

**VANDENBERG VILLAGE COMMUNITY
SERVICES DISTRICT**

BASIC FINANCIAL STATEMENTS
June 30, 2015



Moss, Levy & Hartzheim LLP
Certified Public Accountants

**INDEPENDENT AUDITORS' 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***

Board of Directors
Vandenberg Village Community Services District
Lompoc, California

We have audited, in accordance with the 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, and the business-type activities and each major fund of Vandenberg Village Community Services District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

Our 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 our audit we did not identify any deficiencies in internal control that we 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 District's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Remy & Haugheim LLP

Santa Maria, California
December 8, 2015

December 8, 2015

To the Board of Directors
Vandenberg Village Community Services District

We have audited the financial statements of the governmental activities, the business-type activities and each major fund, of Vandenberg Village Community Services District (the District) for the fiscal year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 11, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. As discussed in note 2 to basic financial statements effective July 1, 2013, the Vandenberg Village Community Services District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the 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 sensitive estimate(s) affecting the District's financial statements was (were):

Management's estimate of the useful lives of capital assets is based on experience with other capital assets and on their standard table of useful lives. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

The disclosure of the Due to the City of Lompoc in Note 7 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, 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 our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 8, 2015.

Management 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 application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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 retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction of Use

This information is intended solely for the use of the Board of Directors and Management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Moss, Remy & Haugheim LLP

Santa Maria, California
December 8, 2015

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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, 2015. 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

- During the fiscal year ended June 30, 2015, the District's net position (excess of assets over liabilities, formerly entitled net assets) increased 7% to \$22.8 million. Of this amount, \$8.49 million (unrestricted net assets) may be used to meet the District's ongoing obligations to ratepayers and creditors.
- When compared to FY13-14, operating revenues increased by 1% to \$4.13 million and operating expenses decreased by 8% to \$2.92 million.
- Total net position increased \$1.39 million.

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 other 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 3-5** of this report.

The *Statement of Net Position* presents information on all assets and liabilities, 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. In accrual based accounting, which the District utilizes, 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 6-10**.

The *Statement of Net Position – Proprietary Funds* presents information on assets and liabilities 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.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

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 11-26** 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 exceeded liabilities by \$22.8 million as of June 30, 2015. This is an increase of \$1.4 million from fiscal year ended June 30, 2014.

	Business-type activities	
	2015	2014
Current And Other Assets	10,428,935	9,133,028
Capital Assets	25,447,401	25,187,366
Total Assets	\$35,876,336	\$34,320,394
Deferred pensions	156,130	
Deferred Outflows of Resources	\$156,130	
Current Liabilities	1,538,707	1,280,827
Noncurrent Liabilities	11,433,802	11,607,429
Total Liabilities	\$12,972,509	\$12,888,256
Deferred pensions	234,583	
Deferred Inflows of Resources	\$234,583	
Net Assets:		
Invested in Capital Assets, net of related debt	13,918,578	12,838,846
Restricted	414,533	136,394
Unrestricted	8,492,263	8,456,898
Total Net Position	\$22,825,374	\$21,432,138

The largest portion of the net position reflects investment in capital assets (i.e. 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 reserved for future spending. This portion is cash and investments. Cash and investments increased in FY 14-15 by \$1.3 million due to the reserve component built into the District's rate structure and interest earnings on the cash and investments.

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

- *Current and Other Assets* increased \$1.3 million due mainly to the increase in Cash and investments.
- *Capital Assets* increased by \$1.04 million. The most notable addition to Capital Assets was the infrastructure contributed for phases 4, 5 and 6 by Providence Landing, 12" water main repairs and 12" valves, a new sewer jetter, and a new truck. Other expenditures for Capital Assets included replacing filter media, soft starts for well pumps, booster station 4 pump, motor, and VFD, a photocopier, telephone system, and adding octave well meters, SCADA controls for Site 3, leak detection equipment, and a spectrophotometer for water quality testing, and rehabilitating lift station 3.
- Regular straight-line depreciation for the fiscal year ended June 30, 2015 decreased non-current assets by \$781,017.
- 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, 2015, the District has a balance of approximately \$8.96 million. The reserve goal changes each 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

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

goal was \$11.08 million in reserves at fiscal year end. **The goal for June 30, 2016 is \$12.89 million.** See the following table for the June 30, 2015 goal calculations.

Resolution 176-06 Reserve Requirement using the FY14-15 Budget			
Category		Requirement	
		Water	Wastewater
Capital Reserves	Accumulated Depreciation + 25% operating budget	\$3,358,067	\$3,564,133
Operating Reserves	25% operating budget	397,160	698,402
Emergency Reserves	10% capital assets	705,743	2,356,907
		<u>\$4,460,970</u>	<u>\$6,691,442</u>
		Total = \$11,080,412	

Current Balance (as of June 30, 2015)	\$3,487,427	\$5,468,203
		<u>Total = \$8,955,630 *</u>

