

CITY OF LOMPOC

**Basic Financial Statements
Fiscal Year Ended June 30, 2007**

City of Lompoc
 Basic Financial Statements
 Fiscal Year Ended June 30, 2007
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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Lompoc, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lompoc, as of and for the fiscal year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Lompoc at June 30, 2007, and the respective changes in financial position and cash flows, where applicable thereof, and 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 on pages 3 through 16, and the budgetary information on pages 75 and 76, are not a required part of the basic financial statements but they are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

Our audit was made for the purpose of forming opinions on the basic financial statements of the City of Lompoc, taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 13, 2008, on our consideration of the City of Lompoc's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

MOSS, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP

February 13, 2008

Management's Discussion and Analysis

As management of the City of Lompoc (the "City"), we offer readers of the City's financial statements this discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which begin on page 18 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management's discussion and analysis* (this section), *the basic financial statements*, *supplementary information*, and optional *combining and individual statements and schedules* for nonmajor governmental funds, nonmajor enterprise funds, and internal service funds. The basic financial statements include two kinds of statements that present different views of the City.

- The *government-wide financial statements* provide both long-term and short-term information about the City's overall financial status.
- *Fund financial statements* focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - *Governmental funds* statements tell how general government services such as police, fire, and public works were financed in the short term as well as what remains for future spending.
 - *Proprietary fund statements* offer short-term and long-term financial information about the activities the City operates like businesses, such as utility services.
 - *Fiduciary fund statements* provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements, which can be found on pages 32 - 74 of this report. In addition to these required elements, we have included combining and individual statements and schedules that provide details about our nonmajor governmental funds, nonmajor enterprise funds, and internal service funds, each of which is presented in a column in the basic financial statements.

Government-wide financial statements

The *government-wide financial statements* (see pages 18 – 20) report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The *statement of net assets* (the “Unrestricted Net Assets”) is designed to be similar to a bottom line for the City and its governmental and business-type activities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This statement combines and consolidates governmental fund’s current financial resources (short-term spendable resources) with capital assets and long-term obligations.

The *statement of activities* presents information showing how the government’s net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements of the City are divided as follows:

- *Governmental activities* – Most of the City’s basic services are included here, such as general government, public safety, highways and streets, parks and recreation, and community development. Taxes, state and federal grants, and intergovernmental revenues finance most of these activities.
- *Business-type activities* – Certain services provided by the City are intended to recover all or a significant portion of their costs through user fees and charges. Among these are electric distribution, water, sewer, solid waste services, transit, recreation, airport services, aquatic center, broadband, and community center.
- *Component Units* - The City currently has no discretely presented component units.

Fund financial statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation to the fund financial statements. The basic governmental fund financial statements can be found on pages 21 - 25 of this report.

Proprietary funds - The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Electric, Wastewater, Airport, Aquatic Center, Broadband, Solid Waste, Transit, Recreation, River Park Campground, and Lompoc Valley Community Center. The City uses *internal service funds* to report activities that provide supplies and services for the City's other programs and activities. The City uses internal service funds to account for its fleet of vehicles, insurance, communications, and central stores inventory. The Internal Service Funds predominantly provide services to governmental activity functions and therefore are included within the *governmental activities* of the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 26 - 30 of this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 31 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As previously noted, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$192.8 million. The largest portion of the City's net assets (68 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

During the current fiscal year, the City’s net assets increased by approximately \$7.42 million. The total increase in net assets, including prior period adjustments, was \$8.59 million. The City’s increase in net assets is primarily attributable to increased user charges (“charges for service”) and an increase in tax revenue, specifically property tax revenue.

CITY OF LOMPOC'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Current and other assets	\$ 44,143,650	\$ 47,058,996	\$ 40,376,047	\$ 61,091,173	\$ 84,519,697	\$ 108,150,169
Capital assets	69,903,431	71,648,202	84,912,336	99,849,433	154,815,767	171,497,635
Total assets	114,047,081	118,707,198	125,288,383	160,940,606	239,335,464	279,647,804
Current liabilities	8,785,071	2,923,930	4,365,649	8,684,969	13,150,720	11,608,899
Long-term liabilities	13,520,701	16,106,255	28,462,667	59,137,274	41,983,368	75,243,529
Total liabilities	22,305,772	19,030,185	32,828,316	67,822,243	55,134,088	86,852,428
Net assets:						
Invested in capital assets, net						
of related debt	58,273,483	62,505,644	68,572,041	69,202,388	126,845,524	131,708,032
Restricted	238,558	274,770	9,353,263	21,977,385	9,591,821	22,252,155
Unrestricted	33,229,268	36,896,599	14,534,763	1,938,590	47,764,031	38,835,189
Total net assets	\$ 91,741,309	\$ 99,677,013	\$ 92,460,067	\$ 93,118,363	\$ 184,201,376	\$ 192,795,376

The balance of unrestricted net assets of \$38.8 million represents the amount that may be used to meet the government’s ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The condensed summary of activities, which follows on the next page, shows net assets increased by \$7.42 million during the fiscal year.

CHANGES IN CITY OF LOMPOC'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Revenues:						
Program revenues:						
Charges for services	\$ 7,314,376	\$ 7,098,009	\$ 35,131,143	\$ 37,454,880	\$ 42,445,519	\$ 44,552,889
Operating grants and contributions	7,869,078	7,947,395	1,976,141	1,961,343	9,845,219	9,908,738
Capital grants and contributions	245,067	1,926,511	841,541	1,359,002	1,086,608	3,285,513
General revenues:						
Property taxes	5,585,321	6,085,477	10,553	6,624	5,595,874	6,092,101
Sales taxes	3,982,470	4,037,197			3,982,470	4,037,197
Other taxes	5,348,571	6,714,285			5,348,571	6,714,285
Grants and contributions not restricted to specific programs	634,876	814,452			634,876	814,452
Unrestricted investment earnings	1,194,016	2,031,926	751,382	(67,434)	1,945,398	1,964,492
Other revenue	142,576	154,559	187,298	148,994	329,874	303,553
Total revenues	32,316,351	36,809,811	38,898,058	40,863,409	71,214,409	77,673,220
Expenses:						
Governmental activities:						
General government	4,049,986	4,790,622			4,049,986	4,790,622
Police protection	7,670,036	8,076,606			7,670,036	8,076,606
Fire protection	2,875,272	3,180,423			2,875,272	3,180,423
Engineering/streets	5,223,912	5,855,716			5,223,912	5,855,716
Building	1,252,888	1,227,861			1,252,888	1,227,861
Community development	2,647,118	2,145,871			2,647,118	2,145,871
Parks and recreation	3,198,170	4,253,425			3,198,170	4,253,425
Nondepartmental	657,899	745,758			657,899	745,758
Health and welfare	40,002	40,118			40,002	40,118
Interest on long-term debt	622,218	600,614			622,218	600,614
Business-type activities:						
Water			7,509,982	7,289,725	7,509,982	7,289,725
Electric			15,482,194	16,073,509	15,482,194	16,073,509
Wastewater			6,142,435	6,105,723	6,142,435	6,105,723
Solid Waste			5,372,226	5,600,443	5,372,226	5,600,443
Aquatic Center			36,474	601,796	36,474	601,796
Airport			344,850	382,767	344,850	382,767
Transit			1,961,783	1,951,293	1,961,783	1,951,293
Recreation			307,965	303,105	307,965	303,105
River Park			93,157	97,471	93,157	97,471
Lompoc Valley Community Center			153,588	167,895	153,588	167,895
Broadband			814,370	758,149	814,370	758,149
Total expenses	28,237,501	30,917,014	38,219,024	39,331,876	66,456,525	70,248,890
Increase (decrease) in net assets before transfers	4,078,850	5,892,797	679,034	1,531,533	4,757,884	7,424,330
Transfers	(4,720,586)	959,805	4,720,586	(959,805)		
Increase (decrease) in net assets	(641,736)	6,852,602	5,399,620	571,728	4,757,884	7,424,330
Beginning net assets	92,306,962	91,741,309	87,111,413	92,460,067	179,418,375	184,201,376
Prior period adjustments	76,083	1,083,102	(50,966)	86,568	25,117	1,169,670
Ending net assets	\$ 91,741,309	\$ 99,677,013	\$ 92,460,067	\$ 93,118,363	\$ 184,201,376	\$ 192,795,376

As shown on the previous page, the City's revenues for fiscal year 2007 totaled approximately \$77.7 million, with the majority of it (57.4%) generated from charges for services. Compared to fiscal year ending 2006, revenue increased by approximately 8.32%, or \$6.46 million, for the fiscal year ended June 30, 2007. The primary factors for this increase in revenue were increased charges for service and an increase in property tax revenue. The combined total increase over the prior fiscal year for the two previously mentioned factors was approximately \$2.6 million.

Expenses to the City increased \$3.79 million (5.7%), with the majority of it attributed to higher governmental activity expenses. Total expenses for fiscal year 2007 were approximately \$70.25 million.

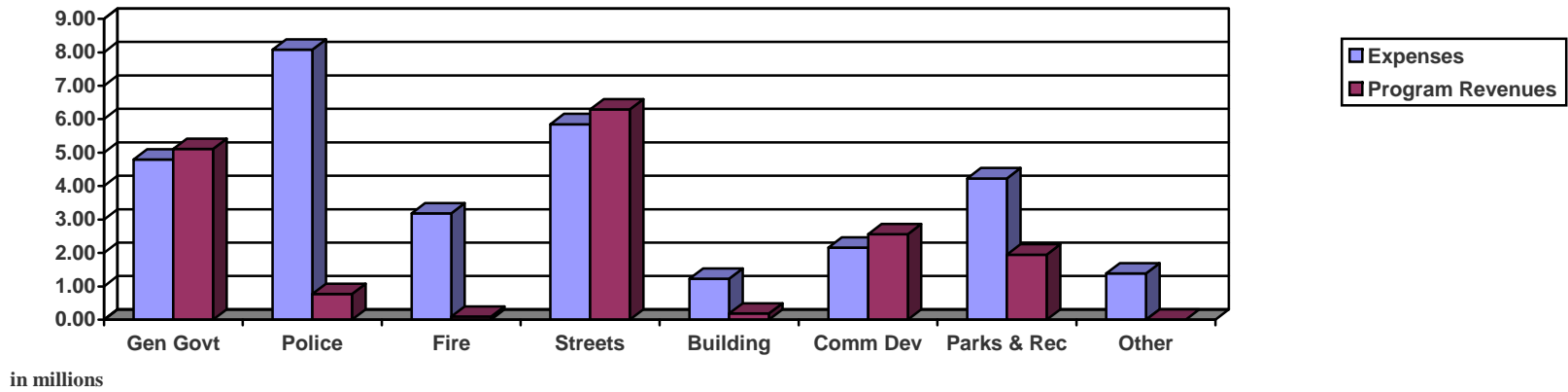
Governmental activities

Governmental activities increased the City's net assets by \$6,852,602. The key reason for this increase was the increase in capital grants and taxes.

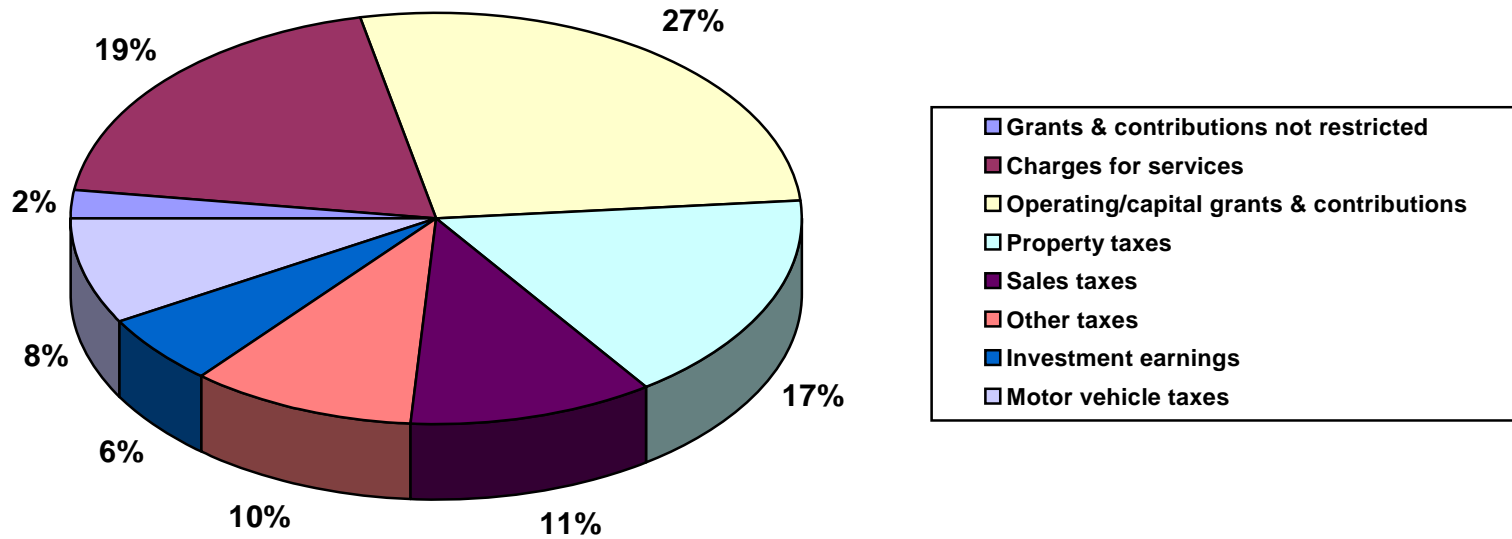
Total revenues for the City's governmental activities were \$36.81 million for the fiscal year ended June 30, 2007. Of this total, \$13.8 million (45.6%) was derived from taxes. This is typical in that traditional services provided by a city such as public safety, parks, recreation, and public works are primarily funded from property, sales, transient occupancy, motor vehicle, and other local taxes. Approximately 18.8%, or \$7.1 million, of total revenues was derived from charges for services, representing fees charged for various services, including planning, engineering, and recreation. Total revenues for governmental activities increased by 13.9%, or \$4.49 million, from fiscal year 2006 to fiscal year 2007.

Total expenses for governmental activities totaled \$30.9 million for the fiscal year ended June 30, 2007, which is a \$2.7 million increase over the previous fiscal year. The largest component of total expenses was for public safety, \$11.3 million, which represented 36.6% of the total. Public works expenses, which include engineering and streets, totaled \$5.8 million, or 18.7%, of total expenses in the governmental activities.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



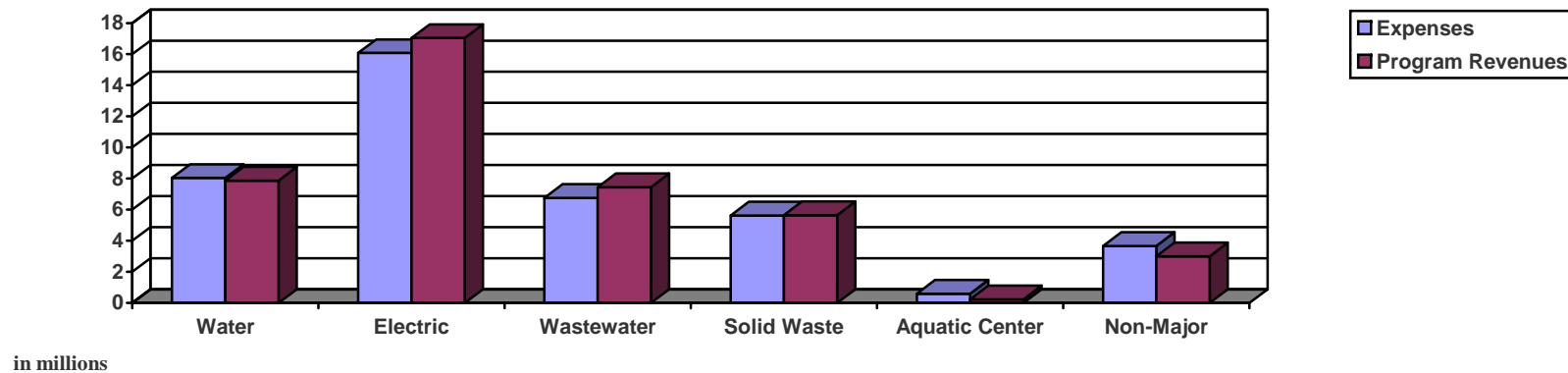
Business-type activities

Business-type activities increased the City's net assets by \$658,296. The increase is primarily due to the increased revenue in the Water and Wastewater Fund due to rate increases. These revenue increases were partially offset by increases in purchased power costs in the Electric Fund and increased operating costs in the Aquatic Center Fund, which was open for most of the year.

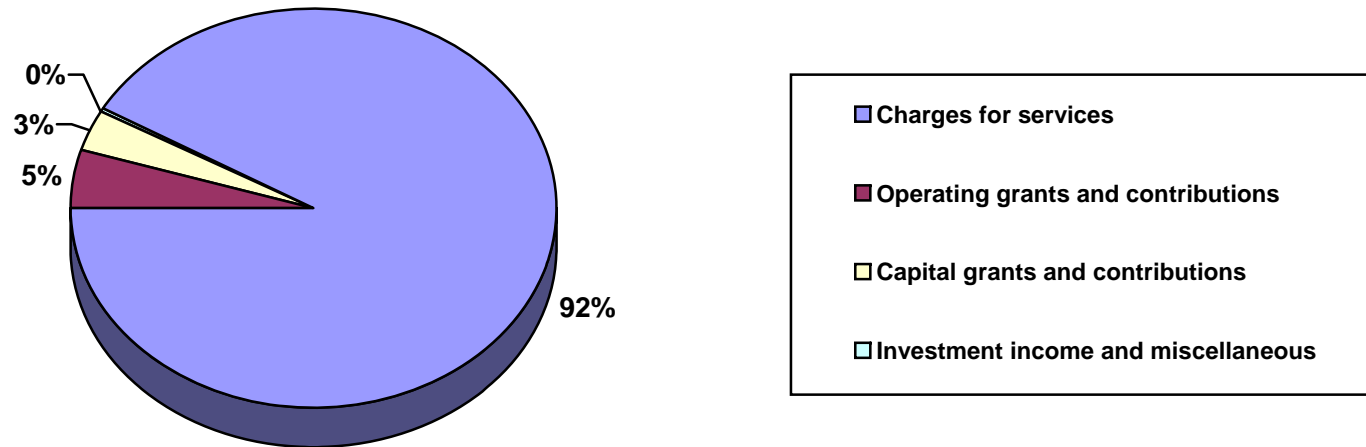
Total revenues for the City's business-type activities were \$40.86 million for the fiscal year ended June 30, 2007. Of this total, \$37.45 million (92%) was derived from charges for services. As mentioned previously, business-type activities include enterprise fund operations such as Water, Wastewater, Electric, and Solid Waste funds, all of which recover their costs through user fees and charges. The other majority of revenue is from operating grants and contributions (\$1.96 million). Total revenues for business-type activities increased by approximately 5.0% or \$1.97 million from fiscal year 2006 to fiscal year 2007.

Total expenses for business-type activities totaled \$39.33 million for the year ended June 30, 2007, which is a \$1.11 million increase over the previous year. The largest individual category of business-type activities' expense is in Electric, representing 40% of total business-type activities' expenses.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



FINANCIAL ANALYSIS OF THE CITY’S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City’s financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$32.5 million, an increase of \$4.9 million over the prior fiscal year. Of this amount, approximately 38%, or \$12.4 million, constitutes unreserved fund balance in Special Revenue Funds; and 14%, or \$4.6 million, for the General Fund, which is available for spending at the government’s discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$2.9 Million), or 2) for a variety of other restricted purposes (\$10.9 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4.65 million, while the total fund balance was approximately \$5.49 million.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the enterprise funds at the end of the year amounted to \$1.93 million. Positive gains in the net assets of the Solid Waste and Wastewater Fund are offset by losses in the Electric and Water Fund. The Electric Fund's net assets declined by \$367 thousand. The City has increased Electric rates to stem the increasing costs of purchased power, which partially resulted from the bankruptcy of CalPine. The City is now required to purchase power in the more volatile open electric market and enter into several short-term electric contracts to satisfy the City's power needs.

