

September 20, 2024

To the Board of Directors  
Vandenberg Village Community Services District

We have audited the financial statements of the business-type activities and each major fund, of Vandenberg Village Community Services District (the District) for the fiscal year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 20, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the District's financial statements was (were):

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

Management's estimate of the net pension liability and deferred inflows and outflows related to pension are based on the CalPERS actuary's expertise experience. We evaluated the key factors and assumptions used to develop the net pension liability and deferred inflows and outflows related to pension in determining that it is reasonable in relation to the financial statements taken as a whole.

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

The disclosure of the Due to the City of Lompoc in Note 7 and Note 9 Pension Plans to the financial statements.

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

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

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

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 20, 2024.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction of Use

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

Very truly yours,

*Moss, Remy & Halgreen LLP*

Santa Maria, California  
September 20, 2024



Moss, Levy & Hartzheim LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Vandenberg Village Community Services District
Lompoc, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Vandenberg Village Community Services District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 20, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Moss, Levy & Hartzheim LLP

Santa Maria, California
September 20, 2024



**VANDENBERG VILLAGE COMMUNITY  
SERVICES DISTRICT**

**BASIC FINANCIAL STATEMENTS  
June 30, 2024**

Copy



**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**  
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June 30, 2024

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**FINANCIAL SECTION**

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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, 2024, 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, 2024, 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.

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, the schedule of proportionate share of net pension liability, and the schedule of pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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's 2023 financial statements, and our report dated September 21, 2023, 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, 2023, 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 September 20, 2024, 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.

Santa Maria, California  
September 20, 2024

# VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

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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, 2024 (FYE 24). 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) increased to \$31.6 million. Of this amount, \$11.4 million (unrestricted net position) may be used to meet the District's ongoing obligations to ratepayers and creditors.
- Compared to FYE 23, operating revenues increased by 7.6% to \$4.75 million and operating expenses increased by 10.9% to \$3.94 million.
- The total change in net position was \$1,218,640.

## OVERVIEW OF FINANCIAL STATEMENTS

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

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

The *Statement of Net Position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between 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 *Statement of Activities* presents information showing how the net position changed during the fiscal year. The District uses accrual-based accounting. Changes in net position are reported when the event causing the change occurs (i.e., an expense that is incurred on June 30 but is paid in July, is reported as a decrease to net position in June).

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

**2) Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has no general fund; therefore, the District's funds can all 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 *Statement of Net Position – Proprietary Funds* presents information on assets, deferred outflows of resources, liabilities, and deferred inflows of resources for each enterprise fund.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

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

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

**3) Notes to Basic Financial Statements.** The *Notes to Basic Financial Statements* provide additional information for a more complete understanding of the data provided in the basic financial statements and can be found on **pages 17-29** 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31.6 million as of June 30, 2024. This is an increase of \$1.2 million from the fiscal year that ended June 30, 2023.

|                                       | Business-type activities |                     |
|---------------------------------------|--------------------------|---------------------|
|                                       | 2023                     | 2024                |
| Current and Other Assets              | \$12,553,857             | \$14,438,980        |
| Capital Assets                        | 23,849,953               | 23,347,339          |
| <b>Total Assets</b>                   | <b>36,403,810</b>        | <b>37,786,319</b>   |
| Deferred Pensions                     | 874,314                  | 828,399             |
| <b>Deferred Outflows of Resources</b> | <b>874,314</b>           | <b>828,399</b>      |
| Current Liabilities                   | 1,461,792                | 2,159,941           |
| Noncurrent Liabilities                | 5,338,310                | 4,800,873           |
| <b>Total Liabilities</b>              | <b>6,800,102</b>         | <b>6,960,814</b>    |
| Deferred Pensions                     | 103,601                  | 60,843              |
| <b>Deferred Inflows of Resources</b>  | <b>103,601</b>           | <b>60,843</b>       |
| Net Investment in Capital Assets      | 19,668,831               | 19,832,558          |
| Restricted                            | 325,056                  | 375,862             |
| Unrestricted                          | 10,380,534               | 11,384,641          |
| <b>Total Net Position</b>             | <b>\$30,374,421</b>      | <b>\$31,593,061</b> |

The largest portion of the net position reflects net 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 usually not available for future spending.

The next largest portion of the net position is unrestricted for future spending. This portion is cash and investments. Cash and investments increased in FYE 24 by \$1,732,897 primarily due to increased interest earnings and fair market valuation of investments and due to the timing of accounts payable (Current Liabilities) at fiscal year-end. Operating expenses were 7% under budget, saving \$279,167. Investment income on Cash & Investments was \$422,325 increased by the Fair Market Value adjustments of \$185,632, for a net \$607,957.

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

- *Current and Other Assets* increased by \$1,885,123.
- *Capital Assets* decreased by \$502,614 after depreciation. The most notable additions to Capital Assets were the Floradale Bridge sewer relocation project, the Well 1B rehabilitation, and Analyzer equipment for the Lab. Ongoing projects with significant expenditures include the Filter rehabilitation, the SCADA upgrade, the Constellation/Apollo Sewer main replacement, and the Security System replacement.
- Regular straight-line depreciation for the fiscal year ended June 30, 2024, decreased non-current assets by \$941,685.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

- On March 4, 2024, the Board of Directors approved Resolution 229-24 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, 2024, the District has a balance of approximately \$12.8 million. The reserve goal fluctuates from year to year based on the accumulated depreciation expense, the current operating budget, and the audited value of capital assets. Based on the criteria set forth by the resolution, as of June 30, 2024, the District's minimum reserve target was \$10.2 million in reserves at fiscal year-end. See the following table for the June 30, 2024 goal calculations.

| <b>Resolution 229-24 Reserve Target Balance using the FYE 23 Audited Financial Report and FYE 24 Budget</b> |                              |                      |                    |
|---|------------------------------|----------------------|--------------------|
| Category  | Minimum Reserve Target       | Water                | Wastewater         |
| Emergency Reserves  | 10% capital assets           | \$1,093,406          | \$2,412,377        |
| Operating Reserves  | 25% operating budget         | 529,942              | 525,567            |
| Capital Reserves  | 50% accumulated depreciation | 1,829,332            | 3,774,604          |
|   |                              | <u>\$3,452,680</u>   | <u>\$6,712,548</u> |
|   |                              | Total = \$10,165,228 |                    |

|  |                              |              |
|--|------------------------------|--------------|
| <b>Current Balance (as of June 30, 2024)</b> | \$2,550,694                  | \$10,244,285 |
|  | <u>Total = \$12,794,979*</u> |              |

**Activities**

The District's financial position results from operating activities, investment activities, the acquisition and disposal of capital assets, and the depreciation of capital assets. Budgeted revenue estimates are based on current rates and the average number of customers per calendar year. Water revenues are based on a five-year average of water usage. For FYE 24, unrestricted operating revenues fall short of projections by 0.6%. The Prior Period Adjustment for FYE 23 is for expenditures for the Floradale Bridge sewer relocation project which had been posted as Operating Expenses in FYE 19, FYE 20, FYE 21, and FYE 22.