Activities

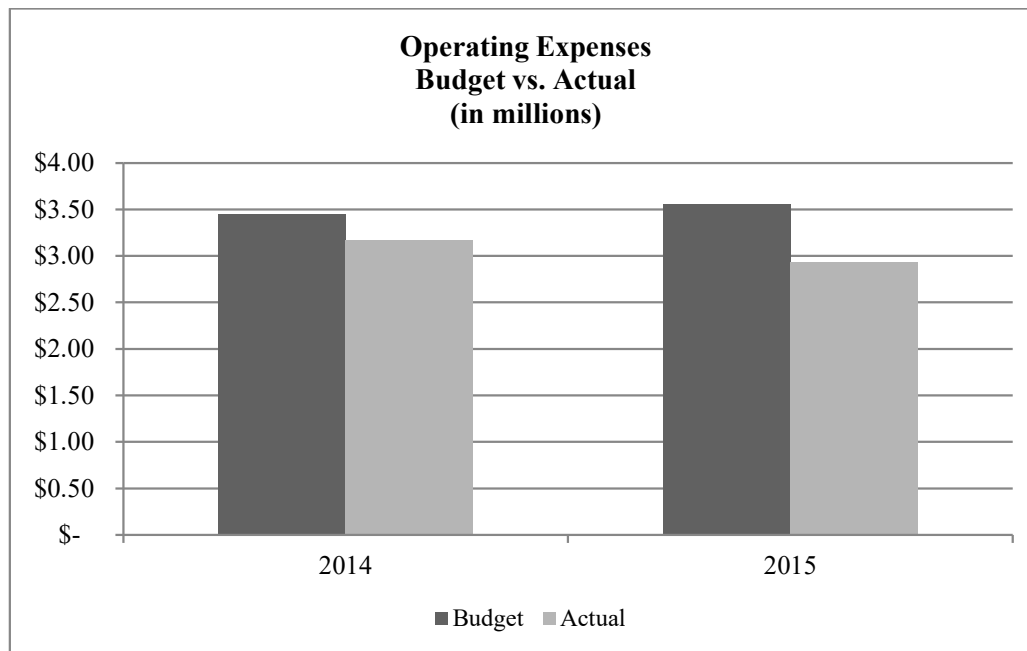
The District's financial position results from operating activities, investment activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

	Business-type activities	
	2015	2014
Charges for Services	4,094,269	4,094,122
Capital Grants and Contributions	569,341	0
Investment Earnings	29,267	37,223
Other Revenues/Connection Fees	402,461	33,708
Total Revenues	<u>\$5,095,338</u>	<u>\$4,165,053</u>
Water Operations Expenses	1,412,404	1,444,085
Wastewater Operations Expenses	1,512,441	1,723,882
Total Expenses	<u>\$2,924,845</u>	<u>\$3,167,967</u>
Transfers	0	0
Change in Net Assets	<u>\$2,170,493</u>	<u>\$997,086</u>
Net Assets, beginning of year	21,432,138	19,967,733
Prior Period Adjustments	(777,257)	467,319
Net Assets, end of fiscal year	<u>\$22,825,374</u>	<u>\$21,432,138</u>

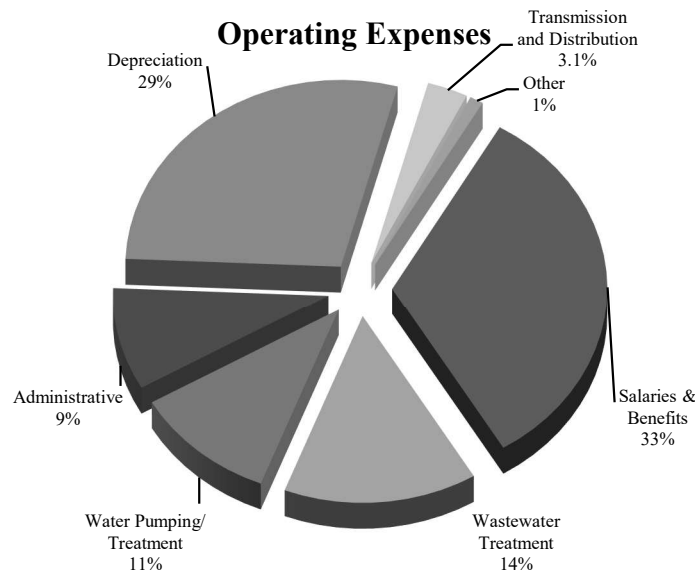
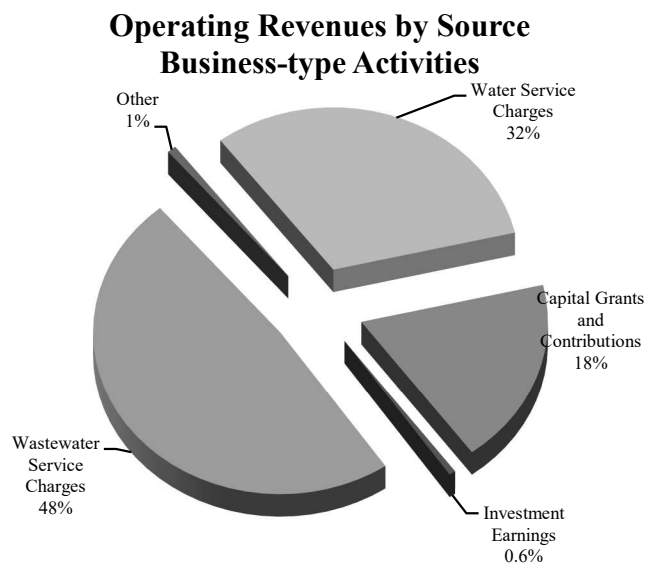
The following are significant current fiscal year transactions that have had an impact on the Statement of Activities:

- *Charges for Services* include \$1.6 million in water use and service charges; \$1.4 million in wastewater service charges; and \$1 million in LRWRP upgrade charges.
- *Other Revenues* include unbudgeted revenues such as late fees of \$12,272 and water and wastewater connection fees of \$379,805 and non-operating loss of \$17,218 for disposal of surplus assets.
- *Change in Net Position* includes \$379,805 in restricted revenue from water and wastewater connection fees.
- *Investment Earnings* includes \$1,690 earned on LRWRP funds held by the City of Lompoc.
- 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 FY 14-15, unrestricted operating revenues fell below projections by 9%.

