOOK

The District expects the number of customers to increase slightly as new homes are permitted and built within the Villas on Oak Hill and Oak Hills Estate projects.

Interest rates have been increasing slightly, but the interest earnings on the District's conservative investments will probably be less than 3% for the foreseeable future.

The Board of Directors increased employee salaries based on the CPI-W, West B/C, published by US Department of Labor, Bureau of Labor Statistics.

Capital investment is focused on maintaining, repairing, rehabilitating, and replacing aging infrastructure in both the water distribution and wastewater collection systems. Some old valves and hydrants in the water distribution system are being replaced every year. This fiscal year, the District completed specifications and published an invitation for bid for a comprehensive, $700,000 project to rehabilitate all four of its welded-steel water tanks. On July 7, 2020, the Board of Directors awarded a contract to Crosno Construction and tank work will be performed in the August-December 2020 timeframe. Steady progress is being made on the Geographic Information System.

The District continues to work with the State Lands Commission and California Department of Fish and Wildlife on obtaining additional land to drill replacement wells in the future. The District drilled a test well on the old County Fire Station 51 property in May 2017. Water quantity there was excellent but it exceeded the maximum contaminant level for arsenic. Preliminary investigations into options for arsenic removal revealed extraordinarily high capital and operating costs. Acquiring a new well site continues to be a time-consuming and costly endeavor.

## REQUESTS FOR INFORMATION

This financial report is designed to provide the District's ratepayers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager at 3745 Constellation Road, Lompoc, CA 93436 or by calling (805) 733-2475.

# VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2020

| | | |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash on hand | $ | 400 |
| Cash and investments | | 11,767,633 |
| Accounts receivable | | 257,353 |
| Accrued interest receivable | | 28,483 |
| Inventory | | 43,117 |
| Prepaid expenses | | 16,106 |
| Total current assets | | 12,113,092 |
| Other assets: | | |
| Deposits | | 742,642 |
| Total other assets | | 742,642 |
| Capital assets: | | |
| Land | | 1,042,000 |
| Easements | | 200,000 |
| Water rights | | 628,522 |
| Capacity rights | | 17,164,115 |
| Source of supply | | 382,173 |
| Pumping equipment | | 1,473,679 |
| Treatment | | 285,726 |
| Transmission and distribution | | 7,329,943 |
| General plant | | 2,402,392 |
| Construction in progress | | 986,347 |
| | | 31,894,897 |
| Less: Accumulated depreciation | | (9,197,512) |
| Total capital assets - net of accumulated depreciation | | 22,697,385 |
| Total assets | | 35,553,119 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred pensions | | 410,285 |
| Total deferred outflows of resources | | 410,285 |

See accompanying notes to basic financial statements.

| | | |
|---|---|---|
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | $ | 78,062 |
| Accrued payroll expenses | | 30,638 |
| Compensated absences | | 238,698 |
| Customer deposits | | 228,059 |
| Unearned revenues | | 139,692 |
| Due to City of Lompoc - current portion | | 631,842 |
| Total current liabilities | | 1,346,991 |
| Noncurrent liabilities: | | |
| Net pension liability | | 1,368,316 |
| Due to City of Lompoc - less current portion | | 5,478,897 |
| Total noncurrent liabilities | | 6,847,213 |
| Total liabilities | | 8,194,204 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred pensions | | 54,644 |
| Total deferred inflows of resources | | 54,644 |
| **NET POSITION** | | |
| Net investment in capital assets | | 16,586,646 |
| Restricted for construction | | 208,420 |
| Restricted for water conservation | | 191,882 |
| Restricted for employee benefits | | 2,308 |
| Restricted for maintenance of lot 54 | | 353,226 |
| Unrestricted | | 10,372,074 |
| Total net position | $ | 27,714,556 |

See accompanying notes to basic financial statements.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|---|
| Business-type activities: | | | | | |
| Water | $ 1,893,223 | $ 1,883,561 | $ - | $ - | $ (9,662) |
| Wastewater | 2,048,237 | 2,774,928 | | | 726,691 |
| Total business-type activities | $ 3,941,460 | $ 4,658,489 | $ - | $ - | 717,029 |
| General revenues: | | | | | |
| Investment earnings | | | | | 205,305 |
| Change in net position | | | | | 922,334 |
| Net position, beginning of fiscal year | | | | | 26,792,222 |
| Net position, end of fiscal year | | | | | $ 27,714,556 |

