

City of Lompoc



Lompoc, California
Comprehensive Annual Financial Report
For Fiscal Year Ended June 30, 2004

About the Cover: From the archives of the Lompoc Historical Society, this year's feature photo is the Bank of Lompoc Building as it stood in 1916. This building still stands on the northwest corner of "H" Street and Ocean Avenue in the heart of old town Lompoc. Renamed the Lilly Building, it has undergone seismic retrofitting and stands proudly as a centerpiece for the old town revitalization that is underway in our scenic city.

**Comprehensive
Annual Financial Report
for the
City of Lompoc
Lompoc, California
Fiscal Year Ended June 30, 2004**



**Gary P. Keefe
City Administrator**

Issued by the Finance Department

**Management Services Director.....John C. Walk
Financial Services Manager.....Rene M. Vise'
Accounting Supervisor.....Seth M. Bean**

City of Lompoc
 Comprehensive Annual Financial Report
 Year Ended June 30, 2004

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CITY OF **LOMPOC**

November 26, 2004

Honorable Mayor, Members of the City Council
Lompoc, California 93438

Honorable Members:

State law requires that all general-purpose local governments publish within six months of the close of the fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (US GAAP) and audited in accordance with generally accepted auditing standards by a licensed certified public accountant(s). Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Lompoc for the fiscal year ended June 30, 2004.

This report consists of management's representations concerning the finances of the City of Lompoc. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Lompoc has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Lompoc's financial statements in conformity with US GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Lompoc's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

US GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditors' report.

Moss, Levy & Hartzheim, Certified Public Accountants, have audited the City of Lompoc's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Lompoc for the fiscal year ended June 30, 2004 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Lompoc's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with US GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The City is also financially accountable for the City of Lompoc's Redevelopment Agency. This entity is considered to be a component unit of the City of Lompoc and the activities of the Agency have been blended into the reporting entity.

This report has been prepared under the "single audit" concept. Under this approach, one federal agency is recognized as the cognizant audit agency as assigned by the Office of Management and Budget. In the case of the City of Lompoc, Housing and Urban Development has been assigned this responsibility. The financial report is forwarded to the cognizant agency only when any one of six conditions established by the agency are met. The City did not meet any of these conditions, therefore, was not required to file a financial report with the cognizant agency.

Profile of Government

The City of Lompoc is a general law city, incorporated under the laws of the State of California in 1888. The City has the council-administrator form of government with a five-member council with four council members being elected for four-year overlapping terms and the mayor being elected for a two-year term. The position of City Administrator is filled by appointment of the Council to serve as administrator of the staff and to carry out the policies of the Council. The Council also appoints the City Attorney and City Clerk.

Lompoc is a full service City with 384 budgeted full-time employees. This includes public safety (police and fire), highways and streets, public improvements, planning and zoning, building inspections, municipal airport, public transit, library, parks and recreation, utilities (water, electric, wastewater, refuse collection and landfill), and general administrative services.

Lompoc is located in northern Santa Barbara County, approximately ten miles inland from the Pacific Ocean. The City is 150 miles northwest of Los Angeles and 290 miles southeast of San Francisco. The City has an estimated population of 42,250 and its boundaries encompass 10.5 square miles.

The City enjoys a mild climate. Average temperatures range from 64 degrees in the winter to 72 degrees in the summer, with an average of over 300 clear or partly cloudy days per year. Precipitation averages 14 inches per year, with most rainfall occurring from December through March.

Budgetary Controls

The annual budget serves as the foundation for the City's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Budgetary control is maintained at the department level. The City Administrator may transfer funds between departments within any fund; however, any revision that requires new appropriations in any fund by more than one thousand dollars must be approved by the City Council.

The City also utilizes the encumbrance accounting system as a management control technique to assist in controlling expenditures.

Factors Affecting Financial Condition

The City of Lompoc currently enjoys a favorable economic environment and local indicators point to continued stability. The City has a diversified economy based on commerce, agriculture, and natural resources industries. The key economic areas vital to the City's tax base are: food product retail establishments and general retail centers, auto sales, restaurants, and hotels. Additionally, government activities at Vandenberg Air Force Base and the Federal Correction Facility are an important factor with regards to the economic well-being. The Air Force Base employs 6,996 military, civilian, and contract personnel and the correctional facility employs 743 personnel.

The County of Santa Barbara (which includes the City of Lompoc) has an employed labor force of 209,400. Labor market conditions in Santa Barbara County, also known as the Santa Barbara-Santa Maria-Lompoc Metropolitan Statistical Area, have been steadily improving over the last 5 years. The County continues to record job growth and declining unemployment rates. While the State of

California has an unemployment rate hovering near 6%, Santa Barbara County has remained stable with an unemployment rate of under 4%. Other than Marin, San Luis Obispo, and Orange County, Santa Barbara County has the lowest unemployment rate of all counties in California.

The City of Lompoc has an employed labor force of 18,480 with an unemployment rate of 4.7%. Employment is dominated by services, retail trade, and government. It is expected that the greatest future, nonagricultural, job growth will be in the same three areas. Services are the fastest growing industry with a projected growth rate of 16.1%. Government at 13.1% and retail trade at 13.1% are also expected to grow rapidly through 2008.

