



**Santa Ynez Community Services District**  
**Annual Financial Report**  
**June 30, 2015 and 2014**



**Santa Ynez Community Services District  
Board of Directors as of June 30, 2015**

<b>Name</b>	<b>Title</b>	<b>Elected/ Appointed</b>	<b>Term Expires</b>
Barry Marks	President	Appointed	12/16
David Higgins	Vice-President	Elected	12/18
Carl Maler	Director	Elected	12/16
David Seymour	Director	Elected	12/18
Frank Mueller	Director	Appointed	12/16

**Santa Ynez Community Services District  
Jeff Hodge, General Manager  
1070 Faraday Street  
Santa Ynez, California 93460  
(805) 688-3008 – [www.sycsd.com](http://www.sycsd.com)**



**Santa Ynez Community Services District**

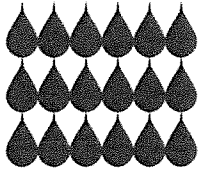
**Annual Financial Report**

**For the Fiscal Year's Ended June 30, 2015 and 2014**

**Santa Ynez Community Services District  
Annual Financial Report  
For the Fiscal Year's Ended June 30, 2015 and 2014**

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## Independent Auditor's Report

Board of Directors  
Santa Ynez Community Services District  
Santa Ynez, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Ynez Community Services District (District) as of and for the year's ended June 30, 2015 and 2014, 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.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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; and the State Controller's Minimum Audit Requirements for California Special Districts. 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 Santa Ynez Community Services District as of June 30, 2015 and 2014, and the respective changes in financial position for the year's then ended in conformity with accounting principles generally accepted in the United States of America.

## Independent Auditor's Report, continued

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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. This report can be found on pages 21 and 22.

*Fedak & Brown LLP*

**Fedak & Brown LLP**  
Cypress, California  
October 15, 2015

**Santa Ynez Community Services District**  
*Management's Discussion and Analysis*  
**For the Fiscal Year's Ended June 30, 2015 and 2014**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Santa Ynez Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year's ended June 30, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- In 2015, the District's net position increased 10.83% or \$626,273. In 2014, the District's net position decreased 0.59% or \$34,313, which was comprised of an increase of \$60,121 from operations combined with a prior period adjustment (decrease) in the amount of \$94,434. (See note 6 for further information).
- In 2015, the District's operating revenues increased 7.67% or \$63,241 due primarily to increases of \$44,847 in sewer service charges and \$18,400 in other revenue. In 2014, the District's operating revenues increased 7.62% or \$58,384 due primarily to an increase of \$59,466 in sewer service charges.
- In 2015, the District's operating expenses decreased 3.19% or \$25,806 primarily due to a decrease of \$73,126 in sewage collection charges which were offset by an increase of \$48,000 in sewage treatment charges. In 2014, the District's operating expenses decreased 5.61% or \$48,177 primarily due to a decrease of \$55,895 in sewage collection charges.

**Required Financial Statements**

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate the District's reserves and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts, and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**Santa Ynez Community Services District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year's Ended June 30, 2015 and 2014**

**Financial Analysis of the District**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 11 through 20.

**Statements of Net Position**

	Condensed Statements of Net Position				
	2015	2014	Change	2013	Change
<b>Assets:</b>					
Current assets	\$ 2,641,393	1,859,987	781,406	3,115,777	(1,255,790)
Capital assets, net	<u>3,818,127</u>	<u>3,984,593</u>	<u>(166,466)</u>	<u>3,785,173</u>	<u>199,420</u>
<b>Total assets</b>	<u>6,459,520</u>	<u>5,844,580</u>	<u>614,940</u>	<u>6,900,950</u>	<u>(1,056,370)</u>
<b>Liabilities:</b>					
Current liabilities	51,170	62,503	(11,333)	155,121	(92,618)
Non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>929,439</u>	<u>(929,439)</u>
<b>Total liabilities</b>	<u>51,170</u>	<u>62,503</u>	<u>(11,333)</u>	<u>1,084,560</u>	<u>(1,022,057)</u>
<b>Net position:</b>					
Net investment in capital assets	3,818,127	3,984,593	(166,466)	2,774,214	1,210,379
Restricted	-	-	-	169,567	(169,567)
Unrestricted	<u>2,590,223</u>	<u>1,797,484</u>	<u>792,739</u>	<u>2,872,609</u>	<u>(1,075,125)</u>
<b>Total net position</b>	<u>\$ 6,408,350</u>	<u>5,782,077</u>	<u>626,273</u>	<u>5,816,390</u>	<u>(34,313)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$6,408,350 and \$5,782,077, as of June 30, 2015 and 2014, respectively.