See accompanying notes to basic financial statements.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2020
With Comparative Totals for June 30, 2019

| | ENTERPRISE FUNDS | | | |
|---|---|---|---|---|
| | Water Fund | Wastewater Fund | Totals 2020 | Totals 2019 |
| **ASSETS** | | | | |
| Current assets: | | | | |
| Cash on hand | $ 400 | $ - | $ 400 | $ 400 |
| Cash and investments | 3,626,405 | 8,141,228 | 11,767,633 | 10,964,497 |
| Accounts receivable | 143,666 | 113,687 | 257,353 | 203,570 |
| Accrued interest receivable | 28,483 | | 28,483 | 47,134 |
| Inventory | 43,117 | | 43,117 | 39,772 |
| Prepaid expenses | 15,747 | 359 | 16,106 | 16,592 |
| Total current assets | 3,857,818 | 8,255,274 | 12,113,092 | 11,271,965 |
| Other assets: | | | | |
| Deposits | | 742,642 | 742,642 | 742,642 |
| Total other assets | | 742,642 | 742,642 | 742,642 |
| Capital assets: | | | | |
| Land | 522,000 | 520,000 | 1,042,000 | 1,042,000 |
| Easements | 100,000 | 100,000 | 200,000 | 200,000 |
| Water rights | 628,522 | | 628,522 | 628,522 |
| Capacity rights | | 17,164,115 | 17,164,115 | 17,164,115 |
| Source of supply | 382,173 | | 382,173 | 386,159 |
| Pumping equipment | 1,088,956 | 384,723 | 1,473,679 | 1,476,979 |
| Treatment | 285,726 | | 285,726 | 287,181 |
| Transmission and distribution | 5,236,290 | 2,093,653 | 7,329,943 | 7,140,277 |
| General plant | 1,356,003 | 1,046,389 | 2,402,392 | 2,458,902 |
| Construction in progress | 376,822 | 609,525 | 986,347 | 741,938 |
| Total capital assets | 9,976,492 | 21,918,405 | 31,894,897 | 31,526,073 |
| Less: Accumulated depreciation | (3,422,670) | (5,774,842) | (9,197,512) | (8,483,881) |
| Total capital assets - net of accumulated depreciation | 6,553,822 | 16,143,563 | 22,697,385 | 23,042,192 |
| Total assets | 10,411,640 | 25,141,479 | 35,553,119 | 35,056,799 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred pensions | 277,189 | 133,096 | 410,285 | 447,987 |
| Total deferred outflows of resources | 277,189 | 133,096 | 410,285 | 447,987 |

See accompanying notes to basic financial statements.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2020
With Comparative Totals for June 30, 2019

| | ENTERPRISE FUNDS | | | |
|---|---|---|---|---|
| | Water Fund | Wastewater Fund | Totals 2020 | Totals 2019 |
| **LIABILITIES** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 36,328 | $ 41,734 | $ 78,062 | $ 82,926 |
| Accrued payroll expenses | 22,051 | 8,587 | 30,638 | 22,793 |
| Compensated absences | 193,602 | 45,096 | 238,698 | 209,999 |
| Customer deposits | 228,059 | | 228,059 | 235,485 |
| Unearned revenues | | 139,692 | 139,692 | 140,214 |
| Due to City of Lompoc - current portion | | 631,842 | 631,842 | |
| Total current liabilities | 480,040 | 866,951 | 1,346,991 | 691,417 |
| Noncurrent liabilities: | | | | |
| Net pension liability | 924,434 | 443,882 | 1,368,316 | 1,238,381 |
| Due to City of Lompoc - less current portion | | 5,478,897 | 5,478,897 | 6,731,483 |
| Total liabilities | 1,404,474 | 6,789,730 | 8,194,204 | 8,661,281 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred pensions | 36,917 | 17,727 | 54,644 | 51,283 |
| Total deferred inflows of resources | 36,917 | 17,727 | 54,644 | 51,283 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 6,553,822 | 10,032,824 | 16,586,646 | 16,310,709 |
| Restricted for construction | 112,319 | | 112,319 | 208,420 |
| Restricted for water conservation | 183,567 | | 183,567 | 191,882 |
| Restricted for employee benefits | 2,167 | | 2,167 | 2,308 |
| Restricted for maintenance of lot 54 | 25,065 | | 25,065 | 25,053 |
| Unrestricted | 2,370,498 | 8,434,294 | 10,804,792 | 10,053,850 |
| Total net position | $ 9,247,438 | $ 18,467,118 | $ 27,714,556 | $ 26,792,222 |