* The cash available for reserves does not include Developers' Connection Fees (\$218,452) nor Developers' Conservation Funds (\$167,668), 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 (\$3,410) and the account which holds funds designated for the maintenance of Lot 54 (25,003) 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 (\$218,452 + \$167,668 + \$3,410 + \$25,003 + \$8,955,630 = \$9,370,163).



The charts below reflect major categories of actual FY 14-15 operating expenses and revenues. On the revenue side, water and wastewater service charges account for 80% (\$4.09 million) of the District's revenues and capital contributions and connection fees account for 18% (\$0.95 million). On the expense side, employee salaries and benefits are 33% (\$0.97 million) of the total operating expenses. Wastewater treatment is also a major component of operating expenses. It accounts for 15% (\$0.43 million) of the total annual expenses. Water pumping and treatment accounts for 11% (\$0.32 million).

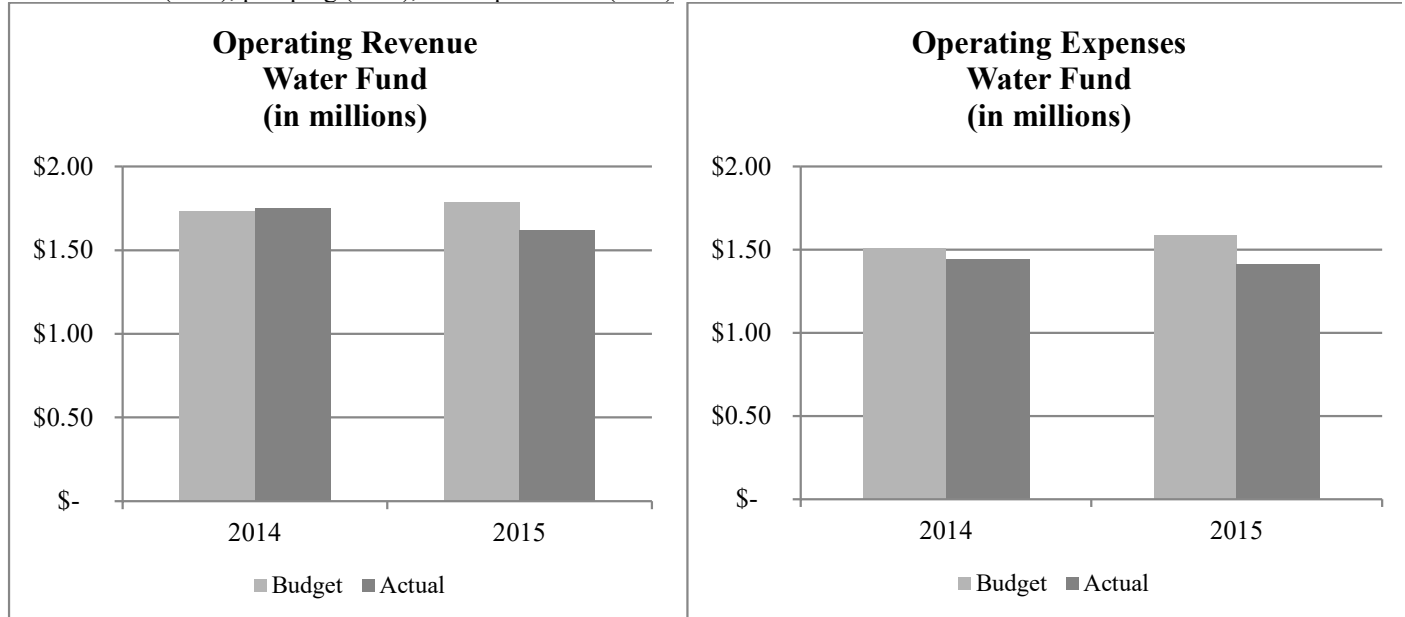


FUND FINANCIAL STATEMENT ANALYSIS

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 made no transfers between funds and both of the District's enterprise funds ended the year with positive fund balances.

