VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT

BASIC FINANCIAL STATEMENTS
June 30, 2022

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
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June 30, 2022

FINANCIAL SECTION

FINANCIAL SECTION

Moss, Levy & Hartzheim LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the Vandenberg Village Community Services District, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Vandenberg Village Community Services District's basic financial statements as listed in the table of contents.

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 the Vandenberg Village Community Services District, as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Vandenberg Village Community Services District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Vandenberg Village Community Services District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Vandenberg Village Community Services District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Vandenberg Village Community Services District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3 through 8, the schedule of proportionate share of net pension liability on page 31, and the schedule of pension contributions on page 32 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.

Report on Summarized Comparative Information

We have previously audited the Vandenberg Village Community Services District 2021 financial statements, and our report dated October 26, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2022, 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 Authority's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim LLP

Santa Maria, California
October 18, 2022

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, 2022 (FYE 22). It should be considered in conjunction with the information within the body of the audited financial statements and accompanying notes. All amounts, unless otherwise indicated, are expressed in whole dollars.

MISSION STATEMENT

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

FINANCIAL HIGHLIGHTS

- The District's net position (excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources, formerly entitled net assets) increased to $29.3 million. Of this amount, $11.1 million (unrestricted net position) may be used to meet the District's ongoing obligations to ratepayers and creditors.
- Compared to FYE 21, operating revenues decreased by 0.3% to $4.63 million and operating expenses decreased by 10% to $3.47 million.
- Total change in net position was $856,570.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The <u>*Statement of Net Position*</u> presents information on all assets and deferred outflows of resources and the liabilities and deferred inflows of resources, with the difference between them 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 <u>*Statement of Activities*</u> presents information showing how the net position changed during the fiscal year. The District uses accrual based accounting. Changes in net position are reported when the event causing the change occurs (i.e., an expense that is incurred on or before June 30th, but is paid for in July or after, 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 detailed view of the District's water and wastewater enterprise funds data and can be found on **pages 12-16**.

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

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

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

3) Notes to Basic Financial Statements. The ***Notes to Basic Financial Statements*** provide additional information for a more complete understanding of the data provided in the basic financial statements and can be found on **pages 17-30** of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position

Net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by $29.3 million as of June 30, 2022. This is an increase of $0.9 million from the fiscal year that ended June 30, 2021.

	Business-type activities	
	2021	2022
Current and Other Assets	$12,741,046	$13,265,989
Capital Assets	23,011,947	22,655,112
Total Assets	35,752,993	35,921,101
Deferred pensions	403,863	372,363
Deferred Outflows of Resources	403,863	372,363
Current Liabilities	1,393,303	1,371,391
Noncurrent Liabilities	6,338,078	4,947,348
Total Liabilities	7,731,381	6,381,739
Deferred pensions	37,277	708,479
Deferred Inflows of Resources	37,277	708,479
NET POSITION		
Net investment in Capital Assets	17,533,050	17,819,354
Restricted	312,987	306,847
Unrestricted	10,542,161	11,140,045
Total Net Position	$28,388,198	$29,266,246

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

The next largest portion of the net position is reserved for future spending. This portion is cash and investments. Cash and investments increased in FYE 22 by $506,207 primarily due to decreased expenditures. Expenses were 16% under budget, saving $667,870. Investment income on Cash & Investments was $41,723 reduced by the Fair Market Value adjustments of <$217,633>, for a net <$175,911>.

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

- *Current and Other Assets* increased $524,943.
- *Capital Assets* decreased by $356,835 after depreciation. The most notable additions to Capital Assets were the replacement valves and hydrants, replacement pickup and valve operator trucks. Ongoing projects with significant expenditures include tank rehabilitation and SCADA upgrade.
- Regular straight-line depreciation for the fiscal year ended June 30, 2022 decreased non-current assets by $840,524.
- 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, 2022, the District has a balance of approximately $12 million. The reserve goal fluctuates from year to year based on the accumulated depreciation

expense, the current operating budget, and the value of capital assets. Based on the criteria set forth by the resolution, the District's goal was $16 million in reserves at fiscal year-end. **The goal per the FY 22-23 budget for June 30, 2023 is $17.9 million.** See the following table for the June 30, 2022 goal calculations.

Resolution 176-06 Reserve Requirement using the FYE 22 Budget			
Category	Requirement	Water	Wastewater
Capital Reserves	Accumulated Depreciation + 25% operating budget	$4,003,185	$7,656,529
Operating Reserves	25% operating budget	477,168	745,072
Emergency Reserves	10% capital assets	959,633	2,131,509
		$5,439,986	$10,533,110
		Total = $15,973,096	

Current Balance (as of June 30, 2022)	$2,556,747	$9,472,696
	Total = $12,029,443*	