At the end of fiscal year 2015 and 2014, the District showed a positive balance in its unrestricted net position of \$2,590,223 and \$1,797,484, respectively, which may be utilized in future years.



**Santa Ynez Community Services District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year's Ended June 30, 2015 and 2014**

**Statements of Revenues, Expenses and Changes in Net Position**

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>	<u>Change</u>
<b>Revenue:</b>					
Operating revenue	\$ 887,507	824,266	63,241	765,882	58,384
Non-operating revenue	676,200	644,721	31,479	685,631	(40,910)
Total revenue	<u>1,563,707</u>	<u>1,468,987</u>	<u>94,720</u>	<u>1,451,513</u>	<u>17,474</u>
<b>Expense:</b>					
Operating expense	784,322	810,128	(25,806)	858,305	(48,177)
Depreciation	166,466	152,775	13,691	190,545	(37,770)
Non-operating expense	437,872	469,440	(31,568)	459,269	10,171
Total expense	<u>1,388,660</u>	<u>1,432,343</u>	<u>(43,683)</u>	<u>1,508,119</u>	<u>(75,776)</u>
Net income(loss) before capital	175,047	36,644	138,403	(56,606)	93,250
<b>Capital contributions:</b>	<u>451,226</u>	<u>23,477</u>	<u>427,749</u>	<u>60,318</u>	<u>(36,841)</u>
Change in net position	<u>626,273</u>	<u>60,121</u>	<u>566,152</u>	<u>3,712</u>	<u>56,409</u>
Net position, beginning of year	5,782,077	5,816,390	(34,313)	5,812,678	3,712
Prior period adjustment	-	(94,434)	94,434	-	(94,434)
Net position, end of year	<u>\$ 6,408,350</u>	<u>5,782,077</u>	<u>626,273</u>	<u>5,816,390</u>	<u>(34,313)</u>

The statement of revenues, expenses and changes of net position shows how the District's net position changed during the fiscal years. In the case of the District, net position increased by \$626,273 and decreased by \$34,313 for the fiscal years ended June 30, 2015 and 2014, respectively.

A closer examination of the sources of changes in net position reveals that:

In 2015, the District's operating revenues increased 7.67% or \$63,241 due primarily to increases of \$44,847 in sewer service charges and \$18,400 in other revenue. In 2014, the District's operating revenues increased 7.62% or \$58,384 due primarily to an increase of \$59,466 in sewer service charges.

In 2015, the District's operating expenses decreased 3.19% or \$25,806 primarily due to a decrease of \$73,126 in sewage collection charges which were offset by an increase of \$48,000 in sewage treatment charges. In 2014, the District's operating expenses decreased 5.61% or \$48,177 primarily due to a decrease of \$55,895 in sewage collection charges.

**Santa Ynez Community Services District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Year's Ended June 30, 2015 and 2014**

**Capital Asset Administration**

At the end of fiscal year's 2015 and 2014, the District's investment in capital assets amounted to \$3,984,594 and \$3,818,127, respectively, (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, and equipment.

Changes in capital asset amounts for 2015 were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 2015</u>
Capital assets:				
Non-depreciable assets	\$ 149,109	-	-	149,109
Depreciable assets	6,676,650	-	-	6,676,650
Accumulated depreciation	<u>(2,841,166)</u>	<u>(166,466)</u>	-	<u>(3,007,632)</u>
Total capital assets, net	<u>\$ 3,984,593</u>	<u>(166,466)</u>	<u>-</u>	<u>3,818,127</u>

Changes in capital asset amounts for 2014 were as follows:

	<u>Balance 2013</u>	<u>Additions/ Restatement</u>	<u>Transfers/ Deletions</u>	<u>Balance 2014</u>
Capital assets:				
Non-depreciable assets	\$ 149,109	-	-	149,109
Depreciable assets	7,383,356	(606,714)	(99,992)	6,676,650
Accumulated depreciation	<u>(3,747,292)</u>	<u>806,134</u>	<u>99,992</u>	<u>(2,841,166)</u>
Total capital assets, net	<u>\$ 3,785,173</u>	<u>199,420</u>	<u>-</u>	<u>3,984,593</u>

(See note 3 for further information)

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present and future.