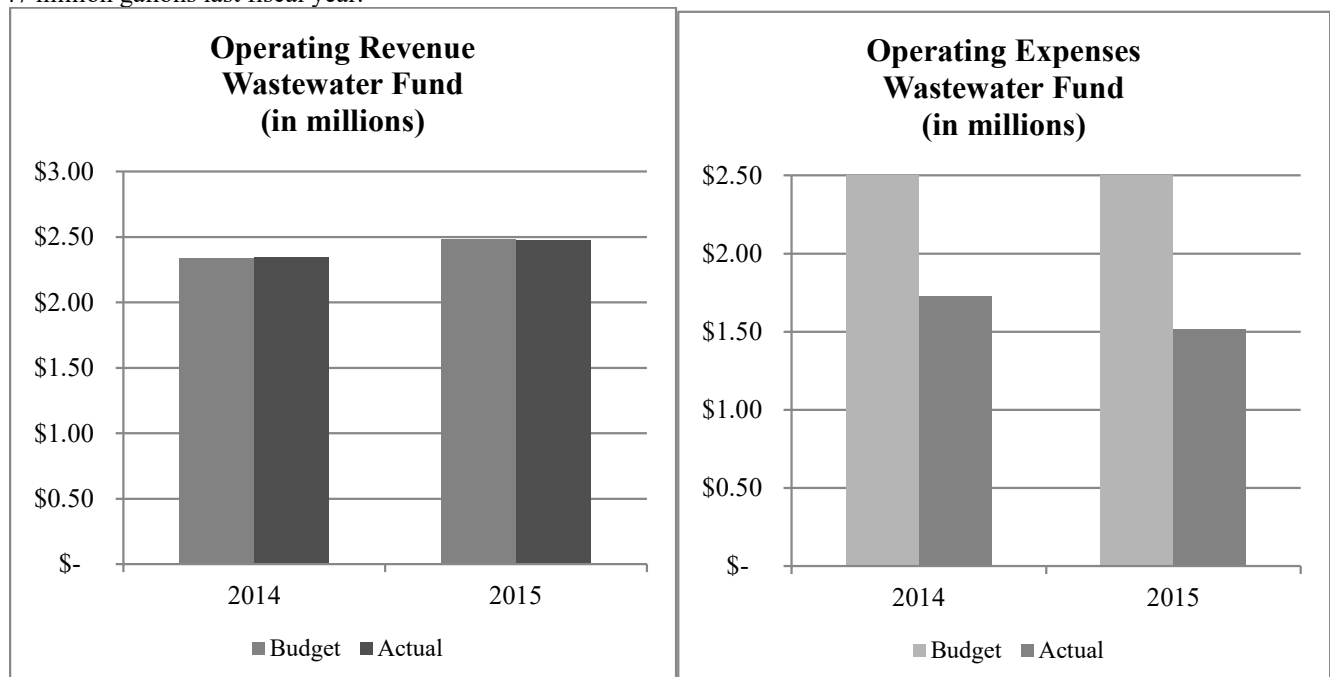
Water Fund

The water fund's net position increased by \$0.67 million primarily due to capital contributions, connection fees, and conservative expenditures. Unrestricted water revenues fell below projections by \$164,233, a 9% variance. Total unrestricted water revenues were \$1.62 million with \$1.24 million (77%) collected from residential customers and the remaining \$0.38 million (23%) collected from commercial, bulk residential, irrigation, and other. In addition, restricted water revenue of \$189,532 was received as developer connection charges. Water fund operating expenses of \$1.4 million primarily consist of salaries (30%), administration (24%), pumping (16%), and depreciation (13%).



Wastewater Fund

The wastewater fund's net position increased by \$1.5 million primarily due to capital contributions, connection fees, and conservative expenditures. Unrestricted wastewater revenues fell below projections by \$57,388, a 2% variance. In addition, restricted wastewater revenue of \$190,273 was received as developer connection charges. Wastewater fund expenses of \$1.5 million were 23% under budget and primarily consist of wastewater treatment (28%), salaries (13%), administration (10%), and depreciation (43%). The total volume of wastewater for FY 14-15 was 7% lower than FY 13-14; 139 million gallons compared to 147 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 fiscal year 2015, the District had \$32 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 2 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 and for the digester and blower change orders. Additional information on the District's long-term debt can be found in Notes 7 and 8 to the financial statements.

ECONOMIC OUTLOOK

During the last couple of years, the District steadily grew as new homes were built in Providence Landing. The District accepted ownership of water and wastewater infrastructure in Providence Landing on June 17, 2015, which is reflected in the fiscal year 14-15 asset schedule. The District expects the number of customers to increase slightly as new homes are permitted and built within the Clubhouse Estates project and the Heritage Villas II project.

The District absorbed cost increases in water and wastewater treatment, power, labor, and maintenance without increasing rates for 3-5 years. In order to keep the District on a strong financial foundation, in June 2014 the Board of Directors approved three 4.8% annual rate increases, beginning July 2014. Fiscal year 15-16 will reflect the third of these 4.8% increases.

It appears that the low interest rate environment that the United States has been in since 2010 will continue which means interest earnings on the District's conservative investments will probably be less than 1% in the foreseeable future.

The Board of Directors increased employee salaries and benefits using the CPI-W, West B/C, published by US Department of Labor, Bureau of Labor Statistics, as the basis for annual cost of living adjustment. The California Public Employees' Retirement System (CalPERS) recently changed their amortization and smoothing policies which is expected to increase the District's employer contribution rates by 1.1% per year, for five years, beginning FY 15-16.

Effort is shifting toward the wastewater collection system. Two major capital projects are in the planning stages: the Lift Station #1 Replacement Project and the Sewer System Cleaning and Inspection Project. The latter is a \$300,000 project to clean and video the entire 27-mile sewer system. It will provide valuable information needed to plan for the repair, rehabilitation, or upgrade of the District's sewer system over the next 10 years. Such work could cost a couple of million dollars.

The District is continuing 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. It is proving to be a time-consuming and costly endeavor.

An opportunity to move to a larger, more customer-friendly office presented itself when the Rabobank building was offered for sale. The District purchased the building and is moving forward with plans to hire an architect to redesign it to better fit the needs of our customers and staff. The project is expected to be completed by the end of 2017.

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 3757 Constellation Road, Lompoc, CA 93436 or by calling (805) 733-2475.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
TABLE OF CONTENTS
June 30, 2015

FINANCIAL SECTION

Independent Auditors' Report.....	1
-----------------------------------	---

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:

Statement of Net Position.....	3
Statement of Activities	5

Fund Financial Statements:

Statement of Net Position – Proprietary Funds	6
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	8
Statement of Cash Flows – Proprietary Funds	9
Notes to Basic Financial Statements	11

Required Supplementary Information:

Schedule of Proportionate Share of Net Pension Liability	25
Schedule of Contributions	26

FINANCIAL SECTION



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 (District) as of and for the fiscal year ended June 30, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in note 2 to the basic financial statements effective July 1, 2014, the Vandenberg Village Community Services District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of net pension liability on page 25 and the schedule of contributions on page 26 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015, 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, Remy & Hartgreim LLP

Santa Maria, California
December 8, 2015

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

ASSETS

Current assets:

Cash on hand	\$ 400
Cash and investments	9,370,163
Accounts receivable	270,434
Accrued interest receivable	5,767
Inventory	28,109
Prepaid expenses	11,420