|   | Business-type activities |                     |
|---|--------------------------|---------------------|
|   | 2023                     | 2024                |
| Charges for Services                    | \$4,399,923              | \$4,731,099         |
| Capital Grants and Contributions        | 0                        | 30,710              |
| Investment Earnings                     | 210,888                  | 607,957             |
| Other Revenues/Connection Fees          | 34,312                   | 92,118              |
| <b>Total Revenues</b>                   | <u>4,645,123</u>         | <u>5,461,884</u>    |
| Operating Expenses                      | 3,554,024                | 3,943,144           |
| Non-operating Expenses                  | 143,990                  | 299,943             |
| <b>Total Expenses</b>                   | <u>3,698,014</u>         | <u>4,243,087</u>    |
| <b>Change in Net Position</b>           | <u>947,109</u>           | <u>1,218,797</u>    |
| <b>Net Position, beginning of year</b>  | 29,266,246               | 30,374,421          |
| Prior Period Adjustments                | 161,066                  | (157)               |
| <b>Net Position, end of fiscal year</b> | <u>\$30,374,421</u>      | <u>\$31,593,061</u> |

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

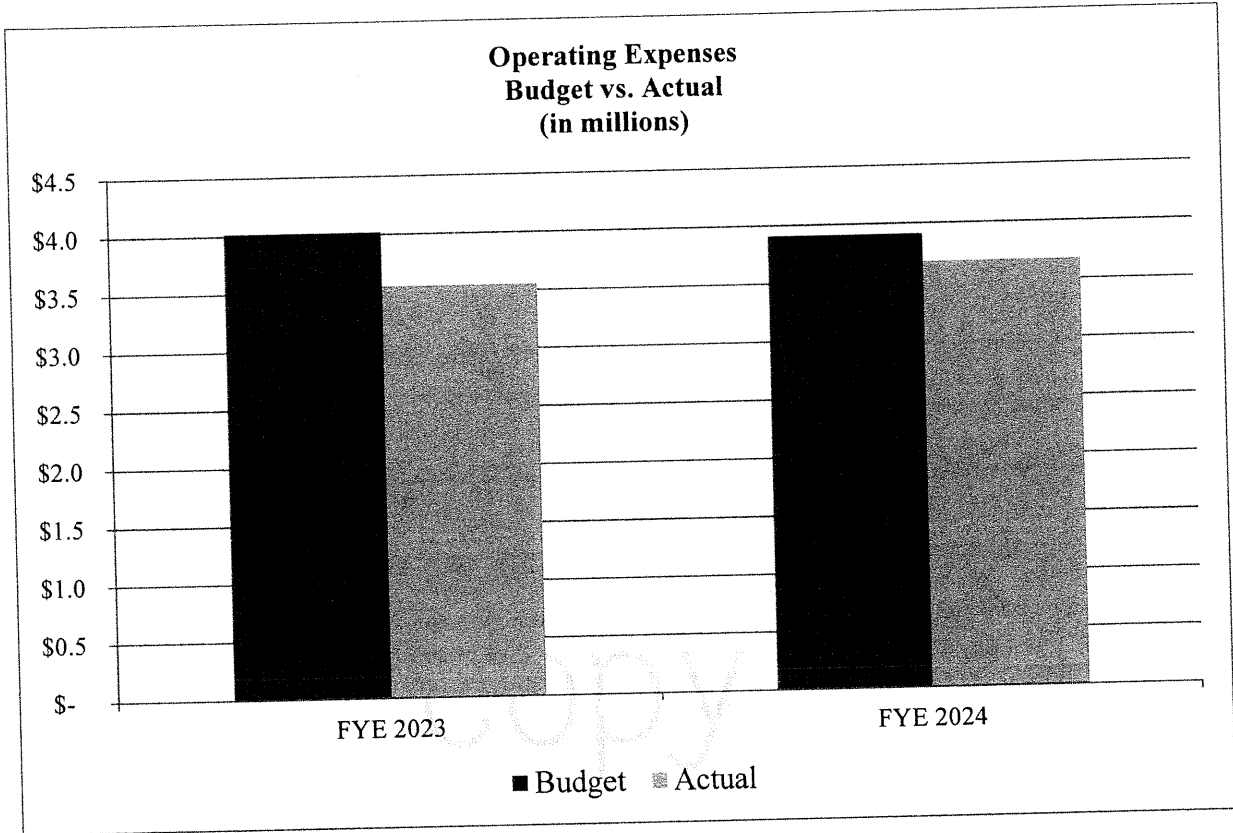
- Expenses* include \$3.9 million in Operating Expenses, a non-operating loss of \$225,192 for disposal of surplus assets, including the test well, and a non-operating LRWRP interest expense of \$74,751.
- Charges for Services* include \$1.97 million in water use and service charges; \$1.66 million in wastewater service charges; and \$1.1 million in LRWRP upgrade charges.

\* The cash available for reserves does not include Developers' Connection Fees (\$144,740) nor Developers' Conservation Funds (\$203,626), 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 (\$929) and the account which holds funds designated for the maintenance of Lot 54 (\$26,567) 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 (\$144,740 + \$203,626 + \$929 + \$26,567 + \$12,794,979 = \$13,170,841).

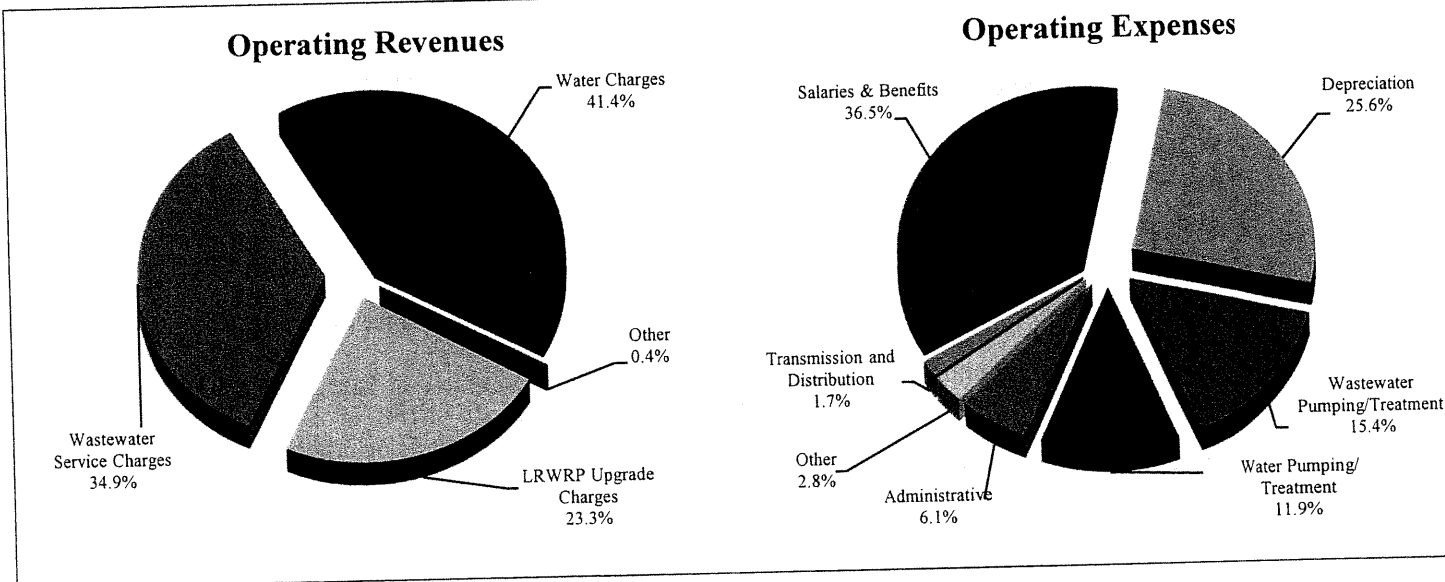
**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

- *Investment Earnings* include \$422,325 in Interest Earnings and \$185,632 adjustments to the Fair Market Value of investments as of June 30, 2024.
- *Prior Period Adjustment* includes expenditures for the Floradale Bridge sewer relocation project which had been posted as Operating Expenses in FYE 19, FYE 20, FYE 21, and FYE 22 totaling \$161,066 for FYE 23 and a net capital assets adjustment of (\$157) for FYE 24.