Activities

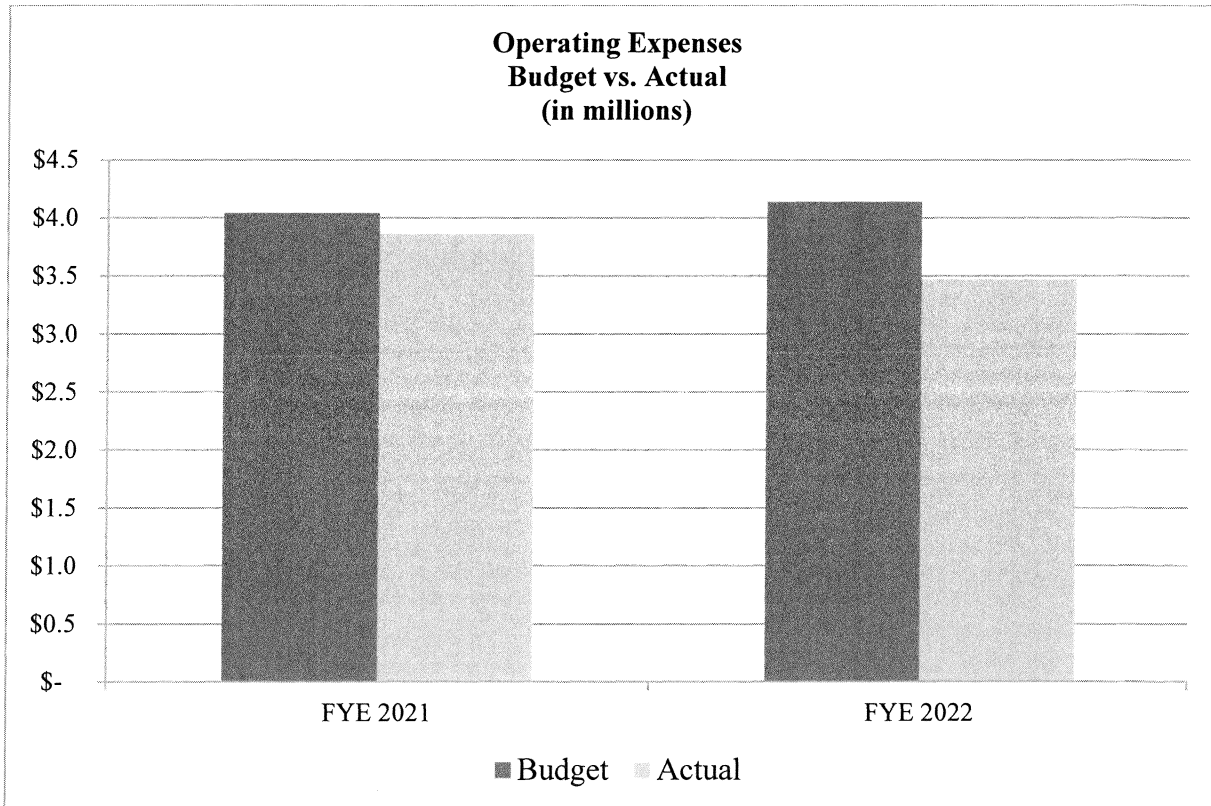
The District's financial position results from operating activities, investment activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

	Business-type activities 2021	2022
Charges for Services	$ 4,640,166	$ 4,622,450
Capital Grants and Contributions	0	0
Investment Earnings	15,154	<175,911>
Other Revenues/Connection Fees	2,993	8,567
Total Revenues	4,658,313	4,455,106
Operating Expenses	3,862,295	3,469,196
Non-operating Expenses	122,376	129,340
Total Expenses	3,984,671	3,598,536
Transfers	0	0
Change in Net Position	673,642	856,570
Net Position, beginning of fiscal year	27,714,556	28,388,198
Prior Period Adjustment	0	21,478
Net Position, end of fiscal year	$ 28,388,198	$ 29,266,246

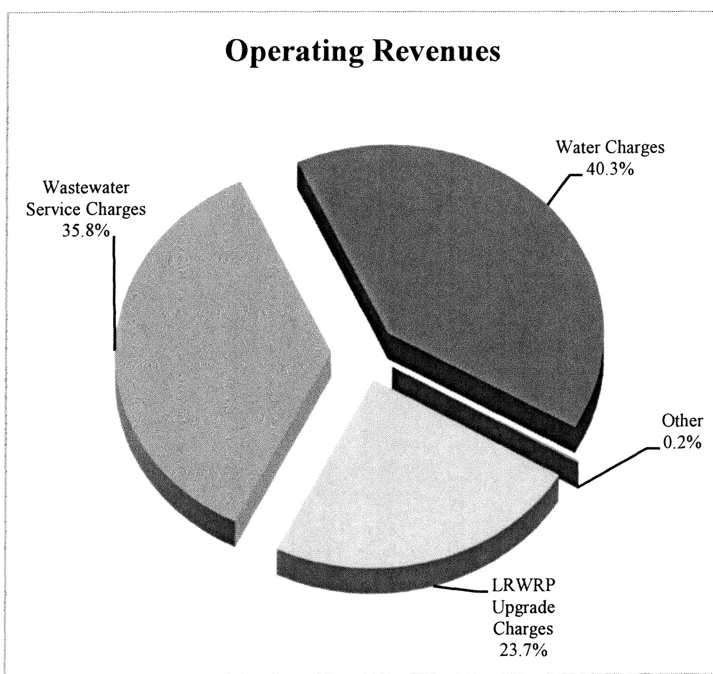
The following are significant current fiscal year transactions that have had an impact on the Statement of Activities:

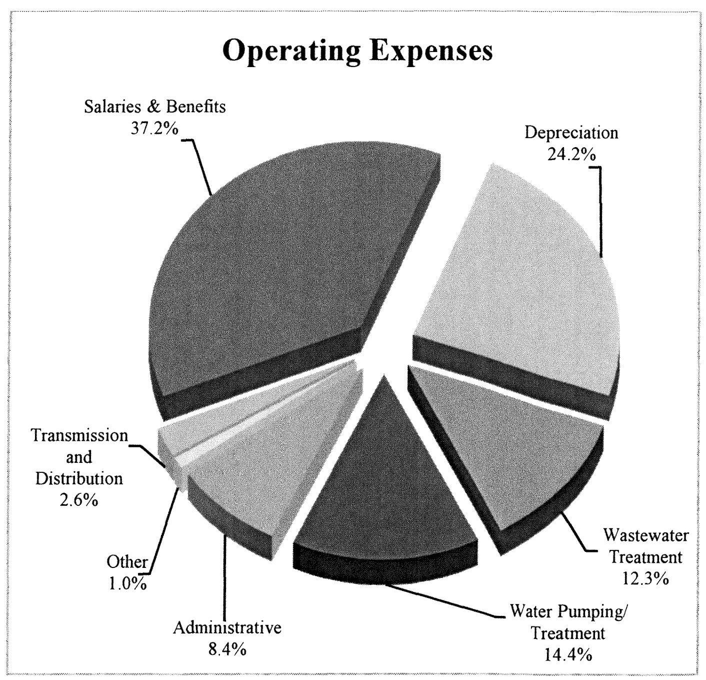
- *Charges for Services* include $1.87 million in water use and service charges; $1.66 million in wastewater service charges; and $1.1 million in LRWRP upgrade charges.
- *Other Revenues* include unbudgeted revenues of $8,567.
- *Non-Operating Revenues and Expenses:* There is non-operating LRWRP interest expense of $97,953 and non-operating loss of $31,387 for disposal of surplus assets.
- Budgeted revenue estimates are based on current rates and average number of customers per calendar year. Water revenues are based on a five-year average water usage. For FYE 22, unrestricted operating revenues exceeded projections by 2%.

* The cash available for reserves does not include Developers' Connection Fees ($112,429) nor Developers' Conservation Funds ($166,454), as these two accounts are designated to be used solely for Developer-related asset purchases and Water Conservation expenditures. The bank account which holds employee payroll deductions for Flex Spending health benefits accounts ($2,885) and the account which holds funds designated for the maintenance of Lot 54 ($25,079) are also withheld from the cash available for reserves. By adding the Developers' Connection Fees, the Developers' Conservation Funds, the employee flex spending account, and the current balance available for reserves, we balance to the Cash and investments on the Statement of Net Position ($112,429 + $166,454+ $2,885+ $25,079 + $11,868,058 = $12,174,905).



The charts below reflect major categories of actual FYE 22 operating revenues and expenses. On the revenue side, water and wastewater service charges account for 99.8% ($4.62 million) of the District's operating revenues. In addition to operating revenue, the District had net interest loss of $<175,911>. On the expense side, employee salaries and benefits are 37.2% ($1.29 million) of the total operating expenses. Wastewater treatment is also a major component of operating expenses. It accounts for 12.3% ($0.43 million) of the total annual expenses. Water pumping and treatment accounts for 14.4% ($0.5 million).



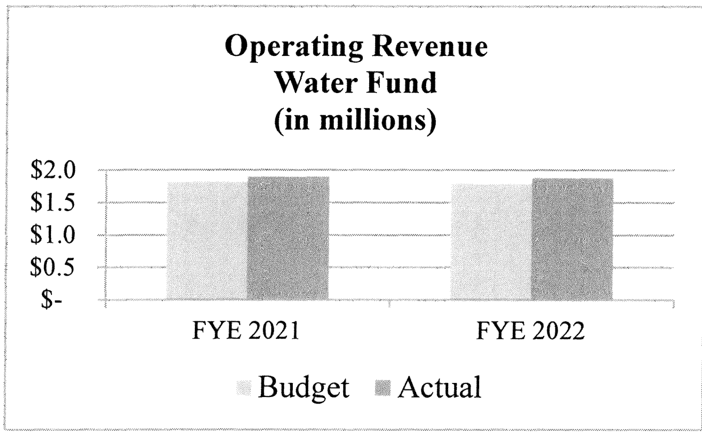


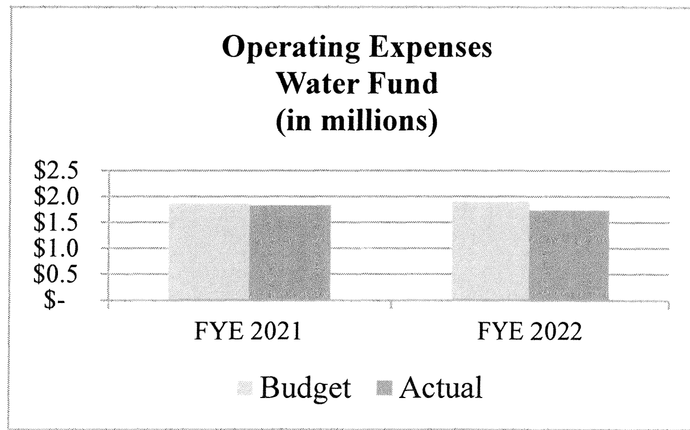
FUND FINANCIAL STATEMENT ANALYSIS

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 its 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 fiscal year with positive fund balances.