Total current assets	<u>9,686,293</u>
----------------------	------------------

Other assets:

Deposits	<u>742,642</u>
----------	----------------

Total other assets	<u>742,642</u>
--------------------	----------------

Capital assets:

Land	35,000
Easements	200,000
Water rights	628,522
Capacity rights	21,403,270
Source of supply	366,770
Pumping equipment	1,256,369
Treatment	269,221
Transmission and distribution	6,735,690
General plant	1,010,839
Construction in progress	126,088

32,031,769

Less: Accumulated depreciation	<u>(6,584,368)</u>
--------------------------------	--------------------

Total capital assets - net of accumulated depreciation	<u>25,447,401</u>
--	-------------------

Total assets	<u>35,876,336</u>
--------------	-------------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred pensions	<u>156,130</u>
-------------------	----------------

Total deferred outflows of resources	<u>156,130</u>
--------------------------------------	----------------

See accompanying notes to basic financial statements.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

LIABILITIES

Current liabilities:

Accounts payable	\$ 206,555
Accrued payroll expenses	44,277
Compensated absences	143,788
Customer deposits	198,256
Unearned revenues	204,740
Due to City of Lompoc - current portion	<u>741,091</u>

Total current liabilities	<u>1,538,707</u>
---------------------------	------------------

Noncurrent liabilities:

Net pension liability	646,070
Due to City of Lompoc - less current portion	<u>10,787,732</u>

Total noncurrent liabilities	<u>11,433,802</u>
------------------------------	-------------------

Total liabilities	<u>12,972,509</u>
-------------------	-------------------

DEFERRED INFLOWS OF RESOURCES

Deferred pensions	<u>234,583</u>
-------------------	----------------

Total deferred inflows of resources	<u>234,583</u>
-------------------------------------	----------------

NET POSITION

Net investment in capital assets	13,918,578
Restricted for construction	218,452
Restricted for water conservation	167,668
Restricted for employee benefits	3,410
Restricted for maintenance of lot 54	25,003
Unrestricted	<u>8,492,263</u>

Total net position	<u>\$ 22,825,374</u>
--------------------	----------------------

See accompanying notes to basic financial statements.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Business-type activities:					
Water	\$ 1,412,404	\$ 1,658,579	\$ -	\$ 429,759	\$ 675,934
Wastewater	<u>1,512,441</u>	<u>2,475,564</u>	<u></u>	<u>519,387</u>	<u>1,482,510</u>
Total business-type activities	<u>\$ 2,924,845</u>	<u>\$ 4,134,143</u>	<u>\$ -</u>	<u>\$ 949,146</u>	2,158,444
General revenues:					
		Investment earnings			29,267
		Loss on disposal of capital assets			<u>(17,218)</u>
		Change in net position			<u>2,170,493</u>
		Net position, beginning of fiscal year			21,432,138
		Prior period adjustment			<u>(777,257)</u>
		Net position - beginning of fiscal year, restated			<u>20,654,881</u>
		Net position, end of fiscal year			<u>\$ 22,825,374</u>

See accompanying notes to basic financial statements.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2015

With Comparative Totals for June 30, 2014

	ENTERPRISE FUNDS			
	Water Fund	Wastewater Fund	Totals 2015	Totals 2014
ASSETS				
Current assets:				
Cash on hand	\$ 400	\$ -	\$ 400	\$ 400
Cash and investments	3,866,959	5,503,204	9,370,163	8,053,897
Accounts receivable	270,434		270,434	286,342
Accrued interest receivable	5,767		5,767	5,192
Inventory	28,109		28,109	32,578
Prepaid expenses	11,034	386	11,420	11,977
Total current assets	4,182,703	5,503,590	9,686,293	8,390,386
Other assets:				
Deposits		742,642	742,642	742,642
Total other assets		742,642	742,642	742,642
Capital assets:				
Land	35,000		35,000	35,000
Easements	100,000	100,000	200,000	200,000
Water rights	628,522		628,522	628,522
Capacity rights		21,403,270	21,403,270	21,402,497
Source of supply	366,770		366,770	366,770
Pumping equipment	979,684	276,685	1,256,369	1,174,836
Treatment	269,221		269,221	259,544
Transmission and distribution	4,713,556	2,022,134	6,735,690	5,705,202
General plant	826,778	184,061	1,010,839	933,858
Construction in progress	115,088	11,000	126,088	284,488
	8,034,619	23,997,150	32,031,769	30,990,717
Less: Accumulated depreciation	(2,901,196)	(3,683,172)	(6,584,368)	(5,803,351)
Total capital assets - net of accumulated depreciation	5,133,423	20,313,978	25,447,401	25,187,366
Total assets	9,316,126	26,560,210	35,876,336	34,320,394
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pensions	105,481	50,649	156,130	
Total deferred outflows of resources	105,481	50,649	156,130	

See accompanying notes to basic financial statements.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2015