**Requests for Information**

This financial report is designed to provide the District's funding sources, customers, 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 General Manager at 1070 Faraday Street, Santa Ynez, CA 93460 – (805) 688-3008.

# **Basic Financial Statements**

**Santa Ynez Community Services District**  
**Statements of Net Position**  
**June 30, 2015 and 2014**

	2015	2014
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 2,235,319	1,485,337
Investments – certificates-of-deposits (note 2)	301,411	300,000
Accrued interest receivable	139	1,099
Accounts receivable – sewer and other services	101,497	69,751
Prepaid expenses and other deposits	3,027	3,800
<b>Total current assets</b>	2,641,393	1,859,987
<b>Non-current assets:</b>		
Capital assets – not being depreciated (note 3)	149,109	149,109
Capital assets, net – being depreciated (note 3)	3,669,018	3,835,484
<b>Total non-current assets</b>	3,818,127	3,984,593
<b>Total assets</b>	6,459,520	5,844,580
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	18,064	29,396
Customer deposits	100	2,800
Compensated absences (note 4)	33,006	30,307
<b>Total liabilities</b>	51,170	62,503
<b>Net position: (note 5)</b>		
Net investment in capital assets	3,818,127	3,984,593
Unrestricted	2,590,223	1,797,484
<b>Total net position</b>	\$ 6,408,350	5,782,077

See accompanying notes to the basic financial statements

**Santa Ynez Community Services District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Year's Ended June 30, 2015 and 2014**

	2015	2014
<b>Operating revenues:</b>		
Sewer service charge	\$ 827,568	782,721
Sewer benefit fees	38,200	38,206
Other charges for services	21,739	3,339
<b>Total operating revenues</b>	887,507	824,266
<b>Operating expenses:</b>		
Sewage collection	426,260	499,386
Sewage treatment	216,000	168,000
General and administrative	142,062	142,742
<b>Total operating expenses</b>	784,322	810,128
Operating income(loss) before depreciation expense	103,185	14,138
Depreciation expense – capital recovery	(166,466)	(152,775)
<b>Operating loss</b>	(63,281)	(138,637)
<b>Non-operating revenue(expense):</b>		
Property taxes – ad valorem	158,477	148,994
Voter-approved taxes	20,976	21,392
Special assessments	1,208	4,757
Annexation fees	1,970	1,937
Investment earnings	5,268	7,287
Sale of capital asset	-	10,000
Indian reservation contract:		
Sewage collection and wastewater treatment plant operation	488,301	450,354
Sewage collection	(65,308)	(54,127)
Wastewater treatment plant operations	(372,564)	(355,590)
Interest expense	-	(59,723)
<b>Total non-operating revenue, net</b>	238,328	175,281
<b>Net income before capital contributions</b>	175,047	36,644
<b>Capital contributions:</b>		
Connection fees	438,041	10,292
Connection fees – project area 1 & 2	13,185	13,185
<b>Total capital contributions</b>	451,226	23,477
<b>Change in net position</b>	626,273	60,121
<b>Net position, beginning of year</b>	5,782,077	5,816,390
<b>Prior period adjustment (note 6)</b>	-	(94,434)
<b>Net position, end of year</b>	\$ 6,408,350	5,782,077