The charts below reflect major categories of actual FYE 24 operating revenues and expenses. Water and wastewater service charges account for 99.6% (\$4.7 million) of the District's operating revenues. On the expense side, employee salaries and benefits are 36.5% (\$1.34 million) of the total operating expenses. Wastewater pumping and treatment is also a major component of operating expenses. It accounts for 15.4% (\$0.56 million) of the total annual expenses. Water pumping and treatment accounts for 11.9% (\$0.44 million).





**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

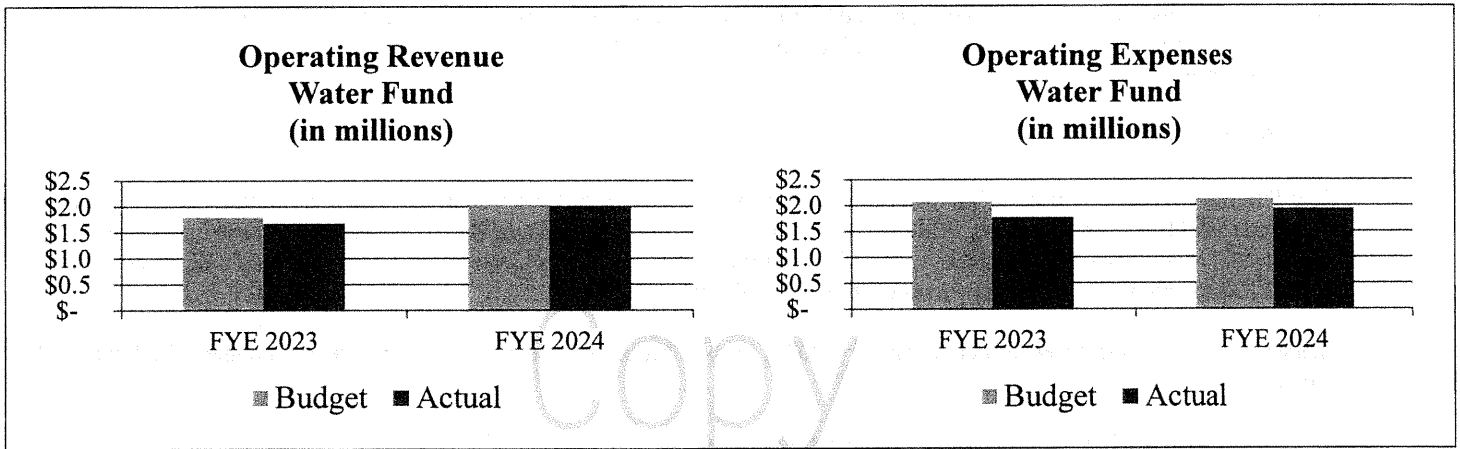
June 30, 2024

**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 year with positive fund balances.

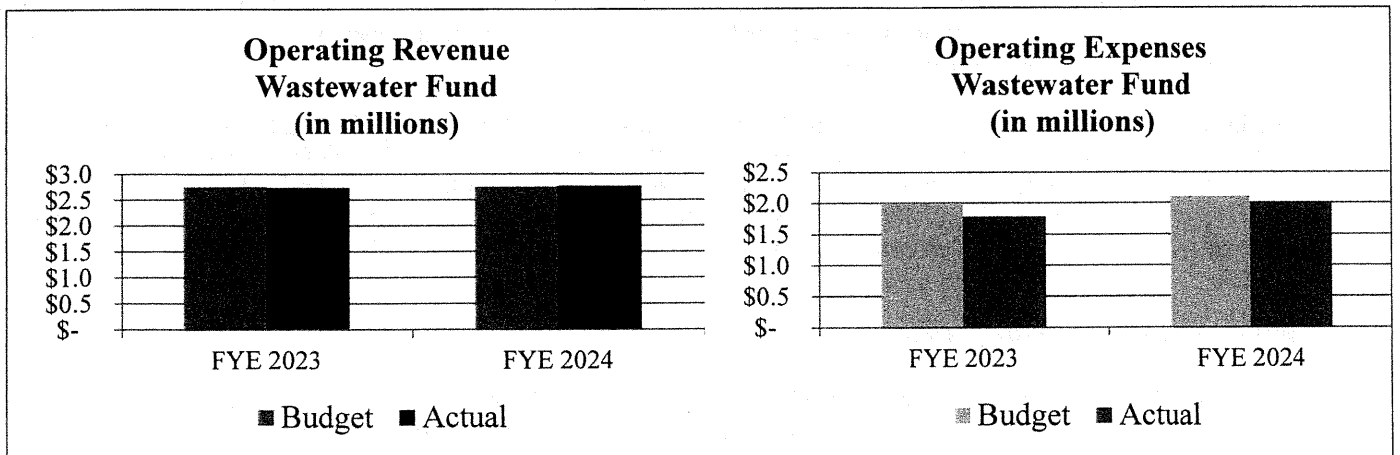
**Water Fund**

The water fund's net position increased by \$5,070. Unrestricted water revenues were under projections by \$45,955, a 2.3% variance. There were 20 inches of rainfall during FYE 24, about 35% over the District's annual average. Total unrestricted water operating revenues were \$1.98 million with \$1.54 million (77%) collected from residential customers and the remaining \$0.44 million (23%) collected from commercial, bulk residential, irrigation, and other. Water fund operating expenses of \$1.93 million were 8.8% under budget and primarily consisted of salaries and benefits (46%), water treatment (7%), pumping (19%), and depreciation (12%).



**Wastewater Fund**

The wastewater fund's net position increased by \$1.2 million. Unrestricted wastewater revenues were over projections by \$16,300, less than a 1% variance. Wastewater fund operating expenses of \$2 million were 4% under budget and primarily consisted of wastewater treatment (27%), salaries and benefits (27%), administration (5%), and depreciation (36%). The total volume of wastewater for FYE 24 decreased by 3%; 153.75 million gallons compared to 157.73 million gallons last fiscal year.



**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2024

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

Capital assets include land, land improvements, buildings, building improvements, construction in progress, machinery and equipment, vehicles, infrastructure, and easements. Intangible assets such as water rights and wastewater capacity rights are also classified as capital assets. At the end of FYE 24, the District had \$36.3 million invested in a broad range of capital assets including a 16-percent capacity right in the Lompoc Regional Wastewater Reclamation Plant (LRWRP) and a 100-percent capacity right in the Vandenberg Village Interceptor. The original 1974 Lompoc Wastewater Plant capacity right values were added to the asset list for \$80,400 and the 1977 Interceptor Sewer Line for \$820,715. There was also a 1978 15" Interceptor Sewer Line section which was added to the asset list for \$111,420, then retired because it was replaced by the 2023 Floradale Bridge sewer relocation for \$2,179,711.

**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. A new project has been submitted to Santa Barbara County Planning and Development which includes 87 extended-stay hotel rooms, 48 residential units, a pool, and a clubhouse on Constellation Road. Another project plans to add 100 townhomes and 208 apartments at the end of Apollo Way.

Water Rates were increased effective January 2024, with additional increases of 4% per year scheduled for January 2025 and January 2026.