Water Fund

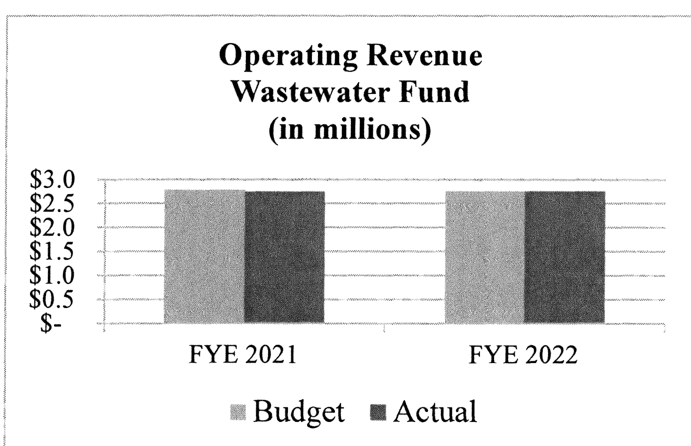
The water fund's net position increased by $76,722 including the prior period adjustment. Unrestricted water revenues exceeded projections by $79,083, a 4% variance. Total unrestricted water revenues were $1.9 million with $1.42 million (76%) collected from residential customers and the remaining $0.45 million (24%) collected from commercial, bulk residential, irrigation, and other. Water fund operating expenses of $1.73 million were 9% under budget and primarily consist of salaries and benefits (45%), administration (6%), pumping (19%), and depreciation (12%).

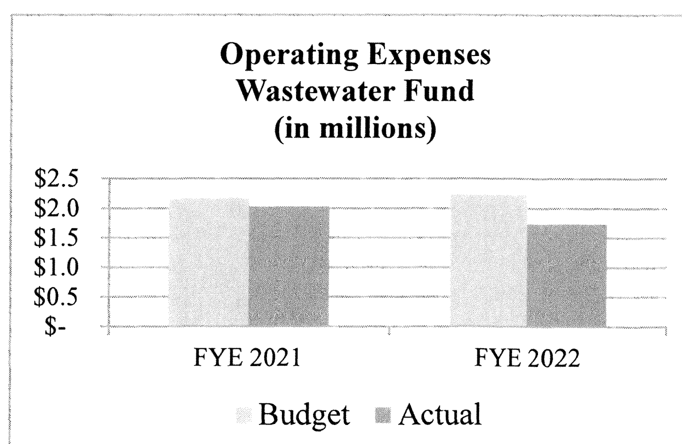




Wastewater Fund

The wastewater fund's net position increased by $779,848. Unrestricted wastewater revenues exceeded projections by $5,893, less than a 1% variance. Wastewater fund operating expenses of $1.74 million were 22% under budget and primarily consist of wastewater treatment (23%), salaries and benefits (29%), administration (5%), and depreciation (37%). The total volume of wastewater for FYE 22 decreased by 3.3%; 139.5 million gallons compared to 144.4 million gallons last fiscal year.





CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including pumping and treatment equipment, water and wastewater transmission and distribution lines, and construction work in progress. At the end of FYE 22, the District had $33.2 million invested in a broad range of capital assets, including land, buildings, equipment, furniture, vehicles, and infrastructure. Major capital asset events during the current fiscal year are discussed on page 4 of this report and in Note 4 to the financial statements.

Debt Administration

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

ECONOMIC OUTLOOK

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

Annual, year-over-year inflation spiked from 1.4% in 2020 to 8.3% anticipated in 2023. The District has experienced significant price increases in materials and supplies, power, and chemicals. As an example, the price of chlorine has increased 75% in the last year, from $1.26 to $2.21 per gallon,

Interest rates on the District's conservative investments have been very low, less than 2%, but may increase as a result of recent Federal Reserve interest rate hikes.

The Board of Directors increases employee salaries based on the CPI-W, West B/C, published by US Department of Labor, Bureau of Labor Statistics. The Board has used this index since 2013.

Capital investment is focused on maintaining, repairing, rehabilitating, and replacing aging infrastructure in both the water distribution and wastewater collection systems. Sewer Main replacement at Constellation Road and Agena Way, manhole ring replacement and raising offsite manholes are planned for FYE23. The Supervisory Control and Data Acquisition (SCADA) software and computer are being upgraded. SCADA provides information about well, tank, lift station, and chemical levels for our water and wastewater systems. Fence and gate repairs are budgeted for FYE23. The 2014 Ford pickup truck is also scheduled to be replaced.

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

REQUESTS FOR INFORMATION

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

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
June 30, 2022

ASSETS		
Current assets:		
Cash on hand	$	400
Cash and investments		12,174,505
Accounts receivable		273,565
Accrued interest receivable		16,326
Inventory		45,214
Prepaid expenses		13,337
Total current assets		12,523,347
Other assets:		
Deposits		742,642
Total other assets		742,642
Capital assets:		
Land		1,042,000
Easements		200,000
Water rights		650,000
Capacity rights		17,164,115
Source of supply		393,853
Pumping equipment		1,774,187
Treatment		313,516
Transmission and distribution		7,478,005
General plant		2,872,264
Construction in progress		1,357,536
		33,245,476
Less: Accumulated depreciation		(10,590,364)
Total capital assets - net of accumulated depreciation		22,655,112
Total assets		35,921,101
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pensions		372,363
Total deferred outflows of resources		372,363

See accompanying notes to basic financial statements.