See accompanying notes to basic financial statements.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

| | ENTERPRISE FUNDS | | | |
|---|---|---|---|---|
| | Water Fund | Wastewater Fund | Totals 2020 | Totals 2019 |
| **Operating Revenues:** | | | | |
| Residential | $ 1,425,212 | $ 1,323,416 | $ 2,748,628 | $ 2,622,574 |
| Commercial | 138,634 | 345,982 | 484,616 | 469,220 |
| Bulk meter residential | 131,775 | | 131,775 | 116,194 |
| Irrigation | 178,220 | | 178,220 | 161,905 |
| LRWRP Upgrade | | 1,105,530 | 1,105,530 | 1,072,222 |
| Other | 9,720 | | 9,720 | 15,112 |
| Total operating revenues | 1,883,561 | 2,774,928 | 4,658,489 | 4,457,227 |
| **Operating Expenses:** | | | | |
| Salaries | 511,112 | 295,992 | 807,104 | 758,934 |
| Source of supply | 79,353 | | 79,353 | 91,328 |
| Pumping | 262,305 | 14,659 | 276,964 | 283,396 |
| Water treatment | 80,429 | | 80,429 | 75,324 |
| Wastewater treatment | | 656,158 | 656,158 | 462,015 |
| Transmission and distribution | 60,567 | 4,473 | 65,040 | 112,716 |
| Customer accounts | 40,059 | 39,408 | 79,467 | 79,203 |
| Administrative and general | 606,093 | 326,353 | 932,446 | 806,639 |
| Other operating expenses | 22,316 | 18,393 | 40,709 | 44,382 |
| Depreciation | 193,814 | 569,284 | 763,098 | 737,121 |
| Total operating expenses | 1,856,048 | 1,924,720 | 3,780,768 | 3,451,058 |
| Net operating income (loss) | 27,513 | 850,208 | 877,721 | 1,006,169 |
| **Non-Operating Revenues (Expenses):** | | | | |
| Investment income | 55,168 | 150,137 | 205,305 | 240,649 |
| Interest expense | | (120,347) | (120,347) | (154,909) |
| Net gain (loss) on disposal of capital assets | (37,175) | (3,170) | (40,345) | 254,396 |
| Total non-operating revenues (expenses) | 17,993 | 26,620 | 44,613 | 340,136 |
| **Capital Contributions and Transfers:** | | | | |
| Connection fees | | | | 295,708 |
| Transfer of capital assets | (43,166) | 43,166 | | |
| Transfers in | | | | 801,934 |
| Transfers out | | | | (801,934) |
| Infrastructure contribution | | | | 148,992 |
| Total capital contributions and transfers | (43,166) | 43,166 | | 444,700 |
| Change in net position | 2,340 | 919,994 | 922,334 | 1,791,005 |
| Total net position - beginning | 9,245,098 | 17,547,124 | 26,792,222 | 25,001,217 |
| Total net position - ending | $ 9,247,438 | $ 18,467,118 | $ 27,714,556 | $ 26,792,222 |

See accompanying notes to basic financial statements.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

| | ENTERPRISE FUNDS | | | |
|---|---|---|---|---|
| | Water Fund | Wastewater Fund | Totals 2020 | Totals 2019 |
| **Cash Flows From Operating Activities:** | | | | |
| Receipts from customers and users | $ 1,832,534 | $ 2,764,224 | $ 4,596,758 | $ 4,671,857 |
| Payments to suppliers | (1,043,507) | (1,059,257) | (2,102,764) | (2,238,023) |
| Payments to employees | (478,111) | (236,976) | (715,087) | (724,206) |
| Net cash provided by operating activities | 310,916 | 1,467,991 | 1,778,907 | 1,709,628 |
| **Cash Flows from Capital and Related Financing Activities:** | | | | |
| Payment on long-term debt | | (620,744) | (620,744) | (1,159,045) |
| Interest on long-term debt | | (120,347) | (120,347) | (261,379) |
| Connection fees collected | | | | 295,708 |
| Sale of capital assets | 246 | | 246 | 351,823 |
| Purchase of capital assets | (113,239) | (345,643) | (458,882) | (537,717) |
| Net cash (used) by capital and related financing activities | (112,993) | (1,086,734) | (1,199,727) | (1,310,610) |
| **Cash Flows from Investing Activities:** | | | | |
| Investment income | 73,822 | 150,134 | 223,956 | 227,807 |
| Net cash provided by investing activities | 73,822 | 150,134 | 223,956 | 227,807 |
| Net increase in cash and cash equivalents | 271,745 | 531,391 | 803,136 | 626,825 |
| Cash and cash equivalents, beginning of fiscal year | 3,355,060 | 7,609,837 | 10,964,897 | 10,338,072 |
| Cash and cash equivalents, end of fiscal year | $ 3,626,805 | $ 8,141,228 | $ 11,768,033 | $ 10,964,897 |
| Reconciliation to Statement of Net Position: | | | | |
| Cash on hand | $ 400 | $ - | $ 400 | $ 400 |
| Cash and investments | 3,626,405 | 8,141,228 | 11,767,633 | 10,964,497 |
| | $ 3,626,805 | $ 8,141,228 | $ 11,768,033 | $ 10,964,897 |