Long-term Financial Planning

The City will be developing plans to construct an aquatic center containing three pools - an Olympic size swimming pool, a therapeutic pool, and a children's pool. In August 2002, the property owners of Lompoc approved the formation of the Lompoc Park Maintenance and City Pool Assessment District. Revenue of approximately \$214,000 will be generated annually, which will be used for improvements and enhanced maintenance of park and recreation facilities as well as construction of the aquatic center. The estimated cost for design, engineering, and construction of aquatic center is \$13,000,000. The City issued certificates of participation bonds in November 2004 and construction will begin in December 2004. Debt service of the bonds will primarily come from three sources; General Fund revenues, Redevelopment Agency tax increment, and the revenue from the Assessment District. It is anticipated that the majority of operating costs will be financed with user fees generated from pool use.

A major capital upgrade will be made to the Wastewater Treatment Plant to provide needed process redundancy and to comply with the Water Resources Control Board permit requirements. Preliminary cost estimates are \$50,000,000 with an estimated completion date of 2009. The City will fund approximately \$33,500,000 of the improvements with the issuance of sewer revenue bonds and loan proceeds from the State Revolving Loan Fund. The Vandenberg Air Force Base and the Vandenberg Village Community Services District will provide the remaining financing. The project is part of the Wastewater Treatment Plant Master Plan. In August 2004, a contract was signed for the design, engineering, and construction management of the plant for \$6,600,000, which includes a 10% contingency. Estimated completion of the design and engineering phase is expected to occur by June 2005.

The Water Fund will be constructing Well number 10 to augment the supply of water during periods of drought. The estimated cost is approximately \$1,750,000. The Water Fund has completed the construction of the Administration Building and employees have begun moving into the new building. However, final acceptance has not yet occurred. Final costs are estimated at \$1,659,569. The

Water Fund is currently installing additional filters to the treatment plant to increase daily water treatment capacity. The estimated costs for this project is \$2,796,000. The Water Fund will also be making improvements to the booster station at an estimated cost of \$2,390,000. All the Water Fund capital projects will be funded through the issuance of water revenue bonds expected to occur in January 2005.

Cash Management

Cash Resources of the individual funds are combined to form a pool of cash and investments. Cash temporarily idle during the year was invested in obligations of the U.S. Government or its agencies, certificates of deposit, passbook savings demand deposits, corporate notes, and the Local Agency Investment Fund, consistent with the City Council Investment Policy.

The City's investment policy is designed to maximize the productive use of assets entrusted to its care and to invest and manage those funds wisely and prudently. Criteria for selecting investments and the order of priority are: (1) safety, (2) liquidity and (3) yield. The basic premise underlying the City's investment policy is to ensure that money is always available when needed while at the same time reaping the greatest return. Accordingly, deposits were either insured by federal depository insurance or collateralized.

Risk Management

The City joined the California Public Entity Insurance Authority (CPEIA) on July 1, 2003, to provide for the transfer of risk for general liability. The limit of insurance provided on June 30, 2004 was \$15 million, combined single limit occurrence. The insurance deposit paid for this coverage was \$238,068.

The authority is a pool of cities, agencies, and special districts, which has formed a joint powers authority in association with the CSAC Excess Insurance Authority. Each member pays into the pool annual deposits. In addition, various risk control techniques, including annual safety audits and employee accident prevention training, have been implemented to minimize loss.

Additionally, the City has all risk property insurance as indicated on a list of scheduled property. The annual premium for property insurance was \$73,106. The policy provides replacement cost coverage with varying deductibles as scheduled.

The City is partially self-insured for worker's compensation. The self-insured retention is \$300,000 and the related premium for this coverage was \$124,400.

All claims are investigated, valued, reserved, defended, and/or settled in accordance with generally accepted insurance industry practices. There are no known existing claims that would exceed the City's applicable coverage's.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lompoc for its comprehensive annual financial report for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such comprehensive annual financial report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Lompoc has received a Certificate for the last 15 years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the Finance Department. Each member of the department has my sincere appreciation for the contribution made in the generation of this report. My thanks to the Mayor, the City Council, and the City Administrator for their support of the financial operations of the City.

Respectfully submitted,

John C. Walk
Management Services Director

APPROVED FOR SUBMITTAL TO CITY COUNCIL:

Gary P. Keefe
City Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lompoc,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