LIABILITIES		
Current liabilities:		
Accounts payable	$	73,163
Accrued payroll expenses		34,303
Compensated absences		256,088
Customer deposits		213,904
Unearned revenues		139,296
Due to City of Lompoc - current portion		654,637
Total current liabilities		1,371,391
Noncurrent liabilities:		
Net pension liability		766,227
Due to City of Lompoc - less current portion		4,181,121
Total noncurrent liabilities		4,947,348
Total liabilities		6,318,739
DEFERRED INFLOWS OF RESOURCES		
Deferred pensions		708,479
Total deferred inflows of resources		708,479
NET POSITION		
Net investment in capital assets		17,819,354
Restricted for construction		112,429
Restricted for water conservation		166,454
Restricted for employee benefits		2,885
Restricted for maintenance of lot 54		25,079
Unrestricted		11,140,045
Total net position	$	29,266,246

See accompanying notes to basic financial statements.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Business-type activities:					
Water	$ 1,760,834	$ 1,874,068	$ -	$ -	$ 113,234
Wastewater	1,837,702	2,756,949			919,247
Total business-type activities	$ 3,598,536	$ 4,631,017	$ -	$ -	1,032,481
General revenues:					
Investment earnings					(175,911)
Change in net position					856,570
Net position, beginning of fiscal year					28,388,198
Prior-period adjustment					21,478
Total net position - beginning (restated)					28,409,676
Net position, end of fiscal year					$ 29,266,246

See accompanying notes to basic financial statements.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2022
With Comparative Totals for June 30, 2021

	ENTERPRISE FUNDS			
	Water Fund	Wastewater Fund	Totals 2022	Totals 2021
ASSETS				
Current assets:				
Cash on hand	$ 400	$ -	$ 400	$ 400
Cash and investments	2,831,237	9,343,268	12,174,505	11,668,299
Accounts receivable	146,721	126,844	273,565	267,561
Accrued interest receivable	16,326		16,326	7,528
Inventory	45,214		45,214	40,467
Prepaid expenses	12,957	380	13,337	14,149
Total current assets	3,052,855	9,470,492	12,523,347	11,998,404
Other assets:				
Deposits		742,642	742,642	742,642
Total other assets		742,642	742,642	742,642
Capital assets:				
Land	522,000	520,000	1,042,000	1,042,000
Easements	100,000	100,000	200,000	200,000
Water rights	650,000		650,000	628,522
Capacity rights		17,164,115	17,164,115	17,164,115
Source of supply	393,853		393,853	382,173
Pumping equipment	1,094,243	679,944	1,774,187	1,769,682
Treatment	313,516		313,516	325,467
Transmission and distribution	5,373,871	2,104,134	7,478,005	7,329,943
General plant	1,538,032	1,334,232	2,872,264	2,653,540
Construction in progress	1,178,001	179,535	1,357,536	1,457,069
Total capital assets	11,163,516	22,081,960	33,245,476	32,952,511
Less: Accumulated depreciation	(3,659,035)	(6,931,329)	(10,590,364)	(9,940,564)
Total capital assets - net of accumulated depreciation	7,504,481	15,150,631	22,655,112	23,011,947
Total assets	10,557,336	25,363,765	35,921,101	35,752,993
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pensions	226,351	146,012	372,363	403,863
Total deferred outflows of resources	226,351	146,012	372,363	403,863

See accompanying notes to basic financial statements.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2022
With Comparative Totals for June 30, 2021

	ENTERPRISE FUNDS			
	Water Fund	Wastewater Fund	Totals 2022	Totals 2021
LIABILITIES				
Current liabilities:				
Accounts payable	$ 30,661	$ 42,502	$ 73,163	$ 121,102
Accrued payroll expenses	24,081	10,222	34,303	33,577
Compensated absences	207,644	48,444	256,088	238,050
Customer deposits	213,904		213,904	217,950
Unearned revenues		139,296	139,296	139,485
Due to City of Lompoc - current portion		654,637	654,637	643,139
Total current liabilities	476,290	895,101	1,371,391	1,393,303
Noncurrent liabilities:				
Net pension liability	465,771	300,456	766,227	1,502,320
Due to City of Lompoc - less current portion		4,181,121	4,181,121	4,835,758
Total liabilities	942,061	5,376,678	6,318,739	7,731,381
DEFERRED INFLOWS OF RESOURCES				
Deferred pensions	430,667	277,812	708,479	37,277
Total deferred inflows of resources	430,667	277,812	708,479	37,277
NET POSITION				
Net investment in capital assets	7,504,481	10,314,873	17,819,354	17,533,050
Restricted for construction	112,429		112,429	112,384
Restricted for water conservation	166,454		166,454	173,127
Restricted for employee benefits	2,885		2,885	2,402
Restricted for maintenance of lot 54	25,079		25,079	25,074
Unrestricted	1,599,631	9,540,414	11,140,045	10,542,161
Total net position	$ 9,410,959	$ 19,855,287	$ 29,266,246	$ 28,388,198

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, 2022
With Comparative Totals for the Fiscal Year Ended June 30, 2021