(Continued)

See accompanying notes to basic financial statements.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019

| | ENTERPRISE FUNDS | | | |
|---|---|---|---|---|
| | Water Fund | Wastewater Fund | Totals 2020 | Totals 2019 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:** | | | | |
| Operating income (loss) | $ 27,513 | $ 850,208 | $ 877,721 | $ 1,006,169 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 193,814 | 569,284 | 763,098 | 737,121 |
| **Change in Operating Assets, Deferred Outflows, Liabilities, and Deferred Inflows:** | | | | |
| (Increase) decrease in accounts receivable | (43,601) | (10,182) | (53,783) | 24,994 |
| (Increase) decrease in inventory | (3,345) | | (3,345) | 514 |
| (Increase) decrease in prepaid expenses | 99 | 387 | 486 | (933) |
| (Increase) decrease in deferred outflows | 25,471 | 12,231 | 37,702 | 75,669 |
| Increase (decrease) in accounts payable | (4,664) | (200) | (4,864) | (318,388) |
| Increase (decrease) in accrued payroll | 4,302 | 3,543 | 7,845 | (10) |
| Increase (decrease) in customer deposits | (7,426) | | (7,426) | 189,287 |
| Increase (decrease) in unearned revenue | | (522) | (522) | 349 |
| Increase (decrease) in compensated absences | 28,699 | | 28,699 | 17,554 |
| Increase (decrease) in net pension liability | 87,783 | 42,152 | 129,935 | (30,334) |
| Increase (decrease) in deferred inflows | 2,271 | 1,090 | 3,361 | 7,636 |
| Net cash provided by operating activities | $ 310,916 | $ 1,467,991 | $ 1,778,907 | $ 1,709,628 |

See accompanying notes to basic financial statements.

The notes provided in the Financial Section of this report are considered an integral and essential part of adequate disclosure and fair presentation of this report. The notes include a summary of significant accounting policies for the District and other necessary disclosure of pertinent matters relating to the financial position of the District. The notes express significant insight to the financial statements and are conjunctive to understanding the rationale for presentation of the financial statements and information contained in this document.

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## NOTE 1 - REPORTING ENTITY

The reporting entity is the Vandenberg Village Community Services District, which was voted into existence by the residents of Vandenberg Village on November 8, 1983, in an election held in the County of Santa Barbara, State of California. The District operates under the direction of a board of directors who are elected by the residents of Vandenberg Village. On December 2, 1988, the District acquired water and sewer service facilities from Park Water Company and now provides water and sewer services to the residents of Vandenberg Village.

The District is a Community Services District as defined under California Government Code Section: 61000. A Community Services District is a public agency (State Code Section: 12463.1), which is a state instrumentality (State Code Section: 23706). State instrumentalities are exempt from federal and state income taxes.

There are no component units included in this report which meet the criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, and No. 80.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies - The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Accounting Method - The District is organized as an Enterprise Fund and follows the accrual method of accounting, whereby revenues are recorded as earned, and expenses are recorded when incurred.

C. Unearned Revenue - The District reports unearned revenues on its statement of net position. Unearned revenues arise when potential revenue does not meet the "earned" criteria for recognition in the current period. In subsequent periods, when the revenue recognition criteria is met, the liability for unearned revenue is removed from the statement of net position and revenue is recognized.

D. Cash and Cash Equivalents - For purpose of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and restricted and unrestricted certificates of deposit with original maturities of three months or less.

E. Property, Plant, and Equipment – Capital assets over $5,000 in value purchased by the District are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired.

F. Depreciation – Capital assets purchased by the District are depreciated over their estimated useful lives (ranging from 5-100 years) under the straight-line method of depreciation.

G. Receivables - The District did not experience any significant bad debt losses; accordingly, no provision has been made for doubtful accounts, and accounts receivable is shown at full value.

H. Inventory - The inventory maintained by the water utility consists primarily of water pipe, valves, and fittings. Inventory is valued at cost, determined on a first-in, first-out basis.

I. Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the District.

J. Accrued Compensation - Accumulated unpaid employee vacation, compensatory time, and sick leave benefits are recognized as a liability of the District. The amounts are included in current liabilities under compensated absences.

K. Customer Deposits - The District requires customers to pay an advance deposit for utility services or provide a letter of credit from another utility. It is the District's current policy to hold all deposits for a period of two years. Deposits are then refunded in full and no accrued interest is paid.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vandenberg Village Community Services District's California Public Employee's Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

In addition to the pension plan, the District offers a 457 plan also through CalPERs. Employees can voluntarily contribute to the 457 plan and the District will match up to $2,600 per year. The 457 plan is not part of the Net Pension Liability and is treated as a payroll expense in the financial statements.

M. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities,*" the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The District has one item which qualifies for reporting in this category; refer to Note 9 for a detailed listing of the deferred outflows of resources the District has reported.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has one item which qualifies for reporting in this category; refer to Note 9 for a detailed listing of the deferred inflows of resources the District has reported.

N. Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

O. 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 primary government. For the most part, the effect of interfund activity has been removed from these statements. *Business-type activities*, which rely to a significant extent on fees and charges for support are the only type of activity reported by the Vandenberg Village Community Services District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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. Items not properly included among program revenues are reported instead as *general revenues*.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Government-wide and fund financial statements (Continued)

**Measurement focus, basis of accounting, and financial statements presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 fiscal year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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 District's water and sewer function. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

O. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

P. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

| | | |
|---|---|---|
| Statement No. 84 | "Fiduciary Activities" | The provisions of this statement are effective for fiscal years beginning after December 15, 2019. |
| Statement No. 87 | "Leases" | The provisions of this statement are effective for fiscal years beginning after June 15, 2021. |
| Statement No. 89 | "Accounting for Interest Cost Incurred before the End of a Construction Period" | The provisions of this statement are effective for fiscal years beginning after December 15, 2020. |
| Statement No. 90 | "Majority Equity Interests-an Amendment of GASB Statements No. 14 and No. 61" | The provisions of this statement are effective for fiscal years beginning after December 15, 2019. |

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Future Accounting Pronouncements (Continued)

| | | |
|---|---|---|
| Statement No. 91 | "Conduit Debt Obligations" | The provisions of this statement are effective for fiscal years beginning after December 15, 2021. |
| Statement No. 92 | "Omnibus 2020" | The provisions of this statement are effective for fiscal years beginning after June 15, 2021. |
| Statement No. 93 | "Replacement of Interbank Offered Rates" | The provision of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021. |
| Statement No. 94 | "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" | The provisions of this statement are effective for fiscal years beginning after June 15, 2022. |
| Statement No. 96 | "Subscription-Based Information Technology Arrangements" | The provisions of this statement are effective for fiscal years beginning after June 15, 2022. |
| Statement No. 97 | "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" | The provisions of this statement are effective for fiscal years beginning December 15, 2019. |

## NOTE 3 - CASH AND INVESTMENTS

Investments are carried at fair value in accordance with GASB Statement No. 31. On June 30, 2020, the District had the following cash and investments on hand:

| | |
|---|---|
| Cash on hand | $ 400 |
| Cash in checking accounts | 74,489 |
| Cash in savings accounts | 3,165,632 |
| Cash and investments with County of Santa Barbara | 4,242,300 |
| Cash and investments in Local Agency Investment Fund (LAIF) | 4,285,212 |
| Cash and investments | $11,768,033 |

Cash and investments listed above are presented on the accompanying statement of net position, as follows:

| | |
|---|---|
| Cash on hand | $ 400 |
| Cash and investments | 11,767,633 |
| | $11,768,033 |

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had investments in the Santa Barbara County Investment Pool and the Local Agency Investment Fund, however, those external pools are not measured under Level 1, 2 or 3.

## NOTE 3 - CASH AND INVESTMENTS (Continued)

### Investments Authorized by the California Government Code

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage Of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| Local Agency Bonds | 5 years | None | None |
| U.S. Treasury Obligations | 5 years | None | None |
| U.S. Agency Securities | 5 years | None | None |
| Banker's Acceptances | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Repurchase Agreements | 1 year | None | None |
| Reverse Repurchase Agreements | 92 days | 20% of base value | None |
| Medium-Term Notes | 5 years | 30% | None |
| Mutual Funds | N/A | 20% | 10% |
| Money Market Mutual Funds | N/A | 20% | 10% |
| Mortgage Pass-Through Securities | 5 years | 20% | None |
| County Pooled Investment Fund | N/A | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| JPA Pools (other investment pools) | N/A | None | None |

### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

| | | Remaining Maturity (in Months) | | | |
|---|---|---|---|---|---|
| Investment Type | Carrying Amount | 12 Months Or Less | 13-24 Months | 25-60 Months | More than 60 Months |
| Santa Barbara County Investment Pool | $ 4,242,300 | $ 4,242,300 | $ - | $ - | $ - |
| LAIF | 4,285,212 | 4,285,212 | | | |
| Total | $ 8,527,512 | $ 8,527,512 | $ - | $ - | $ - |

## NOTE 3 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

| | | | | Rating as of Fiscal Year End | | |
|---|---|---|---|---|---|---|
| Investment Type | Carrying Amount | Minimum Legal Rating | Exempt From Disclosure | AAA | Aa | Not Rated |
| Santa Barbara County Investment Pool | $4,242,300 | N/A | $ - | $ - | $ - | $4,242,300 |
| LAIF | 4,285,212 | N/A | | | | 4,285,212 |
| Total | $8,527,512 | | $ - | $ - | $ - | $8,527,512 |

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and the Santa Barbara County Investment Pool).