The Water Fund also had a decline in net assets, due to losses before contributions and transfers, in the amount of \$173 thousand. Management has taken action to offset these losses by increasing rates for the Water Fund over the next three years. The next of these increases takes effect during fiscal year 2008 and should remedy the losses in following years.

The Solid Waste fund had an increase in net assets of \$26 thousand primarily due to a rate increase beginning in July 2005.

Total net assets for the enterprise funds increased by \$658 thousand. The main factors contributing to this increase are increased revenue from rate increases.

General Fund Budgetary Highlights

The final budget for the General Fund at year-end was \$1.8 million greater than the original budget. This increase over original is primarily due to the following:

- Appropriation of approximately \$375,000 in additional funds for capital outlay occurred after the original budget document had been approved. These are the result of additional costs on existing projects, or the addition of new projects/equipment purchases as approved by City Council.
- The remaining additional appropriations were due to budget amendments and supplemental appropriations primarily for unanticipated expenditures after adoption of the original budget.

Actual expenditures were \$1,487,774 less than the amended budget at year-end. This is primarily due to lower than anticipated salary and benefits and capital expenditures that never materialized. Actual revenues were greater than the revised budget by \$1,241,613, which is due mainly to an increase in property taxes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of fiscal year-end, the City had \$171.50 million invested in a broad range of capital assets, net of depreciation. This amount represents a net increase (including additions and deductions) of \$16.68 million, or 10.77%, over last fiscal year.

Capital Assets at Year End (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Land and land rights	\$ 27,826,225	\$ 27,826,225	\$ 7,220,585	\$ 7,220,585	\$ 35,046,810	\$ 35,046,810
Buildings and improvements	3,924,972	3,792,511	17,376,147	30,134,028	21,301,119	33,926,539
Machinery and equipment	7,833,820	8,611,210	40,659,967	43,463,303	48,493,787	52,074,513
Work in process	202,875	94,136	19,655,638	19,031,517	19,858,513	19,125,653
Infrastructure	30,115,539	31,324,120			30,115,539	31,324,120
Totals	\$ 69,903,431	\$ 71,648,202	\$ 84,912,337	\$ 99,849,433	\$ 154,815,768	\$ 171,497,635

This fiscal year's major capital asset additions included the following:

- Replacement of City vehicles through the Vehicle Replacement Fund totaled \$2.1 million.
- Infrastructure additions amounting to \$2.8 million, all of which was added to the Road System Network.
- Construction of the Booster Station Improvements at the Water Treatment Plant continued at a cost of \$1.42 million.
- The construction of the upgrade to the Wastewater Plant began with costs incurred of \$12.7 million, which is approximately 16% of the total project.
- The East/West Channel improvements were completed with the Wastewater Fund contributing \$1.1 million of the costs.

- Sewer main rehabilitations throughout the City totaled \$266,000.

For more detailed information on capital assets, see the notes to basic financial statements, Note 5, on pages 51-53.

Long-Term debt

At the end of the current fiscal year, the City had long-term debt outstanding of \$65.3 million. Of this amount, \$3.2 million represents long-term leases outstanding backed by the equipment purchased, \$47.6 million represents RDA and enterprise fund revenue bonds secured solely by specified revenue sources, \$52,735 represents long-term notes payable, \$2.0 million represents long-term loans payable for housing assistance and \$12.5 represents a loan from the State of California for construction of a new wastewater plant..

Outstanding Debt at Fiscal Year End

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Revenue bonds	\$ 7,350,000	\$ 7,200,000	\$ 23,857,020	\$ 40,374,393	\$ 31,207,020	\$ 47,574,393
Loans payable	1,908,950	1,961,450		12,516,945	1,908,950	14,478,395
Long Term Capital Leases	2,642,358	2,204,226	1,146,856	961,012	3,789,214	3,165,238
Notes Payable			57,166	52,735	57,166	52,735
Totals	<u>\$ 11,901,308</u>	<u>\$ 11,365,676</u>	<u>\$ 25,061,042</u>	<u>\$ 53,905,085</u>	<u>\$ 36,962,350</u>	<u>\$ 65,270,761</u>

Total debt increased by \$28.3 million during the current fiscal year. The key factors in this increase were:

- Revenue bonds of \$17.08 million were issued to be used primarily for the upgrade to the Wastewater Treatment Plant and improvements to the Water Treatment Plant.
- Loan proceeds of \$12.51 million were received for reimbursement of the Wastewater Plant upgrade.

The City currently has no general obligation debt outstanding. For more detailed information on long-term debt, see the notes to basic financial statements.

Significant Accomplishments for Fiscal Year 2006-2007

- Received the Government Finance Officer's Award for Excellence in Financial Reporting for fiscal year 2006.
- Issued \$17.08 million in revenue bonds to be used primarily for the matching portion and the contingency amount of the Wastewater Plant upgrade.
- Completed the design and engineering of the Wastewater Treatment Plant upgrade.
- Continued progress in the WIFI system, the wireless internet system, with expenditures of \$600 thousand.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City is around 5.2% versus 4.1% in 2006 and 4.3% in 2005. The current year unemployment rate is better than the State's December, 2007 rate of approximately 6.1%.
- The City's assessed valuation of physical property has risen to \$2,305 million in 2007 from \$2,045 million in 2006 (a 12.7% increase).
- Inflationary trends in the region compared favorably to national indices.

These indicators were taken into account when preparing the City's budget for fiscal year 2007.

During the fiscal year, fund balance in the general fund increased by \$415,276. The City's proposed General Fund biennial budget for 2007-09 is approximately \$56.3 million, an increase of 13% over the previously adopted 2-year budget. Because of the need to provide for normal contingencies during the coming fiscal years, the budget provides for a General Fund Reserve of approximately \$2.7 million. The General Fund Reserve Balance also includes \$2 million held in the Economic Uncertainty Fund.

The ongoing State budget problems may still affect the General Fund in coming years. However, in the November 2004 election, Proposition 1A, a ballot measure to protect local government tax dollars from state raids on local government revenues, was overwhelmingly approved by the voters. Proposition 1A restricts the state's ability to take local government revenues, including the local government share of existing sales taxes, property taxes, and vehicle license fees. Proposition 1a does allow the State to borrow local government if funds are needed in a fiscal emergency. The State is allowed to borrow local government revenues no more than two times

in a ten-year period. The State must fully repay the loan and interest within three years. The passage of Proposition 1A restored some predictability and certainty to local government funding needed for police, fire, and other essential local services.

There are still many economic uncertainties facing local governments in the coming years, which could impact the City's overall revenue. The challenges facing the City are not unique as all cities across California face the same issues. Rising costs related to health care and retirement contributions are a few significant factors facing cities.

Management is aware of these uncertainties and is prepared to recommend the necessary measures to mitigate their impact on services. Sound budget policies have allowed the City of Lompoc to weather the economic uncertainties in fiscal year 2007 without interrupting essential services. Although the impacts of the economy and the State budget woes have impacted City revenues, these impacts have been mitigated with proper fiscal management. In addition, by building reserves during the economic "good times" of the 1990's, the City is well positioned to meet the upcoming economic challenges.

In the Electric Fund, the City has increased rates by 24% occurring over the next 3.5 years beginning in December, 2007.

As mentioned previously, rate increases have been implemented for the Water, Wastewater, and Solid Waste Funds. These increases will aid in covering greater operating costs and debt service requirements.

Requests for information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Rene Vise, Financial Services Manager. He can be reached at 100 Civic Center Plaza, Lompoc, CA 93436.

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City of Lompoc
Statement of Net Assets
June 30, 2007
(Page 1 of 2)

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS:			
Cash and investments	\$ 37,985,874	\$ 13,377,691	\$ 51,363,565
Receivables (net of allowance for uncollectibles)	2,735,044	6,437,802	9,172,846
Internal balances	133,900	(133,900)	
Interest receivable	225,296	221,558	446,854
Loans receivable	5,350,220	3,019,754	8,369,974
Inventories	308,465	1,832,468	2,140,933
Prepaid expenses	58,529	1,078,726	1,137,255
Restricted assets:			
Temporarily restricted:			
Cash and investments:			
Bond construction		21,330,635	21,330,635
Debt service		626,451	626,451
Deposits		2,128,634	2,128,634
Fiscal agent		73,132	73,132
Retrofit program		1,299,848	1,299,848
Rate stabilization		900,000	900,000
Bond reserves		646,750	646,750
Capital reserve (statutory)		3,964,791	3,964,791
Reserve established by Council		3,025,351	3,025,351
Deferred cost of issuance	261,668	1,261,482	1,523,150
Land	27,826,225	7,220,585	35,046,810
Construction in progress	94,136	19,031,517	19,125,653
Capital assets, net of depreciation (Note 5)	43,727,841	73,597,331	117,325,172
Total assets	\$ 118,707,198	\$ 160,940,606	\$ 279,647,804

The notes to basic financial statements are an integral part of this statement.

Continued

City of Lompoc
Statement of Net Assets
June 30, 2007
(Page 2 of 2)

	Primary Government		Total
	Governmental Activities	Business-type Activities	
LIABILITIES:			
Accounts payable and other current liabilities	\$ 1,517,985	\$ 4,401,088	\$ 5,919,073
Accrued liabilities	179,514		179,514
Accrued interest payable	126,432	640,372	766,804
Accrued payroll and benefits	3,376		3,376
Developers deposits	1,014,005	694,765	1,708,770
Unearned revenue	82,618	776,181	858,799
Retentions payable		799,663	799,663
Retrofit payable		1,372,900	1,372,900
Long-term liabilities (Note 9):			
Due within one year	3,362,006	1,916,920	5,278,926
Due in more than one year	12,744,249	57,220,354	69,964,603
Total liabilities	19,030,185	67,822,243	86,852,428
NET ASSETS:			
Invested in capital assets, net of related debt	62,505,644	69,202,388	131,708,032
Restricted for:			
Debt service	274,770	646,750	921,520
Capital projects		21,330,635	21,330,635
Unrestricted	36,896,599	1,938,590	38,835,189
Total net assets	\$ 99,677,013	\$ 93,118,363	\$ 192,795,376

The notes to basic financial statements are an integral part of this statement.

City of Lompoc
Statement of Activities
For the Fiscal Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,790,622	\$ 4,999,138	\$ 112,540	\$ -	\$ 321,056	\$ -	\$ 321,056
Police protection	8,076,606	282,918	490,565		(7,303,123)		(7,303,123)
Fire protection	3,180,423	87,434			(3,092,989)		(3,092,989)
Engineering/streets	5,855,716	476,376	5,125,862	684,716	431,238		431,238
Building	1,227,861	199,245			(1,028,616)		(1,028,616)
Community development	2,145,871	879,456	1,681,347		414,932		414,932
Parks and recreation	4,253,425	173,442	537,081	1,241,795	(2,301,107)		(2,301,107)
Nondepartmental	745,758				(745,758)		(745,758)
Health & Welfare	40,118				(40,118)		(40,118)
Interest on long term debt	600,614				(600,614)		(600,614)
Total Governmental Activities	30,917,014	7,098,009	7,947,395	1,926,511	(13,945,099)		(13,945,099)
Business-type activities:							
Water	7,289,725	7,475,728		161,556		347,559	347,559
Electric	16,073,509	16,333,545		36,899		296,935	296,935
Wastewater	6,105,723	6,965,588		14,756		874,621	874,621
Solid Waste	5,600,443	5,438,622	38,587	16,157		(107,077)	(107,077)
Aquatic Center	601,796	239,837		761,309		399,350	399,350
Airport	382,767	284,734	10,000	171,486		83,453	83,453
Transit	1,951,293	142,793	1,887,167	196,839		275,506	275,506
Recreation	303,105	317,443	25,589			39,927	39,927
River Park	97,471	161,034				63,563	63,563
Lompoc Valley Community Ctr	167,895	52,829				(115,066)	(115,066)
Broadband	758,149	42,727				(715,422)	(715,422)
Total business-type activities	39,331,876	37,454,880	1,961,343	1,359,002		1,443,349	1,443,349
Total primary government	\$ 70,248,890	\$ 44,552,889	\$ 9,908,738	\$ 3,285,513	(13,945,099)	1,443,349	(12,501,750)
General revenues:							
Taxes							
Property taxes					6,085,477	6,624	6,092,101
Sales taxes					4,037,197		4,037,197
Other taxes					2,574,452		2,574,452
Franchise taxes					1,116,984		1,116,984
Motor vehicle in-lieu taxes					3,022,849		3,022,849
Grants & contributions not restricted to specific programs					814,452		814,452
Unrestricted investment earnings less interest expense					2,031,926	(67,434)	1,964,492
Other revenue					154,560	148,993	303,553
Transfers					959,804	(959,804)	
Total general revenues and transfers					20,797,701	(871,621)	19,926,080
Change in net assets					6,852,602	571,728	7,424,330
Net assets - beginning of fiscal year					91,741,309	92,460,067	184,201,376
Prior period adjustments					1,083,102	86,568	1,169,670
Net assets - beginning of fiscal year, restated					92,824,411	92,546,635	185,371,046
Net assets - end of fiscal year					\$ 99,677,013	\$ 93,118,363	\$ 192,795,376

The notes to basic financial statements are an integral part of this statement.

City of Lompoc
Balance Sheet
Governmental Funds
June 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 4,535,284	\$ 21,972,221	\$ 26,507,505
Accounts receivable, net	928,758	1,700,366	2,629,124
Interest receivable	29,180	196,116	225,296
Prepaid expenses	4,368		4,368
Due from other funds	787,083	503,100	1,290,183
Loans receivable	211,136	5,350,220	5,561,356
Inventories	31,444	3,823	35,267
Total Assets	\$ 6,527,253	\$ 29,725,846	\$ 36,253,099
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 458,699	\$ 626,393	\$ 1,085,092
Accrued liabilities	172,035	7,479	179,514
Loans payable		211,136	211,136
Deposits	355,969	658,036	1,014,005
Due to other funds		1,156,283	1,156,283
Unearned revenue	51,470	31,148	82,618
Total Liabilities	1,038,173	2,690,475	3,728,648
FUND BALANCES			
Reserved for:			
Encumbrances	601,217	2,301,530	2,902,747
Land development		779,799	779,799
Loans receivable	211,136	5,350,220	5,561,356
Debt service		401,202	401,202
Low income housing		2,124,491	2,124,491
Inventory	31,444	3,823	35,267
Economic uncertainties		2,000,000	2,000,000
Unreserved, reported in			
General fund	4,645,283		4,645,283
Special revenue funds		12,446,617	12,446,617
Capital projects funds		1,627,689	1,627,689
Total fund balances	5,489,080	27,035,371	32,524,451
Total liabilities and fund balances	\$ 6,527,253	\$ 29,725,846	\$ 36,253,099

The notes to basic financial statements are an integral part of this statement.

City of Lompoc
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
June 30, 2007

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental funds	\$	32,524,451
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When capital assets (land, building, equipment) that are to be used are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$	105,369,352	
Accumulated depreciation		<u>(39,558,719)</u>	65,810,633

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Interest on capital leases		(1,716)	
Interest on bonds		<u>(104,299)</u>	(106,015)

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt.

261,668

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Bond payable		(7,200,000)	
Long term capital leases payable		(262,049)	
Long term loans payable		(1,961,450)	
Compensated absences		<u>(2,116,698)</u>	(11,540,197)

Internal service funds are used by management to charge the costs of certain activities such as insurance and telecommunications, to individual funds. The assets and liabilities of all internal service funds are included in governmental activities in the statement of net assets.

12,726,473

Net assets of governmental activities

\$ 99,677,013

The notes to basic financial statements are an integral part of this statement.

City of Lompoc
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007
(Page 1 of 2)

Revenues:	General	Other Governmental Funds	Total Governmental Funds
Property taxes	\$ 3,732,646	\$ 2,125,150	\$ 5,857,796
Sales and use taxes	4,037,197	4,636,966	8,674,163
Other taxes	2,293,012		2,293,012
Licenses, fees, and permits	667,273	1,811,953	2,479,226
Intergovernmental revenues	3,821,674	3,160,094	6,981,768
Charges for services	7,109,854	164,138	7,273,992
Fines, forfeitures, and penalties	21,236		21,236
Use of money and property	323,621	1,143,486	1,467,107
Special assessments		227,681	227,681
Donations		814,452	814,452
Other	132,728	21,831	154,559
Total revenues	22,139,241	14,105,751	36,244,992
Expenditures:			
Current:			
City Council	111,775		111,775
City administration	4,630,163		4,630,163
Police protection	8,133,660	120,755	8,254,415
Fire protection	3,274,802		3,274,802
Engineering / streets	3,988,308	550,230	4,538,538
Building	1,198,445		1,198,445
Community development	786,472	1,384,642	2,171,114
Parks and recreation	2,096,848	1,525,991	3,622,839
Non-departmental	781,841		781,841
Health		40,118	40,118
Capital outlay	290,146	2,548,435	2,838,581
Debt service:			
Principal retirement		214,879	214,879
Interest		450,503	450,503
Total expenditures	25,292,460	6,835,553	32,128,013

The notes to basic financial statements are an integral part of this statement.

City of Lompoc
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007
 (Page 2 of 2)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess of revenues over (under) expenditures	<u>(3,153,219)</u>	<u>7,270,198</u>	<u>4,116,979</u>
Other financing sources (uses):			
Transfers in	4,256,694	2,154,202	6,410,896
Transfers (out)	<u>(688,199)</u>	<u>(4,959,569)</u>	<u>(5,647,768)</u>
Total other financing sources (uses)	<u>3,568,495</u>	<u>(2,805,367)</u>	<u>763,128</u>
Net change in fund balances	415,276	4,464,831	4,880,107
Fund balances, beginning of fiscal year	<u>5,073,804</u>	<u>22,570,540</u>	<u>27,644,344</u>
Fund balances, end of fiscal year	<u>\$ 5,489,080</u>	<u>\$ 27,035,371</u>	<u>\$ 32,524,451</u>

The notes to the financial statements are an integral part of this statement.

City of Lompoc
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of
Activities
For the Fiscal Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 4,880,107

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$2,352,618) capital outlays (\$2,077,271) exceeds in the current period (includes infrastructure). (275,347)

In the Governmental Funds, debt issuance was recorded as an Other Source of Revenue, while principal debt repayments was recorded as an expenditure. Additionally, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, a net in compensated absences was charged to the governmental funds for compensated absences. In the Statement of Activities, these do not require the use of current funds and accordingly are not included.

Principal payments on long-term debt	\$ 214,879	
Amortization expense	(9,692)	
Accrued interest on CHFA loans	(52,500)	
Increase in compensated absences	(81,872)	
Accrued interest on bonds payable	1,234	
Accrued interest on capital leases	139	
Net adjustment		72,188

The net revenue (loss) of certain activities of internal service funds is reported with governmental activities. 2,175,654

Change in net assets of governmental activities \$ 6,852,602

The notes to basic financial statements are an integral part of this statement.