	ENTERPRISE FUNDS			
	Water Fund	Wastewater Fund	Totals 2022	Totals 2021
Operating Revenues:				
Residential	$ 1,423,027	$ 1,323,792	$ 2,746,819	$ 2,788,857
Commercial	126,216	333,954	460,170	482,267
Bulk meter residential	125,305		125,305	113,254
Irrigation	190,953		190,953	178,334
LRWRP Upgrade		1,099,203	1,099,203	1,077,454
Other	8,567		8,567	2,993
Total operating revenues	1,874,068	2,756,949	4,631,017	4,643,159
Operating Expenses:				
Salaries and benefits	447,007	288,273	735,280	788,862
Source of supply	46,662		46,662	52,070
Pumping	336,401	30,020	366,421	329,359
Water treatment	115,301		115,301	112,384
Wastewater treatment		396,550	396,550	712,210
Transmission and distribution	75,557	13,986	89,543	77,416
Customer accounts	46,519	41,534	88,053	82,336
Administrative and general	445,682	310,907	756,589	859,749
Other operating expenses	17,610	16,663	34,273	30,582
Depreciation	201,541	638,983	840,524	817,327
Total operating expenses	1,732,280	1,736,916	3,469,196	3,862,295
Net operating income (loss)	141,788	1,020,033	1,161,821	780,864
Non-Operating Revenues (Expenses):				
Investment income	(36,512)	(139,399)	(175,911)	15,154
Interest expense		(97,953)	(97,953)	(109,249)
Net gain (loss) on disposal of capital assets	(28,554)	(2,833)	(31,387)	(13,127)
Total non-operating revenues (expenses)	(65,066)	(240,185)	(305,251)	(107,222)
Change in net position	76,722	779,848	856,570	673,642
Total net position - beginning	9,312,759	19,075,439	28,388,198	27,714,556
Prior-period adjustment	21,478		21,478	
Total net position - beginning (restated)	9,334,237	19,075,439	28,409,676	27,714,556
Total net position - ending	$ 9,410,959	$ 19,855,287	$ 29,266,246	$ 28,388,198

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, 2022
With Comparative Totals for the Fiscal Year Ended June 30, 2021

	ENTERPRISE FUNDS			
	Water Fund	Wastewater Fund	Totals 2022	Totals 2021
Cash Flows From Operating Activities:				
Receipts from customers and users	$ 1,878,711	$ 2,742,067	$ 4,620,778	$ 4,622,635
Payments to suppliers	(1,185,849)	(806,452)	(1,992,301)	(2,175,499)
Payments to employees	(433,185)	(269,687)	(702,872)	(696,472)
Net cash provided by operating activities	259,677	1,665,928	1,925,605	1,750,664
Cash Flows from Capital and Related Financing Activities:				
Payment on long-term debt		(643,139)	(643,139)	(631,842)
Interest on long-term debt		(97,953)	(97,953)	(109,249)
Sale of capital assets	8,822	2,413	11,235	360
Purchase of capital assets	(294,890)	(209,942)	(504,832)	(1,145,376)
Net cash used by capital and related financing activities	(286,068)	(948,621)	(1,234,689)	(1,886,107)
Cash Flows from Investing Activities:				
Investment income (loss)	(45,311)	(139,399)	(184,710)	36,109
Net cash provided (used) by investing activities	(45,311)	(139,399)	(184,710)	36,109
Net increase (decrease) in cash and cash equivalents	(71,702)	577,908	506,206	(99,334)
Cash and cash equivalents, beginning of fiscal year	2,903,339	8,765,360	11,668,699	11,768,033
Cash and cash equivalents, end of fiscal year	$ 2,831,637	$ 9,343,268	$ 12,174,905	$ 11,668,699
Reconciliation to Statement of Net Position:				
Cash on hand	$ 400	$ -	$ 400	$ 400
Cash and investments	2,831,237	9,343,268	12,174,505	11,668,299
	$ 2,831,637	$ 9,343,268	$ 12,174,905	$ 11,668,699

(Continued)

See accompanying notes to basic financial statements.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)
For the Fiscal Year Ended June 30, 2022
With Comparative Totals for the Fiscal Year Ended June 30, 2021

	ENTERPRISE FUNDS			
	Water Fund	Wastewater Fund	Totals 2022	Totals 2021
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	$ 141,788	$ 1,020,033	$ 1,161,821	$ 780,864
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	201,541	638,983	840,524	817,327
Change in Operating Assets, Deferred Outflows, Liabilities, and Deferred Inflows:				
(Increase) decrease in accounts receivable	8,689	(14,693)	(6,004)	(10,208)
(Increase) decrease in inventory	(4,747)		(4,747)	2,650
(Increase) decrease in prepaid expenses	1,192	(380)	812	1,957
(Increase) decrease in deferred outflows	28,655	2,845	31,500	6,422
Increase (decrease) in accounts payable	(51,527)	3,588	(47,939)	43,040
Increase (decrease) in accrued payroll	(868)	1,594	726	2,939
Increase (decrease) in customer deposits	(4,046)		(4,046)	(10,109)
Increase (decrease) in unearned revenue		(189)	(189)	(207)
Increase (decrease) in compensated absences	14,690	3,348	18,038	(648)
Increase (decrease) in net pension liability	(482,820)	(253,273)	(736,093)	134,004
Increase (decrease) in deferred inflows	407,130	264,072	671,202	(17,367)
Net cash provided by operating activities	$ 259,677	$ 1,665,928	$ 1,925,605	$ 1,750,664

See accompanying notes to basic financial statements.