See accompanying notes to the basic financial statements

**Santa Ynez Community Services District**  
**Statements of Cash Flows**  
**For the Fiscal Year's Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers for sewer services	\$ 908,160	888,929
Cash paid to employees for salaries and wages	(554,336)	(520,362)
Cash paid to vendors and suppliers for materials and services	<u>(240,546)</u>	<u>(291,044)</u>
Net cash provided by operating activities	<u>113,278</u>	<u>77,523</u>
<b>Cash flows from non-capital financing activities:</b>		
Property taxes – ad valorem	<u>158,477</u>	<u>148,994</u>
Net cash provided by non-capital financing activities	<u>158,477</u>	<u>148,994</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	-	(446,629)
Capital contributions	451,226	23,477
Voter-approved taxes	20,976	21,392
Special assessments	1,208	4,757
Principal paid on debt obligations	-	(1,010,959)
Interest paid on debt obligations	<u>-</u>	<u>(73,004)</u>
Net cash provided by (used in) capital and related financing activities	<u>473,410</u>	<u>(1,480,966)</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments – certificates-of-deposits	(1,411)	(300,000)
Investment earnings	<u>6,228</u>	<u>7,846</u>
Net cash provided by (used in) investing activities	<u>4,817</u>	<u>(292,154)</u>
<b>Net increase(decrease) in cash and cash equivalents</b>	<b>749,982</b>	<b>(1,546,603)</b>
<b>Cash and cash equivalents, beginning of year</b>	<u>1,485,337</u>	<u>3,031,940</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,235,319</u>	<u>1,485,337</u>
<b>Reconciliation of cash and cash equivalents to statement of financial position:</b>		
Cash and cash equivalents	\$ <u>2,235,319</u>	<u>1,485,337</u>
<b>Total cash and cash equivalents</b>	<u>\$ 2,235,319</u>	<u>1,485,337</u>

*Continued on next page*

See accompanying notes to the basic financial statements

**Santa Ynez Community Services District**  
**Statements of Cash Flows continued**  
**For the Fiscal Year's Ended June 30, 2015 and 2014**

**Reconciliation of operating loss to net cash provided by operating activities:**

	<u>2015</u>	<u>2014</u>
<b>Operating loss</b>	\$ (63,281)	(138,637)
<b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b>		
Deprecation	166,466	152,775
Annexation fees	1,970	1,937
Sale of capital asset	-	10,000
Indian reservation contract	50,429	40,637
<b>Changes in assets and liabilities:</b>		
(Increase)decrease in assets:		
Accounts receivable – sewer and other services	(31,746)	12,089
Prepaid expenses and other deposits	773	(3,461)
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	(11,332)	(1,534)
Customer deposits	(2,700)	(350)
Compensated absences	2,699	4,067
Total adjustments	<u>176,559</u>	<u>216,160</u>
Net cash provided by operating activities	<u>\$ 113,278</u>	<u>77,523</u>

See accompanying notes to the basic financial statements

**Santa Ynez Community Services District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015 and 2014**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

The Santa Ynez Community Services District (District) is an independent governmental unit within the unincorporated area of the County of Santa Barbara and derives its decision-making capabilities from State legislation. The District was formed in 1971, pursuant to Section 61000, Title 6, Division 2 of the Community Services District Law of the State of California. The primary purposes of the District are the collection, treatment, and disposal of sewage for inhabitants of the District.

**B. Basis of Accounting and Measurement Focus**

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges (dispatching fees). Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses are generated and incurred through the sewage collection services performed by the District. Operating expenses include sewage collection and general and administrative expenses as well as depreciation expense. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

**C. Financial Reporting**

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

**D. Assets, Liabilities and Net Position**

**1. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in the District's net position during the reporting period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

Substantially all of District's cash is invested in interest bearing cash accounts. The District considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.



**Santa Ynez Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015 and 2014**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Liabilities and Net Position**

**3. Investments and Investment Policy**

The District has adopted an investment policy to deposit funds in financial institutions. Investments are to be made in the following areas:

- Passbook checking and savings accounts
- Certificates of deposit (non-negotiable)
- Local Agency Investment Fund (LAIF)

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**4. Prepaid Expenses**

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

**5. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. The District's policy has set the capitalization threshold for reporting capital assets at \$5,000. Amortization/depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Structures and improvements – 30 to 50 years
- Furniture and equipment – 5 to 20 years

**6. Compensated Absences**

The District's policy is to permit employees to accumulate an amount of earned vacation pay and sick leave benefits.

**7. Net Position**

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

**Santa Ynez Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015 and 2014**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Liabilities and Net Position, continued**

**8. Property Taxes and Special Assessment Revenues**

The Santa Barbara County Assessor's Office assesses all real and personal property within the County each year. The Santa Barbara County Tax Collector's Offices bills and collects the District's share of property taxes and assessments. The Santa Barbara County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

**9. Capital Contributions**

Capital contributions represent cash, capital grants and capital asset additions contributed to the District by outside parties.