City of Lompoc
Statement of Fund Net Assets
Proprietary Funds
June 30, 2007
(Page 1 of 2)

Business-type Activities - Enterprise Funds

ASSETS	Water Utility	Electric Utility	Wastewater Utility	Solid Waste Disposal	Aquatic Center	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Current assets:								
Cash and investments	\$1,565,299	\$7,195,002	\$3,707,771	\$11,158	\$118,238	\$780,223	\$13,377,691	\$11,478,369
Restricted cash and investments:								
Bond construction fund	5,159,220		16,171,415				21,330,635	
Debt service	260,025		366,426				626,451	
Deposits		686,100	1,437,434			5,100	2,128,634	
Fiscal agent				8,107		65,025	73,132	
Retrofit program	1,299,848						1,299,848	
Receivables - trade	1,070,146	2,550,710	894,971	639,600		1,282,375	6,437,802	105,920
Receivables - interest	29,754	43,933	121,007	17,691		9,173	221,558	
Receivables - loan			3,019,754				3,019,754	
Prepaid expenses		1,075,628				3,098	1,078,726	54,161
Inventories (at average cost)	237,102	1,515,367	34,161			45,837	1,832,467	273,198
Due from other funds	112,207	3,085,061	173,299				3,370,567	
Total current assets	9,733,601	16,151,801	25,926,238	676,556	118,238	2,190,831	54,797,265	11,911,648
Noncurrent assets:								
Restricted assets:								
Cash and investments:								
Restricted cash - rate stabilization			900,000				900,000	
Bond reserves	565,946		80,804				646,750	
Capital reserve (statutory)			1,290,825	2,673,966			3,964,791	
Reserve established by Council		3,025,351					3,025,351	
Total restricted assets	565,946	3,025,351	2,271,629	2,673,966			8,536,892	
Deferred cost of issuance (net)	478,864		782,618				1,261,482	
Property, plant and equipment:								
Land	529,778	250,304	321,758	262,231		5,856,514	7,220,585	
Utility plant and equipment	39,667,779	29,398,181	40,554,662	2,852,911	13,118,224	10,444,106	136,035,863	15,111,370
Construction in progress	2,367,559	2,243,106	14,413,259	7,593			19,031,517	
	42,565,116	31,891,591	55,289,679	3,122,735	13,118,224	16,300,620	162,287,965	15,111,370
(Less) accumulated depreciation	(19,857,484)	(13,892,288)	(23,277,066)	(1,813,295)		(3,598,399)	(62,438,532)	(9,273,801)
Total property, plant and equipment	22,707,632	17,999,303	32,012,613	1,309,440	13,118,224	12,702,221	99,849,433	5,837,569
Total assets	\$33,486,043	\$37,176,455	\$60,993,098	\$4,659,962	\$13,236,462	\$14,893,052	\$164,445,072	\$17,749,217

The notes to basic financial statements are an integral part of this statement.

City of Lompoc
Statement of Fund Net Assets
Proprietary Funds
June 30, 2007
(Page 2 of 2)

Business-type Activities - Enterprise Funds

LIABILITIES	Water Utility	Electric Utility	Wastewater Utility	Solid Waste Disposal	Aquatic Center	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Current liabilities:								
Accounts payable	\$228,302	\$192,737	\$3,697,058	\$75,244	\$12,538	\$195,209	\$4,401,088	\$432,893
Accrued interest	260,025	294	366,426	4,951		8,676	640,372	20,417
Due to other funds				193,299		3,311,168	3,504,467	
Retentions payable			799,663				799,663	
Developers deposits	8,665	686,100					694,765	
Unearned revenue			771,013			5,168	776,181	
Retrofit program	1,372,900						1,372,900	
Current portion of long-term liabilities	716,745	377,380	501,355	219,105	3,468	98,867	1,916,920	1,172,552
Total current liabilities	2,586,637	1,256,511	6,135,515	492,599	\$16,006	3,619,088	14,106,356	1,625,862
Noncurrent liabilities:								
Accrued liabilities								1,791,724
Compensated absences	11,138	13,891	6,099	7,768	139	1,038	40,073	2,490
Accrued payroll and benefits	10,425	9,022	7,947	8,178	411	1,513	37,496	3,376
Landfill closure and postclosure payable				3,825,307			3,825,307	
Trust deposits						5,120	5,120	
Capital lease payable	77,811	91,209		79,979		556,919	805,918	1,599,292
Loans payable	48,082		12,516,945				12,565,027	
Revenue bonds	16,335,750		23,278,644				39,614,394	
Reserve fund - VVCSD			327,018				327,018	
Total noncurrent liabilities	16,483,206	114,122	36,136,653	3,921,232	550	564,590	57,220,353	3,396,882
Total liabilities	19,069,843	1,370,633	42,272,168	4,413,831	16,556	4,183,678	71,326,709	5,022,744
NET ASSETS								
Invested in capital assets, net of related debt	11,443,761	17,878,056	13,486,999	1,203,143	13,118,224	12,072,205	69,202,388	3,895,392
Restricted for debt service	565,946		80,804				646,750	1,942,177
Restricted for capital projects	5,159,220		16,171,415				21,330,635	
Unrestricted	(2,752,727)	17,927,766	(11,018,288)	(957,012)	101,682	(1,362,831)	1,938,590	6,888,904
Total net assets	\$14,416,200	\$35,805,822	\$18,720,930	\$246,131	\$13,219,906	\$10,709,374	\$93,118,363	\$12,726,473

The notes to basic financial statements are an integral part of this statement.

City of Lompoc
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2007

Business-type Activities - Enterprise Funds

	Water Utility	Electric Utility	Wastewater Utility	Solid Waste Disposal	Aquatic Center	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Operating revenues:								
User fees and charges for services	\$7,308,364	\$16,108,374	\$5,951,818	\$4,273,151	\$239,837	\$505,732	\$34,387,276	\$13,548,109
Vehicle and facilities rental						495,829	495,829	3,035,228
Other operating revenues	53,916		844,680	1,059,726			1,958,322	
Total operating revenues	7,362,280	16,108,374	6,796,498	5,332,877	239,837	1,001,561	36,841,427	16,583,337
Operating expenses:								
Cost of power and water	571,812	10,077,364	417,434	41,130	147,153		11,254,893	
Operations and maintenance	5,251,658	4,288,996	4,374,184	5,079,412	369,288	3,108,185	22,471,723	14,165,353
Administration	615,188	713,890	467,470	333,164	85,355		2,215,067	
Depreciation and amortization	851,067	993,259	846,635	146,737	-	552,495	3,390,193	1,065,629
Total operating expenses	7,289,725	16,073,509	6,105,723	5,600,443	601,796	3,660,680	39,331,876	15,230,982
Income (loss) from operations	72,555	34,865	690,775	(267,566)	(361,959)	(2,659,119)	(2,490,449)	1,352,355
Nonoperating income (expenses):								
Fees	275,003	225,171	183,846	121,902			805,922	
Interest income	208,235	633,916	459,080	150,310	114	51,177	1,502,832	564,819
Intergovernmental				38,587		1,929,380	1,967,967	
Miscellaneous	19,501	82,498	11,226	9,814		25,955	148,994	90,101
Interest expense	(748,319)	(6,149)	(654,249)	(17,613)		(143,937)	(1,570,267)	(89,292)
Total nonoperating income (expenses)	(245,580)	935,436	(97)	303,000	114	1,862,575	2,855,448	565,628
Income (loss) before contributions and transfers	(173,025)	970,301	690,678	35,434	(361,845)	(796,544)	364,999	1,917,983
Capital contributions		36,899			761,309	368,325	1,166,533	60,995
Transfers in (out)		(1,374,156)	(104,999)	(9,175)	463,526	65,000	(959,804)	196,676
Change in net assets	(173,025)	(366,956)	585,679	26,259	862,990	(363,219)	571,728	2,175,654
Net assets - beginning of the fiscal year	14,463,682	36,172,778	18,181,188	212,910	12,356,916	11,072,593	92,460,067	10,543,728
Prior period adjustments	125,543		(45,937)	6,962			86,568	7,091
Net assets - beginning of the fiscal year, restated	14,589,225	36,172,778	18,135,251	219,872	12,356,916	11,072,593	92,546,635	10,550,819
Net assets - end of the fiscal year	\$14,416,200	\$35,805,822	\$18,720,930	\$246,131	\$13,219,906	\$10,709,374	\$93,118,363	\$12,726,473

The notes to basic financial statements are an integral part of this statement.

City of Lompoc
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2007
(Page 1 of 2)

Business-type Activities - Enterprise Funds

	Water Utility	Electric Utility	Wastewater Utility	Solid Waste Disposal	Aquatic Center	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Cash flows from operating activities:								
Cash received from customers	\$7,426,714	\$16,470,628	\$7,010,057	\$5,486,700	\$239,837	\$869,390	\$37,503,326	\$16,624,462
Cash payments to suppliers for goods and services	(3,642,757)	(12,851,799)	(2,699,852)	(3,182,027)	(\$210,340)	(2,408,753)	(24,995,528)	(14,021,980)
Cash payments to employees for services	(2,795,852)	(1,755,272)	(2,074,172)	(2,236,394)	(375,103)	(612,685)	(9,849,478)	(901,261)
Net cash provided (used) by operating activities	988,105	1,863,557	2,236,033	68,279	(345,606)	(2,152,048)	2,658,320	1,701,221
Cash flows from noncapital financing activities:								
Net borrowings (repayments) under revolving loan arrangement						819,225	819,225	
Loans (to) payments from other funds	423,897	(929,045)					(505,148)	
Increase (decrease) in trust accounts			(6,427)				(6,427)	
Received from other agencies						1,929,380	1,929,380	
Transfers in (out)		(1,271,639)			463,526	65,000	(743,113)	
Net cash provided (used) by noncapital financing activities	423,897	(2,200,684)	(6,427)		463,526	2,813,605	1,493,917	
Cash flows from capital and related financing activities:								
Proceeds from bonds, lease purchases and equipment contract	2,535,000		27,995,500				30,530,500	
Retention from contractor		605,900					605,900	
Acquisition and construction of capital assets	(2,160,571)	(2,044,160)	(12,740,166)	(99,102)	(761,309)	(519,496)	(18,324,804)	(2,094,425)
Principal paid on revenue bonds/loans								
/leases and equipment contracts	(420,268)	(28,783)	(198,733)	(83,201)		(77,287)	(808,272)	(374,336)
Interest paid on revenue bonds/loans and equipment contracts	(748,319)	(6,149)	(654,249)	(17,613)		(48,260)	(1,474,590)	(89,292)
Proceeds from equipment sale								181,884
Residual equity transfers		(102,517)	(104,999)	(9,175)			(216,691)	196,677
Contributed capital		36,899			761,309	368,325	1,166,533	60,993
Net cash provided (used) for capital and related financing activities	(794,158)	(1,538,810)	14,297,353	(209,091)	-	(276,718)	11,478,576	(2,118,499)
Cash flows from investing activities:								
Interest and dividends on investments	208,235	633,916	459,080	150,310	114	51,181	1,502,836	564,819
Net increase (decrease) in cash and cash equivalents	826,079	(1,242,021)	16,986,039	9,498	118,034	436,020	17,133,649	147,541
Cash and cash equivalents at beginning of fiscal year	8,024,259	12,148,474	6,968,636	2,683,733	204	414,328	30,239,634	11,330,828
Cash and cash equivalents at end of fiscal year	<u>\$8,850,338</u>	<u>\$10,906,453</u>	<u>\$23,954,675</u>	<u>\$2,693,231</u>	<u>\$118,238</u>	<u>\$850,348</u>	<u>\$47,373,283</u>	<u>\$11,478,369</u>

The notes to basic financial statements are an integral part of this statement.

City of Lompoc
Proprietary Funds
Statement of Cash Flows for the Year Ended June 30, 2007
Reconciliation of Operating Income to Net Cash Provided by Operating Activities
(Page 2 of 2)

Business-type Activities - Enterprise Funds

	Water Utility	Electric Utility	Wastewater Utility	Solid Waste Disposal	Aquatic Center	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Income (loss) from operations	\$72,555	\$34,865	\$690,775	(\$267,566)	(\$361,959)	(\$2,659,120)	(\$2,490,450)	\$1,352,355
Adjustment for nonoperating incomes and (expenses)	294,504	307,669	195,072	169,539		25,955	992,739	
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	851,067	993,259	846,635	146,737		552,495	3,390,193	1,065,629
Deferred costs of issuance	(68,001)		(527,476)				(595,477)	
Change in assets and liabilities:								
(Increase)decrease in accounts receivable	(230,070)	54,585	18,487	(16,480)		(151,522)	(325,000)	(10,694)
(Increase)decrease in interest receivable	2,513	46,780	(87,543)	8,213		(3,238)	(33,275)	
(Increase)decrease in intergovernmental receivable						78,514	78,514	
(Increase)decrease in loans receivable			(3,019,754)				(3,019,754)	
(Increase)decrease in inventory	(439)	(22,514)	(12,783)			(8,809)	(44,545)	(7,057)
(Increase)decrease in prepaid expenses		381,651				(3,098)	378,553	(54,161)
(Decrease)increase in accounts payable	6,018	14,649	3,542,564	3,291	12,334	10,989	3,589,845	(10,148)
(Decrease)increase in accrued interest payable	35,672	(69)	231,955	(625)		(539)	266,394	
(Decrease)increase in developer's deposits	4,253						4,253	
(Decrease)increase in deferred credits/revenues			352,320			1,058	353,378	
(Decrease)increase in due to other funds								51,818
(Decrease)increase in accrued liabilities	20,033	52,682	5,781	25,170	4,019	5,267	112,952	(686,521)
Net cash provided (used) by operating activities	<u>\$988,105</u>	<u>\$1,863,557</u>	<u>\$2,236,033</u>	<u>\$68,279</u>	<u>(\$345,606)</u>	<u>(\$2,152,048)</u>	<u>\$2,658,320</u>	<u>\$1,701,221</u>

The notes to basic financial statements are an integral part of this statement.

City of Lompoc
Statement of Fiduciary Net Assets
 Fiduciary Fund
 June 30, 2007

	Agency Fund
ASSETS	
Cash and investments	\$ 967,815
Receivables:	
Accounts receivable, net	10,599
Interest receivable	6,002
Total assets	984,416
LIABILITIES	
Liabilities:	
Accounts payable	6,185
Refundable deposits and accruals	978,231
Total liabilities	984,416
NET ASSETS	
Held in trust for utility customers and other purposes	\$ -

The notes to basic financial statements are an integral part of this statement.

CITY OF LOMPOC
Notes to Basic Financial Statements
June 30, 2007

The City of Lompoc has adopted accounting procedures and methods that conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The following notes are an integral part of the City's Comprehensive Annual Financial Report.

I. Summary of Significant Accounting Policies

A) Reporting Entity

The City of Lompoc was incorporated under the State of California in 1888. It operates under an elected Council/Administrator form of government with a five-member Council, four council members elected for four-year overlapping terms, and the mayor elected for a two-year term. The major services the City provides to the community are Public Safety, Fire Protection, Parks and Recreation, Utilities, Solid Waste Collection and Disposal, Municipal Airport Management, Public Transportation, and General Administrative Services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Lompoc (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit. The Lompoc Redevelopment Agency (LRA) is a separate legal entity established to plan, rehabilitate and redevelop blighted areas within the City. In accordance with Statement No. 14 of the Governmental Accounting Standards Board (GASB), as amended by GASB Statement No. 39, the LRA is reported as if it were part of the primary government because the City Council is also the governing body of the LRA. In addition, the City's General Fund provided substantial loans to the LRA. Payments are made monthly, and the loans are scheduled to be retired in the years ranging from 2009 through 2014. Separate financial statements are prepared by the Lompoc Redevelopment Agency and are available from the Agency upon request by writing Lompoc City Hall, P.O. Box 8001, Lompoc, California 93438-8001. The financial activities of the Agency have been included in the City's financial statements.

The City currently has no discretely presented component units.

B) Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Eliminations have been made in the statement of activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). General government expenses have been allocated as indirect expenses to the various functions of the City.

The fund financial statements emphasis is on the major funds in either the governmental or business-type categories. Non-major funds, by category or fund type, are summarized into a single column.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Agency funds are the only type of Fiduciary Fund that the City reports. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C) **Measurement focus, basis of accounting, and financial statements presentation**

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were passed on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, special assessments, franchise taxes, licenses, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Internal service funds (see definition under proprietary funds below) of a government are presented in the summary form as part of the proprietary fund financial statements. The primary users of the services of the Central Stores, Insurance, Communications, and Vehicle funds are the City's governmental activities. Therefore, financial statements of these internal service funds are consolidated into the governmental column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate functional activity (police, fire, community development, etc.).

The City reports the following major and non-major governmental funds whose activities are not self-evident from the title of the fund:

MAJOR FUNDS

General Fund – Used as the general operating fund of the City to account for all financial resources except those required to be accounted for in another fund.

NON-MAJOR FUNDS

Special Revenue Funds – Established to account for the proceeds of specific revenue sources that are legally restricted to expenditure for designated purposes.

Debt Service Funds – Established to account for the accumulation of resources and the payment on long term general obligation debt principal and interest, other than debt issued for and serviced primarily by enterprise funds.

Capital Project Funds – Established for the accounting of the resources to be used for the acquisition and construction of major capital facilities.

The City reports the following major and non-major proprietary funds whose activities are not self-evident from the title of the fund:

MAJOR FUNDS

Water Utility Fund – Established to account for the operation of the City's water utility, a self-supporting activity, which renders a service on a user charge basis to residents and businesses.

Aquatic Center Fund – Established to account for the operations of the City's aquatic center.

Electric Utility Fund – Established to account for the operations of the City’s electric utility, a self-supporting activity, which renders service on a user charge basis to residents and businesses.

Wastewater Utility Fund – Established to account for the operations of the City’s wastewater utility, a self-supporting activity, which renders service on a user charge basis to residents and businesses.

Solid Waste Fund – Established to account for the operations of the City’s solid waste collection and disposal services, a self-supporting activity, which renders service on a user charge basis to residents and businesses.

NON-MAJOR FUNDS

Enterprise Funds – Established to account for operations that are financed and operated like private business enterprises, where expenses, including depreciation, to provide goods and services to the general public on a continual basis, are financed or recovered primarily through user charges.

Internal Service Funds – These funds account for fleet management, telecommunication services, for the buying, distribution, and receiving for the City’s warehouse system, and for general liability, workers’ compensation, and property insurance coverages provided to other departments on a cost-reimbursement basis.

FIDUCIARY FUNDS

Agency Funds – These funds account for the collection and disbursement of deposits, bail and sales tax held by the City for others, and to account for utility deposits, NSF checks, and account receivable refunds held as an agency fund for other funds.

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 government’s enterprise funds and various other functions of the government. 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 *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The Water and Wastewater Funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service 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 non-operating revenues and expenses.

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

D) Taxes Receivable

Santa Barbara County assesses, bills, and collects property taxes for the cities of the county, including the City of Lompoc. January 1 is the date that property taxes attach as an enforceable lien on property. Taxes levied on July 1, are due on November 1 and February 1, and become delinquent after December 10 and April 10.

E) Interfund Transactions

Interfund transactions are reflected by loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

F) Assets, liabilities, and net assets or equity

1. Cash, investments and cash equivalents

Investments are reported in the balance sheet or statement of net assets at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates.

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

The City pools cash from all of its various funds for the purpose of cash management. The amount in the pooled cash accounts is available to meet current operating requirements.

2. Inventories

At fiscal year end, a physical count is made of inventories on hand. These inventories are valued at weighted average cost for all funds. During the fiscal year, the consumption method of accounting for inventories is used. Under this method, purchases are recorded as increases in inventory and charged to expenditures when used.

3. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectables. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectables.

4. Restricted assets

Certain proceeds of the enterprise fund’s revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The “revenue bond operations and maintenance” account is used to report resources set aside to subsidize potential deficiencies from the enterprise fund operations that could adversely affect debt service payments. The “revenue bond

construction” account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The “revenue bond reserve” account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account.