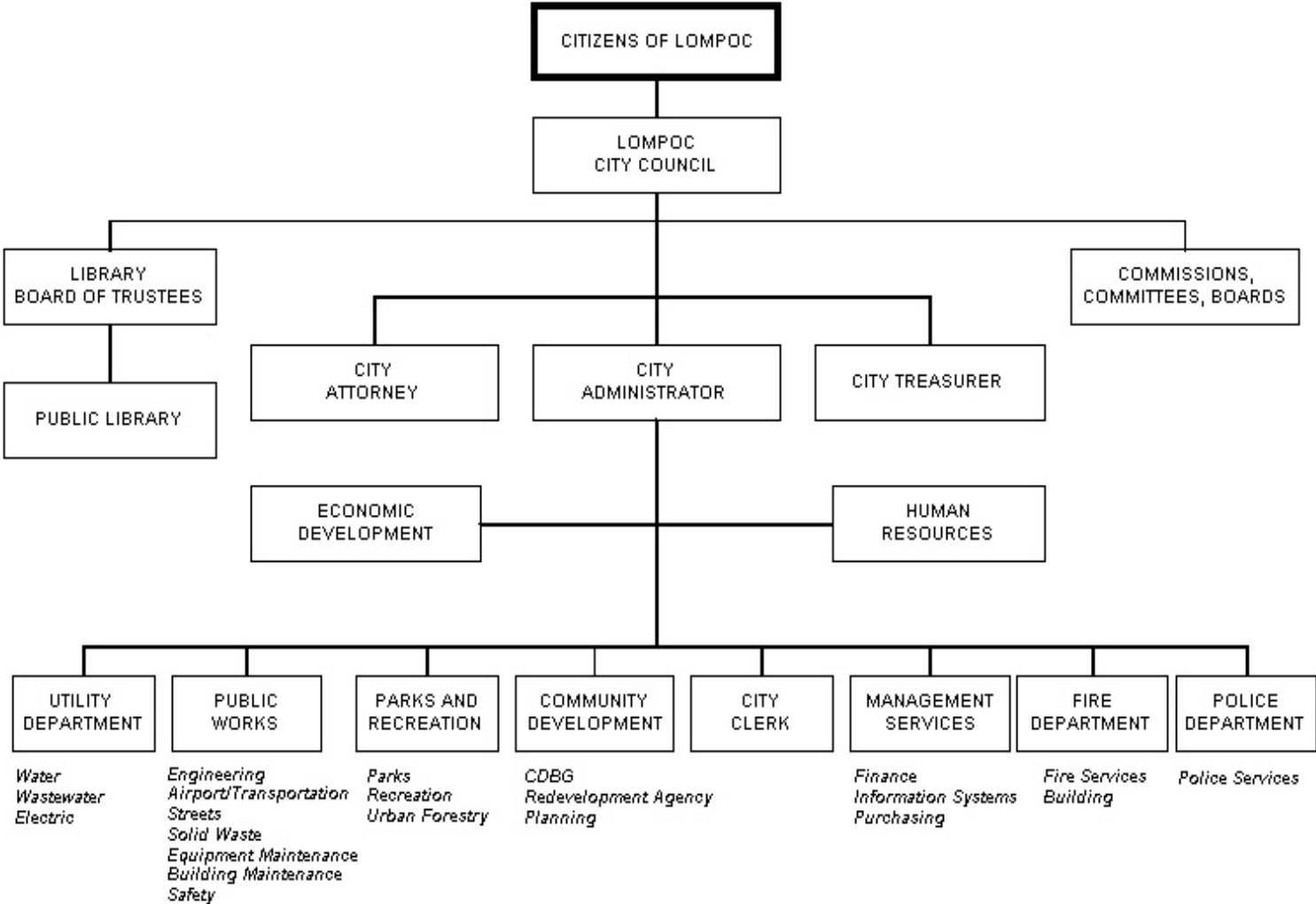
City Council

Mayor.....	Dick DeWees
Councilmember.....	DeWayne Holmdahl
Councilmember.....	Janice Keller
Councilmember.....	Michael Siminski
Councilmember.....	Will Schuyler

Administrative Personnel

City Administrator.....	Gary P. Keefe
City Attorney.....	Sharon Stuart
City Clerk.....	Jane Green
City Treasurer.....	Liane Scott
Management Services Director.....	John Walk
Parks and Recreation Director.....	Vince Elizondo
Personnel Services Director.....	Jennifer Weston
Public Works Director.....	Larry Bean
Utility Director.....	Jim Beck
Fire Chief.....	Linual White
Police Chief.....	William Brown, Jr.

CITY OF LOMPOC ORGANIZATION CHART



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MOSS, LEVY & HARTZHEIM

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

ROBERT M. MOSS, C.P.A.*
RONALD A. LEVY, C.P.A.*
CRAIG A. HARTZHEIM, C.P.A.*

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SANTA MARIA, CA 93454
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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Lompoc
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, 2004, 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, 2004, and the respective changes in financial position and the cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund and Redevelopment Housing Fund for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is supplementary information required by the Governmental Accounting Standards Board, but is not a required part of the basic financial statements. 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 November 26, 2004, on our consideration of the City of Lompoc' 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 read in conjunction with this report in considering the results of our audit.

The introductory section and the statistical section listed in the table of contents was not audited by us, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

MOSS, LEVY & HARTZHEIM

Moss, Levy & Hartzheim

November 26, 2004

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, 2004. We encourage readers to consider the information presented here in conjunction with the letter of transmittal on pages iv – x and the City's financial statements, which begin on page 19 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 37 - 83 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 19 – 21) 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 at the bottom of the fund financial statements. The basic governmental fund financial statements can be found on pages 22 - 29 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 30 - 34 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 35 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 \$174,797,082. The largest portion of the City's net assets (77 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 decreased by \$1,829,723. The City's decline in net assets is primarily attributable to the market value loss of the City's investments, which was a result of rising interest rates.