As of June 30, 2020, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and the Santa Barbara County Investment Pool).

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying basic financial statements at the amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

## NOTE 4 - SCHEDULE OF CAPITAL ASSETS

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2020, is shown below:

| | Balance July 1, 2019 | Additions | Deletions | Transfers | Balance June 30, 2020 |
|---|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | | |
| Land | $ 1,042,000 | $ - | $ - | $ - | $ 1,042,000 |
| Construction in progress | 741,938 | 445,158 | | (200,749) | 986,347 |
| Total capital assets, not being depreciated | $ 1,783,938 | $ 445,158 | $ - | $ (200,749) | $ 2,028,347 |
| Capital assets, being depreciated: | | | | | |
| Easements and water rights | $ 828,522 | $ - | $ - | $ - | $ 828,522 |
| Plant and facilities | 28,913,613 | 13,724 | (90,058) | 200,749 | 29,038,028 |
| Total capital assets, being depreciated | 29,742,135 | 13,724 | (90,058) | 200,749 | 29,866,550 |
| Less accumulated depreciation | 8,483,881 | 763,098 | (49,467) | | 9,197,512 |
| Total capital assets, being depreciated, net | $ 21,258,254 | $ (749,374) | $ (40,591) | $ 200,749 | $ 20,669,038 |
| Capital assets, net | $ 23,042,192 | $ (304,216) | $ (40,591) | $ - | $ 22,697,385 |

## NOTE 5 - WASTEWATER CAPITAL RESERVE FUND AND RENT EXPENSE

The District maintains a wastewater capital reserve fund with the City of Lompoc (the City). In return, the City supplies wastewater treatment services to the District. Interest is earned on the reserve balance and disbursements are made by the City for Vandenberg Village Community Services District's portion of capital improvements. The minimum reserve requirement for Vandenberg Village Community Services District is $742,642. On June 30, 2020, the reserve balance was $742,642.

The agreement between the District and the City of Lompoc states that at no time does title transfer to the District for any capital improvements made to the wastewater treatment plant. All disbursements made from the District's capital reserve fund for improvements are treated as a rental expense to the District.

## NOTE 6 - UNEARNED REVENUES

Unearned revenues consist of sewer fees paid in advance by the District's customers in the amount of $139,692 for the fiscal year ended June 30, 2020.

## NOTE 7 – DUE TO CITY OF LOMPOC

The District had an agreement with the City of Lompoc dated June 1, 1974 to repay its proportionate share of capital costs for 0.89 MGD capacity rights of the Lompoc Regional Wastewater Reclamation Plant (LRWRP). The agreement was then renewed for another 35 years, dated July 1, 2010.

The 2007 LRWRP Upgrade Project incidentally increased the plant capacity to 5.5 MGD which decreased the District's cost share to 16.18% for the upgrade project and all costs associated with the upgraded plant.

The City of Lompoc estimated the total project cost to be $134,283,911. The City of Lompoc issued various debt to assist in financing the project.

**NOTE 7 – DUE TO CITY OF LOMPOC (Continued)**

The City of Lompoc received a State Revolving Fund (SRF) loan from the State Water Resources Control Board (SWRCB) for a maximum amount of $91,787,186 and matures on July 1, 2028. The loan is considered interest free by the SWRCB since the amount that is paid back includes the City's matching portion of 16.667% of the loan proceeds. The imputed interest rate is approximately 1.63% over the life of the loan. The District's agreed upon share of the loan is $14,851,167 of which $12,375,923 was principal and $2,475,244 was interest. The District agreed to make annual payments of principal and interest in the amount of $742,558 beginning July 1, 2009. In January 2014, the agreed upon share was adjusted to $14,821,821, when City of Lompoc discovered it had taken less than originally intended from the SRF Loan. The District agreed to adjust payments of principal and interest in the amount of $741,091.

The principal balance owing the City of Lompoc at June 30, 2020, is $6,110,739.