Interest rates on the District's conservative investments have been about 3.7% for FYE 2024, an increase over recent years.

The Board of Directors increases employee salaries based on the CPI-W, West B/C, published by the U.S. Department of Labor, Bureau of Labor Statistics, with a maximum adjustment of 5.5 percent and a minimum adjustment of 2.0 percent. The CPI for the first half of 2024 is 3.4%.

Capital investment is focused on maintaining, repairing, rehabilitating, and replacing aging infrastructure in both the water distribution and wastewater collection systems. The Filter system rehabilitation, Sewer Main replacement at Constellation Road and Apollo Way, and raising offsite manholes are being carried forward to FYE 25. The Supervisory Control and Data Acquisition (SCADA) software and computer are being upgraded. SCADA provides information about wells, tanks, lift stations, and chemical levels for our water and wastewater systems.

The District continues to work with the State Lands Commission (SLC) and the California Department of Fish and Wildlife on obtaining additional land to drill replacement wells in the future. After years of study involving five alternative well sites, a cultural resources study and a biological resource assessment were completed and submitted to the SLC. In August 2023, the District amended its Application to Lease State Lands to request a long-term lease of a specific 0.684-acre parcel of land adjacent to a historical 40-foot-wide road and pipeline easement. Further biological assessment will be completed in the Fall of 2024.

**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, 2024

**ASSETS**

Current assets:

|                             |                   |
|-----------------------------|-------------------|
| Cash on hand                | \$ 400            |
| Cash and investments        | 13,170,841        |
| Accounts receivable         | 370,504           |
| Accrued interest receivable | 81,021            |
| Inventory                   | 60,765            |
| Prepaid expenses            | 12,807            |
|                             | <u>13,696,338</u> |
| Total current assets        | <u>13,696,338</u> |

Other assets:

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

Capital assets:

|                               |                   |
|-------------------------------|-------------------|
| Land                          | 1,042,000         |
| Easements                     | 200,000           |
| Water rights                  | 650,000           |
| Capacity rights               | 20,244,941        |
| Source of supply              | 402,088           |
| Pumping equipment             | 1,869,205         |
| Treatment                     | 299,131           |
| Transmission and distribution | 8,061,185         |
| General plant                 | 3,010,770         |
| Construction in progress      | 552,921           |
|                               | <u>36,332,241</u> |

|                                |                     |
|--------------------------------|---------------------|
| Less: Accumulated depreciation | <u>(12,984,902)</u> |
|--------------------------------|---------------------|

|  |                   |
|--|-------------------|
| Total capital assets - net of accumulated depreciation | <u>23,347,339</u> |
|--|-------------------|

|              |                   |
|--------------|-------------------|
| Total assets | <u>37,786,319</u> |
|--------------|-------------------|

**DEFERRED OUTFLOWS OF RESOURCES**

|                   |                |
|-------------------|----------------|
| Deferred pensions | <u>828,399</u> |
|-------------------|----------------|

|                                      |                |
|--------------------------------------|----------------|
| Total deferred outflows of resources | <u>828,399</u> |
|--------------------------------------|----------------|

See accompanying notes to basic financial statements.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2024

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**LIABILITIES**

Current liabilities:

|   |                |
|---|----------------|
| Accounts payable                        | \$ 917,481     |
| Accrued payroll expenses                | 32,641         |
| Compensated absences                    | 160,781        |
| Customer deposits                       | 231,173        |
| Unearned revenues                       | 139,612        |
| Due to City of Lompoc - current portion | <u>678,253</u> |

|                           |                  |
|---------------------------|------------------|
| Total current liabilities | <u>2,159,941</u> |
|---------------------------|------------------|

Noncurrent liabilities:

|  |                  |
|--|------------------|
| Net pension liability                        | 1,964,345        |
| Due to City of Lompoc - less current portion | <u>2,836,528</u> |

|                              |                  |
|------------------------------|------------------|
| Total noncurrent liabilities | <u>4,800,873</u> |
|------------------------------|------------------|

|                   |                  |
|-------------------|------------------|
| Total liabilities | <u>6,960,814</u> |
|-------------------|------------------|

**DEFERRED INFLOWS OF RESOURCES**

|                   |               |
|-------------------|---------------|
| Deferred pensions | <u>60,843</u> |
|-------------------|---------------|

|                                     |               |
|-------------------------------------|---------------|
| Total deferred inflows of resources | <u>60,843</u> |
|-------------------------------------|---------------|

**NET POSITION**

|                                      |                   |
|--------------------------------------|-------------------|
| Net investment in capital assets     | 19,832,558        |
| Restricted for construction          | 144,740           |
| Restricted for water conservation    | 203,626           |
| Restricted for employee benefits     | 929               |
| Restricted for maintenance of lot 54 | 26,567            |
| Unrestricted                         | <u>11,384,641</u> |

|                    |                      |
|--------------------|----------------------|
| Total net position | <u>\$ 31,593,061</u> |
|--------------------|----------------------|

See accompanying notes to basic financial statements.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2024

| <u>Functions/Programs</u>                 | <u>Expenses</u>     | <u>Program Revenues</u>     |   | <u>Net (Expense) Revenue and Changes in Net Position</u> |   |
|---|---------------------|-----------------------------|---|--|---|
|   |                     | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> |  | <u>Capital Grants and Contributions</u> |
| Business-type activities:                 |                     |                             |   |  |   |
| Water                                     | \$ 2,157,692        | \$ 1,981,908                | \$ -                                      | \$ 38,183  | \$ (137,601)                            |
| Wastewater                                | 2,085,396           | 2,766,712                   |   | 67,124   | 748,440                                 |
| Total business-type activities            | <u>\$ 4,243,088</u> | <u>\$ 4,748,620</u>         | <u>\$ -</u>                               | <u>\$ 105,307</u>  | 610,839                                 |
| General revenues:                         |                     |                             |   |  |   |
| Investment earnings                       |                     |                             |   |  | <u>607,957</u>                          |
| Change in net position                    |                     |                             |   |  | <u>1,218,796</u>                        |
| Net position, beginning of fiscal year    |                     |                             |   |  | 30,374,421                              |
| Prior-period adjustment                   |                     |                             |   |  | <u>(157)</u>                            |
| Total net position - beginning (restated) |                     |                             |   |  | <u>30,374,264</u>                       |
| Net position, end of fiscal year          |                     |                             |   |  | <u>\$ 31,593,060</u>                    |