CITY OF LOMPOC'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Current and other assets	\$ 34,621,696	\$ 34,909,201	\$ 39,143,391	\$ 36,049,909	\$ 73,765,087	\$ 70,959,110
Capital assets	70,855,805	71,303,949	61,558,159	63,225,209	132,413,964	134,529,158
Total assets	105,477,501	106,213,150	100,701,550	99,275,118	206,179,051	205,488,268
Current liabilities	6,483,548	6,533,293	3,753,585	5,380,901	10,237,133	11,914,194
Long-term liabilities	6,148,684	6,188,348	13,440,435	12,588,644	19,589,119	18,776,992
Total liabilities	12,632,232	12,721,641	17,194,020	17,969,545	29,826,252	30,691,186
Net assets:						
Invested in capital assets, net						
of related debt	69,077,650	69,390,659	52,023,742	54,644,798	121,101,392	124,035,457
Restricted	2,830,524	3,103,215	9,570,038	8,604,637	12,400,562	11,707,852
Unrestricted	20,937,095	20,997,635	21,913,750	18,056,138	42,850,845	39,053,773
Total net assets	\$ 92,845,269	\$ 93,491,509	\$ 83,507,530	\$ 81,305,573	\$ 176,352,799	\$ 174,797,082

The balance of unrestricted net assets of \$39,053,773 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, shows net assets decreased by \$1,829,723 during the year.

CHANGES IN CITY OF LOMPOC'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Revenues:						
Program revenues:						
Charges for services	\$ 5,880,066	\$ 5,816,106	\$ 29,975,491	\$ 31,265,509	\$ 35,855,557	\$ 37,081,615
Operating grants and contributions	6,568,136	7,001,808	930,967	1,742,414	7,499,103	8,744,222
Capital grants and contributions	354,608	537,113	2,077,148	746,224	2,431,756	1,283,337
General revenues:						
Property taxes	3,373,475	3,886,913	11,147	10,212	3,384,622	3,897,125
Sales taxes	3,397,116	3,546,540			3,397,116	3,546,540
Other taxes	4,255,398	3,888,489			4,255,398	3,888,489
Grants and contributions not restricted to specific programs	662,147	515,874			662,147	515,874
Unrestricted investment earnings	1,138,792	(15,186)	1,158,583	55,515	2,297,375	40,329
Other revenue	177,532	101,671	225,912	108,478	403,444	210,149
Total revenues	25,807,270	25,279,328	34,379,248	33,928,352	60,186,518	59,207,680
Expenses:						
Governmental activities:						
General government	4,318,323	4,260,148			4,318,323	4,260,148
Police protection	6,623,919	6,692,487			6,623,919	6,692,487
Fire protection	2,560,856	2,750,997			2,560,856	2,750,997
Engineering/streets	6,715,619	5,484,234			6,715,619	5,484,234
Building	980,837	1,120,148			980,837	1,120,148
Community development	1,825,864	2,497,063			1,825,864	2,497,063
Parks and recreation	3,075,006	3,165,885			3,075,006	3,165,885
Nondepartmental	698,583	638,033			698,583	638,033
Health and welfare	27,930	44,727			27,930	44,727
Interest on long-term debt	71,502	149,890			71,502	149,890
Business-type activities:						
Water			6,065,424	6,297,870	6,065,424	6,297,870
Electric			15,898,849	15,220,268	15,898,849	15,220,268
Wastewater			5,293,930	5,557,643	5,293,930	5,557,643
Solid Waste			4,720,041	4,647,291	4,720,041	4,647,291
Aquatic Center					-	-
Airport			295,501	284,345	295,501	284,345
Transit			1,192,911	1,533,273	1,192,911	1,533,273
Recreation			262,688	326,431	262,688	326,431
River Park			69,438	45,077	69,438	45,077
Lompoc Valley Community Center			146,458	155,073	146,458	155,073
Broadband			-	166,520	-	166,520
Total expenses	26,898,439	26,803,612	33,945,240	34,233,791	60,843,679	61,037,403
Increase (decrease) in net assets before transfers	(1,091,169)	(1,524,284)	434,008	(305,439)	(657,161)	(1,829,723)
Transfers	1,202,249	1,066,864	(1,202,249)	(1,066,864)	-	-
Increase (decrease) in net assets	111,080	(457,420)	(768,241)	(1,372,303)	(657,161)	(1,829,723)
Beginning net assets	92,759,092	92,845,269	85,183,373	83,507,530	177,942,465	176,352,799
Prior period adjustments	(24,903)	1,103,660	(907,602)	(829,654)	(932,505)	274,006
Ending net assets	\$ 92,845,269	\$ 93,491,509	\$ 83,507,530	\$ 81,305,573	\$ 176,352,799	\$ 174,797,082

As shown above, the City's revenues totaled \$59,207,680, with the majority of it (63%) generated from charges for services. Compared to fiscal year ending 2003, revenue decreased by 1.6%, or \$978,838, for the year ended June 30, 2004. The primary factor for this decrease in revenue for fiscal year 2004 was from unrestricted investment earnings. Investment earnings for fiscal year 2004 were \$40,329, which is a major decrease from \$2,297,375 just a year ago.

Expenses to the City totaled \$61,037,403, which is less than a 1% increase over the prior year.