**NOTE 8 – LONG-TERM DEBT – SCHEDULE OF CHANGES**

A schedule of changes in long-term debt for the fiscal year ended June 30, 2020, is shown below:

| | Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 | Due within One Year |
|---|---|---|---|---|---|
| Due to the City of Lompoc | $ 6,731,483 | $ - | $ 620,744 | $ 6,110,739 | $ 631,842 |
| Net Pension Liability | 1,238,381 | 410,044 | 280,109 | 1,368,316 | |
| | $ 7,969,864 | $ 410,044 | $ 900,853 | $ 7,479,055 | $ 631,842 |

**NOTE 9 – PENSION PLANS**

**A. General Information about the Pension Plans**

*Plan Descriptions*

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statue and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

*Benefits Provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**NOTE 9 – PENSION PLANS (Continued)**

**A. General Information about the Pension Plans (Continued)**

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

| | Miscellaneous | |
|---|---|---|
| Hire Date | Prior to January 1, 2013 | On or after January 1, 2013 |
| Benefit formula | 2.7% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50-55 | 52-67 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.7% | 1.0% to 2.5% |
| Required employee contribution rates | 8% | 6.25% |
| Required employer contribution rates | 13.182% + $82,930 | 7.732% + $671 |

*Contributions*

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the District were $190,252 for the fiscal year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of $1,368,316 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. The District's proportionate share of net pension liability for the miscellaneous plan as of June 30, 2018, and 2019 is as follows:

| | Miscellaneous |
|---|---|
| Proportion-June 30, 2018 | 0.03286% |
| Proportion-June 30, 2019 | 0.03417% |
| Change-Increase (Decrease) | 0.00131% |

For the fiscal year ended June 30, 2020, the District recognized pension expense of $361,251. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NOTE 9 – PENSION PLANS (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 190,252 | $ - |
| Differences between expected and actual experience | 95,035 | 7,363 |
| Changes in assumptions | 65,248 | 23,130 |
| Net difference between projected and actual earnings on retirement plan investments | | 23,922 |
| Adjustment due to differences in proportions | 57,963 | |
| Difference in actual contributions and proportionate share of contributions | 1,787 | 229 |
| | $ 410,285 | $ 54,644 |

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

$190,252 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021.

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

| Fiscal year Ending June 30, | Amount |
|---|---|
| 2021 | $ 131,093 |
| 2022 | 8,469 |
| 2023 | 20,993 |
| 2024 | 4,834 |
| | $ 165,389 |

*Actuarial Assumptions*

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

| | Miscellaneous |
|---|---|
| Valuation Date | June 30, 2018 |
| Measurement Date | June 30, 2019 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Projected Salary Increase | Varies by Entry Age and Service |
| Investment Rate of Return | 7.0% Net of Pension Plan Investment and Administrative Expenses; includes Inflation |
| Mortality Rate Table (1) | Derived using CalPERS' Membership Data for all Funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter |

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the 2017 experience study report.

**NOTE 9 – PENSION PLANS (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

*Discount Rate*

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on testing the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB No. 68 section.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to completed in February 2022. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2021-22 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time CalPERS has changed its methodology.

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 pension plan investment expense and inflation) are developed for each major asset class.

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

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

| Asset Class | New Strategic Allocation | Real Return Years 1-10(a) | Real Return Years 11+(b) |
|---|---|---|---|
| Global Equity | 50.0% | 4.80% | 5.98% |
| Global Fixed Income | 28.0% | 1.00% | 2.62% |
| Inflation Sensitive | 0.0% | 0.77% | 1.81% |
| Private Equity | 8.0% | 6.30% | 7.23% |
| Real Estate | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | 0.00% | -0.92% |
| Total | 100.0% | | |

(a) An expected inflation of 2.00% was used for this period.
(b) An expected inflation of 2.92% was used for this period.

**NOTE 9 – PENSION PLANS (Continued)**

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

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

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

| | 1% Decrease 6.15% | Discount Rate 7.15% | 1% Increase 8.15% |
|---|---|---|---|
| District's proportionate share of the net pension plan liability | $2,189,784 | $ 1,368,316 | $ 690,253 |

*Pension Plan Fiduciary Net Position*

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

**C. Payable to the Pension Plan**

At June 30, 2020, the District reported a payable of $0 for the outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2020.

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS**

As of June 30, 2020, the District does not offer any other post employment benefits.

**NOTE 11 - CONTINGENCIES**

According to the District's staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

**NOTE 12 – MEMORANDUM OF AGREEMENT**

Vandenberg Village Community Services District participates in the Santa Ynez River Valley Basin Western Management Area Groundwater Sustainability Agency (GSA) through a memorandum of agreement (MOA). The relationship between Vandenberg Village Community Services District and the GSA is such that the GSA is not a component unit of Vandenberg Village Community Services District for financial reporting purposes.

The GSA is independently accountable for their fiscal matters. The agency maintains their own accounting records. Budgets are not subject to any approval other than the respective governing board. Member districts share surpluses and deficits agreed to by the voting parties.