5. Capital assets

Property, plant, and equipment purchased or acquired is carried at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000, except for infrastructure, which is set at \$50,000. Contributed assets are recorded at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives and is recorded beginning in the month following acquisition:

Utility plants and stations	30 Years
Buildings	10-30 Years
Improvements other than buildings	4-40 Years
Equipment, furnishings and vehicles	6-25 Years
Other infrastructure	10-50 Years

Pursuant to GASB Statement #34, the City of Lompoc has included the City’s infrastructure assets as part of capital assets at June 30, 2007. This category is the largest asset class of the government and has historically not been reflected in the financial statements nor a measure of its consumption charged. Infrastructure assets include roads, bridges, underground pipe (other than related utilities), traffic signals, etc.

The City owns a museum that displays works of art and historical treasures that are held only for public exhibition and are protected and preserved. The value of the art works and historical treasures is immaterial to the financial statements and is not capitalized.

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the

bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

G) Vacation and sick pay

Vacation pay for full time employees is vested as it accrues. Each employee may accumulate twice his or her annual leave. Vacation pay is payable upon the retirement or termination of the employee.

Sick leave is not vested and is payable only when the leave is taken. However, management, police, and fire employees employed with the City for ten years or longer may be paid for up to one half (1/2) for management, fire, unrepresented, and library, 22.5 days for police, with a maximum of 45 days, of their accrued sick pay over and above 30 days, as additional termination pay.

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. Proprietary funds accrue compensated absences in the period they are earned as a long-term debt.

H) Self-insurance

The City administers self-insurance programs for Liability, Property, and Workers' Compensation. The employee health insurance is carried and administered by the PERS health system.

The liability and contributions by individual funds are carried in the Insurance Control Fund, an Internal Service Fund. Charges are made to the affected operating funds in sufficient amounts to cover the estimated charges for self-insured claims. Charges to

operating funds are recorded as expenditures/expenses of such funds and revenues of the Internal Service Fund. Accrual and payment of claims are recorded in the Internal Service Fund.

Workers' Compensation Insurance is administered by a private contractor. The limit of the City's self-insurance is \$300,000 for each accident. Coverage in excess of this amount is obtained through outside insurance carriers.

Liability Insurance is administered as a co-insurance plan. The City is self-insured up to \$100,000, with an insurance company co-insuring claims of \$100,001 to \$15,000,000.

Property Insurance is administered as a co-insurance plan. The City is self-insured for fire and property damage for up to \$25,000. An insurance company co-insures claims over \$25,000.

I) Comparative data

Certain comparative total data between the current fiscal year and the prior fiscal year is presented in the MD&A.

J) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

II. Stewardship, compliance, and accountability

A) Budgetary data

Formal budgetary accounting is used as a management control for the funds of the City that have expenditures planned. A two-year budget is legally adopted for all funds by the City Council prior to July 1 of odd years. The legal level of budgetary control is defined as the level at which the governing body must approve any over-expenditures of appropriations or transfers of appropriated amounts. The appropriations are legally adopted at the major expenditure classification level (salaries and benefits, supplies and services, and

capital outlay) for each department within each fund. Thereafter, the Management Services Director must review all budget transfers. The City Administrator is authorized to approve departmental transfers and inter-fund transfers in excess of \$10,000; the City Council approves any new appropriations of \$1,000 or more. Expenditures may not legally exceed appropriations at the department level. Budget information is prepared on a basis consistent with accounting principles generally accepted in the United States of America, as actual revenue and expenditures/expenses.

Presented in the financial statements is budget information for two of the Governmental Fund Types (the General and Special Revenue Funds). The presentation represents original appropriations adjusted for amendments and supplemental appropriations made during the fiscal year.

The City Council adopted budget information is not presented for the remaining Governmental Fund Types (Debt Service and Capital Projects), Proprietary Fund Types (Enterprise and Internal Service) and Fiduciary Fund Types (Agency). The provisions of the debt agreements and other management controls in essence control the Debt Service Funds. The City adopts no formal Debt Service Fund budgets. The Capital Project Fund is subject to the bid and contract process. While budgets are prepared for the City's Capital Projects Funds, capital projects generally span more than one year and are effectively controlled at the project level. Proprietary Fund Types are subject to changes in activity, as demand for services increase, that fixed budgets cannot reflect. The City acts in a custodial capacity for others in the Fiduciary Fund Types, therefore control of Agency budgets does not rest with the City.

B) Deficit fund equity/net assets

Recreation Fund

The Recreation Fund has a \$108,885 deficit in net assets because the recreation programs provided to the adults and youth of the city and county did not generate sufficient revenue for the operating activities for this fiscal year and prior fiscal years. Recreation management is reviewing the programs to determine the steps needed to reduce the deficit.

Broadband Fund

The Broadband Fund is a newer fund with deficit net assets of \$1,875,381. The fund was used for the design and construction of wireless fidelity (Wi-Fi) and broadband infrastructure in the City. The project was financed with loans and equipment leases and is expected to have negative net assets until the fund generates sufficient revenues to offset expenses.

Redevelopment-Aquatic Center Construction Fund

The Redevelopment-Aquatic Center Construction Fund has a deficit fund balance of \$385,714. The fund was used to account for the design and construction of the City's new Aquatic Center. The project was financed with revenue bonds. The deficit is due to the fund incurring costs in excess of revenues.

Traffic Offender Fund

The Traffic Offender Fund has a deficit fund balance of \$56,191. This deficit will be eliminated through transfers from other funds.

Literacy Grant Fund

The Literacy Grant Fund has a deficit fund balance of \$1,621. This deficit is due to the grant revenues being insufficient to cover the program costs. Library management is determining the steps needed to reduce the deficit.

III. Detailed notes on all funds

1) Cash and investments

Cash Deposits

The carrying amounts of the City's time and demand deposits were \$5,794,255 at June 30, 2007. The total bank balance was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This code states that the collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The fair value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits that are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents. Interest income earned on pooled cash and investments is allocated on a monthly basis to the various funds based on average monthly cash balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Investments

As defined in the California Government Code Section 53601 and the City's investment policy adopted November 7, 2006, the following investment instruments are authorized:

- Securities of the U.S. Government, or its agencies
- Repurchase Agreements
- Bankers' Acceptances
- Commercial Paper
- Medium Term Corporate Notes
- Time Certificates of Deposit
- Mutual Funds
- California Local Agency Investment Fund (LAIF)

The policy, in addition to state statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall have maximum maturity not to exceed five years and be subject to limitations to a certain percent of the portfolio for each of the authorized investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Per the allowable investments, the City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by outside administrators. The Pool's investment policy may allow for investment in some investment instruments not permitted in the City's policy. The City's policy states that investment in the pool is permitted, assuming a diminutive portion of the Pool's portfolio (10% or less) are tied to these prohibited investment instruments. These investment instruments are subject to market risk as a result of changes in interest rates. LAIF's investments are also subject to credit risk with the full faith and credit of the State of California collateralizing these investments.

Summary of Cash and Investments

Deposits and investments were categorized as follows with the corresponding rating at June 30, 2007:

	Credit Quality Ratings	2007
City Treasury Deposits:		
Deposits	Not Rated	\$ 1,654,908
Petty Cash	Not Rated	3,400
Total City Treasury Deposits		1,658,308
City Treasury Investments		
Securities of U.S. Government Agencies		
FFCB	AAA	1,970,000
FHLB	AAA	14,787,094
FHLMC	AAA	3,089,199
FNMA	AAA	6,825,625
Time Deposits	Not Rated	4,135,947
Local Agency Investment Fund	Not Rated	27,370,965
Total City Treasury Investments		58,178,830
Total City Treasury		59,837,138
Cash and Investments with Fiscal Agents:		
Bond Construction	Not Rated	16,658,063
Bond Issuance Funds	Not Rated	753,859
Time Deposits	Not Rated	1,263,116
Developer Deposits	Not Rated	490,874
Municipal Leasing	Not Rated	387,246
NCPA Funds	Not Rated	6,936,676
Total Cash and Investments with Fiscal Agents		26,489,834
Total Cash and Investments		\$ 86,326,972

Risk Disclosures

Interest Rate Risk: The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the City’s investment portfolio shall remain sufficiently liquid to enable the City to meet its cash flow requirements. An adequate portion of the portfolio shall be maintained in liquid short term securities which can be converted to cash and guarantee the City’s ability to meet operating expenditures. At June 30, 2007, the City had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
U.S. Government Agencies	\$ 26,671,918	\$ 8,992,924	\$ 17,678,994
Time Deposits	5,399,063	5,101,063	298,000
Developer Deposits	490,874	490,874	
Municipal Leasing	387,246	387,246	
NCPA Funds	6,936,676		6,936,676
Bond Issuance Funds	753,859	753,859	
Bond Construction	16,658,063	16,658,063	
Local Agency Investment Fund	27,370,965	27,370,965	
	<u>\$ 84,668,664</u>	<u>\$ 59,754,994</u>	<u>\$ 24,913,670</u>

Credit Risk: State law authorizes the City to invest in commercial paper and corporate bonds rated A-1 by Standard & Poor’s Corporation or P-1 by Moody’s Investors Service, Inc. The City’s investment policy follows the state guidelines for ratings in these investment types. All of the City’s investments were rated AAA at June 30, 2007.

Concentration of Credit Risk: To protect the City from concentration of credit risk, the City's policy places the following limits as a percentage of the City's total portfolio on each investment type:

<u>Investment Type</u>	<u>City Policy Limit</u>
Bankers' Acceptances	40%
Commercial Paper	15%
Medium Term Corporate Notes	25%
Negotiable Certificates of Deposit	30%
Mutual Funds	10%

The City also limits the allowable amount to be invested in the State's Investment Pool (LAIF) to \$40,000,000. The City is unlimited in the amount and percentage of the total portfolio it may invest in Certificates of Deposit. As of June 30, 2007, the City is in compliance with these provisions of the policy.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counter-party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For safekeeping of securities, it is the City's policy that all securities owned by the City shall be held in safekeeping by a third party bank trust department, in which the third party shall act as agents for the City. All trades executed by a dealer will settle delivery vs. payment (DVP) through the City's safekeeping agent.

2) **Receivables and payables**

Receivables in the General Fund consist primarily of inter-fund loans, and the remainder consists of account receivables from the billing of miscellaneous invoices. The remaining receivables in the non-major governmental funds are primarily intergovernmental receivables. Receivables in the major Water, Wastewater, Electric, Aquatic Center, and Solid Waste funds consist primarily of accounts receivable.

Payables in the General Fund and non-major governmental funds are primarily payables to vendors, whereas payments in the Insurance Control Fund are primarily for claims payable. The majority of payables in the Water, Wastewater, Electric, Aquatic Center, and Solid Waste funds are payables to vendors, and the remainder consists of payables to contractors for work on capital projects. Payables in the non-major business-type funds are primarily to vendors.

3) Loans receivable

General Fund – A 16 year loan receivable dated June 29, 1993, from the Lompoc Redevelopment Agency, for the construction of a parking facility in the downtown area. The principal balance of \$126,605 plus interest of 5.5% will be repaid from the Agency's tax increment payments. On August 3, 1999, and November 2, 2000, the City entered into two long-term loan agreements with the Lompoc Redevelopment Agency for \$22,700 and \$119,801, respectively. Both loans bear interest at 5.5% and will be repaid from the Agency's tax increment. The proceeds from the loans were used to rehabilitate the City's Senior Center. At June 30, 2007, the principal balances remaining on the loans are \$13,776 and \$70,755, respectively.

Community Development and Redevelopment Agency – The balance of the loans receivable comes from the Community Development Funds and the Redevelopment Agency. The Community Development Funds currently has a loans receivable balance of \$3.09 million and the Redevelopment Agency currently has a loans receivable balance of \$2.3 million. These loans receivable are from various programs offered by Community Development and the Redevelopment Agency, which include: low-income housing assistance; first time home buyers assistance; commercial façade improvement program; single and multi-family rehabilitation loans; and the seismic retrofit loan program.

4) Inter-fund receivables, payables, and transfers

Inter-fund receivables and payables

The composition of inter-fund balances as of June 30, 2007, is as follows on the next page:

	<u>Receivables</u>	<u>Payables</u>
GENERAL FUND	\$ 787,083	\$ -
NONMAJOR GOVERNMENTAL FUNDS	503,100	1,156,283
ENTERPRISE FUNDS:		
Water Utility Fund	112,207	
Electric Utility Fund	3,085,061	
Wastewater Utility Fund	173,299	
Solid Waste Fund		193,299
NONMAJOR ENTERPRISE FUNDS		3,311,168
	<u>\$ 4,660,750</u>	<u>\$ 4,660,750</u>

The balance owed to the General Fund of \$787,083 resulted from loans made to the Revolving Recreation Fund, Traffic Offender Fund and the Aquatic Center Construction Fund to finance improvements. The Revolving Recreation loan is being amortized over seven years and the Aquatic Center and Traffic Offender loan will be paid off in fiscal year 2008.

The balance due from the Solid Waste Fund of \$193,299 consists primarily of a loan from the Wastewater Fund to purchase land from Cal-Trans in 1998 for \$314,280. The loan is being amortized over the next eight years.

The balance of \$3.08 million owed to the Electric Fund consists of loans made to the Airport Fund and Broadband Fund to purchase land construct a taxiway, and for the design work of the wireless fidelity system. The loans are being amortized over seventeen and ten years, respectively.

Inter-fund Transfers

Inter-fund transfers consist of operating and equity transfers from funds receiving revenue to funds through which the resources are to be expended.

	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND	\$ 4,256,694	\$ 688,199
NONMAJOR GOVERNMENTAL FUNDS	2,154,202	4,959,569
INTERNAL SERVICE FUNDS	216,691	20,015
ENTERPRISE FUNDS		
Wastewater Fund		104,999
Electric Utility Fund		1,374,156
Aquatic Center Fund	463,526	
Solid Waste Fund		9,175
NONMAJOR ENTERPRISE FUNDS	65,000	
	<u>\$ 7,156,113</u>	<u>\$ 7,156,113</u>

Transfers received in the General Fund are primarily for reimbursement of street maintenance and improvement expenditures from the various street special revenue funds for \$2.92 million, which are routine transfers. The transfer of \$1.37 million from the Electric Fund consists of transfers to the General Fund of \$1.27 million as an in-lieu franchise fee, \$102,517 to the Vehicle Fund for capital equipment. The remaining transfers are primarily for reimbursements to the General Fund for cash flow purposes and are routine.

5) **Capital Assets**

Capital Assets activity for the fiscal year ended June 30, 2007, was as follows:

<u>Primary Government</u>	Beginning Balance	Adjustments to Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:					
Non-depreciable assets:					
Land	\$ 27,826,225	\$ -	\$ -	\$ -	\$ 27,826,225
Construction in progress	202,875		34,581	(143,320)	94,136
Depreciable assets:					
Buildings and improvements	12,591,544		237,848		12,829,392
Machinery and equipment	20,881,005	7,091	2,307,451	(1,346,754)	21,848,793
Infrastructure	55,071,029	1,076,011	1,735,136		57,882,176
Totals at historical cost	116,572,678	1,083,102	4,315,016	(1,490,074)	120,480,722
Less: accumulated depreciation for:					
Buildings and improvements	(8,666,572)		(370,309)		(9,036,881)
Machinery and equipment	(13,047,182)		(1,439,946)	1,249,545	(13,237,583)
Infrastructure	(24,955,490)		(1,602,566)		(26,558,056)
Totals accumulated depreciation	(46,669,244)	-	(3,412,821)	1,249,545	(48,832,520)
Governmental activities capital assets, net	\$ 69,903,434	\$ 1,083,102	\$ 902,195	\$ (240,529)	\$ 71,648,202

<u>Primary Government</u>	Beginning Balance	Adjustments to Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:					
Non-depreciable assets:					
Land	\$ 7,220,585	\$ -	\$ -	\$ -	\$ 7,220,585
Construction in progress	19,655,638		14,548,097	(15,172,218)	19,031,517
Depreciable assets:					
Buildings and improvements	20,584,214		13,118,224		33,702,438
Machinery and equipment	96,737,029		5,830,775	(234,379)	102,333,425
Totals at historical cost	144,197,466	-	33,497,096	(15,406,597)	162,287,965
Less: accumulated depreciation for:					
Buildings and improvements	(3,208,067)		(360,343)		(3,568,410)
Machinery and equipment	(56,077,062)	125,543	(3,029,850)	111,247	(58,870,122)
Totals accumulated depreciation	(59,285,129)	125,543	(3,390,193)	111,247	(62,438,532)
Business-type activities capital assets, net	\$ 84,912,337	\$ 125,543	\$ 30,106,903	\$ (15,295,350)	\$ 99,849,433

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$	109,639
Police protection		272,249
Fire protection		32,676
Engineering/streets		1,691,706
Building		98,390
Community development		68,052
Parks and recreation		74,480
Depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets		1,065,629

Total depreciation expense

\$ 3,412,821

Business-type activities:

Water	\$	851,067
Electric		993,259
Wastewater		846,635
Solid Waste		146,737
Airport		111,799
Transit		212,303
Recreation		592
River Park Campground		6,279
Health and welfare		63,534
Broadband		157,988

Total depreciation expense

\$ 3,390,193

6) Joint ventures

The City participates in two joint power agencies that are considered joint ventures. These agencies are Northern California Power Agency (NCPA) and Transmission Agency of Northern California (TANC).

NCPA is a nonprofit, joint action agency comprised of 12 cities, one Rural Electric Cooperative, one Public Utility District, one Port Authority, one Irrigation District and one Transit District. The Agency is governed by a Commission comprised of one representative for each member. The Commission is responsible for the general management of the affairs, property and business of the Agency. Separate financial statements of the agency may be obtained by writing NCPA, 180 Cirby Way, Roseville, California 95678.

TANC was organized under the California government code pursuant to a joint powers agreement entered into by 15 northern California utilities, of which the City is a part of under NCPA. Each TANC member has agreed to pay a pro rate share of the cost to operate TANC and has the right to participate in future project agreements. TANC is the project manager for the California-Oregon Transmission Project. The purpose of the project is to upgrade certain facilities and construct new facilities as needed to allow mutually beneficial power sales between the Pacific Northwest and California. Separate financial statements of the agency may be obtained by writing TANC, P.O. Box 661030, Sacramento, California 95866.

While the City is, in part, contingently liable for a certain portion of the long-term debt of each agency, the joint venture's continued existence does not depend upon the continued funding and/or participation by the City of Lompoc. The City's participating percentage in each agency is far below that which would be considered a "controlling" or "significant" influence. Therefore, the City's interests in NCPA and TANC are not equity interests.

	<u>PARTICIPATING PERCENTAGE</u>	<u>INVESTMENT</u>	<u>DATE OF LATEST AUDITED FINANCIAL STATEMENTS</u>
NCPA	3.938%	\$1,172,145	June 30, 2006
TANC	0.408%	12,395	June 30, 2007
Total		<u><u>\$1,184,540</u></u>	

Condensed combined audited financial information of these joint power agencies is as follows (in thousands):

	<u>NCPA</u>	<u>TANC</u>	<u>Total</u>
ASSETS:			
Current assets	\$ 81,720	\$ 31,986	\$ 113,706
Property, equipment and capital project costs	407,576	313,202	720,778
Restricted assets and other assets	434,841	81,242	516,083
TOTAL ASSETS	<u>\$ 924,137</u>	<u>\$ 426,430</u>	<u>\$ 1,350,567</u>
LIABILITIES AND CAPITALIZATION:			
Current liabilities	\$ 41,036	\$ 69,851	\$ 110,887
Member advances	1,759		1,759
Long-term debt and other liabilities	851,577	353,541	1,205,118
Members' capital	29,765	3,038	32,803
TOTAL LIABILITIES AND CAPITALIZATION	<u>\$ 924,137</u>	<u>\$ 426,430</u>	<u>\$ 1,350,567</u>
REVENUES:			
Interest	\$ 8,593	\$ 2,581	\$ 11,174
Operating revenues and other revenues	313,164	52,893	366,057
TOTAL REVENUES	<u>321,757</u>	<u>55,474</u>	<u>377,231</u>
COSTS AND EXPENSES:			
General and other operating costs	258,997	24,570	283,567
Interest and other financing costs	41,524	20,573	62,097
TOTAL COSTS AND EXPENSES	<u>300,521</u>	<u>45,143</u>	<u>345,664</u>
Reserve additions and refunds	<u>(10,379)</u>	<u>(7,688)</u>	<u>(18,067)</u>
NET INCOME (LOSS)	10,857	2,643	13,500

ACCUMULATED NET REVENUES

Beginning of year	18,908	395	19,303
End of year	<u>\$ 29,765</u>	<u>\$ 3,038</u>	<u>\$ 32,803</u>

Under the terms of the NCPA and TANC joint power agency agreements, the City is contingently liable, directly or indirectly, for a portion of the long-term debt of these agencies under a take-or-pay or guarantee arrangement. The City was contingently liable at June 30, 2007, for approximately \$50.25 million (TANC principal \$1.52 million, TANC interest \$610,359; NCPA principal \$27.76 million, NCPA interest \$20.36 million). Under certain circumstances, such as default or bankruptcy of the other participants, the City may also be liable to pay a portion of the debt of these agencies on behalf of the other participants in these agencies.