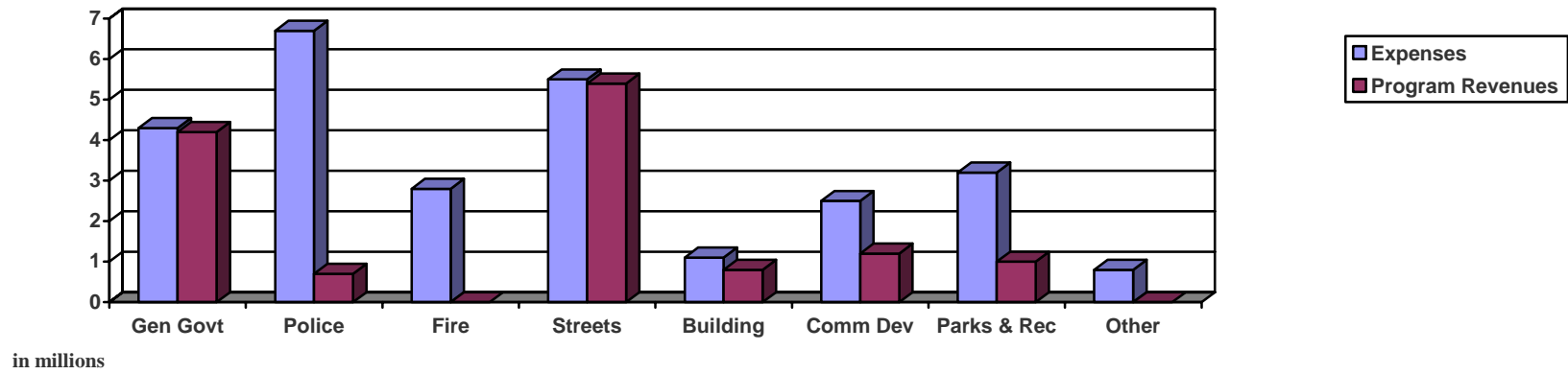
Governmental activities

Governmental activities decreased the City's net assets by \$457,420, thereby accounting for 25% of the total loss in net assets for the City as a whole. As mentioned earlier, the key factor of this loss is the market value of the City's investment portfolio declining during the year.

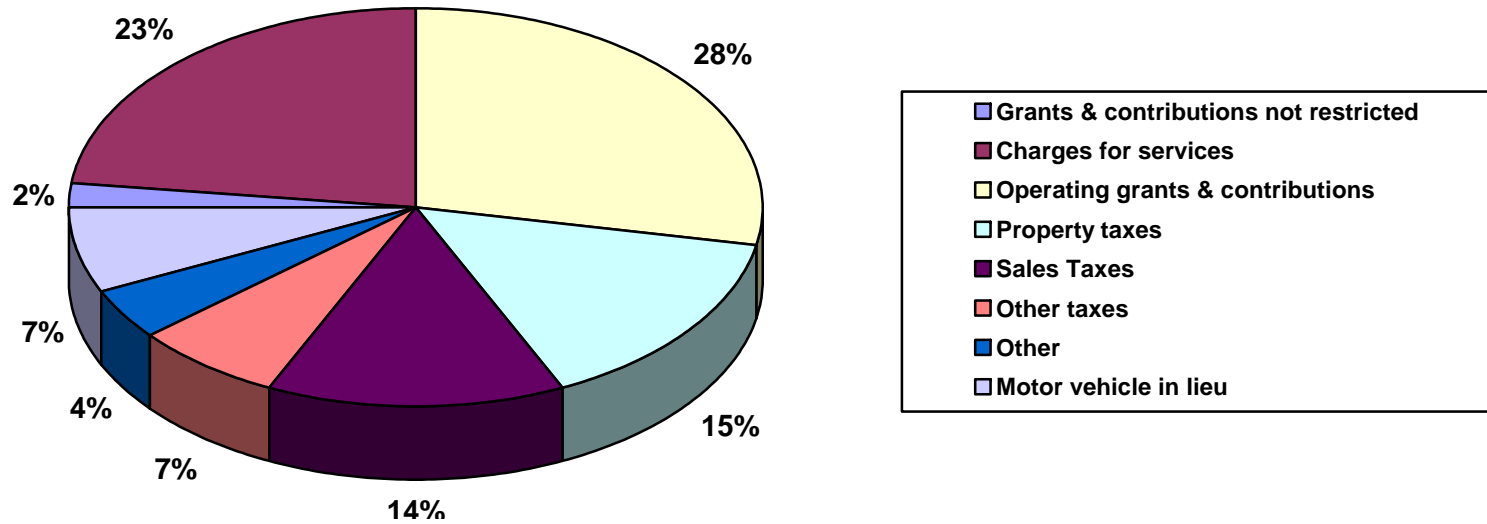
Total revenues for the City's governmental activities were \$25,279,328 for the year ended June 30, 2004. Of this total, \$11,321,942 (45%) was derived from taxes. This is typical in that traditional services provided by a city such as public safety, parks, recreation, and public works are primarily funded from property, sales, transient occupancy, motor vehicle, and other local taxes. Approximately 23%, or \$5,816,106, 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 declined by 2%, or \$527,942, from fiscal year 2003 to fiscal year 2004.

Total expenses for governmental activities totaled \$26,803,612 for the year ended June 30, 2004, which is a \$94,827 decrease over the previous year. The largest component of total expenses was for public safety, representing 35% of the total. Public Works expenses, which include engineering and streets, totaled \$5,484,234, or 20%, of total expenses in the governmental activities.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