**10. Budgetary Policies**

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

**(2) Cash and Investments**

Cash and investments as of June 30, are classified in the accompanying financial statements as follows:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 2,235,319	1,485,337
Investments – certificates-of-deposits	301,411	300,000
Total cash and investments	<u>\$ 2,536,730</u>	<u>1,785,337</u>

Cash and cash equivalents as of June 30, consist of the following:

	<u>2015</u>	<u>2014</u>
Cash on hand	\$ 150	150
Deposits with financial institutions	2,084,529	499,685
Investments	452,051	1,285,502
Total cash and cash equivalents	<u>\$ 2,536,730</u>	<u>1,785,337</u>

**Santa Ynez Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015 and 2014**

**(2) Cash and Investments**

As of June 30, 2015, the District's authorized deposits had the following maturities:

	<b>Amount</b>	<b>Maturity</b>
Deposits in Local Agency Investment Fund	\$ 150,640	239 days
Certificate-of-deposit – Ally Bank @ 0.40%	150,738	12/15/2015
Certificate-of-deposit – First Bank @ 0.45%	150,673	01/30/2016
	\$ 452,051	

As of June 30, 2014, the District's authorized deposits had the following maturities:

	<b>Amount</b>	<b>Maturity</b>
Deposits in Local Agency Investment Fund	\$ 985,502	232 days
Certificate-of-deposit – Ally Bank @ 0.40%	150,000	12/15/2015
Certificate-of-deposit – First Bank @ 0.45%	150,000	01/30/2016
	\$ 1,285,502	

***Authorized Deposits and Investments***

The District's investment policy only authorizes deposits and investments in certain items as listed in Note 1(D)(3) to the financial statements. The District's investment policy does not contain any specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

***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 does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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 market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balance, up to \$250,000 is federally insured at each institution.

***Custodial Credit Risk, continued***

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 District's investment policy does not contain any legal and/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 the Local Agency Investment Fund).

***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 financial statements at 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.

**Santa Ynez Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015 and 2014**

**(2) Cash and Cash Equivalents, continued**

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy does not discuss interest rate risk.

***Credit Risk***

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 a rating by a nationally recognized statistical rating organization.

**(3) Capital Assets**

Changes in capital assets for the year ended June 30, 2015, were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</u>
Non-depreciable assets:				
Land and land rights	\$ 149,109	-	-	149,109
Construction-in-process	-	-	-	-
Total non-depreciable assets	<u>149,109</u>	<u>-</u>	<u>-</u>	<u>149,109</u>
Depreciable assets:				
Structures and improvements	6,408,143	-	-	6,408,143
Furniture and equipment	268,507	-	-	268,507
Total depreciable assets	<u>6,676,650</u>	<u>-</u>	<u>-</u>	<u>6,676,650</u>
Accumulated depreciation:				
Structures and improvements	(2,685,996)	(151,288)	-	(2,837,284)
Furniture and equipment	(155,170)	(15,178)	-	(170,348)
Total accumulated depreciation	<u>(2,841,166)</u>	<u>(166,466)</u>	<u>-</u>	<u>(3,007,632)</u>
Total depreciable assets, net	<u>3,835,484</u>	<u>(166,466)</u>	<u>-</u>	<u>3,669,018</u>
<b>Total capital assets, net</b>	<b>\$ <u>3,984,593</u></b>	<b><u>(166,466)</u></b>	<b><u>-</u></b>	<b><u>3,818,127</u></b>

Changes in capital assets for the year ended June 30, 2014, were as follows:

	<u>Balance 2013</u>	<u>Restatement</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2014</u>
Non-depreciable assets:					
Land and land rights	\$ 149,109	-	-	-	149,109
Construction-in-process	-	-	-	-	-
Total non-depreciable assets	<u>149,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,109</u>
Depreciable assets:					
Structures and improvements	7,151,253	(1,064,690)	386,580	(65,000)	6,408,143
Furniture and equipment	232,103	11,347	60,050	(34,992)	268,508
Total depreciable assets	<u>7,383,356</u>	<u>(1,053,343)</u>	<u>446,630</u>	<u>(99,992)</u>	<u>6,676,651</u>
Accumulated depreciation:					
Structures and improvements	(3,572,712)	961,178	(139,462)	65,000	(2,685,996)
Furniture and equipment	(174,580)	(2,269)	(13,313)	34,992	(155,170)
Total accumulated depreciation	<u>(3,747,292)</u>	<u>958,909</u>	<u>(152,775)</u>	<u>99,992</u>	<u>(2,841,166)</u>
Total depreciable assets, net	<u>3,636,064</u>	<u>(94,434)</u>	<u>293,855</u>	<u>-</u>	<u>3,835,485</u>
<b>Total capital assets, net</b>	<b>\$ <u>3,785,173</u></b>	<b><u>(94,434)</u></b>	<b><u>293,855</u></b>	<b><u>-</u></b>	<b><u>3,984,594</u></b>