With Comparative Totals for June 30, 2014

	ENTERPRISE FUNDS			
	Water Fund	Wastewater Fund	Totals 2015	Totals 2014
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 59,495	\$ 147,060	\$ 206,555	\$ 95,108
Accrued payroll expenses	33,823	10,454	44,277	37,207
Compensated absences	98,692	45,096	143,788	142,096
Customer deposits	198,256		198,256	70,071
Unearned revenues		204,740	204,740	195,254
Due to City of Lompoc - current portion		741,091	741,091	741,091
Total current liabilities	390,266	1,148,441	1,538,707	1,280,827
Noncurrent liabilities:				
Net pension liability	436,485	209,585	646,070	
Due to City of Lompoc - less current portion		10,787,732	10,787,732	11,607,429
Total liabilities	826,751	12,145,758	12,972,509	12,888,256
DEFERRED INFLOWS OF RESOURCES				
Deferred pensions	158,484	76,099	234,583	
Total deferred inflows of resources	158,484	76,099	158,484	
NET POSITION				
Net investment in capital assets	5,133,423	8,785,155	13,918,578	12,838,846
Restricted for construction	218,452		218,452	101,173
Restricted for water conservation	167,668		167,668	33,139
Restricted for employee benefits	3,410		3,410	2,082
Restricted for maintenance of lot 54	15,002	10,001	25,003	
Unrestricted	2,898,417	5,593,846	8,492,263	8,456,898
Total net position	\$ 8,436,372	\$ 14,389,002	\$ 22,825,374	\$ 21,432,138

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, 2015

With Comparative Totals for the Fiscal Year Ended June 30, 2014

	ENTERPRISE FUNDS			
	Water Fund	Wastewater Fund	Totals 2015	Totals 2014
Operating Revenues:				
Residential	\$ 1,243,087	\$ 1,188,635	\$ 2,431,722	\$ 2,420,112
Commercial	146,135	235,319	381,454	383,618
Bulk meter residential	111,812		111,812	119,908
Irrigation	118,108		118,108	132,555
LRWRP Upgrade		1,051,173	1,051,173	1,037,929
Other	39,437	437	39,874	13,737
Total operating revenues	1,658,579	2,475,564	4,134,143	4,107,859
Operating Expenses:				
Salaries	428,433	191,880	620,313	631,486
Source of supply	27,513		27,513	50,813
Pumping	221,078	15,964	237,042	243,529
Water treatment	68,005		68,005	79,841
Wastewater treatment		425,481	425,481	651,654
Transmission and distribution	70,329	3,130	73,459	37,772
Customer accounts	62,053	61,862	123,915	77,035
Administrative and general	335,859	146,219	482,078	554,141
Other operating expenses	18,147	11,887	30,034	26,425
Depreciation	180,987	656,018	837,005	815,271
Total operating expenses	1,412,404	1,512,441	2,924,845	3,167,967
Net operating income	246,175	963,123	1,209,298	939,892
Non-Operating Revenues (Expenses):				
Investment income	11,186	18,081	29,267	37,223
Net gain (loss) on disposal of capital assets	(17,218)		(17,218)	(25,419)
Total non-operating revenues (expenses)	(6,032)	18,081	12,049	11,804
Capital Contributions:				
Connection fees	189,532	190,273	379,805	45,390
Infrastructure contribution	240,227	329,114	569,341	
Total capital contributions	429,759	519,387	949,146	45,390
Change in net position	669,902	1,500,591	2,170,493	997,086
Total net position - beginning	8,246,489	13,185,649	21,432,138	19,967,733
Prior period adjustment	(480,019)	(297,238)	(777,257)	467,319
Total net position - beginning -restated	7,766,470	12,888,411	20,654,881	20,435,052
Total net position - ending	\$ 8,436,372	\$ 14,389,002	\$ 22,825,374	\$ 21,432,138

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, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	ENTERPRISE FUNDS			
	Water Fund	Wastewater Fund	Totals 2015	Totals 2014
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 1,802,672	\$ 2,485,050	\$ 4,287,722	\$ 4,068,555
Payments to suppliers	(819,761)	(584,027)	(1,403,788)	(1,837,720)
Payments to employees	(420,617)	(190,934)	(611,551)	(628,838)
Net cash provided (used) by operating activities	<u>562,294</u>	<u>1,710,089</u>	<u>2,272,383</u>	<u>1,601,997</u>
Cash Flows from Capital and Related Financing Activities:				
Payment on long-term debt		(819,697)	(819,697)	(825,499)
Connection fees collected	189,532	190,273	379,805	45,390
Purchase of capital assets	(521,138)	(23,779)	(544,917)	(251,565)
Net cash (used) by capital and related financing activities	<u>(331,606)</u>	<u>(653,203)</u>	<u>(984,809)</u>	<u>(1,031,674)</u>
Cash Flows from Investing Activities:				
Investment income	<u>10,611</u>	<u>18,081</u>	<u>28,692</u>	<u>35,949</u>
Net cash provided by investing activities	<u>10,611</u>	<u>18,081</u>	<u>28,692</u>	<u>35,949</u>
Net increase (decrease) in cash and cash equivalents	241,299	1,074,967	1,316,266	606,272
Cash and cash equivalents, beginning of fiscal year	<u>3,626,060</u>	<u>4,428,237</u>	<u>8,054,297</u>	<u>7,448,025</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 3,867,359</u>	<u>\$ 5,503,204</u>	<u>\$ 9,370,563</u>	<u>\$ 8,054,297</u>
Reconciliation to Statement of Net Position:				
Cash on hand	\$ 400	\$ -	\$ 400	\$ 400
Cash and investments (cash equivalents only)	<u>3,866,959</u>	<u>5,503,204</u>	<u>9,370,163</u>	<u>8,053,897</u>
	<u>\$ 3,867,359</u>	<u>\$ 5,503,204</u>	<u>\$ 9,370,563</u>	<u>\$ 8,054,297</u>

(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, 2015
With Comparative Totals for the Fiscal Year Ended June 30, 2014