**Santa Ynez River Valley Basic Western Management Area Groundwater Sustainability Agency (GSA)**

On January 11, 2017, the District entered into a MOA with various parties within the Santa Ynez River Water Conservation District under the Sustainable Groundwater Management Act to create the Santa Ynez River Valley Basin Western Management Area Groundwater Sustainability Agency. The parties agreed to cooperate under the MOA to create the GSA and for the GSA to create a Groundwater Sustainability Plan (GSP) on or before January 30, 2022. Under the MOA, the District will have one member (with a weighted vote of one) on a committee of four members (with a total weighted vote of 8).

## NOTE 13 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. $43,166 in net book value of capital assets were transferred from the Water Fund to the Sewer Fund during the fiscal year ended June 30, 2020.

## NOTE 14 – SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity as of the date of issuance of these financial statements.

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# REQUIRED SUPPLEMENTARY INFORMATION

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Last 10 Years*

As of June 30, 2020

The following table provides required supplementary information regarding the District's Pension Plan.

| | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Proportion of the net pension liability | 0.01335% | 0.01285% | 0.01279% | 0.01240% |
| Proportionate share of the net pension liability | $ 1,368,316 | $ 1,238,381 | $ 1,268,715 | $ 1,072,559 |
| Covered payroll | $ 792,390 | $ 765,042 | $ 736,341 | $ 720,382 |
| Proportionate share of the net pension liability as percentage of covered payroll | 172.7% | 161.9% | 172.3% | 148.9% |
| Plan's total pension liability | $ 41,426,453,489 | $ 38,944,855,364 | $ 37,161,348,332 | $ 33,358,627,624 |
| Plan's fiduciary net position | $ 31,179,414,067 | $ 29,308,589,559 | $ 27,244,095,376 | $ 24,705,532,291 |
| Plan fiduciary net position as a percentage of the total pension liability | 75.26% | 75.26% | 73.31% | 74.06% |

| | 2016 | 2015 |
|---|---|---|
| Proportion of the net pension liability | 0.01147% | 0.01038% |
| Proportionate share of the net pension liability | $ 787,410 | $ 646,070 |
| Covered payroll | $ 631,486 | $ 693,171 |
| Proportionate share of the net pension liability as percentage of covered payroll | 124.7% | 93.2% |
| Plan's total pension liability | $ 31,771,217,402 | $ 30,829,966,631 |
| Plan's fiduciary net position | $ 24,907,305,871 | $ 24,607,502,515 |
| Plan fiduciary net position as a percentage of the total pension liability | 78.40% | 79.82% |

**Notes to Schedule:**

Changes in assumptions

In 2018, inflation was changed from 2.75 percent to 2.50 percent and individual salary increases and overall payroll growth was reduced from 3.00 percent to 2.75 percent.

In 2017, as part of the Asset Liability Management review cycle, the discount rate was changed from 7.65 percent to 7.15 percent.

In 2016, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected ages of general employees.

*- Fiscal year 2015 was the 1st year of implementation, thus only six years are shown.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**
SCHEDULE OF PENSION CONTRIBUTIONS
Last 10 Years*
As of June 30, 2020

The following table provides required supplementary information regarding the District's Pension Plan.

| | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Contractually required contribution (actuarially determined) | $ 190,252 | $ 198,667 | $ 170,047 | $ 153,560 |
| Contribution in relation to the actuarially determined contributions | 190,252 | 198,667 | 170,047 | 153,560 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Covered payroll | $ 894,387 | $ 792,390 | $ 765,042 | $ 736,341 |
| Contributions as a percentage of covered payroll | 21.27% | 25.07% | 22.23% | 20.85% |

| | 2016 | 2015 |
|---|---|---|
| Contractually required contribution (actuarially determined) | $ 158,774 | $ 156,130 |
| Contribution in relation to the actuarially determined contributions | 158,774 | 156,130 |
| Contribution deficiency (excess) | $ - | $ - |
| Covered payroll | $ 720,382 | $ 631,486 |
| Contributions as a percentage of covered payroll | 22.04% | 24.72% |

**Notes to Schedule**

| | |
|---|---|
| Valuation Date: | 6/30/2014 |
| Actuarial cost method | Entry Age Normal |
| Asset valuation method | 5-year smoothed market |
| Amortization method | The unfunded actuarial accrued liability is amortized over an open 17 year period as a level percentage of payroll. |
| Discount rate | 7.50% |
| Amortization growth rate | 3.00% |
| Price inflation | 2.63% |
| Salary increases | 3.00% plus merit component based on employee classification and years of service |
| Mortality | The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. |

| | | | |
|---|---|---|---|
| Valuation Date: | 6/30/2017 | 6/30/2016 | 6/30/2015 |
| Discount Rate: | 7.150% | 7.375% | 7.65% |

*- Fiscal year 2015 was the 1st year of implementation, thus only six years are shown.