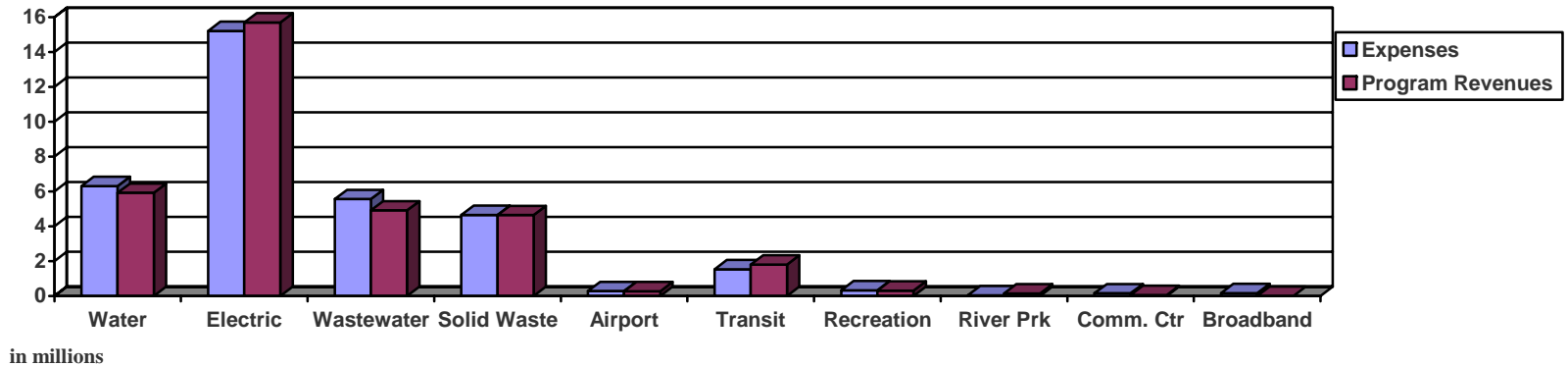
Business-type activities

Business-type activities decreased the City's net assets by \$1,372,303, thereby accounting for 75% of the total loss in net assets for the City as a whole. Operating losses in the Water, Wastewater, and Electric Funds are the major reason for the decline in net assets of business-type activities. Rates have been increased in the Water, Wastewater, and Solid Waste Fund to prevent these operating losses in future years. As mentioned earlier, another key factor of this loss is the market value of the City's investment portfolio declining during the year.

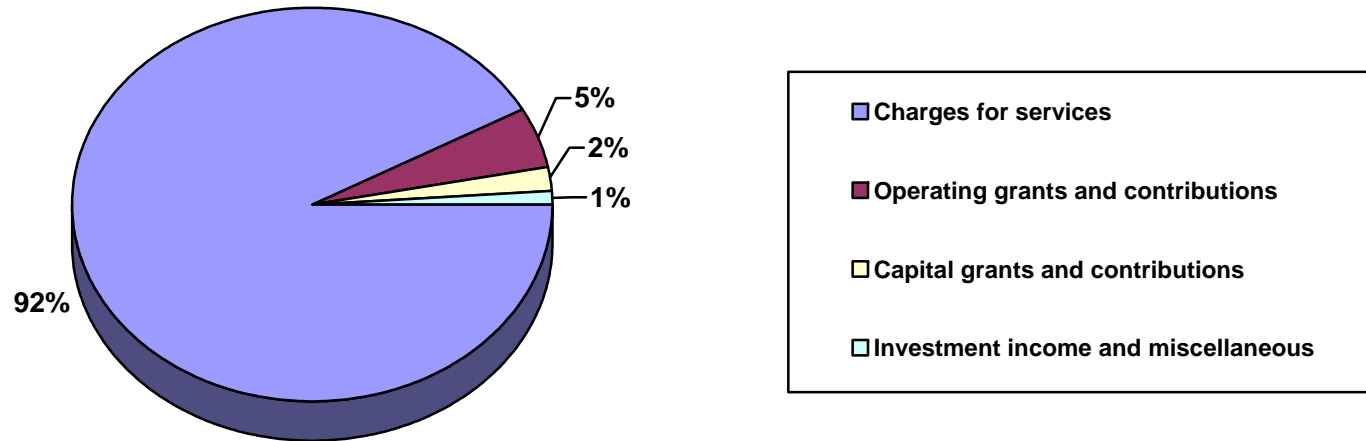
Total revenues for the City's business-type activities were \$33,928,352 for the year ended June 30, 2004. Of this total, \$31,265,509 (92%) was derived from charges for services. As mentioned previously, business-type activities include enterprise fund operations such as Water, Wastewater, Electric, and Solid Waste funds, all of which recover their costs through user fees and charges. The other majority of revenue is from operating grants (\$1,742,414). Total revenues for business-type activities declined by approximately 1% or \$450,896 from fiscal year 2003 to fiscal year 2004.

Total expenses for business-type activities totaled \$34,233,791 for the year ended June 30, 2004, which is a \$288,551 increase over the previous year. The largest individual category of business-type activities' expense is in Electric, representing 44% 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 \$22,782,357, an increase of \$8,839 over the prior year. Approximately 64 percent of this amount (\$14,667,315) constitutes *unreserved fund balance*, 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 (\$2,940,310), or 2) for a variety of other restricted purposes (\$5,174,732).

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 \$1,581,517, while the total fund balance was \$3,594,196.

The fund balance of the City's General Fund decreased by \$1,899,904 during the current fiscal year. Key factors in this loss, as briefly mentioned in the *Financial Highlights*, are as follows:

- A decrease in vehicle license fee (VLF) revenue of \$603,997, or 24%, over the prior fiscal year due to the state not being able to backfill the VLF for the period of July 1, 2003 through September 30, 2003. Consequently, after the passing of Prop 1A, the VLF backfill will be paid back to cities in fiscal year 2006.
- An increase in Public Safety costs of 8.2%, or \$755,926, over the prior fiscal year due primarily to higher salaries and benefits.
- An increase in capital outlay of \$693,967, or 58%, over the prior fiscal year resulting primarily from the building improvements made to City Hall.
- A decrease in investment earnings of \$262,444, or 93%, over the prior fiscal year because of rising interest rates, which caused the market value of the City's investment portfolio to decline.