	ENTERPRISE FUNDS			
	Water Fund	Wastewater Fund	Totals 2015	Totals 2014
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income	\$ 246,175	\$ 963,123	\$ 1,209,298	\$ 939,892
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	180,987	656,018	837,005	815,271
Change in Operating Assets, Deferred Outflows, Liabilities, and Deferred Inflows:				
(Increase) decrease in accounts receivable	15,908		15,908	(49,458)
(Increase) decrease in inventory	4,469		4,469	(4,694)
(Increase) decrease in prepaid expenses	647	(90)	557	3,012
(Increase) decrease in deferred outflows	(34,201)	(16,423)	(50,624)	
Increase (decrease) in accounts payable	13,734	97,713	111,447	(114,828)
Increase (decrease) in accrued payroll	6,124	946	7,070	4,427
Increase (decrease) in customer deposits	128,185		128,185	753
Increase (decrease) in unearned revenue		9,486	9,486	
Increase (decrease) in compensated absences	1,692		1,692	(1,779)
Increase (decrease) in net pension liability	(159,910)	(76,783)	(236,693)	
Increase (decrease) in deferred inflows	158,484	76,099	234,583	
Net cash provided by operating activities	<u>\$ 562,294</u>	<u>\$ 1,710,089</u>	<u>\$ 2,272,383</u>	<u>\$ 1,601,997</u>

See accompanying notes to basic financial statements.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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.

Note 1:	Reporting Entity	13
Note 2:	Summary of Significant Accounting Policies	13
Note 3:	Cash and Investments	16
Note 4:	Schedule of Capital Assets	18
Note 5:	Wastewater Capital Reserve Fund and Rent Expense	19
Note 6:	Unearned Revenues	19
Note 7:	Due to City of Lompoc.....	19
Note 8:	Long-Term Debt -- Schedule of Changes	20
Note 9:	Pension Plans	20
Note 10:	Other Post Employment Benefits	24
Note 11:	Deferred Inflows and Outflows of Resources.....	24
Note 12:	Contingencies	24
Note 13:	Prior Period Adjustment.....	24

THIS PAGE INTENTIONALLY LEFT BLANK.

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 Statement No. 39 and No. 61.

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 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.

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 qualify for reporting in this category; refer to Note 11 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 qualify for reporting in this category; refer to Note 11 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 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. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 68

For the fiscal year ended June 30, 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions." This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" as well as the requirements of GASB Statement No. 50, "Pension Disclosures." This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. Implementation of the GASB Statement No. 68 and the impact on the District's financial statements are explained in Note 9- Pension Plans and Note 13-Prior Period Adjustment.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 71

For the fiscal year ended June 30, 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement will eliminate the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. Implementation of the GASB Statement No. 71 and the impact on the District's financial statements are explained in Note 9- Pension Plans and Note 13-Prior Period Adjustment.

NOTE 3 - CASH AND INVESTMENTS

Investments are carried at fair value in accordance with GASB Statement No. 31. On June 30, 2015, the District had the following cash and investments on hand:

Cash on hand	\$ 400
Cash in checking accounts	342,504
Cash in savings accounts	2,356,275
Cash and investments with County of Santa Barbara	3,237,759
Cash and investments in Local Agency Investment Fund (LAIF)	<u>3,433,625</u>
Cash and investments	<u>\$ 9,370,563</u>

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

Cash on hand	\$ 400
Cash and investments	<u>9,370,163</u>
	<u>\$ 9,370,563</u>

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

NOTE 3 - CASH AND INVESTMENTS (Continued)

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:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Santa Barbara County Investment Pool	\$ 3,237,759	\$ 3,237,759	\$ -	\$ -	\$ -
LAIF	<u>3,433,625</u>	<u>3,433,625</u>			
Total	<u>\$ 6,671,384</u>	<u>\$ 6,671,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Santa Barbara County Investment Pool	\$3,237,759	N/A	\$ -	\$ -	\$ -	\$3,237,759
LAIF	<u>3,433,625</u>	N/A				<u>3,433,625</u>
Total	<u>\$6,671,384</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,671,384</u>

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.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 - CASH AND INVESTMENTS (Continued)

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, 2015, 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, 2015, is shown below:

	Balance July 1, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
Capital assets, not being depreciated:					
Land	\$ 35,000	\$ -	\$ -	\$ -	\$ 35,000
Construction in progress	284,487	1,142,197	(106,875)	(1,193,721)	126,088
Total capital assets, not being depreciated	<u>\$ 319,487</u>	<u>\$ 1,142,197</u>	<u>\$ (106,875)</u>	<u>\$ (1,193,721)</u>	<u>\$ 161,088</u>
Capital assets, being depreciated:					
Easements and water rights	\$ 828,522	\$ -	\$ -	\$ -	\$ 828,522
Plant and facilities	29,842,708	78,936	(73,206)	1,193,721	31,042,159
Total capital assets, being depreciated	<u>30,671,230</u>	<u>78,936</u>	<u>(73,206)</u>	<u>1,193,721</u>	<u>31,870,681</u>
Less accumulated depreciation	<u>5,803,351</u>	<u>837,005</u>	<u>(55,988)</u>		<u>6,584,368</u>
Total capital assets, being depreciated, net	<u>\$ 24,867,879</u>	<u>\$ (758,069)</u>	<u>\$ (17,218)</u>	<u>\$ 1,193,721</u>	<u>\$ 25,286,313</u>
Capital assets, net	<u>\$ 25,187,366</u>	<u>\$ 384,128</u>	<u>\$ (124,093)</u>	<u>\$ -</u>	<u>\$ 25,447,401</u>

NOTE 5 - WASTEWATER CAPITAL RESERVE FUND AND RENT EXPENSE

The District maintains a wastewater capital reserve fund with the City of Lompoc (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, 2015, 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 \$204,740 for the fiscal year ended June 30, 2015.

NOTE 7 - DUE TO CITY OF LOMPOC

The District has 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). At the time of the 1974 agreement, the plant capacity was 5.0 MGD. This equated to a 17.8% cost share.