Northern California Power Agency

The NCPA's Geothermal Project has experienced greater than anticipated declines in steam production from existing geothermal wells on its leasehold property. Recent results of the continuing well analysis program indicate that the potential productive capacity of the geothermal steam reservoir is less than previously estimated. Therefore, NCPA has modified the operations of the Geothermal Project to reduce the average annual output from past levels. As a result, the per-unit cost of power generated by the projects will be higher than anticipated.

7) Leases under governmental activities

During the fiscal years ended June 30, 2002 and 2005, the City entered into long-term leases as lessee for financing the purchase of \$4,002,252 of certain equipment utilized in the General Fund and Vehicle Fund. The lease agreements allow the City, upon 30 days written notice, to terminate the leases as of the end of that fiscal year based solely on the City's failure to appropriate funds for the subsequent years' rental payments after exercising reasonable efforts to appropriate funds from any and all of its legally available sources. These leases qualified as capital leases for accounting purposes and therefore, were recorded at the present value of the future minimum lease payments at the date of inception of the leases.

Future minimum lease payments under these capital leases are as follows:

FISCAL YEAR ENDED JUNE 30	CAPITAL LEASES
2008	\$ 497,631
2009	468,362
2010	439,094
2011	428,664
2012	316,118
2013-2017	351,193
Total minimum lease payments	2,501,062
Amount representing interest	(296,836)
Present value of minimum lease payments	<u>\$ 2,204,226</u>

Debt service for the present value of minimum lease payments will be provided by the General Fund and Vehicle Fund.

8) Leases under business-type activities

During the fiscal years ended June 30, 2002 and 2005, the City entered into long-term leases as lessee for financing purchases of \$1,835,045 of certain equipment utilized in the Solid Waste, Water, Electric and Broadband Funds. These lease agreements allow the City, upon 30 days written notice, to terminate the leases as of the end of that fiscal year based solely on the City's failure to appropriate funds for the subsequent years' rental payments after exercising reasonable efforts to appropriate funds from any and all of its legally available sources. These leases qualified as capital leases for accounting purposes and therefore, were recorded at the present value of the future minimum lease payments at the date of inception of the leases.

Future minimum lease payments under these capital leases are as follows:

FISCAL YEAR ENDED JUNE 30	CAPITAL LEASES
2008	\$ 194,340
2009	183,694
2010	173,050
2011	173,050
2012	135,960
2013-2015	246,993
Total minimum lease payments	1,107,087
Amount representing interest	(146,075)
Present value of minimum lease payments	<u>\$ 961,012</u>

Debt service for the present value of the minimum lease payments will be provided by the Solid Waste Fund, Water Fund, Electric Fund, and Broadband Fund.

9) Long-term liability activity

Long-term liability activity for the fiscal year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One Year
Governmental Activities					
Compensated absences	\$ 2,035,909	\$ 2,096,761	\$ (1,951,697)	\$ 2,180,973	\$ 2,034,714
Accrued liabilities	3,252,190		(692,584)	2,559,606	767,882
Capital leases	2,642,358		(438,132)	2,204,226	409,410
Bonds payable	7,350,000		(150,000)	7,200,000	150,000
Loans payable	1,908,950	52,500		1,961,450	
Governmental activities long-term liabilities	\$ 17,189,407	\$ 2,149,261	\$ (3,232,413)	\$ 16,106,255	\$ 3,362,006
Business-type activities					
Bonds and loans payable:					
Water loan payable	\$ 57,167	\$ -	\$ (4,432)	\$ 52,735	\$ 4,653
Water revenue bonds	14,916,055	2,535,000	(391,267)	17,059,788	410,017
Wastewater revenue bonds	9,378,945	14,545,000	(198,733)	23,725,212	349,983
Wastewater state loan	24,352,167	12,516,945	(594,432)	53,354,680	764,653
Less: deferred amount on refundings	(437,980)		27,373	(410,607)	
Total bonds and notes payable	23,914,187	29,596,945	(567,059)	52,944,073	764,653
Compensated absences	961,794	1,101,134	(988,184)	1,074,744	997,173
Capital leases-Solid Waste	168,670		(62,373)	106,297	26,318
Capital leases-Water	128,022		(24,569)	103,453	25,642
Capital leases-Electric	150,029		(28,782)	121,247	30,038
Capital leases-Broadband	700,135		(70,120)	630,015	73,096
Landfill closure & postclosure	3,825,307			3,825,307	
Trust deposits	5,370		(250)	5,120	
Reserve Fund - VVCSD	333,445		(6,427)	327,018	
Business-type activities Long-term liabilities	\$ 30,186,959	\$ 30,698,079	\$ (1,747,764)	\$ 59,137,274	\$ 1,916,920

Long-term debt other than capital leases at June 30, 2007, was comprised of the following individual issues:

Revenue Bonds

1998 Water and Wastewater Revenue Bonds:

On July 7, 1998, Revenue Bonds in the amount of \$9,535,000 were sold. \$4,470,000 of this bond issue was to be used to finance three new Water Capital projects and the remaining amount of \$5,065,000 was used to advance refund the 1992 Water and Wastewater Revenue Bonds. The advance refunding resulted in a difference of \$656,970 between the reacquisition price and the net carrying amount of the old debt (\$502,435 in Water and \$154,535 in Wastewater). This difference is reported in the accompanying financial statements as a deduction from bonds payable and is being charged to operations as additional interest expense through the year 2022 using the straight-line method. The City completed the advance refunding to reduce its total debt service payments over the next 23 years by \$822,774 and to obtain an economic gain (difference between the present value of the old debt and the new debt service payments) of \$497,677. At June 30, 2003 the defeased debt from the 1992 Water and Wastewater Revenue Bonds was no longer outstanding.

Interest rate from 3.5% to 5.0% payable March 1 and September 1; maturities payable on March 1 in annual redemption from \$210,000 to \$545,000; final payment is due March 1, 2028.

Original issue \$9,535,000	\$ 7,405,000	
Deferred amount of refunding	<u>(410,607)</u>	
Amount shown on financial statements		<u>6,994,393</u>
Total revenue bonds		<u><u>\$ 6,994,393</u></u>

2005 Water and Wastewater Revenue Bonds:

On March 22, 2005, Revenue Bonds in the amount of \$16,970,000 were sold. \$8,370,000 of this bond issue is to be used to finance four new Water Fund Capital projects and the remaining amount is to be used to finance two Wastewater Fund Capital projects.

\$10,990,000 are serial bonds with interest rates ranging from 3.50% to 4.50% due in annual installments from \$350,000 to \$715,000 from March 1, 2006 to March 1, 2028; \$1,525,000 are term bonds with an interest rate of 4.50% due March 1, 2030; \$4,455,000 are term bonds with an interest rate of 4.50% due March 1, 2035.

Principal Outstanding

\$16,300,000

2007 Water and Wastewater Revenue Bonds

2007 Water and Wastewater Revenue Bonds:

On February 14, 2007, Revenue Bonds in the amount of \$17,080,000 were sold. \$14,545,000 of this bond issue is to be used to finance a portion of the Wastewater Treatment Plant upgrade and the remaining amount is to be used to finance a Water Fund Capital project. \$8,855,000 are serial bonds with interest rates ranging from 3.75% to 4.375% due in annual installments from \$150,000 to \$640,000 from March 1, 2008 to March 1, 2027; \$2,100,000 are term bonds with an interest rate of 4.50% due March 1, 2030; \$6,125,000 are term bonds, 4.50% due March 1, 2037.

Principal Outstanding

\$17,080,000

Loan payable (Water Utility Fund)

U.S. Department of Commerce, Economic Development Administration, Wet Well Loan, Contract Number 078100237-01; a 1978 simple interest loan of 5% payable June 30; annual payment of \$7,290; final payment is due June 30, 2017. Proceeds were used toward the construction of a wet well.

Original issue \$124,000

\$52,735

Loan payable (Wastewater Utility Fund)

State Water Resources Control Board (SWRCB), Wastewater Plant Upgrade Loan, Agreement Number 06-811-550-0. Maximum amount of loan is \$91,787,186. Proceeds borrowed through June 30, 2007 is \$12,516,945. Repayment of the loan is scheduled to begin one year after completion of construction. The first payment is currently scheduled to be made in the fiscal year ending June 30, 2011. The loan is considered to be 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 for this matching portion is approximately 2.5% with annual payments over 20 years of \$4,589,360. Approximately 34% of these payments will be reimbursed by the Vandenberg Air Force Base and the Vandenberg Village Community Services District. At the end of the fiscal year there is currently no repayment schedule.

Original Issue \$91,787,186

\$12,516,945

The annual requirements in the Enterprise Funds to amortize Revenue Bonds and Loan Payable outstanding as of June 30, 2007 are as follows:

FISCAL YEAR ENDING JUNE 30	REVENUE BONDS		
	PRINCIPAL	INTEREST	TOTAL
2008	760,000	1,813,712	2,573,712
2009	955,000	1,750,329	2,705,329
2010	985,000	1,713,319	2,698,319
2011	1,025,000	1,674,399	2,699,399
2012	1,075,000	1,633,105	2,708,105
2013-2017	6,050,000	7,463,740	13,513,740
2018-2022	7,445,000	6,061,749	13,506,749
2023-2027	7,295,000	4,432,973	11,727,973
2028-2032	7,845,000	2,719,375	10,564,375
2033-2037	7,350,000	888,300	8,238,300
	<u>\$ 40,785,000</u>	<u>\$ 30,151,001</u>	<u>\$ 70,936,001</u>
FISCAL YEAR ENDING JUNE 30	LOAN PAYABLE		
	PRINCIPAL	INTEREST	TOTAL
2008	\$ 4,653	\$ 2,637	\$ 7,290
2009	4,886	2,404	7,290
2010	5,130	2,160	7,290
2011	5,387	1,904	7,291
2012	5,656	1,634	7,290
2013-2017	27,023	3,634	30,657
	<u>\$ 52,735</u>	<u>\$ 14,373</u>	<u>\$ 67,108</u>

Revenue Bonds

2004 Aquatic Center Revenue Bonds:

On November 23, 2004, Revenue Bonds in the amount of \$7,350,000 were sold. All proceeds of this bond issue are being used to finance the construction of the City’s new Aquatic Center.

\$4,345,000 are serial bonds with interest rates ranging from 2.75% to 4.75% due in annual installments from \$150,000 to \$300,000 from September 2, 2006 to September 2, 2026; \$1,360,000 are term bonds with an interest rate of 4.80% due in annual installments from \$315,000 to \$365,000 from September 2, 2027 to September 2, 2030; \$1,645,000 are term bonds with an interest rate of 4.85% due in annual installments from \$385,000 to \$440,000 from September 2, 2031 to September 2, 2034.

The Redevelopment Debt Service Fund will pay remaining debt service from future property tax revenue. The annual debt service requirements to maturity as of June 30, 2007, are as follows:

FISCAL YEAR ENDING JUNE 30	REVENUE BONDS		
	PRINCIPAL	INTEREST	TOTAL
2008	\$ 150,000	\$ 310,410	\$ 460,410
2009	155,000	306,216	461,216
2010	160,000	301,685	461,685
2011	160,000	296,885	456,885
2012	165,000	291,494	456,494
2013-2017	915,000	1,360,997	2,275,997
2018-2022	1,110,000	1,162,525	2,272,525
2023-2027	1,380,000	892,155	2,272,155
2028-2032	1,745,000	524,216	2,269,216
2033-2037	1,260,000	93,605	1,353,605
	<u>\$ 7,200,000</u>	<u>\$ 5,540,188</u>	<u>\$ 12,740,188</u>

Redevelopment Agency – In fiscal year 2001, the Agency received three CHFA-HELP loans amounting to \$711,175 to be used for low-income housing. In fiscal year 2002, the Agency issued \$288,825 in additional loans to be used for low-income housing. In fiscal year 2004, the Agency issued an additional \$105,000 in loans to be used for low-income housing. In fiscal year 2006, the Agency issued an additional \$645,000 in loans to be used for low-income housing. These loans are payable in ten years from the proceeds of loan payments from the low-income recipients. At June 30, 2007, the accrued interest for these loans is \$211,450, accruing at 3% per annum. At June 30, 2007, the balance of the loans, including interest, is \$1,961,450 and the Redevelopment Agency is contingently liable for payment of the loans if the recipients default on their payments.

10) Other long-term liabilities

The following long-term liability represents a revenue bond issue by the Lompoc Parks and Maintenance Assessment District, for which the City is not liable. The payments of these bonds are secured by valid assessment liens upon certain lands in the district and are not direct liabilities of the City. The City acts solely as an agent for those paying assessments and bondholders. Collection of property assessments and payment of the Assessment District Bonds are reflected only in the Agency Funds.

Revenue Bonds

2004 Park & Maintenance Assessment District Bonds:

On November 23, 2004, Revenue Bonds in the amount of \$2,605,000 were sold. All proceeds of this bond issue are being used to finance park improvements, maintenance, and other capital improvements.

\$1,515,000 are serial bonds with interest rates ranging from 2.75% to 4.75% due in annual installments from \$30,000 to \$110,000 from September 2, 2006 to September 2, 2026; \$490,000 are term bonds with an interest rate of 4.8% due in annual installments from \$115,000 to \$130,000 from September 2, 2027 to September 2, 2030; \$600,000 are term bonds with an interest rate of 4.85% due in annual installments from \$140,000 to \$160,000 from September 2, 2031 to September 2, 2034.

Principal Outstanding

\$2,575,000

11) **Loans Payable**

The Lompoc Redevelopment Agency issued loans payable as follows:

	<u>Loan Amount</u>	<u>Principal Due at June 30, 2007</u>
City of Lompoc (General Fund)	\$233,000	\$126,605
	119,801	70,755
	<u>22,700</u>	<u>13,776</u>
	<u>\$375,501</u>	<u>\$211,136</u>
CHFA	<u>\$1,961,450</u>	

CHFA loans are used to assist residents with low-income housing needs. The funds were received from the State of California through their Development Block Grant programs. These loans are payable in ten years from the proceeds of loan payments from the low-income recipients. The interest on the loans is 3% per annum. At June 30, 2007, the balance of the loans is \$1.96 million and the Redevelopment Agency is contingently liable for payments of the loans if the recipients default on their payments.

12) **Deferred compensation plan**

The City offers its employees the opportunity to participate in a deferred compensation plan with ICMA Retirement Corporation. The plan has been established to meet the Internal Revenue Code Section 457. Employees may withdraw their contributions only at retirement, termination of employment, death, or unforeseeable emergency.

13) **Defined benefit pension plan**

Public Employees Retirement System

Plan Description: The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating

public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office – 400 P Street, Sacramento, California 95814.

Funding Policy: PERS is a contributory plan deriving funds from employees' contributions as well as from employer contributions and earnings from investments. Employer contribution rates for the year ended June 30, 2007, were 15.886% for non-safety members and 25.764% for safety members. Non-safety members contribute 8% and safety members contribute 9% of their annual covered salary. The City makes the contributions required of non-safety employees on their behalf and pays a portion of the contributions of safety employees for their behalf and for their accounts. The contribution requirements of the City and plan members are established and may be amended by PERS.

Annual Pension Cost: For fiscal year 2006/2007, the City's annual pension cost of \$5,009,611 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected annual salary increases that vary by duration of service; and (c) 3.25% annual payroll growth. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2006, were 16 years for safety and 29 years for miscellaneous. June 30, 2006 is the latest actuarial valuation.

All full-time and certain part-time City employees are eligible to participate in PERS. Benefits vest after five years of service and the City maintains separate retirement programs for Safety employees (Police and Fire) and Miscellaneous employees. Safety employees with five years of credit service are entitled to an annual retirement benefit, payable monthly for life, and may retire at age 50 with a retirement benefit equal to 3% of their salary. The final compensation is the monthly average of the member's highest 36 consecutive month's full-time equivalent pay. The service retirement benefits are capped at 90% of final compensation. The Miscellaneous employees' retirement program provides an annual retirement benefit payable monthly for life, after five years based on their single highest year of employment for each year of credited service. The service retirement benefit is not capped. PERS also provides death and disability benefits. These benefit provisions are established by State statute and City ordinance.

THREE-YEAR TREND INFORMATION FOR PERS

Miscellaneous Employees:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	\$ 1,021,931	100.00%	\$ -
6/30/2005	\$ 1,705,311	100.00%	\$ -
6/30/2006	\$ 3,615,224	100.00%	\$ -

Safety Employees:

6/30/2004	\$ 712,324	100.00%	\$ -
6/30/2005	\$ 1,186,670	100.00%	\$ -
6/30/2006	\$ 1,394,386	100.00%	\$ -

REQUIRED SUPPLEMENTARY INFORMATION

	(A)	(B)	(C)	(D)	(E)	(F)
<u>Miscellaneous Employees:</u>		Entry Age				Unfunded (Overfunded) Liability as Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability	Unfunded Liability/ (Excess Assets) {(B) - (A)}	Funded Ratio {(A) / (B)}	Covered Payroll	
6/30/2004	\$ 69,763,418	\$ 78,172,083	\$ 8,408,665	89.2%	\$ 14,897,986	56.442%
6/30/2005	\$ 74,999,263	\$ 83,171,016	\$ 8,171,753	90.2%	\$ 14,177,817	57.638%
6/30/2006	\$ 82,477,888	\$ 91,998,273	\$ 9,520,385	89.7%	\$ 14,995,525	63.488%

Safety Employees (Pool)*:

6/30/2004	\$ 35,369,490	\$ 40,522,288	\$5,152,798	87.3%	\$ 5,022,670	102.591%
6/30/2005	\$ 5,295,150,375	\$ 6,367,049,264	\$1,071,898,889	83.2%	\$ 664,147,796	161.395%
6/30/2006	\$ 6,102,615,567	\$ 7,278,049,834	\$1,175,434,267	83.8%	\$ 754,730,438	155.742%

*Effective July 1, 2004, the Safety Employees Plan joined a risk pool. All information presented for fiscal year ended June 30, 2005 is for the risk pool in its entirety. Data shown prior to June 30, 2005 is for the City of Lompoc's Safety Employees only.

Post-employment Benefits

In addition to the pension benefits described in Note 13, the City provides post-employment health care insurance, in accordance with Memorandums of Understanding, to all employees who retire from the City on or after attaining age 55 with at least 15 years of service. Currently, forty-four retirees meet those eligibility requirements. The City's contributions are financed on a pay-as-you-go basis. The City pays a percentage of the cost incurred by pre-Medicare retirees, toward health and dental insurance, beginning with 50% with 15 years of service and increasing 2.5% with each year, to a maximum of 75% with 25 years of service. The City also reimburses a fixed amount up to \$100 per month for a Medicare supplement for the thirty-five retirees eligible for Medicare. Expenditures for post-employment health care benefits are recognized as monthly premiums are paid. During the year, expenditures of \$250,688 were recognized for post-employment health care.