The Redevelopment Housing Fund, a major fund for fiscal year 2004, is used to account for the provision of adequate and affordable housing for low to moderate income families. Financing is provided by a percentage of tax increment revenue on project area property. The fund balance of the Redevelopment Housing Fund increased by \$257,270, due primarily to higher property taxes and \$137,556 in loan proceeds for the year.

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 \$18,056,136, which is a decrease of 17% over the course of the year. Total net assets for the enterprise funds declined by \$1,372,303. The factors contributing to this are general increases in operating expenses for the primary major funds of Water, Wastewater, Electric, and Solid Waste Funds. These operating increases have resulted in operating losses for the current fiscal year. Management has taken action to offset these losses by increasing rates for the Water, Wastewater, and Solid Waste Funds. These increases take effect in fiscal year 2005 and should prevent future operating losses.

General Fund Budgetary Highlights

The final budget for the General Fund at year-end was \$2,727,848 greater than the original budget. This increase over original is primarily due to the following:

- The additional appropriation of \$624,991 for the City Hall redesign, which included installation of new carpet, new panels for improving work areas, and major furniture upgrades.
- The additional appropriation of \$392,216 for the computer aided dispatch and records management system (CAD/RMS) and mobile data system in the Police Department.
- Appropriation of police grant funds of \$202,378 occurred after the original budget document had been approved. The amount of grant funds is generally not known until after the beginning of the fiscal year.
- An additional appropriation of \$108,028 for park improvements.
- 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 \$1,161,353 less than the amended budget at year-end. This is primarily due to lower than anticipated salary and benefits. Actual revenues were less than the revised budget by \$578,527, which, as discussed under *Governmental Funds*, is due mainly to the VLF revenue being lower than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the City had \$134,529,158 invested in a broad range of capital assets, net of depreciation. This amount represents a net increase (including additions and deductions) of \$2,115,194, or 1.6%, over last year.

**Capital Assets at Year End
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
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	3,705,602	4,140,085	16,510,696	16,145,259	20,216,298	20,285,344
Machinery and equipment	7,607,912	8,222,234	33,384,088	33,240,730	40,992,000	41,462,964
Work in process	1,085,966	36,752	4,442,790	6,618,635	5,528,756	6,655,387
Infrastructure	30,630,100	31,078,653			30,630,100	31,078,653
Totals	\$ 70,855,805	\$ 71,303,949	\$ 61,558,159	\$ 63,225,209	\$ 132,413,964	\$ 134,529,158

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

- Payments of \$512,062 on building improvements for the City Hall redesign.
- Payments of \$504,131 on computer aided dispatch and records management system (CAD/RMS) and mobile data system in the Police Department.
- Replacement of City vehicles through the Vehicle Replacement Fund totaled \$342,875.
- Infrastructure additions amounting to \$2,155,906, which includes \$1,564,025 in Road System Network and \$591,881 in Storm Drain System Network additions.
- Construction of the Water Administration Building for \$1,290,734. Project should be completed in fiscal year 2005 at a cost of \$1,659,659.
- Construction of a filter addition to the Water Treatment Plant for \$642,412. Total estimated project costs are \$2,796,000 and is scheduled for completion in fiscal year 2005. Approximately \$1,000,000 of this estimated amount is financed with a previous bond issue.
- Sewer main rehabilitations throughout the City totaled \$225,487.

The City's fiscal year 2005 capital budget calls for spending approximately \$13,000,000 for a three-pool aquatic center. This project will primarily be financed from the proceeds of certificate of participation bonds that occurred in November 2004. The City is also scheduled to purchase a sewer flusher truck for approximately \$300,000. Major capital expenditures in the Water Enterprise Fund include the work

on the booster station improvements for \$2,390,000 and construction of Well #10 for \$1,750,000. As of this writing, design and engineering work has begun on the Wastewater Treatment Plant upgrade. Total design and engineering costs are estimated at \$6,000,000 with an estimated total construction cost of \$50,000,000. This project is required to comply with more stringent permit standards, replace outdated equipment, and add needed redundancy to the plant. The project is expected to be financed with a combination of revenue bonds and a loan from the state revolving loan program. The Wireless Fidelity Fund (Wi-Fi) will begin operations in fiscal year 2005. Wi-Fi technology will meet the need of the Cities' citizens for high-speed internet connectivity. Wi-Fi access points are being installed on existing street lamps and will communicate with each other using radio waves. Capital expenditures of \$943,000 and operating costs of \$150,000 are scheduled to occur in fiscal year 2005. For more detailed information on capital assets, see the notes to the financial statements.

Long-Term debt

At the end of the current fiscal year, the City had long-term debt outstanding of \$11,707,854. Of this amount, \$2,736,019 represents long-term leases outstanding backed by the equipment purchased, \$7,692,274 represents enterprise fund revenue bonds secured solely by specified revenue sources, \$89,636 represents long-term notes payable, and \$1,189,925 represents long-term loans payable for housing assistance.