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

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NOTE 1 - REPORTING ENTITY

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

L. Other Assets - Deposits - The District maintains a wastewater capital reserve fund with the City of Lompoc (the City). More detail is available in Note 7.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vandenberg Village Community Services District's California Public Employee's Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In addition to the pension plan, the District offers a 457 plan also through CalPERs. Employees can voluntarily contribute to the 457 plan and the District will match up to $2,600 per year for Classic employees and $3,900 per year for PEPRA employees. The 457 plan is not part of the Net Pension Liability and is treated as a payroll expense in the financial statements.

N. Deferred Outflows and Inflows of Resources

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

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

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

O. 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.

P. 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)

P. 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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

Q. 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.

R. Future Accounting Pronouncements

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

Statement No. 91	"Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provisions of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.
Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Future Accounting Pronouncements (Continued)

Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 98	"The Annual Comprehensive Financial Report"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 99	"Omnibus 2022"	The provisions of this statement are effective in April 2022 except for the provisions related to leases, PPPs, SBITAs, financial guarantees and derivative instruments. The provisions related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The provisions related to financial guarantees and derivative instruments are effective for fiscal years beginning after June 15, 2023.
Statement No. 100	"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"	The provisions of this statement are effective for fiscal years beginning after June 15, 2023.
Statement No. 101	"Compensated Absences"	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

NOTE 3 - CASH AND INVESTMENTS

Investments are carried at fair value in accordance with GASB Statement No. 31. On June 30, 2022, the District had the following cash and investments on hand:

Cash on hand	$ 400
Cash in checking accounts	106,362
Cash in savings accounts	2,713,023
Cash and investments with County of Santa Barbara	4,597,020
Cash and investments in Local Agency Investment Fund (LAIF)	4,758,100
Cash and investments	$12,174,905

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

Cash on hand	$ 400
Cash and investments	12,174,505
Total	$12,174,905

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had investments in the Santa Barbara County Investment Pool and the Local Agency Investment Fund. These external pools are measured under Level 2.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	$75,000,000
JPA Pools (other investment pools)	N/A	None	None

Disclosures Relating to Interest Rate Risk

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

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

		Remaining Maturity (in Months)			
Investment Type	Carrying Amount	12 Months Or Less	13-24 Months	25-60 Months	More than 60 Months
Santa Barbara County Investment Pool	$ 4,597,020	$ 4,597,020	$ -	$ -	$ -
LAIF	4,758,100	4,758,100			
Total	$ 9,355,120	$ 9,355,120	$ -	$ -	$ -

NOTE 3 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

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

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End AAA	Aa	Not Rated
Santa Barbara County Investment Pool	$4,597,020	N/A	$ -	$ -	$ -	$4,597,020
LAIF	4,758,100	N/A				4,758,100
Total	$9,355,120		$ -	$ -	$ -	$9,355,120

Concentration of Credit Risk

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

Custodial Credit Risk

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

As of June 30, 2022, 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, 2022, is shown below:

	Balance July 1, 2021	Additions	Deletions	Transfers	Prior-period Adjustment	Balance June 30, 2022
Capital assets, not being depreciated:						
Land	$ 1,042,000	$ -	$ -	$ -	$ -	$ 1,042,000
Construction in progress	1,457,069	544,396	(74,575)	(569,354)		1,357,536
Total capital assets, not being depreciated	$ 2,499,069	$ 544,396	$ (74,575)	$ (569,354)	$ -	$ 2,399,536
Capital assets, being depreciated:						
Easements and water rights	$ 828,522	$ -	$ -	$ -	$ 21,478	$ 850,000
Plant and facilities	29,624,920	35,011	(233,345)	569,354		29,995,940
Total capital assets, being depreciated	30,453,442	35,011	(233,345)	569,354	21,478	30,845,940
Less accumulated depreciation	9,940,564	840,524	(190,724)			10,590,364
Total capital assets, being depreciated, net	$ 20,512,878	$ (805,513)	$ (42,621)	$ 569,354	$ 21,478	$ 20,255,576
Capital assets, net	$ 23,011,947	$ (261,117)	$ (117,196)	$ -	$ 21,478	$ 22,655,112

NOTE 5 - WASTEWATER CAPITAL RESERVE FUND AND RENT EXPENSE

The District maintains a wastewater capital reserve fund with the City of Lompoc (the City). In return, the City supplies wastewater treatment services to the District. Interest is earned on the reserve balance and disbursements are made by the City for Vandenberg Village Community Services District's portion of capital improvements. The minimum reserve requirement for Vandenberg Village Community Services District is $742,642. On June 30, 2022, the reserve balance was $742,642.

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

NOTE 6 - UNEARNED REVENUES

Unearned revenues consist of sewer fees paid in advance by the District's customers in the amount of $139,296 for the fiscal year ended June 30, 2022.

NOTE 7 – DUE TO CITY OF LOMPOC

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

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

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

NOTE 7 – DUE TO CITY OF LOMPOC (Continued)

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

The principal balance owing the City of Lompoc at June 30, 2022, is $4,835,758.

NOTE 8 – LONG-TERM LIABILITIES – SCHEDULE OF CHANGES

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2022, is shown below:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due within One Year
Due to the City of Lompoc	$ 5,478,897	$ -	$ 643,139	$ 4,835,758	$ 654,637
Net Pension Liability	1,502,320	406,350	1,142,443	766,227	
	$ 6,981,217	$ 406,350	$ 1,785,582	$ 5,601,985	$ 654,637

NOTE 9 – PENSION PLANS

A. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State 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.