**Santa Ynez Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015 and 2014**

**(4) Compensated Absences**

Changes to compensated absences for 2015, were as follows:

<u>Balance</u> <u>2014</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>2015</u>
\$ 30,307	27,206	(24,507)	33,006

Changes to compensated absences for 2014, were as follows:

<u>Balance</u> <u>2013</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance</u> <u>2014</u>
\$ 26,240	30,891	(26,824)	30,307

**(5) Net Position**

Calculation of net investment in capital assets as of June 30, were as follows:

	<u>2015</u>	<u>2014</u>
Capital assets:		
Capital assets – not being depreciated	\$ 149,109	149,109
Capital assets, net – being depreciated	3,669,018	3,835,484
Total net investment in capital assets	\$ <u>3,818,127</u>	<u>3,984,593</u>

Unrestricted net position as of June 30, were categorized as follows:

	<u>2015</u>	<u>2014</u>
Non-spendable net position:		
Prepaid expenses and other deposits	\$ 3,027	3,800
Total non-spendable net position	<u>3,027</u>	<u>3,800</u>
Spendable net position are designated as follows:		
Operating reserve	2,587,196	1,793,684
Total spendable net position	<u>2,587,196</u>	<u>1,793,684</u>
Total unrestricted net position	\$ <u>2,590,223</u>	<u>1,797,484</u>

**(6) Prior Period Adjustment**

During the fiscal year ended June 30, 2014, the District reviewed its capital asset and capitalization policy and noted that certain capital assets were not capitalized, depreciated or disposed of in accordance with District policy in prior fiscal years. Accordingly the following prior period adjustment was made to the District's beginning net position as follows:

The prior period adjustment to net position at June 30, 2014, was as follows:

Net position at July 1, 2013, as previously stated	\$ 5,816,390
Effect of adjustment to record disposal of depreciable assets	(1,053,343)
Effect of adjustment to the related accumulated depreciation	958,909
Change in net position at June 30, 2014, as originally stated	<u>60,121</u>
Total change in net position at June 30, 2014, as restated	<u>(34,313)</u>
Net position at June 30, 2014, as restated	\$ <u>5,782,077</u>

**Santa Ynez Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015 and 2014**

**(7) Deferred Compensation Plan**

The District provides retirement benefits for all full time employees, in lieu of social security coverage, under Sections 457 and 401a of the Internal Revenue Code. Under the section 457 plan, employee and employer contributions are based on 6.2% of regular wages, and under the section 401a plan, employee and employer contributions are based on 7.65% of regular wages. The District has no liability or vested interest in the plan.

**(8) Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2015, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$1 billion per occurrence, subject to a \$1,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.
- Workers' compensation insurance coverage of statutory limits per occurrence and Employer's Liability Coverage up to \$5 million per occurrence.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2015, 2014, and 2013. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2015, 2014, and 2013.

**Santa Ynez Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015 and 2014**

**(9) Governmental Accounting Standards Board Statements**

**Newly Issued Accounting Pronouncements, But Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, that has effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 72***

In February 2015, the GASB issued Statement No. 72 – Fair Value Measurement and Application. The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 73***

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans as pensions that are within their respective scopes.

The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after December 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 74***

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

**Santa Ynez Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015 and 2014**

**(9) Governmental Accounting Standards Board Statements**

**Newly Issued Accounting Pronouncements, But Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 74, continued***

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2016. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 75***

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 76***

In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the source of authoritative GAAP.

This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015, and should be applied retroactively.

***Governmental Accounting Standards Board Statement No. 77***

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.