14) Fund balance reserves and designations

Following is a list of fund balance reserves and designations used by the City of Lompoc at June 30, 2007:

RESERVE FOR INVENTORY-GENERAL FUND:

Used to segregate a portion of fund balance to indicate that Inventory does not represent available, spendable resources
Even though it is a component of assets – \$31,444

RESERVE FOR LOANS RECEIVABLE – GENERAL FUND:

Used to indicate that the loans due from the Redevelopment Agency do not represent available, spendable resources even though they are a component of assets – \$211,136

RESERVE FOR ENCUMBRANCES – GENERAL FUND:

Used to indicate commitments related to unperformed (executory) contracts for goods or services – \$601,217

RESERVE FOR LOW INCOME HOUSING – SPECIAL REVENUE FUNDS, LOMPOC REDEVELOPMENT AGENCY:

Used to indicate the reserving of funds for low income housing – \$2,124,491

RESERVE FOR LAND DEVELOPMENT – SPECIAL REVENUE FUNDS, CAPITAL DEVELOPMENT:

Used to segregate a portion of fund balance for land development legally restricted to the development of city parks – \$779,799

RESERVE FOR ECONOMIC UNCERTAINTIES – SPECIAL REVENUE FUNDS, ECONOMIC UNCERTAINTIES FUND:

Used to maintain emergency reserves for unforeseen economic conditions – \$2,000,000

RESERVE FOR DEBT REDEMPTION – DEBT SERVICE FUNDS:

Used to indicate reserves established to pay long-term debt – \$401,202

RESERVE FOR INVENTORY – SPECIAL GAS TAX FUND:

Used to segregate a portion of fund balance to indicate that inventory does not represent available, spendable resources even though it is a component of assets – \$3,823

RESERVE FOR ENCUMBRANCES – SPECIAL REVENUE FUNDS:

Used to indicate commitments related to unperformed (executory) contracts for goods or services – \$2,294,230

RESERVE FOR LOANS RECEIVABLE – SPECIAL REVENUE FUNDS:

Used to indicate a portion of fund balance that is not available for current resources – \$5,350,220

15) Risk management

The City is partially self-insured for workers' compensation, liability claims, and property losses and fully self-insured for unemployment claims. The City has been partially self-insured for workers' compensation since 1976.

The Self-Insured Retention (SIR) for property insurance is \$25,000. Insurable property is generally covered for all risks, excluding earthquake and flood, by a policy with an aggregate limit of \$76.89 million. Various unique risks, such as boilers, machinery and data processing equipment are also insured.

On July 1, 2003, the City joined the California Public Entity Insurance Authority (CPEIA) for the purpose of purchasing excess liability and workers' compensation insurance. The CPEIA was formed under the Joint Powers Agreement (JPA) provision of state law (Government Codes 990, 990.4, 990.8, and 6500-6515). In addition, CPEIA is governed by bylaws adopted by the JPA members. The fund is directed by a board of directors comprised of representatives elected from the various participating municipal agencies. The allocation of the liability insurance policy costs are calculated based on the recommendations of insurance brokers/consultants using recognized insurance experience rating techniques. Separate financial statements of CPEIA may be obtained by writing the Accounting Department, CSAC – Excess Insurance Authority, 3017 Gold Canal Drive, Suite 300, Rancho Cordova, California 95670, or by phoning (916) 631-7363.

The City is self-insured for the first \$100,000 per occurrence, and excess insurance through CPEIA provides coverage to a maximum of \$15,000,000 per occurrence. The City's self-insured retention (SIR) for workers' compensation is \$300,000. There were no significant reductions in insurance coverage from the prior year. For fiscal years ended June 30, 1995 through 2007, no claims settlements have exceeded insurance coverage.

The City's self-insurance fund is financed through contributions made by the City's general fund and enterprise funds. Third party administration provides data on estimated claims liabilities (paid and reserves). As of June 30, 2007 the estimated outstanding liability was \$2.52 million for workers' compensation and \$38,808 for general liability. The Insurance Control Fund has total net assets of \$6.40 million, all of which is available for the known outstanding liabilities and for future catastrophic losses. Estimated liabilities for incurred but not reported (IBNR) claims are \$1,300 at June 30, 2007. Such amounts have been accrued in the accompanying financial statements in the self-insurance internal service fund.

Changes in balances of claims liabilities for general liability insurance are as follows:

	General Liability	Workers Comp.
Unpaid claims liability, June 30, 2005	\$ 1,333,523	\$ 3,702,018
Incurred claims (including IBNR)	(1,085,540)	(512,259)
Claim payments	(27,635)	(157,917)
Unpaid claims liability, June 30, 2006	220,348	3,031,842
Incurred claims (including IBNR)	(150,989)	(395,976)
Claim payments	(30,551)	(115,068)
Unpaid claims liability, June 30, 2007	<u>\$ 38,808</u>	<u>\$ 2,520,798</u>

16) Prior period adjustments

Certain adjustments have been made to July 1, 2006 fund balances and net assets as follows:

ENTERPRISE FUNDS

Water Fund	
Adjustment from prior fiscal year error in recording depreciation expense.	\$125,543
Wastewater Fund	
Adjustment from prior fiscal year error in recording a receivable.	\$(45,937)
Solid Waste Fund	
Adjustment from prior fiscal year error in recording of recycling revenue.	\$6,962

GOVERNMENT-WIDE

Governmental Activities	
Adjustment from prior fiscal year error in recording capital assets .	\$1,083,102

17) Excess of expenditures over appropriations

Excess of expenditures over appropriations in individual major funds are as follows:

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Police Protection	\$56,762
Community Development	\$11,356
Non-departmental	\$57,645

The over expenditures in the Police Department were due to greater than forecast overtime charges.

The over expenditures in the Community Development department were due to greater than forecast charges for planning projects.

The over expenditures in the Non-Departmental category were due to higher than anticipated expenditures.

18) Closure and post-closure care costs

State and federal laws and regulations require the City to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3.83 million reported as landfill closure and post-closure care liability at June 30, 2007 represents the cumulative amount to date based on the use of 60.3 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$3.31 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2007. The City expects to close the landfill in the year 2047. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a reserve account to finance closure and post-closure care. The City is in compliance with these requirements, and, at June 30, 2007, restricted cash in the amount of \$2.53

million is held for these purposes. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users.

REQUIRED SUPPLEMENTARY INFORMATION

City of Lompoc
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2007
(Page 1 of 2)

	Budgeted Amounts		Actual Amounts	Variance- Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 3,408,323	\$ 3,408,323	\$ 3,732,646	\$ 324,323
Sales and use taxes	4,220,476	4,220,476	4,037,197	(183,279)
Other taxes	2,224,927	2,224,927	2,293,012	68,085
Licenses, fees, and permits	436,616	436,616	667,273	230,657
Intergovernmental revenues	3,270,624	3,585,221	3,821,674	236,453
Charges for services	6,683,586	6,725,476	7,109,854	384,378
Fines, forfeitures, and penalties	18,400	18,400	21,236	2,836
Use of money and property	144,025	162,025	323,621	161,596
Other	95,200	116,164	132,728	16,564
	20,502,177	20,897,628	22,139,241	1,241,613
Total revenues				
Expenditures:				
Current:				
City Council	109,716	126,290	111,775	14,515
City administration	4,865,849	5,400,633	4,630,163	770,470
Police protection	7,501,730	8,076,898	8,133,660	(56,762)
Fire protection	3,241,962	3,342,811	3,274,802	68,009
Engineering / streets	4,096,063	4,293,070	3,988,308	304,762
Building	1,271,083	1,307,703	1,198,445	109,258
Community development	673,200	775,116	786,472	(11,356)
Parks and recreation	2,189,008	2,275,048	2,096,848	178,200
Non-departmental	684,051	724,196	781,841	(57,645)
Capital outlay	84,111	458,469	290,146	168,323
	24,716,773	26,780,234	25,292,460	1,487,774
Total expenditures				

City of Lompoc
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2007
 (Page 2 of 2)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess of revenues over (under) expenditures	<u>(4,214,596)</u>	<u>(5,882,606)</u>	<u>(3,153,219)</u>	<u>2,729,387</u>
Other financing sources (uses)				
Transfers in	4,709,588	4,712,895	4,256,694	(456,201)
Transfers (out)	<u>(447,678)</u>	<u>(611,204)</u>	<u>(688,199)</u>	<u>(76,995)</u>
Total other financing sources (uses)	<u>4,261,910</u>	<u>4,101,691</u>	<u>3,568,495</u>	<u>(533,196)</u>
Net change in fund balance	47,314	(1,780,915)	415,276	2,196,191
Fund balance, beginning of fiscal year	<u>5,073,804</u>	<u>5,073,804</u>	<u>5,073,804</u>	
Fund balance, end of fiscal year	<u>\$ 5,121,118</u>	<u>\$ 3,292,889</u>	<u>\$ 5,489,080</u>	<u>\$ 2,196,191</u>

SUPPLEMENTARY INFORMATION SECTION

City of Lompoc
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007
(Page 1 of 6)

	<u>Special Revenue Funds</u>				
	<u>Transportation Improvement Fund</u>	<u>Civic Center Fund</u>	<u>Street Development Fund</u>	<u>Special Gas Tax Fund</u>	<u>Capital Development Fund</u>
ASSETS					
Cash and investments	\$ 2,913,456	\$ 100,198	\$ 3,339,020	\$ 710,846	\$ 761,377
Receivables:					
Accounts receivable, net	480,874			129,515	
Interest receivable	21,928	958	30,566	6,794	18,422
Due from other funds					
Loans receivable					
Inventory				3,823	
Total assets	<u>\$ 3,416,258</u>	<u>\$ 101,156</u>	<u>\$ 3,369,586</u>	<u>\$ 850,978</u>	<u>\$ 779,799</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 5,626	\$ 83,109	\$ -
Accrued liabilities					
Loans payable					
Deposits			595,494		
Due to other funds					
Unearned revenue					
Total liabilities	<u>-</u>	<u>-</u>	<u>601,120</u>	<u>83,109</u>	<u>-</u>
Fund balances:					
Reserved for encumbrances	1,626,396		24,786	319,497	
Reserved for land development					779,799
Reserved for loans receivable					
Reserved for debt service					
Reserved for low income housing					
Reserved for inventories				3,823	
Reserved for economic uncertainties					
Unreserved:					
Undesignated	1,789,862	101,156	2,743,680	444,549	
Total fund balances (deficit)	<u>3,416,258</u>	<u>101,156</u>	<u>2,768,466</u>	<u>767,869</u>	<u>779,799</u>
Total liabilities and fund balances	<u>\$ 3,416,258</u>	<u>\$ 101,156</u>	<u>\$ 3,369,586</u>	<u>\$ 850,978</u>	<u>\$ 779,799</u>

City of Lompoc
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007
(Page 2 of 6)

	<u>Special Revenue Funds</u>				
	<u>Local Transportation Fund</u>	<u>Parking Maintenance Funds</u>	<u>Jailer - Dispatcher Training Fund</u>	<u>Community Development Funds</u>	<u>Human Services Fund</u>
ASSETS					
Cash and investments	\$ 1,127,312	\$ 66,174	\$ 3,873	\$ 2,483,206	\$ 65,286
Receivables:					
Accounts receivable, net	150,365		858	134,194	1,448
Interest receivable	9,661	420		23,733	624
Due from other funds					
Loans receivable				3,085,614	
Inventory					
Total assets	<u>\$ 1,287,338</u>	<u>\$ 66,594</u>	<u>\$ 4,731</u>	<u>\$ 5,726,747</u>	<u>\$ 67,358</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 32	\$ -	\$ 93,168	\$ 10,618
Accrued liabilities					
Loans payable					
Deposits					
Due to other funds					
Unearned revenue				29,170	
Total liabilities	<u>-</u>	<u>32</u>	<u>-</u>	<u>122,338</u>	<u>10,618</u>
Fund balances:					
Reserved for encumbrances				213,221	
Reserved for land development					
Reserved for loans receivable				3,085,614	
Reserved for debt service					
Reserved for low income housing					
Reserved for inventories					
Reserved for economic uncertainties					
Unreserved:					
Undesignated	1,287,338	66,562	4,731	2,305,574	56,740
Total fund balances (deficit)	<u>1,287,338</u>	<u>66,562</u>	<u>4,731</u>	<u>5,604,409</u>	<u>56,740</u>
Total liabilities and fund balances	<u>\$ 1,287,338</u>	<u>\$ 66,594</u>	<u>\$ 4,731</u>	<u>\$ 5,726,747</u>	<u>\$ 67,358</u>

City of Lompoc
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007
(Page 3 of 6)

	<u>Special Revenue Funds</u>				
	<u>Beautification Fund</u>	<u>Library Funds</u>	<u>Literacy Grant Fund</u>	<u>SLTPP Fund</u>	<u>Economic Uncertainty Fund</u>
ASSETS					
Cash and investments	\$ 62,756	\$ 728,661	\$ 797	\$ 106,816	\$ 2,000,000
Receivables:					
Accounts receivable, net	91	438	1,100		
Interest receivable	600	7,027	8		
Due from other funds		3,100			
Loans receivable					
Inventory					
Total assets	<u>\$ 63,447</u>	<u>\$ 739,226</u>	<u>\$ 1,905</u>	<u>\$ 106,816</u>	<u>\$ 2,000,000</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 35	\$ 5,406	\$ 49		\$ -
Accrued liabilities		3,155	377		
Loans payable					
Deposits		62,542			
Due to other funds			3,100		
Unearned revenue		1,978			
Total liabilities	<u>35</u>	<u>73,081</u>	<u>3,526</u>	<u>-</u>	<u>-</u>
Fund balances:					
Reserved for encumbrances		28,556			
Reserved for land development					
Reserved for loans receivable					
Reserved for debt service					
Reserved for low income housing					
Reserved for inventories					
Reserved for economic uncertainties					2,000,000
Unreserved:					
Undesignated	63,412	637,589	(1,621)	106,816	
Total fund balances (deficit)	<u>63,412</u>	<u>666,145</u>	<u>(1,621)</u>	<u>106,816</u>	<u>2,000,000</u>
Total liabilities and fund balances	<u>\$ 63,447</u>	<u>\$ 739,226</u>	<u>\$ 1,905</u>	<u>\$ 106,816</u>	<u>\$ 2,000,000</u>

City of Lompoc
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007
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	<u>Special Revenue Funds</u>				
	<u>COPS Grant Fund</u>	<u>Federal Road Fund</u>	<u>Traffic Offender Fund</u>	<u>Local STP Fund</u>	<u>Traffic Congestion Fund</u>
ASSETS					
Cash and investments	\$ -	\$ 238,870	\$ 1,526	\$ 165,981	\$ 108,436
Receivables:					
Accounts receivable, net		61,889	520		
Interest receivable	1,019				3,291
Due from other funds					
Loans receivable					
Inventory					
Total assets	<u>\$ 1,019</u>	<u>\$ 300,759</u>	<u>\$ 2,046</u>	<u>\$ 165,981</u>	<u>\$ 111,727</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 1,960		
Accrued liabilities			2,277		
Loans payable					
Deposits					
Due to other funds			54,000		
Unearned revenue					
Total liabilities	<u>-</u>	<u>-</u>	<u>58,237</u>	<u>-</u>	<u>-</u>
Fund balances:					
Reserved for encumbrances					
Reserved for land development					
Reserved for loans receivable					
Reserved for debt service					
Reserved for low income housing					
Reserved for inventories					
Reserved for economic uncertainties					
Unreserved:					
Undesignated	1,019	300,759	(56,191)	165,981	111,727
Total fund balances (deficit)	<u>1,019</u>	<u>300,759</u>	<u>(56,191)</u>	<u>165,981</u>	<u>111,727</u>
Total liabilities and fund balances	<u>\$ 1,019</u>	<u>\$ 300,759</u>	<u>\$ 2,046</u>	<u>\$ 165,981</u>	<u>\$ 111,727</u>

City of Lompoc
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007
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	Special Revenue Funds			Capital Project Funds	
	Public Education & Government Access Fund	Housing In-Lieu Fund	Redevelopment Housing Fund	Redevelopment Agency Fund	Park Assessment District Fund
ASSETS					
Cash and investments	\$ 399,387	\$ 1,943,510	\$ 2,105,491	\$ 1,909,322	\$ 197,373
Receivables:					
Accounts receivable, net					
Interest receivable	3,817	18,576	20,123	6,505	1,075
Due from other funds				500,000	
Loans receivable			1,418,025	846,581	
Inventory					
Total assets	\$ 403,204	\$ 1,962,086	\$ 3,543,639	\$ 3,262,408	\$ 198,448
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,409		\$ 654	\$ 333,326	\$ 13,082
Accrued liabilities	445		469	543	213
Loans payable				211,136	
Deposits					
Due to other funds					
Unearned revenue					
Total liabilities	1,854	-	1,123	545,005	13,295
Fund balances:					
Reserved for encumbrances	46,502			42,572	
Reserved for land development					
Reserved for loans receivable			1,418,025	846,581	
Reserved for debt service					
Reserved for low income housing			2,124,491		
Reserved for inventories					
Reserved for economic uncertainties					
Unreserved:					
Undesignated	354,848	1,962,086		1,828,250	185,153
Total fund balances (deficit)	401,350	1,962,086	3,542,516	2,717,403	185,153
Total liabilities and fund balances	\$ 403,204	\$ 1,962,086	\$ 3,543,639	\$ 3,262,408	\$ 198,448

City of Lompoc
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007
(Page 6 of 6)

	Capital Project Funds	Debt Service Funds			Total Nonmajor Governmental Funds
	Redevelopment - Aquatic Center Construction Fund	Redevelopment - Aquatic Center Debt Service Fund	Assessment District Debt Service Fund	Lease Purchase Fund	
ASSETS					
Cash and investments	\$ 52,314	\$ 285,880	\$ 94,353	\$ -	\$ 21,972,221
Receivables:					
Accounts receivable, net	739,074				1,700,366
Interest receivable		19,255	1,714		196,116
Due from other funds					503,100
Loans receivable					5,350,220
Inventory					3,823
Total assets	\$ 791,388	\$ 305,135	\$ 96,067	\$ -	\$ 29,725,846
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 77,919		\$ -	\$ -	\$ 626,393
Accrued liabilities					7,479
Loans payable					211,136
Deposits					658,036
Due to other funds	1,099,183				1,156,283
Unearned revenue					31,148
Total liabilities	1,177,102	-	-	-	2,690,475
Fund balances:					
Reserved for encumbrances					2,301,530
Reserved for land development					779,799
Reserved for loans receivable					5,350,220
Reserved for debt service		305,135	96,067		401,202
Reserved for low income housing					2,124,491
Reserved for inventories					3,823
Reserved for economic uncertainties					2,000,000
Unreserved:					
Undesignated	(385,714)				14,074,306
Total fund balances (deficit)	(385,714)	305,135	96,067	-	27,035,371
Total liabilities and fund balances	\$ 791,388	\$ 305,135	\$ 96,067	\$ -	\$ 29,725,846