NOTE 9 – PENSION PLANS (Continued)

A. General Information about the Pension Plans (Continued)

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.75%
Required employer contribution rates	14.02% + $114,755	7.59% + $685

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 fiscal 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 $222,202 for the fiscal year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of $766,227 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. The District's proportionate share of net pension liability for the miscellaneous plan as of June 30, 2020, and 2021 is as follows:

	Miscellaneous
Proportion-June 30, 2020	0.03562%
Proportion-June 30, 2021	0.04035%
Change-Increase (Decrease)	0.00473%

For the fiscal year ended June 30, 2022, the District recognized pension expense of $188,810. 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, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 9 – PENSION PLANS (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 222,202	$ -
Differences between expected and actual experience	85,924	
Changes in assumptions		
Net difference between projected and actual earnings on retirement plan investments		668,875
Adjustment due to differences in proportions	63,753	
Difference in actual contributions and proportionate share of contributions	484	39,604
	$ 372,363	$ 708,479

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.

$222,202 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, 2023.

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
2023	$ (103,816)
2024	(123,713)
2025	(145,947)
2026	(184,842)
	$ (558,318)

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.0% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of Scale MP 2016. For more details on this table please refer to the December 2017 experience study report.

NOTE 9 – PENSION PLANS (Continued)

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

Discount Rate

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

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

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

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

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

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

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

NOTE 9 – PENSION PLANS (Continued)

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

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

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

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
District's proportionate share of the net pension plan liability	$1,686,962	$ 766,227	$ 5,068

Pension Plan Fiduciary Net Position

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

C. Payable to the Pension Plan

At June 30, 2022, 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, 2022.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS

As of June 30, 2022, the District does not offer any other post employment benefits.

NOTE 11 - CONTINGENCIES

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

NOTE 12 – MEMORANDUM OF AGREEMENT

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

The GSA is independently accountable for their fiscal matters. The agency maintains their own accounting records. Budgets are not subject to any approval other than the respective governing board. Member districts share surpluses and deficits agreed to by the voting parties. The Western Management Area GSA adopted a Groundwater Sustainability Plan (GSP) in January 2022. The GSP includes projects and management action that will require additional funding from the District in the future.

NOTE 13 – PRIOR-PERIOD ADJUSTMENT

A prior-period adjustment was made to the statement of activities of $21,478 to change the value of the Water Rights capital assets to their correct original cost value.

REQUIRED SUPPLEMENTARY INFORMATION

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Years*
As of June 30, 2022

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

	2022	2021	2020	2019
Proportion of the net pension liability	0.01417%	0.01381%	0.01335%	0.01285%
Proportionate share of the net pension liability	$ 766,227	$ 1,502,320	$ 1,368,316	$ 1,238,381
Covered payroll	$ 905,194	$ 894,387	$ 792,390	$ 765,042
Proportionate share of the net pension liability as percentage of covered payroll	84.6%	168.0%	172.7%	161.9%
Plan's total pension liability	$ 46,174,942,264	$ 43,702,930,887	$ 41,426,543,489	$ 38,944,855,364
Plan's fiduciary net position	$ 40,766,653,876	$ 32,822,501,335	$ 31,179,414,067	$ 29,308,589,559
Plan fiduciary net position as a percentage of the total pension liability	88.29%	75.10%	75.26%	75.26%

	2018	2017	2016	2015
Proportion of the net pension liability	0.01279%	0.01240%	0.01147%	0.01038%
Proportionate share of the net pension liability	$ 1,268,715	$ 1,072,559	$ 787,410	$ 646,070
Covered payroll	$ 736,341	$ 720,382	$ 631,486	$ 693,171
Proportionate share of the net pension liability as percentage of covered payroll	172.3%	148.9%	124.7%	93.2%
Plan's total pension liability	$ 37,161,348,332	$ 33,358,627,624	$ 31,771,217,402	$ 30,829,966,631
Plan's fiduciary net position	$ 27,244,095,376	$ 24,705,532,291	$ 24,907,305,871	$ 24,607,502,515
Plan fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	79.82%

Notes to Schedule:

Changes in assumptions

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

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

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

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

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

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
Last 10 Years*
As of June 30, 2022

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

	2022	2021	2020	2019
Contractually required contribution (actuarially determined)	$ 222,202	$ 213,276	$ 190,252	$ 198,667
Contribution in relation to the actuarially determined contributions	222,202	213,276	190,252	198,667
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 836,489	$ 905,194	$ 894,387	$ 792,390
Contributions as a percentage of covered payroll	26.56%	23.56%	21.27%	25.07%

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 170,047	$ 153,560	$ 158,774	$ 156,130
Contribution in relation to the actuarially determined contributions	170,047	153,560	158,774	156,130
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 765,042	$ 736,341	$ 720,382	$ 631,486
Contributions as a percentage of covered payroll	22.23%	20.85%	22.04%	24.72%

Notes to Schedule

Valuation Date:	6/30/2014
Actuarial cost method	Entry Age Normal
Asset valuation method	5-year smoothed market
Amortization method	The unfunded actuarial accrued liability is amortized over a fixed 30 year period as a level percentage of payroll.
Discount rate	7.50%
Amortization growth rate	3.00%
Price inflation	2.50%
Salary increases	3.00% plus merit component based on employee classification and years of service
Mortality	The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

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

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