**Santa Ynez Community Services District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2015 and 2014**

**(10) Commitments and Contingencies**

***Litigation***

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

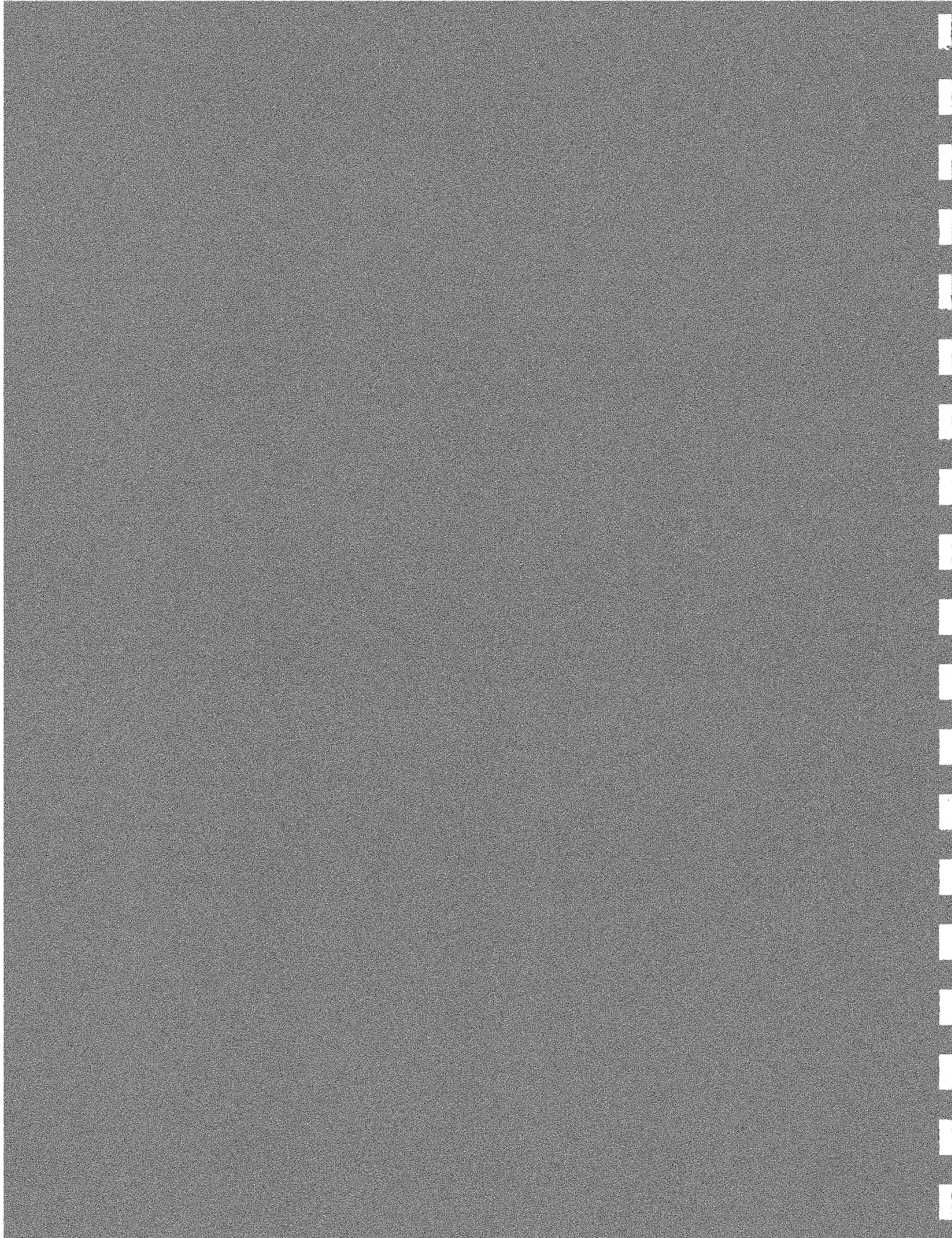
**(11) Subsequent Events**

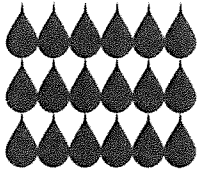
Events occurring after June 30, 2015, have been evaluated for possible adjustment to the financial statements or disclosure as of October 15, 2015, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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# **Report on Compliance and Internal Controls**







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## **Independent Auditor's 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  
Santa Ynez Community Services District  
Santa Ynez, 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 Santa Ynez Community Services District (District) as of and for the year ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated October 15, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the 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*.

**Independent Auditor's 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***

**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.

*Fedak & Brown LLP*

**Fedak & Brown LLP**  
Cypress, California  
October 15, 2015