City of Lompoc
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007
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	Special Revenue Funds					
	Transportation Improvement Fund	Civic Center Fund	Street Development Fund	Special Gas Tax Fund	Capital Development Fund	Local Transportation Fund
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	2,383,862			743,519		1,509,585
Licenses, fees and permits		14,127			502,721	
Intergovernmental			622,827			
Charges for current services						
Use of money and property	160,655	4,821	131,495	30,765	37,681	18,007
Special assessments						
Donations						
Other revenue						
Total revenues	<u>2,544,517</u>	<u>18,948</u>	<u>754,322</u>	<u>774,284</u>	<u>540,402</u>	<u>1,527,592</u>
Expenditures:						
Current:						
Police protection						
Engineering / streets			10,616	539,182		
Community development						
Parks and recreation						
Health						
Debt service:						
Principal						
Interest						
Capital outlay	1,093,792		34,729			
Total expenditures	<u>1,093,792</u>	<u>-</u>	<u>45,345</u>	<u>539,182</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>1,450,725</u>	<u>18,948</u>	<u>708,977</u>	<u>235,102</u>	<u>540,402</u>	<u>1,527,592</u>
Other financing sources (uses):						
Transfers in					20,015	
Transfers (out)	(2,015,486)			(20,000)	(160,818)	(580,000)
Total other financing sources (uses)	<u>(2,015,486)</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>(140,803)</u>	<u>(580,000)</u>
Net change in fund balances	(564,761)	18,948	708,977	215,102	399,599	947,592
Fund balances, beginning of fiscal year	<u>3,981,019</u>	<u>82,208</u>	<u>2,059,489</u>	<u>552,767</u>	<u>380,200</u>	<u>339,746</u>
Fund balances (deficit), end of fiscal year	<u>\$ 3,416,258</u>	<u>\$ 101,156</u>	<u>\$ 2,768,466</u>	<u>\$ 767,869</u>	<u>\$ 779,799</u>	<u>\$ 1,287,338</u>

City of Lompoc
Combining Statement of Revenues, Expenditures,
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Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007
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	<u>Special Revenue Funds</u>					
	<u>Parking Maintenance Funds</u>	<u>Jailer - Dispatcher Training Fund</u>	<u>Community Development Funds</u>	<u>Human Services Fund</u>	<u>Beautification Fund</u>	<u>Library Services Funds</u>
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes						
Licenses, fees and permits	4,500					34,237
Intergovernmental		5,720	609,107			508,434
Charges for current services						139,205
Use of money and property	2,319		274,815	3,537	1,670	26,976
Special assessments						
Donations				42,357	40,347	685,702
Other revenue			591			1,297
Total revenues	<u>6,819</u>	<u>5,720</u>	<u>884,513</u>	<u>45,894</u>	<u>42,017</u>	<u>1,395,851</u>
Expenditures:						
Current:						
Police protection		4,851				
Engineering / streets	432					
Community development			469,738		2,766	
Parks and recreation						
Health				40,118		1,082,942
Debt service:						
Principal						
Interest						
Capital outlay			406,580			
Total expenditures	<u>432</u>	<u>4,851</u>	<u>876,318</u>	<u>40,118</u>	<u>2,766</u>	<u>1,082,942</u>
Excess of revenues over (under) expenditures	<u>6,387</u>	<u>869</u>	<u>8,195</u>	<u>5,776</u>	<u>39,251</u>	<u>312,909</u>
Other financing sources (uses):						
Transfers in						
Transfers (out)						
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>6,387</u>	<u>869</u>	<u>8,195</u>	<u>5,776</u>	<u>39,251</u>	<u>312,909</u>
Fund balances, beginning of fiscal year	<u>60,175</u>	<u>3,862</u>	<u>5,596,214</u>	<u>50,964</u>	<u>24,161</u>	<u>353,236</u>
Fund balances (deficit), end of fiscal year	<u>\$ 66,562</u>	<u>\$ 4,731</u>	<u>\$ 5,604,409</u>	<u>\$ 56,740</u>	<u>\$ 63,412</u>	<u>\$ 666,145</u>

City of Lompoc
Combining Statement of Revenues, Expenditures,
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Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007
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Special Revenue Funds

	Literacy Grant Fund	SLTPP Fund	Economic Uncertainty Fund	COPS Grant Fund	Federal Road Fund	Traffic Offender Fund
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes						
Licenses, fees and permits						
Intergovernmental	28,647			100,000	61,889	
Charges for current services						20,770
Use of money and property	29		84,395	6,588		(2,704)
Special assessments						
Donations	46,046					
Other revenue						
Total revenues	<u>74,722</u>	<u>-</u>	<u>84,395</u>	<u>106,588</u>	<u>61,889</u>	<u>18,066</u>
Expenditures:						
Current:						
Police protection						115,904
Engineering / streets						
Community development						
Parks and recreation	73,316					
Health						
Debt service:						
Principal						
Interest						
Capital outlay					5,845	
Total expenditures	<u>73,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,845</u>	<u>115,904</u>
Excess of revenues over (under) expenditures	<u>1,406</u>	<u>-</u>	<u>84,395</u>	<u>106,588</u>	<u>56,044</u>	<u>(97,838)</u>
Other financing sources (uses):						
Transfers in						82,678
Transfers (out)			(84,395)	(106,574)		
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(84,395)</u>	<u>(106,574)</u>	<u>-</u>	<u>82,678</u>
Net change in fund balances	1,406	-	-	14	56,044	(15,160)
Fund balances, beginning of fiscal year	(3,027)	106,816	2,000,000	1,005	244,715	(41,031)
Fund balances (deficit), end of fiscal year	<u>\$ (1,621)</u>	<u>\$ 106,816</u>	<u>\$ 2,000,000</u>	<u>\$ 1,019</u>	<u>\$ 300,759</u>	<u>\$ (56,191)</u>

City of Lompoc
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007
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	Special Revenue Funds					Capital Project Funds
	Local STP Fund	Traffic Congestion Relief Fund	Public Education & Government Access Fund	Housing In-Lieu Fund	Redevelopment Housing Fund	Redevelopment Agency Fund
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -		\$ -
Sales and use taxes						
Licenses, fees and permits			204,128	521,684	530,556	
Intergovernmental	172,000	312,396				
Charges for current services			4,163			
Use of money and property		12,500	22,010	84,614	87,822	45,193
Special assessments						
Donations						
Other revenue			30		19,800	113
Total revenues	<u>172,000</u>	<u>324,896</u>	<u>230,331</u>	<u>606,298</u>	<u>638,178</u>	<u>45,306</u>
Expenditures:						
Current:						
Police protection						
Engineering / streets						
Community development				200	136,541	769,627
Parks and recreation			257,195			
Health						
Debt service:						
Principal						-
Interest						12,100
Capital outlay		230,944				15,235
Total expenditures	<u>-</u>	<u>230,944</u>	<u>257,195</u>	<u>200</u>	<u>136,541</u>	<u>796,962</u>
Excess of revenues over (under) expenditures	<u>172,000</u>	<u>93,952</u>	<u>(26,864)</u>	<u>606,098</u>	<u>501,637</u>	<u>(751,656)</u>
Other financing sources (uses):						
Transfers in						1,728,759
Transfers (out)	(178,600)					
Total other financing sources (uses)	<u>(178,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,728,759</u>
Net change in fund balances	(6,600)	93,952	(26,864)	606,098	501,637	977,103
Fund balances, beginning of fiscal year	<u>172,581</u>	<u>17,775</u>	<u>428,214</u>	<u>1,355,988</u>	<u>3,040,879</u>	<u>1,740,300</u>
Fund balances (deficit), end of fiscal year	<u>\$ 165,981</u>	<u>\$ 111,727</u>	<u>\$ 401,350</u>	<u>\$ 1,962,086</u>	<u>\$ 3,542,516</u>	<u>\$ 2,717,403</u>

City of Lompoc
Combining Statement of Revenues, Expenditures,
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Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007
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	Capital Project Funds		Debt Service Funds			Total Nonmajor Governmental Funds
	Park Assessment District Fund	Redevelopment - Aquatic Center Construction Fund	Redevelopment - Aquatic Center Debt Service Fund	Assessment District Debt Service Fund	Lease Purchase Fund	
Revenues:						
Property taxes	\$ -	\$ -	\$ 2,122,226	\$ 2,924	\$ -	\$ 2,125,150
Sales and use taxes						4,636,966
Licenses, fees and permits						1,811,953
Intergovernmental		739,074				3,160,094
Charges for current services						164,138
Use of money and property	5,575		96,214	8,509		1,143,486
Special assessments				227,681		227,681
Donations						814,452
Other revenue						21,831
Total revenues	<u>5,575</u>	<u>739,074</u>	<u>2,218,440</u>	<u>239,114</u>	<u>-</u>	<u>14,105,751</u>
Expenditures:						
Current:						
Police protection						120,755
Engineering / streets						550,230
Community development			5,770			1,384,642
Parks and recreation	82,538			30,000		1,525,991
Health						40,118
Debt service:						
Principal			150,000		64,879	214,879
Interest			313,707	112,580	12,116	450,503
Capital outlay		761,310				2,548,435
Total expenditures	<u>82,538</u>	<u>761,310</u>	<u>469,477</u>	<u>142,580</u>	<u>76,995</u>	<u>6,835,553</u>
Excess of revenues over (under) expenditures	<u>(76,963)</u>	<u>(22,236)</u>	<u>1,748,963</u>	<u>96,534</u>	<u>(76,995)</u>	<u>7,270,198</u>
Other financing sources (uses):						
Transfers in	84,937	160,818			76,995	2,154,202
Transfers (out)			(1,728,759)	(84,937)		(4,959,569)
Total other financing sources (uses)	<u>84,937</u>	<u>160,818</u>	<u>(1,728,759)</u>	<u>(84,937)</u>	<u>76,995</u>	<u>(2,805,367)</u>
Net change in fund balances	7,974	138,582	20,204	11,597		4,464,831
Fund balances, beginning of fiscal year	177,179	(524,296)	284,931	84,470		22,570,540
Fund balances (deficit), end of fiscal year	<u>\$ 185,153</u>	<u>\$ (385,714)</u>	<u>\$ 305,135</u>	<u>\$ 96,067</u>	<u>\$ -</u>	<u>\$ 27,035,371</u>

City of Lompoc
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007
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	Transportation Improvement Fund			Civic Center Fund			Street Development Fund		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	2,175,010	2,383,862	208,852						
Licenses, fees, and permits				30,000	14,127	(15,873)			
Intergovernmental							148,500	622,827	474,327
Charges for current services									
Use of money and property	122,189	160,655	38,466	2,500	4,821	2,321	60,000	131,495	71,495
Special assessments									
Donations									
Other revenue									
Total revenues	<u>2,297,199</u>	<u>2,544,517</u>	<u>247,318</u>	<u>32,500</u>	<u>18,948</u>	<u>(13,552)</u>	<u>208,500</u>	<u>754,322</u>	<u>545,822</u>
Expenditures:									
Current:									
Police protection									
Engineering / streets							5,997	10,616	(4,619)
Community development									
Parks and recreation									
Health									
Debt service:									
Principal									
Interest									
Capital outlay	2,015,933	1,093,792	922,141				15,430	34,729	(19,299)
Total expenditures	<u>2,015,933</u>	<u>1,093,792</u>	<u>922,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,427</u>	<u>45,345</u>	<u>(23,918)</u>
Excess of revenues over (under) expenditures	<u>281,266</u>	<u>1,450,725</u>	<u>1,169,459</u>	<u>32,500</u>	<u>18,948</u>	<u>(13,552)</u>	<u>187,073</u>	<u>708,977</u>	<u>521,904</u>
Other financing sources (uses):									
Transfers in									
Transfers out		(2,015,486)	(2,015,486)						
Total other financing sources (uses)	<u>-</u>	<u>(2,015,486)</u>	<u>(2,015,486)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>281,266</u>	<u>(564,761)</u>	<u>(846,027)</u>	<u>32,500</u>	<u>18,948</u>	<u>(13,552)</u>	<u>187,073</u>	<u>708,977</u>	<u>521,904</u>
Fund balances, beginning of fiscal year	<u>3,981,019</u>	<u>3,981,019</u>		<u>82,208</u>	<u>82,208</u>		<u>2,059,489</u>	<u>2,059,489</u>	
Fund balances (deficit), end of fiscal year	<u>\$ 4,262,285</u>	<u>\$ 3,416,258</u>	<u>\$ (846,027)</u>	<u>\$ 114,708</u>	<u>\$ 101,156</u>	<u>\$ (13,552)</u>	<u>\$ 2,246,562</u>	<u>\$ 2,768,466</u>	<u>\$ 521,904</u>

City of Lompoc
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
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	Special Gas Tax Fund			Capital Development Fund			Local Transportation Fund		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	735,117	743,519	8,402				579,000	1,509,585	930,585
Licenses, fees, and permits				160,000	502,721	342,721			
Intergovernmental									
Charges for current services									
Use of money and property	5,200	30,765	25,565	22,500	37,681	15,181	8,200	18,007	9,807
Special assessments									
Donations									
Other revenue						-			
Total revenues	740,317	774,284	33,967	182,500	540,402	357,902	587,200	1,527,592	940,392
Expenditures:									
Current:									
Police protection									
Engineering / streets	669,924	539,182	130,742						
Community development									
Parks and recreation									
Health									
Debt service:									
Principal									
Interest									
Capital outlay	137,000		137,000						
Total expenditures	806,924	539,182	267,742	-	-	-	-	-	-
Excess of revenues over (under) expenditures	(66,607)	235,102	301,709	182,500	540,402	357,902	587,200	1,527,592	940,392
Other financing sources (uses):									
Transfers in					20,015	20,015			
Transfers out	(20,000)	(20,000)			(160,818)	(160,818)		(580,000)	(580,000)
Total other financing sources (uses)	(20,000)	(20,000)			(140,803)	(140,803)	-	(580,000)	(580,000)
Net change in fund balances	(86,607)	215,102	301,709	182,500	399,599	217,099	587,200	947,592	360,392
Fund balances, beginning of fiscal year	552,767	552,767		380,200	380,200		339,746	339,746	
Fund balances (deficit), end of fiscal year	\$ 466,160	\$ 767,869	\$ 301,709	\$ 562,700	\$ 779,799	\$ 217,099	\$ 926,946	\$ 1,287,338	\$ 360,392

City of Lompoc
Schedule of Revenues, Expenditures, and Changes
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For the Fiscal Year Ended June 30, 2007
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	Parking Maintenance Funds			Jailer-Dispatcher Training Fund			Community Development Funds		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes									
Licenses, fees, and permits		4,500	4,500						
Intergovernmental					5,720	5,720		609,107	609,107
Charges for current services									
Use of money and property	4,500	2,319	(2,181)					274,815	274,815
Special assessments									
Donations									
Other revenue								591	591
Total revenues	4,500	6,819	2,319	-	5,720	5,720	-	884,513	884,513
Expenditures:									
Current:									
Police protection					4,851	(4,851)			
Engineering / streets	4,760	432	4,328						
Community development							322,878	469,738	(146,860)
Parks and recreation									
Health									
Debt service:									
Principal									
Interest									
Capital outlay								406,580	(406,580)
Total expenditures	4,760	432	4,328	-	4,851	(4,851)	322,878	876,318	(553,440)
Excess of revenues over (under) expenditures	(260)	6,387	6,647	-	869	869	(322,878)	8,195	331,073
Other financing sources (uses):									
Transfers in									
Transfers out									
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Net change in fund balances	(260)	6,387	6,647	-	869	869	-	8,195	8,195
Fund balances, beginning of fiscal year	60,175	60,175		3,862	3,862		5,596,214	5,596,214	
Fund balances (deficit), end of fiscal year	\$ 59,915	\$ 66,562	\$ 6,647	\$ 3,862	\$ 4,731	\$ 869	\$ 5,596,214	\$ 5,604,409	\$ 8,195

City of Lompoc
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007
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	Human Services Fund			Beautification Fund			Library Funds		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes									
Licenses, fees, and permits								34,237	34,237
Intergovernmental							451,632	508,434	56,802
Charges for current services							119,730	139,205	19,475
Use of money and property	2,225	3,537	1,312	600	1,670	1,070	7,250	26,976	19,726
Special assessments									
Donations	42,200	42,357	157	2,212	40,347	38,135	398,959	685,702	286,743
Other revenue							150	1,297	1,147
Total revenues	<u>44,425</u>	<u>45,894</u>	<u>1,469</u>	<u>2,812</u>	<u>42,017</u>	<u>39,205</u>	<u>977,721</u>	<u>1,395,851</u>	<u>418,130</u>
Expenditures:									
Current:									
Police protection									
Engineering / streets									
Community development				6,755	2,766	3,989			
Parks and recreation							1,124,000	1,082,942	41,058
Health	44,425	40,118	4,307						
Debt service:									
Principal									
Interest									
Capital outlay							100,044		100,044
Total expenditures	<u>44,425</u>	<u>40,118</u>	<u>4,307</u>	<u>6,755</u>	<u>2,766</u>	<u>3,989</u>	<u>1,224,044</u>	<u>1,082,942</u>	<u>141,102</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>5,776</u>	<u>5,776</u>	<u>(3,943)</u>	<u>39,251</u>	<u>43,194</u>	<u>(246,323)</u>	<u>312,909</u>	<u>559,232</u>
Other financing sources (uses):									
Transfers in									
Transfers out									
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	5,776	5,776	(3,943)	39,251	43,194	(246,323)	312,909	559,232
Fund balances, beginning of fiscal year	50,964	50,964		24,161	24,161		353,236	353,236	
Fund balances (deficit), end of fiscal year	<u>\$ 50,964</u>	<u>\$ 56,740</u>	<u>\$ 5,776</u>	<u>\$ 20,218</u>	<u>\$ 63,412</u>	<u>\$ 43,194</u>	<u>\$ 106,913</u>	<u>\$ 666,145</u>	<u>\$ 559,232</u>

City of Lompoc
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007
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	Literacy Grant Fund			SLTPP Fund			Economic Uncertainty Fund		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes									
Licenses, fees, and permits									
Intergovernmental		28,647	28,647						
Charges for current services									
Use of money and property		29	29				50,000	84,395	34,395
Special assessments									
Donations		46,046	46,046						
Other revenue									
Total revenues	<u>-</u>	<u>74,722</u>	<u>74,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>84,395</u>	<u>34,395</u>
Expenditures:									
Current:									
Police protection									
Engineering / streets									
Community development									
Parks and recreation	10,238	73,316	(63,078)						
Health									
Debt service:									
Principal									
Interest									
Capital outlay									
Total expenditures	<u>10,238</u>	<u>73,316</u>	<u>(63,078)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(10,238)</u>	<u>1,406</u>	<u>11,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>84,395</u>	<u>34,395</u>
Other financing sources (uses):									
Transfers in									
Transfers out							(50,000)	(84,395)	(34,395)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(84,395)</u>	<u>(34,395)</u>
Net change in fund balances	<u>(10,238)</u>	<u>1,406</u>	<u>11,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of fiscal year	<u>(3,027)</u>	<u>(3,027)</u>		<u>106,816</u>	<u>106,816</u>		<u>2,000,000</u>	<u>2,000,000</u>	
Fund balances (deficit), end of fiscal year	<u>\$ (13,265)</u>	<u>\$ (1,621)</u>	<u>\$ 11,644</u>	<u>\$ 106,816</u>	<u>\$ 106,816</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>

City of Lompoc
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
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	COPS Grant Fund			Federal Road Fund			Traffic Offender Fund		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes									
Licenses, fees, and permits									
Intergovernmental	100,000	100,000	-	342,583	61,889	(280,694)			
Charges for current services							26,000	20,770	(5,230)
Use of money and property	1,500	6,588	5,088					(2,704)	(2,704)
Special assessments									
Donations									
Other revenue									
Total revenues	101,500	106,588	5,088	342,583	61,889	(280,694)	26,000	18,066	(7,934)
Expenditures:									
Current:									
Police protection							108,678	115,904	(7,226)
Engineering / streets									
Community development									
Parks and recreation									
Health									
Debt service:									
Principal									
Interest									
Capital outlay				342,583	5,845	336,738			
Total expenditures	-	-	-	342,583	5,845	336,738	108,678	115,904	(7,226)
Excess of revenues over (under) expenditures	101,500	106,588	5,088	-	56,044	56,044	(82,678)	(97,838)	(15,160)
Other financing sources (uses):									
Transfers in								82,678	82,678
Transfers out	(100,000)	(106,574)	(6,574)						
Total other financing sources (uses)	(100,000)	(106,574)	(6,574)	-	-	-	-	82,678	82,678
Net change in fund balances	1,500	14	(1,486)	-	56,044	56,044	(82,678)	(15,160)	67,518
Fund balances, beginning of fiscal year	1,005	1,005		244,715	244,715		(41,031)	(41,031)	
Fund balances (deficit), end of fiscal year	\$ 2,505	\$ 1,019	\$ (1,486)	\$ 244,715	\$ 300,759	\$ 56,044	\$ (123,709)	\$ (56,191)	\$ 67,518