See accompanying notes to basic financial statements.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
June 30, 2024  
With Comparative Totals for June 30, 2023

|  | ENTERPRISE FUNDS   |                    |                     |                     |
|--|--------------------|--------------------|---------------------|---------------------|
|  | Water Fund         | Wastewater Fund    | Totals 2024         | Totals 2023         |
| <b>ASSETS</b>  |                    |                    |                     |                     |
| Current assets:  |                    |                    |                     |                     |
| Cash on hand   | \$ 400             | \$ -               | \$ 400              | \$ 400              |
| Cash and investments                                   | 2,926,556          | 10,244,285         | 13,170,841          | 11,437,944          |
| Accounts receivable                                    | 227,453            | 143,051            | 370,504             | 242,824             |
| Accrued interest receivable                            | 81,021             |                    | 81,021              | 65,022              |
| Inventory  | 60,765             |                    | 60,765              | 54,172              |
| Prepaid expenses                                       | 12,807             |                    | 12,807              | 10,853              |
| Total current assets                                   | <u>3,309,002</u>   | <u>10,387,336</u>  | <u>13,696,338</u>   | <u>11,811,215</u>   |
| Other assets:  |                    |                    |                     |                     |
| Deposits   |                    | 742,642            | 742,642             | 742,642             |
| Total other assets                                     |                    | <u>742,642</u>     | <u>742,642</u>      | <u>742,642</u>      |
| 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             | 650,000             |
| Capacity rights  |                    | 20,244,941         | 20,244,941          | 17,164,115          |
| Source of supply                                       | 402,088            |                    | 402,088             | 393,853             |
| Pumping equipment                                      | 1,087,467          | 781,738            | 1,869,205           | 1,884,360           |
| Treatment  | 299,131            |                    | 299,131             | 313,516             |
| Transmission and distribution                          | 5,903,087          | 2,158,098          | 8,061,185           | 8,025,915           |
| General plant  | 1,614,349          | 1,396,421          | 3,010,770           | 2,986,925           |
| Construction in progress                               | 486,480            | 66,441             | 552,921             | 2,397,140           |
| Total capital assets                                   | <u>11,064,602</u>  | <u>25,267,639</u>  | <u>36,332,241</u>   | <u>35,057,824</u>   |
| Less: Accumulated depreciation                         | <u>(3,819,479)</u> | <u>(9,165,423)</u> | <u>(12,984,902)</u> | <u>(11,207,871)</u> |
| Total capital assets - net of accumulated depreciation | <u>7,245,123</u>   | <u>16,102,216</u>  | <u>23,347,339</u>   | <u>23,849,953</u>   |
| Total assets   | <u>10,554,125</u>  | <u>27,232,194</u>  | <u>37,786,319</u>   | <u>36,403,810</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                  |                    |                    |                     |                     |
| Deferred pensions                                      | <u>515,996</u>     | <u>312,403</u>     | <u>828,399</u>      | <u>874,314</u>      |
| Total deferred outflows of resources                   | <u>515,996</u>     | <u>312,403</u>     | <u>828,399</u>      | <u>874,314</u>      |

See accompanying notes to basic financial statements.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
 June 30, 2024  
 With Comparative Totals for June 30, 2023

|  | ENTERPRISE FUNDS |                 |               |               |
|--|------------------|-----------------|---------------|---------------|
|  | Water Fund       | Wastewater Fund | Totals 2024   | Totals 2023   |
| <b>LIABILITIES</b>                           |                  |                 |               |               |
| Current liabilities:                         |                  |                 |               |               |
| Accounts payable                             | \$ 105,583       | \$ 811,898      | \$ 917,481    | \$ 102,294    |
| Accrued payroll expenses                     | 24,071           | 8,570           | 32,641        | 40,984        |
| Compensated absences                         | 125,295          | 35,486          | 160,781       | 289,457       |
| Customer deposits                            | 231,173          |                 | 231,173       | 224,029       |
| Unearned revenues                            |                  | 139,612         | 139,612       | 138,688       |
| Due to City of Lompoc - current portion      |                  | 678,253         | 678,253       | 666,340       |
| Total current liabilities                    | 486,122          | 1,673,819       | 2,159,941     | 1,461,792     |
| Noncurrent liabilities:                      |                  |                 |               |               |
| Net pension liability                        | 1,223,559        | 740,786         | 1,964,345     | 1,823,528     |
| Due to City of Lompoc - less current portion |                  | 2,836,528       | 2,836,528     | 3,514,782     |
| Total liabilities                            | 1,709,681        | 5,251,133       | 6,960,814     | 6,800,102     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>         |                  |                 |               |               |
| Deferred pensions                            | 37,898           | 22,945          | 60,843        | 103,601       |
| Total deferred inflows of resources          | 37,898           | 22,945          | 60,843        | 103,601       |
| <b>NET POSITION</b>                          |                  |                 |               |               |
| Net investment in capital assets             | 7,245,123        | 12,587,435      | 19,832,558    | 19,668,831    |
| Restricted for construction                  | 144,740          |                 | 144,740       | 121,625       |
| Restricted for water conservation            | 203,626          |                 | 203,626       | 173,307       |
| Restricted for employee benefits             | 929              |                 | 929           | 4,605         |
| Restricted for maintenance of lot 54         | 26,567           |                 | 26,567        | 25,519        |
| Unrestricted                                 | 1,701,557        | 9,683,084       | 11,384,641    | 10,380,534    |
| Total net position                           | \$ 9,322,542     | \$ 22,270,519   | \$ 31,593,061 | \$ 30,374,421 |

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, 2024  
With Comparative Totals for the Fiscal Year Ended June 30, 2023

|   | ENTERPRISE FUNDS    |                      |                      |                      |
|---|---------------------|----------------------|----------------------|----------------------|
|   | Water<br>Fund       | Wastewater<br>Fund   | Totals<br>2024       | Totals<br>2023       |
| <b>Operating Revenues:</b>                    |                     |                      |                      |                      |
| Residential                                   | \$ 1,535,175        | \$ 1,328,809         | \$ 2,863,984         | \$ 2,615,904         |
| Commercial                                    | 122,295             | 329,283              | 451,578              | 433,257              |
| Bulk meter residential                        | 134,411             |                      | 134,411              | 116,615              |
| Irrigation                                    | 174,031             |                      | 174,031              | 156,219              |
| LRWRP Upgrade                                 |                     | 1,107,095            | 1,107,095            | 1,077,928            |
| Other   | 15,996              | 1,525                | 17,521               | 13,191               |
| Total operating revenues                      | <u>1,981,908</u>    | <u>2,766,712</u>     | <u>4,748,620</u>     | <u>4,413,114</u>     |
| <b>Operating Expenses:</b>                    |                     |                      |                      |                      |
| Salaries                                      | 481,035             | 291,811              | 772,846              | 782,332              |
| Source of supply                              | 78,311              |                      | 78,311               | 24,036               |
| Pumping                                       | 359,161             | 21,253               | 380,414              | 348,498              |
| Water treatment                               | 135,481             |                      | 135,481              | 130,595              |
| Wastewater treatment                          |                     | 543,707              | 543,707              | 428,200              |
| Transmission and distribution                 | 55,331              | 6,923                | 62,254               | 53,546               |
| Customer accounts                             | 45,358              | 48,385               | 93,743               | 111,077              |
| Administrative and general                    | 525,062             | 357,304              | 882,366              | 745,142              |
| Other operating expenses                      | 26,796              | 25,541               | 52,337               | 57,499               |
| Depreciation                                  | 226,742             | 714,943              | 941,685              | 873,100              |
| Total operating expenses                      | <u>1,933,277</u>    | <u>2,009,867</u>     | <u>3,943,144</u>     | <u>3,554,025</u>     |
| Net operating income                          | <u>48,631</u>       | <u>756,845</u>       | <u>805,476</u>       | <u>859,089</u>       |
| <b>Non-Operating Revenues (Expenses):</b>     |                     |                      |                      |                      |
| Investment income                             | 142,671             | 465,286              | 607,957              | 210,888              |
| Interest expense                              |                     | (74,751)             | (74,751)             | (86,454)             |
| Net gain (loss) on disposal of capital assets | (224,415)           | (778)                | (225,193)            | (57,536)             |
| Total non-operating revenues (expenses)       | <u>(81,744)</u>     | <u>389,757</u>       | <u>308,013</u>       | <u>66,898</u>        |
| <b>Capital Contributions:</b>                 |                     |                      |                      |                      |
| Connection fees                               | 38,183              | 36,414               | 74,597               | 21,122               |
| Intergovernmental grant                       |                     | 30,710               | 30,710               |                      |
| Total capital contributions                   | <u>38,183</u>       | <u>67,124</u>        | <u>105,307</u>       | <u>21,122</u>        |
| Change in net position                        | <u>5,070</u>        | <u>1,213,726</u>     | <u>1,218,796</u>     | <u>947,109</u>       |
| Total net position - beginning                | <u>9,317,472</u>    | <u>21,056,949</u>    | <u>30,374,421</u>    | <u>29,266,246</u>    |
| Prior-period adjustment                       |                     | (157)                | (157)                | 161,066              |
| Total net position - beginning (restated)     | <u>9,317,472</u>    | <u>21,056,792</u>    | <u>30,374,264</u>    | <u>29,427,312</u>    |
| Total net position - ending                   | <u>\$ 9,322,542</u> | <u>\$ 22,270,518</u> | <u>\$ 31,593,060</u> | <u>\$ 30,374,421</u> |