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

On March 22, 2005, the City of Lompoc issued 2005 Water and Wastewater Revenue bonds. The District prepaid \$1,174,800 to the City of Lompoc in December 2004 for architecture, design, engineering, and construction management costs. The deposit, plus interest earned, was drawn down upon for the District's portion of costs as the project progressed. In January 2009, the City had depleted the District's prepayment and has since billed the District for any additional expenses incurred.

On February 14, 2007, the City of Lompoc issued 2007 Water and Wastewater Revenue Bonds. The District's agreed upon share of this debt towards the project was \$3,932,736.63. In fiscal year 2008, the District paid \$118,690 towards the debt and in fiscal year 2009, \$131,359.44 was paid. On July 9, 2009, the District requested and paid to the City of Lompoc \$2,116,605.71 towards the debt. The City of Lompoc is not eligible to refund the bonds until September 2018. Therefore, the District's prepayment is deposited in an escrow account and the interest earned is used to pay the semi-annual principal and interest payment when due. If, upon bond refundment, the interest earned in the escrow account does not equal the \$730,250.10 required to pay the interest payments from 2009 through 2018, the District will pay the difference to the City of Lompoc. At that time, the interest payments for 2018 through 2037 in the amount of \$835,831.38 will be eliminated.

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. 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 balance owing the City of Lompoc at June 30, 2015, is \$11,528,823.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 – LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the fiscal year ended June 30, 2015, is shown below:

	Balance July 1, 2014	Additions	Deletions	Prior Period Adjustment	Balance June 30, 2015	Due within One Year
Due to the City of Lompoc	\$ 12,348,520	\$ -	\$ 819,697	\$ -	\$ 11,528,823	\$ 741,091
Net Pension Liability		402,148	638,841	882,763	646,070	
	<u>\$ 12,348,520</u>	<u>\$ 402,148</u>	<u>\$ 1,458,538</u>	<u>\$ 882,763</u>	<u>\$ 12,174,893</u>	<u>\$ 741,091</u>

NOTE 9 – PENSION PLAN

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 statute 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.

Benefits Provided(Continued)

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
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	16.691%	6.25%

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 \$156,130 for the fiscal year ended June 30, 2015.

NOTE 9 – PENSION PLAN (Continued)

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

At June 30, 2015, the District reported a liability of \$646,070 for its proportionate share of the net pension liability. 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 that date. 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. At June 30, 2014, the District's proportion was 0.02614%, which was a decrease of 0.0008% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$103,396. 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, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on retirement plan investments	-	217,110
Changes in proportion and differences between District contributions and proportionate share of contributions	-	17,473
District contributions subsequent to the measurement date	156,130	-
	<u>\$ 156,130</u>	<u>\$ 234,583</u>

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.

\$156,130 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, 2016.

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
2016	\$ (60,518)
2017	(60,518)
2018	(59,268)
2019	(54,279)
	<u>\$ (234,583)</u>

NOTE 9 – PENSION PLAN (Continued)

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

Actuarial Assumptions

The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.50%
Mortality	Derived using CalPERS' Membership Data for all Funds (1)

- (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 2014 experience study report.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 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 Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly high Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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 2018. 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 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our 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.

NOTE 9 – PENSION PLAN (Continued)

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

Discount Rate (Continued)

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	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% was used for this period.

(b) An expected inflation of 3.0% was used for this period.

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 6.50%	Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension plan liability	\$ 1,151,096	\$ 646,070	\$ 226,946

Pension Plan Fiduciary Net Position

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

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – PENSION PLAN (Continued)

C. Payable to the Pension Plan

At June 30, 2015, 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, 2015.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS

As of June 30, 2015, the District does not offer any other post employment benefits.

NOTE 11 – DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

At June 30, 2015, deferred inflows and outflows of resources, reported on the Statement of Net Position, consisted of the following:

Government-wide Deferred Inflows	
Business-type Activities	
Pensions	\$ 234,583
Total Government-wide Deferred Inflows	<u>\$ 234,583</u>
Government-wide Deferred Outflows	
Business-type Activities	
Pensions	\$ 156,130
Total Government-wide Deferred Outflows	<u>\$ 156,130</u>

NOTE 12 - 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 13 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$(777,257) was made which affects the government-wide statement of net position and statement of net position- Proprietary funds. Prior period adjustment was to record net pension liability of \$(882,763) and deferred outflow of resources- contribution of \$105,506.

A prior period adjustment of \$45,096 was made between the Water and Wastewater funds to correctly allocate accrued compensation.

REQUIRED SUPPLEMENTARY INFORMATION

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 Last 10 Years*
 As of June 30, 2015

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

	<u>2015</u>
Proportion of the net pension liability	0.0261%
Proportionate share of the net pension liability	\$ 646,070
Covered- employee payroll	\$ 693,171
Proportionate share of the net pension liability as percentage of covered-employee payroll	93.2%
Plan's total pension liability	\$ 13,110,948,452
Plan's fiduciary net position	\$ 10,639,461,174
Plan fiduciary net position as a percentage of the total pension liability	81.15%

*- Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**SCHEDULE OF CONTRIBUTIONS**

Last 10 Years*

As of June 30, 2015

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

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 156,130
Contribution in relation to the actuarially determined contributions	156,130
Contribution deficiency (excess)	<u>\$ -</u>
Covered- employee payroll	\$ 713,966
Contributions as a percentage of covered-employee payroll	21.9%
Notes to Schedule	
Valuation Date:	6/30/2013
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market
Amortization method	Level percentage of payroll, closed
Discount rate	7.50%
Price Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality	Derived using CalPERS' Membership data for all funds.
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

*- Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.