

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT

BASIC FINANCIAL STATEMENTS

June 30, 2004



MOSS, LEVY & HARTZHEIM • CERTIFIED PUBLIC ACCOUNTANTS
BEVERLY HILLS • SACRAMENTO • SANTA MARIA

VANDENBERG VILLAGE COMMUNITY SERVICES DISTRICT
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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Vandenberg Village Community
Services District
Lompoc, California

We have audited the accompanying basic financial statements of the Vandenberg Village Community Services District, as of and for the fiscal year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Vandenberg Village Community Services District, as of June 30, 2004, and the results of its operations and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is a supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

MOSS, LEVY & HARTZHEIM

September 3, 2004

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Vandenberg Village Community Services District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audited financial statements.

HISTORY AND BUSINESS

Vandenberg Village Community Services District was established in 1983 as a local Government agency under California Government Code Section 61000, et. seq., for the purpose of providing water and wastewater services to the community of Vandenberg Village, an unincorporated area of Santa Barbara County north of Lompoc. It is governed by a Board of five locally elected directors.

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 combined net assets were \$6,924,114 at June 30, 2004. This was an increase of \$119,807 for the year. This increase is a combination of a Water Fund increase of \$39,453 and a Wastewater Fund increase of \$80,354.
- A change in management strategy focusing on training resulted in increases in training, employee travel, and directors' expenses. The budget for directors' expense was increased by \$ 5,500 during the year (from \$4,500 to \$10,000) to cover unbudgeted training and travel reimbursement.
- Due to the decline of interest rates, interest income fell \$55,482, a 54% decrease.
- The District's combined revenue was \$1,980,727, which primarily consisted of Water Sales and Service Charges, Wastewater Service Charges, and Bond Charges.
- In 1988, \$5.4 million in revenue bonds were issued to cover the purchase of the water and wastewater facilities from Park Water Company. The debt service principal paid during the fiscal year ended June 30, 2004 was \$295,000. The remaining principal balance due on the bonds is \$1,720,000. These bonds are scheduled to be paid off in 2008

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are followed by notes to the financial statements.

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 fund data.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets indicate whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net assets presents information showing how the District's net assets changed during the fiscal year. Changes in net assets are reported when the event causing the change occurs (i.e. an expense that is incurred on June 30th, but is paid for in July, is reported as a decrease to net assets in June).

The statement of cash flows 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).

The government-wide financial statements can be found on pages 7-10 of this report.

Notes to the financial statements. The notes provide additional information for a more complete understanding of the data provided in the basic financial statements.

The notes to the financial statements can be found on pages 17-23 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$6.9 million as of June 30, 2004.

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

The next largest portion of the District's net assets, however, is reserved for future spending. This portion is cash and investments.

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

Net Assets

... a quick comparison of June 2004 and June 2003

	6/30/2004	6/30/2003	Variance
Current assets	3,640,567	3,525,476	115,091
Noncurrent assets	5,273,172	5,545,059	(271,887)
Total assets	8,913,739	9,070,535	(156,796)

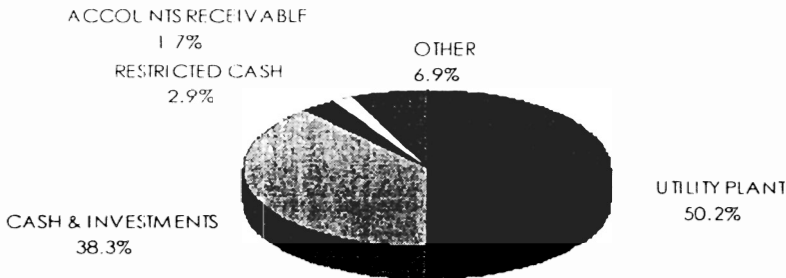
Current liabilities	579,625	546,228	33,397
Noncurrent liabilities	1,410,000	1,720,000	(310,000)
Total Liabilities	1,989,625	2,266,228	(276,603)

Total net assets	6,924,114	6,804,307	119,807
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The following are significant current year transactions that have had an impact on the Statement of Net Assets:

- Accumulated depreciation was corrected on items which were fully depreciated as of June 2003. This entry decreased noncurrent assets by \$141,789.
- Regular straight-line depreciation for the fiscal year ended June 2004 decreased noncurrent assets by \$138,378.
- Amortization of bond issuance costs decreased noncurrent assets by \$41,156.
- Of the Bonds payable, \$310,000 moved into the current portion due within one year, decreasing noncurrent liabilities.

See the following chart for a graphical depiction of the breakdown of asset types.



Revenues, Expenses and Changes in Net Assets

.. a summary of revenue and expense for the fiscal year ended June 30, 2004

	Water	Wastewater	Total
Operating revenue	836,096	654,205	1,490,301
Nonoperating revenue	350,230	140,196	490,426
Operating expense	925,205	659,639	1,584,844
Nonoperating expense	100,596	33,691	134,287
Change in net assets	160,525	101,071	261,596