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, 2024  
With Comparative Totals for the Fiscal Year Ended June 30, 2023

|  | ENTERPRISE FUNDS    |                      |                      |                      |
|--|---------------------|----------------------|----------------------|----------------------|
|  | Water Fund          | Wastewater Fund      | Totals 2024          | Totals 2023          |
| <b>Cash Flows From Operating Activities:</b>                     |                     |                      |                      |                      |
| Receipts from customers and users                                | \$ 1,886,821        | \$ 2,742,187         | \$ 4,629,008         | \$ 4,469,972         |
| Payments to suppliers  | (1,091,145)         | (230,248)            | (1,321,393)          | (1,901,142)          |
| Payments to employees  | (599,902)           | (266,569)            | (866,471)            | (766,604)            |
| Net cash provided by operating activities                        | <u>195,774</u>      | <u>2,245,370</u>     | <u>2,441,144</u>     | <u>1,802,226</u>     |
| <b>Cash Flows from Capital and Related Financing Activities:</b> |                     |                      |                      |                      |
| Intergovernmental grant  |                     | 30,710               | 30,710               |                      |
| Payment on long-term debt  |                     | (666,341)            | (666,341)            | (654,636)            |
| Interest on long-term debt                                       |                     | (74,751)             | (74,751)             | (86,454)             |
| Connection fees collected  | 38,183              | 36,414               | 74,597               | 21,122               |
| Sale of capital assets   | 205                 |                      | 205                  |                      |
| Purchase of capital assets                                       | (421,093)           | (243,532)            | (664,625)            | (1,981,012)          |
| Net cash used by capital and related financing activities        | <u>(382,705)</u>    | <u>(917,500)</u>     | <u>(1,300,205)</u>   | <u>(2,700,980)</u>   |
| <b>Cash Flows from Investing Activities:</b>                     |                     |                      |                      |                      |
| Investment income  | 126,672             | 465,286              | 591,958              | 162,193              |
| Net cash provided by investing activities                        | <u>126,672</u>      | <u>465,286</u>       | <u>591,958</u>       | <u>162,193</u>       |
| Net increase (decrease) in cash and cash equivalents             | (60,259)            | 1,793,156            | 1,732,897            | (736,561)            |
| Cash and cash equivalents, beginning of fiscal year              | <u>2,987,215</u>    | <u>8,451,129</u>     | <u>11,438,344</u>    | <u>12,174,905</u>    |
| Cash and cash equivalents, end of fiscal year                    | <u>\$ 2,926,956</u> | <u>\$ 10,244,285</u> | <u>\$ 13,171,241</u> | <u>\$ 11,438,344</u> |
| <b>Reconciliation to Statement of Net Position:</b>              |                     |                      |                      |                      |
| Cash on hand   | \$ 400              | \$ -                 | \$ 400               | \$ 400               |
| Cash and investments   | <u>2,926,556</u>    | <u>10,244,285</u>    | <u>13,170,841</u>    | <u>11,437,944</u>    |
|  | <u>\$ 2,926,956</u> | <u>\$ 10,244,285</u> | <u>\$ 13,171,241</u> | <u>\$ 11,438,344</u> |

(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, 2024  
With Comparative Totals for the Fiscal Year Ended June 30, 2023

|  | ENTERPRISE FUNDS  |                     |                     |                     |
|--|-------------------|---------------------|---------------------|---------------------|
|  | Water<br>Fund     | Wastewater<br>Fund  | Totals<br>2024      | Totals<br>2023      |
| <b>Reconciliation of Operating Income to Net</b>   |                   |                     |                     |                     |
| <b>Cash Provided by Operating Activities:</b>  |                   |                     |                     |                     |
| Operating income   | \$ 48,631         | \$ 756,845          | \$ 805,476          | \$ 859,089          |
| Adjustments to reconcile operating income<br>to net cash provided by operating activities:   |                   |                     |                     |                     |
| Depreciation   | 226,742           | 714,943             | 941,685             | 873,100             |
| <b>Change in Operating Assets, Deferred Outflows,<br/>Liabilities, and Deferred Inflows:</b> |                   |                     |                     |                     |
| (Increase) decrease in accounts receivable   | (102,231)         | (25,449)            | (127,680)           | 47,341              |
| (Increase) decrease in inventory   | (6,593)           |                     | (6,593)             | (8,958)             |
| (Increase) decrease in prepaid expenses  | (1,999)           | 45                  | (1,954)             | 2,484               |
| (Increase) decrease in deferred outflows   | 19,548            | 26,367              | 45,915              | (501,951)           |
| Increase (decrease) in accounts payable  | 42,367            | 772,820             | 815,187             | 29,131              |
| Increase (decrease) in accrued payroll   | (5,721)           | (2,622)             | (8,343)             | 6,681               |
| Increase (decrease) in customer deposits   | 7,144             |                     | 7,144               | 10,125              |
| Increase (decrease) in unearned revenue  |                   | 924                 | 924                 | (608)               |
| Increase (decrease) in compensated absences  | (113,146)         | (15,530)            | (128,676)           | 33,369              |
| Increase (decrease) in net pension liability   | 106,593           | 34,224              | 140,817             | 1,057,301           |
| Increase (decrease) in deferred inflows  | (25,561)          | (17,197)            | (42,758)            | (604,878)           |
| Net cash provided by operating<br>activities   | <u>\$ 195,774</u> | <u>\$ 2,245,370</u> | <u>\$ 2,441,144</u> | <u>\$ 1,802,226</u> |

See accompanying notes to basic financial statements.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2024

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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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**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2024

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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, No. 80, and No. 90.

**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 PEPRAs 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. 101 | "Compensated Absences"                   | The provisions of this statement are effective for fiscal years beginning after December 15, 2023. |
| Statement No. 102 | "Certain Risk Disclosures"               | The provisions of this statement are effective for fiscal years beginning after June 15, 2024.     |
| Statement No. 103 | "Financial Reporting Model Improvements" | The provisions of this statement are effective for fiscal years beginning after June 15, 2025.     |

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 3 - CASH AND INVESTMENTS**

Investments are carried at fair value in accordance with GASB Statement No. 72. On June 30, 2024, the District had the following cash and investments on hand:

|   |                     |
|---|---------------------|
| Cash on hand  | \$ 400              |
| Cash in checking accounts                                   | 63,186              |
| Cash in savings accounts                                    | 2,673,383           |
| Cash and investments with California Class                  | 2,157,744           |
| Cash and investments with County of Santa Barbara           | 3,089,392           |
| Cash and investments in Local Agency Investment Fund (LAIF) | <u>5,187,136</u>    |
| Cash and investments  | <u>\$13,171,241</u> |

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

|                      |                     |
|----------------------|---------------------|
| Cash on hand         | \$ 400              |
| Cash and investments | <u>13,170,841</u>   |
| Total                | <u>\$13,171,241</u> |

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 which is an external pool measured under Level 2.