City of Lompoc
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007
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	Local STP Fund			Traffic Congestion Relief Fund			Public Education and Government Cable Access Fund		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes									
Licenses, fees, and permits							201,269	204,128	2,859
Intergovernmental	178,600	172,000	(6,600)		312,396	312,396			
Charges for current services							1,200	4,163	2,963
Use of money and property					12,500	12,500	7,500	22,010	14,510
Special assessments									
Donations									
Other revenue							100	30	(70)
Total revenues	178,600	172,000	(6,600)	-	324,896	324,896	210,069	230,331	20,262
Expenditures:									
Current:									
Police protection									
Engineering / streets									
Community development									
Parks and recreation							364,919	257,195	107,724
Health									
Debt service:									
Principal									
Interest									
Capital outlay					230,944	(230,944)			
Total expenditures	-	-	-	-	230,944	(230,944)	364,919	257,195	107,724
Excess of revenues over (under) expenditures	178,600	172,000	(6,600)	-	93,952	93,952	(154,850)	(26,864)	127,986
Other financing sources (uses):									
Transfers in									
Transfers out	(178,600)	(178,600)							
Total other financing sources (uses)	(178,600)	(178,600)	-	-	-	-	-	-	-
Net change in fund balances	-	(6,600)	(6,600)	-	93,952	93,952	(154,850)	(26,864)	127,986
Fund balances, beginning of fiscal year	172,581	172,581		17,775	17,775		428,214	428,214	
Fund balances (deficit), end of fiscal year	\$ 172,581	\$ 165,981	\$ (6,600)	\$ 17,775	\$ 111,727	\$ 93,952	\$ 273,364	\$ 401,350	\$ 127,986

City of Lompoc
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007
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	Housing In-Lieu Fund			Redevelopment Housing Fund		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes						
Licenses, fees, and permits		521,684	521,684		530,556	530,556
Intergovernmental						
Charges for current services						
Use of money and property		84,614	84,614		87,822	87,822
Special assessments						
Donations						
Other revenue					19,800	19,800
Total revenues	<u>-</u>	<u>606,298</u>	<u>606,298</u>	<u>-</u>	<u>638,178</u>	<u>638,178</u>
Expenditures:						
Current:						
Police protection						
Engineering / streets						
Community development		200	(200)	134,029	136,541	(2,512)
Parks and recreation						
Health						
Debt service:						
Principal						
Interest						
Capital outlay						
Total expenditures	<u>-</u>	<u>200</u>	<u>(200)</u>	<u>134,029</u>	<u>136,541</u>	<u>(2,512)</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>606,098</u>	<u>606,098</u>	<u>(134,029)</u>	<u>501,637</u>	<u>635,666</u>
Other financing sources (uses):						
Transfers in						
Transfers out						
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>606,098</u>	<u>606,098</u>	<u>(134,029)</u>	<u>501,637</u>	<u>635,666</u>
Fund balances, beginning of fiscal year	<u>1,355,988</u>	<u>1,355,988</u>		<u>3,040,879</u>	<u>3,040,879</u>	
Fund balances (deficit), end of fiscal year	<u>\$ 1,355,988</u>	<u>\$ 1,962,086</u>	<u>\$ 606,098</u>	<u>\$ 2,906,850</u>	<u>\$ 3,542,516</u>	<u>\$ 635,666</u>

City of Lompoc
Combining Statement of Net Asset
Nonmajor Enterprise Funds
June 30, 2007
(Page 1 of 2)

ASSETS	Lompoc Airport	Lompoc Transit	Recreation	River Park Campground	Lompoc Valley Community Center	Broadband	Totals
Current assets:							
Cash and investments	\$54,804	\$315,771	\$37,642	\$74,133	\$169,604	\$128,269	\$780,223
Restricted cash and investments:							
Deposits	5,100						5,100
Fiscal agent						65,025	65,025
Receivables - trade	10,400	1,271,975					1,282,375
Receivables - interest	572	5,781	307	892	1,621		9,173
Inventories (at average cost)	38,712	7,125					45,837
Prepaid expenses			3,098				3,098
Total current assets	109,588	1,600,652	41,047	75,025	171,225	193,294	2,190,831
Property, plant and equipment:							
Land	5,401,514				455,000		5,856,514
Utility plant and equipment	4,355,036	2,979,852	22,082	228,518	1,235,101	1,623,517	10,444,106
	9,756,550	2,979,852	22,082	228,518	1,690,101	1,623,517	16,300,620
(Less) accumulated depreciation	(830,524)	(1,999,350)	(21,005)	(156,832)	(432,700)	(157,988)	(3,598,399)
Total property, plant and equipment	8,926,026	980,502	1,077	71,686	1,257,401	1,465,529	12,702,221
Total assets	\$9,035,614	\$2,581,154	\$42,124	\$146,711	\$1,428,626	\$1,658,823	\$14,893,052

City of Lompoc
Combining Statement of Net Asset
Nonmajor Enterprise Fund
June 30, 2007
(Page 2 of 2)

LIABILITIES	Lompoc Airport	Lompoc Transit	Recreation	River Park Campground	Lompoc Valley Community Center	Broadband	Totals
Current liabilities:							
Accounts payable	\$28,067	\$104,524	\$7,394	\$729	\$1,969	\$52,526	\$195,209
Accrued interest	5,442					3,234	8,676
Due to other funds	329,627		133,900			2,847,641	3,311,168
Deferred revenue			5,168				5,168
Current portion of noncurrent liabilities	3,911	9,053	4,280	5,067	3,004	73,552	98,867
Total current liabilities	367,047	113,577	150,742	5,796	4,973	2,976,953	3,619,088
Noncurrent liabilities:							
Accrued payroll and benefits	258	508	95	206	133	313	1,513
Compensated absences	158	365	172	204	121	18	1,038
Leases payable						556,919	556,919
Trust deposits	5,100	20					5,120
Total noncurrent liabilities	5,516	893	267	410	254	557,250	564,590
Total liabilities	372,563	114,470	151,009	6,206	5,227	3,534,203	4,183,678
NET ASSETS							
Invested in capital assets, net of related debt	8,926,026	980,502	1,077	71,686	1,257,401	835,513	12,072,205
Unrestricted	(262,975)	1,486,182	(109,962)	68,819	165,998	(2,710,893)	(1,362,831)
Total net assets	\$8,663,051	\$2,466,684	(\$108,885)	\$140,505	\$1,423,399	(\$1,875,380)	\$10,709,374

City of Lompoc
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2007

	Lompoc Airport	Lompoc Transit	Recreation	River Park Campground	Lompoc Valley Community Center	Broadband	Totals
Operating revenues:							
User fees and charges for services	\$133,257	\$142,793	\$177,948	\$ -	\$9,007	\$42,727	\$505,732
Facilities rental	151,478		139,495	161,034	43,822		495,829
Total operating revenues	284,735	142,793	317,443	161,034	52,829	42,727	1,001,561
Operating expenses:							
Operations and maintenance	270,968	1,738,990	302,513	91,192	104,361	600,161	3,108,185
Depreciation and amortization	111,799	212,303	592	6,279	63,534	157,988	552,495
Total operating expenses	382,767	1,951,293	303,105	97,471	167,895	758,149	3,660,680
Income (loss) from operations	(98,032)	(1,808,500)	14,338	63,563	(115,066)	(715,422)	(2,659,119)
Nonoperating income (expenses):							
Interest income	1,970	35,327	222	4,925	8,733		51,177
Intergovernmental	16,624	1,887,167	25,589				1,929,380
Miscellaneous	5,545	20,410					25,955
Interest expense	(19,943)					(123,994)	(143,937)
Total nonoperating income (expenses)	4,196	1,942,904	25,811	4,925	8,733	(123,994)	1,862,575
Income (loss) before contributions and transfers	(93,836)	134,404	40,149	68,488	(106,333)	(839,416)	(796,544)
Capital contributions	171,486	196,839					368,325
Transfers in (out)					65,000		65,000
Change in net assets	77,650	331,243	40,149	68,488	(41,333)	(839,416)	(363,219)
Net assets - beginning of the fiscal year	8,585,401	2,135,441	(149,034)	72,017	1,464,732	(1,035,964)	11,072,593
Net assets - end of the fiscal year	\$8,663,051	\$2,466,684	(\$108,885)	\$140,505	\$1,423,399	(\$1,875,380)	\$10,709,374

City of Lompoc
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2007
(Page 1 of 2)

	Lompoc Airport	Lompoc Transit	Recreation	River Park Campgrounds	Lompoc Valley Community Center	Broadband	Totals
Cash flows from operating activities:							
Cash received from customers	\$274,995	\$21,420	\$316,385	\$161,034	\$52,829	\$42,727	\$869,390
Cash payments to suppliers for goods and services	(138,694)	(1,614,296)	(144,786)	(23,524)	(38,961)	(448,492)	(2,408,753)
Cash payments to employees for services	(65,643)	(140,796)	(167,454)	(66,506)	(66,122)	(106,164)	(612,685)
Net cash provided (used) by operating activities	<u>70,658</u>	<u>(1,733,672)</u>	<u>4,145</u>	<u>71,004</u>	<u>(52,254)</u>	<u>(511,929)</u>	<u>(2,152,048)</u>
Cash flows from noncapital financing activities:							
Net borrowings (repayments) under revolving loan arrangement	6,351			(20,494)		833,368	819,225
Received from other agencies	16,624	1,887,167	25,589				1,929,380
Operating transfers in (out)					65,000		65,000
Net cash provided (used) by noncapital financing activities	<u>22,975</u>	<u>1,887,167</u>	<u>25,589</u>	<u>(20,494)</u>	<u>65,000</u>	<u>833,368</u>	<u>2,813,605</u>
Cash flows from capital and related financing activities:							
Proceeds from loans, lease purchases and equipment contracts							
Acquisition and construction of capital assets	(187,774)	(196,839)				(134,883)	(519,496)
Principal paid on revenue bonds/loans /leases and equipment contracts	(7,166)					(70,121)	(77,287)
Interest paid on revenue bonds/loans and equipment contracts	(19,943)					(28,317)	(48,260)
Contributed capital	171,486	196,839					368,325
Net cash provided (used) for capital and related financing activities	<u>(43,397)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(233,321)</u>	<u>(276,718)</u>
Cash flows from investing activities:							
Interest and dividends on investments	1,973	35,328	221	4,925	8,734	-	51,181
Net increase (decrease) in cash and cash equivalents	52,209	188,823	29,955	55,435	21,480	88,118	436,020
Cash and cash equivalents at beginning of fiscal year	7,695	126,948	7,687	18,698	148,124	105,176	414,328
Cash and cash equivalents at end of fiscal year	<u>\$59,904</u>	<u>\$315,771</u>	<u>\$37,642</u>	<u>\$74,133</u>	<u>\$169,604</u>	<u>\$193,294</u>	<u>\$850,348</u>

City of Lompoc
Reconciliation of Operating Income to Net Cash Provided by Operating Activities
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2007
(Page 2 of 2)

	Lompoc Airport	Lompoc Transit	Recreation	River Park Campgrounds	Lompoc Valley Community Center	Broadband	Totals
Income (loss) from operations	(\$98,032)	(\$1,808,500)	\$14,338	\$63,563	(\$115,066)	(\$715,422)	(\$2,659,119)
Adjustment for nonoperating incomes and (expenses)	5,545	20,410					25,955
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	111,799	212,303	592	6,279	63,534	157,988	552,495
Change in assets and liabilities:							
(Increase)decrease in accounts receivable	(9,740)	(141,783)					(151,523)
(Increase)decrease in prepaid expenses			(3,098)				(3,098)
(Increase)decrease in interest receivable	(492)	(2,196)	(302)	(43)	(205)		(3,238)
(Increase)decrease in grants receivable	78,514						78,514
(Increase)decrease in inventory	(10,756)	1,947					(8,809)
(Decrease)increase in accounts payable	(6,340)	(17,311)	(8,830)	329	(1,937)	45,078	10,989
(Decrease)increase in accrued interest payable	(179)					(360)	(539)
(Decrease)increase in deferred credits/revenues			1,058				1,058
(Decrease)increase in accrued payroll	339	1,458	387	876	1,420	787	5,267
Net cash provided (used) by operating activities	<u>\$70,658</u>	<u>(\$1,733,672)</u>	<u>\$4,145</u>	<u>\$71,004</u>	<u>(\$52,254)</u>	<u>(\$511,929)</u>	<u>(\$2,152,048)</u>

City of Lompoc
Combining Statement of Net Assets
Internal Service Funds
June 30, 2007

	Insurance Control Fund	Vehicle Fund	Communication Fund	Inventory Fund	Total Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$8,978,312	\$2,394,672	\$40,370	\$65,015	\$11,478,369
Accounts receivable, net	85,367	19,932		621	105,920
Inventory		195,222		77,976	273,198
Prepaid Insurance	54,161				54,161
Total current assets	9,117,840	2,609,826	40,370	143,612	11,911,648
Property and equipment:					
Improvements		199,018			199,018
Automotive equipment		14,497,455			14,497,455
Furnishings and equipment		80,005	210,497	124,395	414,897
		14,776,478	210,497	124,395	15,111,370
(Less) accumulated depreciation		(9,018,702)	(155,015)	(100,084)	(9,273,801)
Total property and equipment		5,757,776	55,482	24,311	5,837,569
Total assets	9,117,840	8,367,602	95,852	167,923	17,749,217
LIABILITIES					
Current liabilities:					
Accounts payable	191,353	232,192		9,348	432,893
Accrued interest		20,417			20,417
Current portion of accrued liabilities	767,882				767,882
Current portion of compensated absences		61,785			61,785
Current portion of lease purchase contract		342,885			342,885
Total current liabilities	959,235	657,279	-	9,348	1,625,862
Noncurrent liabilities:					
Accrued liabilities	1,791,724				1,791,724
Accrued payroll		3,376			3,376
Compensated absences		2,490			2,490
Lease purchase contract		1,599,292			1,599,292
Total noncurrent liabilities	1,791,724	1,605,158	-	-	3,396,882
Total liabilities	2,750,959	2,262,437	-	9,348	5,022,744
NET ASSETS					
Invested in capital assets, net of related debt		3,815,599	55,482	24,311	3,895,392
Restricted for debt service		1,942,177			1,942,177
Unrestricted	6,366,881	347,389	40,370	134,264	6,888,904
Total Net Assets	\$6,366,881	\$6,105,165	\$95,852	\$158,575	\$12,726,473

City of Lompoc
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2007

	Insurance Control Fund	Vehicle Fund	Communication Fund	Stores Inventory Fund	Total Internal Service Funds
Operating revenues:					
Charge for services	\$13,171,214	\$ -	\$117,903	\$258,992	\$13,548,109
Vehicle equipment rental		3,035,228			\$3,035,228
Total operating revenues	13,171,214	3,035,228	117,903	258,992	16,583,337
Operating Expenses:					
Maintenance, operations and administration	11,074,153	2,726,850	97,718	266,632	14,165,353
Depreciation		1,027,503	20,185	17,941	1,065,629
Total operating expenses	11,074,153	3,754,353	117,903	284,573	15,230,982
Income (loss) from operations	2,097,061	(719,125)		(25,581)	1,352,355
Nonoperating income (expenses):					
Interest income	341,256	117,554		2,985	461,795
Increase (decrease) in fair value of investments	70,983	30,796		1,245	103,024
Sale of capital assets		90,101			90,101
Interest expense		(89,292)			(89,292)
Total nonoperating income (expenses)	412,239	149,159		4,230	565,628
Income (loss) before contributions and transfers	2,509,300	(569,966)		(21,351)	1,917,983
Capital contributions		60,993			60,993
Transfers in (out)		196,678			196,678
Changes in net assets	2,509,300	(312,295)		(21,351)	2,175,654
Net assets - beginning	3,857,581	6,410,369	95,852	179,926	10,543,728
Prior period adjustments		7,091			7,091
Net assets - ending	\$6,366,881	\$6,105,165	\$95,852	\$158,575	\$12,726,473

City of Lompoc
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2007
(Page 1 of 2)

	Insurance Control Fund	Vehicle Fund	Communication Fund	Stores Inventory Fund	Total Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	\$13,209,249	\$3,038,104	\$117,903	\$259,206	\$16,624,462
Cash payments to suppliers for goods and services	(11,906,865)	(1,732,100)	(97,718)	(285,297)	(14,021,980)
Cash payment to employees for services		(901,261)			(901,261)
Net cash provided (used) by operating activities	<u>1,302,384</u>	<u>404,743</u>	<u>20,185</u>	<u>(26,091)</u>	<u>1,701,221</u>
Cash flows from noncapital financing activities:					
Operating transfers in (out)		<u>196,678</u>			<u>196,678</u>
Net cash provided (used) by noncapital financing activities		<u>196,678</u>			<u>196,678</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets		(2,094,426)			(2,094,426)
Principal paid on loans/leases and equipment contracts		(374,336)			(374,336)
Interest paid on loans/leases and equipment contracts		(89,292)			(89,292)
Proceeds from equipment sale		181,884			181,884
Contributed capital		<u>60,993</u>			<u>60,993</u>
Net cash provided (used) by capital and related financing activities		<u>(2,315,177)</u>			<u>(2,315,177)</u>
Cash flows from investing activities:					
Interest and dividends on investments	<u>412,239</u>	<u>148,350</u>		<u>4,230</u>	<u>564,819</u>
Net increase (decrease) in cash and cash equivalents	1,714,623	(1,565,406)	20,185	(21,861)	147,541
Cash and cash equivalents at beginning of fiscal year	<u>7,263,689</u>	<u>3,960,078</u>	<u>20,185</u>	<u>86,876</u>	<u>11,330,828</u>
Cash and cash equivalents at end of fiscal year	<u>\$8,978,312</u>	<u>\$2,394,672</u>	<u>\$40,370</u>	<u>\$65,015</u>	<u>\$11,478,369</u>

City of Lompoc
Combining Statement of Cash Flows for the Fiscal Year Ended June 30, 2007
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities
Internal Service funds
(Page 2 of 2)

	<u>Insurance Control Fund</u>	<u>Vehicle Fund</u>	<u>Communication Fund</u>	<u>Stores Inventory Fund</u>	<u>Total Internal Service Funds</u>
Income (loss) from operations	\$2,097,061	(\$719,125)	\$ -	(\$25,581)	\$1,352,355
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation		1,027,503	20,185	17,941	1,065,629
Changes in assets and liabilities:					
(Increase)decrease in accounts receivable	(13,783)	2,875		214	(10,694)
(Increase)decrease in due from other funds	51,818				51,818
(Increase)decrease in inventory		8,561		(15,618)	(7,057)
(Increase)decrease in prepaid expenses	(54,161)				(54,161)
(Decrease)increase in accounts payable	(85,967)	78,866		(3,047)	(10,148)
(Decrease)increase in accrued liabilities	(692,584)	6,063			(686,521)
Net cash provided (used) by operating activities	<u>\$1,302,384</u>	<u>\$404,743</u>	<u>\$20,185</u>	<u>(\$26,091)</u>	<u>\$1,701,221</u>