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

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

Disclosures Relating to Interest Rate Risk

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



**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

Disclosures Relating to Interest Rate Risk (Continued)

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

| <u>Investment Type</u>               | <u>Carrying Amount</u> | <u>Remaining Maturity (in Months)</u> |                     |                     |                            |
|--------------------------------------|------------------------|---------------------------------------|---------------------|---------------------|----------------------------|
|                                      |                        | <u>12 Months Or Less</u>              | <u>13-24 Months</u> | <u>25-60 Months</u> | <u>More than 60 Months</u> |
| Santa Barbara County Investment Pool | \$ 3,089,392           | \$ 3,089,392                          | \$ -                | \$ -                | \$ -                       |
| California CLASS                     | 2,157,744              | 2,157,744                             |                     |                     |                            |
| LAIF                                 | <u>5,187,136</u>       | <u>5,187,136</u>                      |                     |                     |                            |
| Total                                | <u>\$ 10,434,272</u>   | <u>\$ 10,434,272</u>                  | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>                |

Disclosures Relating to Credit Risk

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

| <u>Investment Type</u>               | <u>Carrying Amount</u> | <u>Minimum Legal Rating</u> | <u>Exempt From Disclosure</u> | <u>Rating as of Fiscal Year End</u> |             |                    |
|--------------------------------------|------------------------|-----------------------------|-------------------------------|-------------------------------------|-------------|--------------------|
|                                      |                        |                             |                               | <u>AAAm</u>                         | <u>Aa</u>   | <u>Not Rated</u>   |
| Santa Barbara County Investment Pool | \$ 3,089,392           | N/A                         | \$ -                          | \$ -                                | \$ -        | \$3,089,392        |
| California CLASS                     | 2,157,744              | N/A                         |                               | 2,157,744                           |             |                    |
| LAIF                                 | <u>5,187,136</u>       | N/A                         |                               |                                     |             | <u>5,187,136</u>   |
| Total                                | <u>\$10,434,272</u>    |                             | <u>\$ -</u>                   | <u>\$2,157,744</u>                  | <u>\$ -</u> | <u>\$8,276,528</u> |

Concentration of Credit Risk

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

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, 2024, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2024

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

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 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, 2024, is shown below:

|  | Balance<br>July 1, 2023 | Additions           | Deletions           | Transfers             | Prior-period<br>Adjustment | Balance<br>June 30, 2024 |
|--|-------------------------|---------------------|---------------------|-----------------------|----------------------------|--------------------------|
| Capital assets, not being depreciated:       |                         |                     |                     |                       |                            |                          |
| Land   | \$ 1,042,000            | \$ -                | \$ -                | \$ -                  | \$ -                       | \$ 1,042,000             |
| Construction in progress                     | 2,397,140               | 651,507             | (198,924)           | (2,265,247)           | (31,555)                   | 552,921                  |
| Total capital assets, not being depreciated  | <u>\$ 3,439,140</u>     | <u>\$ 651,507</u>   | <u>\$ (198,924)</u> | <u>\$ (2,265,247)</u> | <u>\$ (31,555)</u>         | <u>\$ 1,594,921</u>      |
| Capital assets, being depreciated:           |                         |                     |                     |                       |                            |                          |
| Easements and water rights                   | \$ 850,000              | \$ -                | \$ -                | \$ -                  | \$ -                       | \$ 850,000               |
| Plant and facilities                         | 30,768,684              | 13,118              | (203,819)           | 2,265,247             | 1,044,090                  | 33,887,320               |
| Total capital assets, being depreciated      | 31,618,684              | 13,118              | (203,819)           | 2,265,247             | 1,044,090                  | 34,737,320               |
| Less accumulated depreciation                | 11,207,871              | 941,685             | (177,346)           |                       | 1,012,692                  | 12,984,902               |
| Total capital assets, being depreciated, net | <u>\$ 20,410,813</u>    | <u>\$ (928,567)</u> | <u>\$ (26,473)</u>  | <u>\$ 2,265,247</u>   | <u>\$ 31,398</u>           | <u>\$ 21,752,418</u>     |
| Capital assets, net                          | <u>\$ 23,849,953</u>    | <u>\$ (277,060)</u> | <u>\$ (225,397)</u> | <u>\$ -</u>           | <u>\$ (157)</u>            | <u>\$ 23,347,339</u>     |

**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, 2024, 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.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2024

**NOTE 6 - UNEARNED REVENUES**

Unearned revenues consist of sewer fees paid in advance by the District's customers in the amount of \$139,612 for the fiscal year ended June 30, 2024.

**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.

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, 2024, is \$3,514,781.

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

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2024, is shown below:

|                           | Balance<br>July 1, 2023 | Additions         | Deletions         | Balance<br>June 30, 2024 | Due within<br>One Year |
|---------------------------|-------------------------|-------------------|-------------------|--------------------------|------------------------|
| Due to the City of Lompoc | \$ 4,181,122            | \$ -              | \$ 666,341        | \$ 3,514,781             | \$ 678,253             |
| Net Pension Liability     | 1,823,528               | 140,817           |                   | 1,964,345                |                        |
|                           | <u>\$ 6,004,650</u>     | <u>\$ 140,817</u> | <u>\$ 666,341</u> | <u>\$ 5,479,126</u>      | <u>\$ 678,253</u>      |

**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.

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

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

*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.

The Plans’ provisions and benefits in effect at June 30, 2024, are summarized as follows:

|   | <u>Miscellaneous</u>                |  |
|---|-------------------------------------|--|
|   | <u>Prior to<br/>January 1, 2013</u> | <u>On or after<br/>January 1, 2013</u> |
| Hire Date   |                                     |  |
| Benefit formula                                   | 2.7% @ 55                           | 2% @ 62                                |
| Benefit vesting schedule                          | 5 years service                     | 5 years service                        |
| Benefit payments                                  | monthly for life                    | monthly for life                       |
| Retirement age                                    | 50-55                               | 52-67                                  |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.7%                        | 1.0% to 2.5%                           |
| Required employee contribution rates              | 8.00%                               | 7.75%                                  |
| Required employer contribution rates              | 15.95% + \$126,861                  | 7.68%                                  |

*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. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Contributions to the pension plan from the District were \$245,761 for the fiscal year ended June 30, 2024.

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

At June 30, 2024, the District reported a liability of \$1,964,345 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 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, 2022, and 2023 is as follows:

|                            | <u>Miscellaneous</u> |
|----------------------------|----------------------|
| Proportion-June 30, 2022   | 0.03897%             |
| Proportion-June 30, 2023   | 0.03928%             |
| Change-Increase (Decrease) | <u>0.00031%</u>      |

For the fiscal year ended June 30, 2024, the District recognized pension expense of \$389,733. 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, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from sources shown on the following page:

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2024

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

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

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|---|---|--|
| Pension contributions subsequent to measurement date                                | \$ 245,761                                | \$ -                                     |
| Differences between expected and actual experience                                  | 100,349                                   | 15,567                                   |
| Changes in assumptions  | 118,596                                   |  |
| Net difference between projected and actual earnings on retirement plan investments | 318,045                                   |  |
| Adjustment due to differences in proportions  | 45,648                                    |  |
| Difference in actual contributions and proportionate share of contributions         |   | 45,276                                   |
|   | <u>\$ 828,399</u>                         | <u>\$ 60,843</u>                         |

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

\$245,761 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, 2025.

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:

| <u>Fiscal year Ending June 30,</u> | <u>Amount</u>     |
|------------------------------------|-------------------|
| 2025                               | \$ 162,735        |
| 2026                               | 107,993           |
| 2027                               | 241,942           |
| 2028                               | 9,125             |
|                                    | <u>\$ 521,795</u> |

*Actuarial Assumptions*

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions:

|                                  | <u>Miscellaneous</u>   |
|----------------------------------|--|
| Valuation Date                   | June 30, 2022  |
| Measurement Date                 | June 30, 2023  |
| Actuarial Cost Method            | Entry-Age Actuarial Cost Method  |
| Actuarial Assumptions:           |  |
| Discount Rate                    | 6.90%  |
| Inflation                        | 2.30%  |
| Projected Salary Increase        | Varies by Entry Age and Service  |
| Mortality Rate Table (1)         | Derived using CalPERS' Membership Data for all Funds   |
| Post Retirement Benefit Increase | The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter |

(1) The mortality table used was developed based on CalPERS' specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2024

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

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

*Long-term Expected Rate of Return*

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The expected real rates of return by asset class are as follows:

| Asset Class                      | New<br>Strategic<br>Allocation | Real Return<br>(a,b) |
|----------------------------------|--------------------------------|----------------------|
| Global Equity - cap-weighted     | 30.0%                          | 4.54%                |
| Global Equity - non-cap-weighted | 12.0%                          | 3.84%                |
| Private Equity                   | 13.0%                          | 7.28%                |
| Treasury                         | 5.0%                           | 0.27%                |
| Mortgage-backed Securities       | 5.0%                           | 0.50%                |
| Investment Grade Corporations    | 10.0%                          | 1.56%                |
| High Yield                       | 5.0%                           | 2.27%                |
| Emerging Market Debt             | 5.0%                           | 2.48%                |
| Private Debt                     | 5.0%                           | 3.57%                |
| Real Assets                      | 15.0%                          | 3.21%                |
| Leverage                         | -5.0%                          | -0.59%               |
| Total                            | 100.0%                         |                      |

(a) An expected inflation of 2.30% was used for this period.

(b) Figures are based on the 2021-22 Asset Liability Management Study.

*Discount Rate*

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*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<br>5.90% | Discount Rate<br>6.90% | 1% Increase<br>7.90% |
|--|----------------------|------------------------|----------------------|
| District's proportionate share of the net pension plan liability | \$3,032,110          | \$ 1,964,345           | \$ 1,085,482         |

*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, 2024, 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, 2024.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2024

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**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS**

As of June 30, 2024, 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 capital assets to add in fully depreciated capacity rights for the Lompoc Wastewater Facility and systems. In addition, the 2023 Storm Repair work was mostly completed in the prior fiscal year and this resulted in a prior period adjustment of (\$157) from depreciation that was underreported in the prior fiscal year.

A prior-period adjustment was made to the statement of activities for the fiscal year-ended June 30, 2023 of \$161,066 to reclassify prior fiscal year expenditures on the Floradale Bridge Project to capital construction in progress.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
 Last 10 Years  
 As of June 30, 2024

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

|   | <u>2024</u>       | <u>2023</u>       | <u>2022</u>       | <u>2021</u>       | <u>2020</u>       |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Proportion of the net pension liability   | 0.01575%          | 0.01579%          | 0.01417%          | 0.01381%          | 0.01335%          |
| Proportionate share of the net pension liability                                  | \$ 1,964,345      | \$ 1,823,528      | \$ 766,227        | \$ 1,502,320      | \$ 1,368,316      |
| Covered payroll   | \$ 865,463        | \$ 836,489        | \$ 905,194        | \$ 894,387        | \$ 792,390        |
| Proportionate share of the net pension liability as percentage of covered payroll | 227.0%            | 218.0%            | 84.6%             | 168.0%            | 172.7%            |
| Plan's total pension liability  | \$ 52,441,984,274 | \$ 49,525,975,138 | \$ 46,174,942,264 | \$ 43,702,930,887 | \$ 41,426,543,489 |
| Plan's fiduciary net position   | \$ 39,966,633,692 | \$ 37,975,170,163 | \$ 40,766,653,876 | \$ 32,822,501,335 | \$ 31,179,414,067 |
| Plan fiduciary net position as a percentage of the total pension liability        | 76.21%            | 76.68%            | 88.29%            | 75.10%            | 75.26%            |
|   | <u>2019</u>       | <u>2018</u>       | <u>2017</u>       | <u>2016</u>       | <u>2015</u>       |
| Proportion of the net pension liability   | 0.01285%          | 0.01279%          | 0.01240%          | 0.01147%          | 0.01038%          |
| Proportionate share of the net pension liability                                  | \$ 1,238,381      | \$ 1,268,715      | \$ 1,072,559      | \$ 787,410        | \$ 646,070        |
| Covered payroll   | \$ 765,042        | \$ 736,341        | \$ 720,382        | \$ 631,486        | \$ 693,171        |
| Proportionate share of the net pension liability as percentage of covered payroll | 161.9%            | 172.3%            | 148.9%            | 124.7%            | 93.2%             |
| Plan's total pension liability  | \$ 38,944,855,364 | \$ 37,161,348,332 | \$ 33,358,627,624 | \$ 31,771,217,402 | \$ 30,829,966,631 |
| Plan's fiduciary net position   | \$ 29,308,589,559 | \$ 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        | 75.26%            | 73.31%            | 74.06%            | 78.40%            | 79.82%            |

**Notes to Schedule:**

There were no changes to assumptions but SB 1168 increased the standard retiree lump sum death benefit from \$500 to \$2,000 for any death occurring after July 1, 2023 which resulted in a change between expected and actual experience.

**VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
 Last 10 Years  
 As of June 30, 2024

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

|  | <b>2024</b> | <b>2023</b> | <b>2022</b> | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution (actuarially determined)         | \$ 245,761  | \$ 241,992  | \$ 222,202  | \$ 213,276  | \$ 190,252  |
| Contribution in relation to the actuarially determined contributions | 245,761     | 241,992     | 222,202     | 213,276     | 190,252     |
| Contribution deficiency (excess)                                     | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Covered payroll  | \$ 891,402  | \$ 865,463  | \$ 836,489  | \$ 905,194  | \$ 894,387  |
| Contributions as a percentage of covered payroll                     | 27.57%      | 27.96%      | 26.56%      | 23.56%      | 21.27%      |
|  | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> |
| Contractually required contribution (actuarially determined)         | \$ 198,667  | \$ 170,047  | \$ 153,560  | \$ 158,774  | \$ 156,130  |
| Contribution in relation to the actuarially determined contributions | 198,667     | 170,047     | 153,560     | 158,774     | 156,130     |
| Contribution deficiency (excess)                                     | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Covered payroll  | \$ 792,390  | \$ 765,042  | \$ 736,341  | \$ 720,382  | \$ 631,486  |
| Contributions as a percentage of covered payroll                     | 25.07%      | 22.23%      | 20.85%      | 22.04%      | 24.72%      |

**Notes to Schedule**

There were changes to assumptions for the fiscal year ended June 30, 2024. The discount rate decreased from 6.90% to 6.80% and the rate of inflation decreased from 2.50% to 2.30%