Outstanding Debt at Year End

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Revenue bonds	\$ -	\$ -	\$ 7,904,900	\$ 7,692,274	\$ 7,904,900	\$ 7,692,274
Loans payable	1,052,369	1,189,925			1,052,369	1,189,925
Long Term Capital Leases	1,778,155	1,913,290	1,560,282	822,729	3,338,437	2,736,019
Notes Payable			104,856	89,636	104,856	89,636
Totals	\$ 2,830,524	\$ 3,103,215	\$ 9,570,038	\$ 8,604,639	\$ 12,400,562	\$ 11,707,854

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

Significant Accomplishments for Fiscal Year 2003-2004

- Received the Government Finance Officer's Award for Excellence in Financial Reporting for fiscal year 2003, which was the first year the City prepared the Comprehensive Annual Financial Report under the new GASB 34 reporting model.
- Home Depot began construction, which will significantly increase sales tax revenue for the City. Final completion happened in fiscal year 2005.
- The City Hall Space Modification Project was completed, which added additional cubicle spaces and improved functionality of work areas. Additionally, new furniture was purchased for each cubicle, the carpet was replaced, and electrical wiring was redone.
- Completed the Wi-Fi and Broadband feasibility study for \$166,000 to determine economic justification for proceeding with the project.
- Continued design and engineering work on the City's \$13 million aquatic center.
- Began reconstruction of the sewer lines on College Avenue, which is estimated to cost \$2,505,000. The project will be financed through the issuance of revenue bonds that will be issued in fiscal year 2005.
- Relocated landfill scale at the City's landfill for \$157,637.
- City Council implemented a contingency plan of using built up reserves to deal with the State budget crisis, which allowed the City to continue operations uninterrupted and without cutting personnel.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City is 4.7% versus 5.1% in 2003 and 4.8% in 2002. The current year unemployment rate is in line with the State's June, 2004 rate of 6.3%. The City's labor force has decreased minimally from 18,900 to 18,480 in June 2004.
- The City's assessed valuation of physical property has risen to \$1,966 million in 2004 from 1,797 million in 2003 (a 9.4% increase), indicating strong demand for property in the City.
- New homes continue to be built and property tax revenues have been steadily increasing over time.
- Sales tax revenue should increase in the future, as Home Depot opened its doors in September 2004.
- 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 2005.

During the current fiscal year, fund balance in the general fund decreased by \$1,899,904. The City's proposed General Fund biennial budget for 2003-05 is 42,625,208, a decrease of 4.0% 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 \$3,600,000. The General Fund Reserve Balance includes \$2,000,000 held in the Economic Uncertainty Fund.

The ongoing State budget crisis could have a dramatic affect on the General Fund in coming years. Potential reductions in major General Fund revenue sources such as sales taxes, property taxes, and vehicle license fees will severely affect operations normally financed by these funds such as police and fire protection, parks and recreation services, and community development.

There are many economic uncertainties facing local governments in the coming years, which will have significant impacts on the City's overall revenue. The challenges facing the City are not unique as all cities across California face the same issues. The following are the primary reasons for local governments to be concerned:

- Rising costs related to health care, retirement contributions, and workers' compensation.
- The State budget crisis and their schemes involving the Vehicle License Fee (VLF) revenue "gap loan", the Educational Revenue Augmentation Fund (ERAF) III, and the "Triple Flip."

The fiscal year 2003-04 State of California budget "borrowed" a portion, approximately three months of revenue, or \$852 million, of the VLF payments owed to Local Agencies and, in turn, promised to pay back the "VLF gap loan" to Local Agencies by August 15, 2006, when, presumably, the fiscal issues have been resolved. The City of Lompoc's share equates to approximately \$715,000.

The "Triple Flip," which swaps a portion of sales tax revenues for local governments with an equal portion of property tax revenues, allowed the State to issue approximately \$15 billion in bonds to offset the State budget deficit. The swap in revenues translates into no loss of revenues for local governments. However, it remains to be seen how this will ultimately affect local governments in the long run.

Another State budget scheme was ERAF III. The State needed about \$1.3 billion a year for fiscal year 2005 and 2006 from cities, counties, special districts, and Redevelopment Agencies to help the State budget shortfall. Cities, counties, special districts, and Redevelopment Agencies accepted this proposal because, in turn, the Governor of California promised to back Proposition 1A, which allowed for more protection of local governments revenue. Ultimately, the City of Lompoc's portion for the two years is approximately \$350,000 each year. The Redevelopment Agency's share is approximately \$77,000 per year. The City plans to use reserves to offset the \$700,000 loss in revenue for the two-year period, while the Redevelopment Agency will manage with less yearly revenue.

Management is aware of the potential consequences and is prepared to recommend the necessary measures to mitigate the revenue reductions. Sound budget policies have allowed the City of Lompoc to weather the economic uncertainties in fiscal year 2004 without interrupting essential services. Although the impacts of the economy and the State budget woes continue to affect City revenues going forward, 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 will continue charging the 1½-cent per kWh Deregulation Cost Adjustment (DCA), which is scheduled to expire on December 31, 2006. The DCA will be kept in place for the next two and one-half years to pay for the increased cost of power production and purchases. At the end of two and one-half years, the need for the DCA will be reviewed. Currently, no rate increases are expected for the Electric Fund. However, this may change depending on the actions of the legislature and the increasing costs of both transmission and power.

As mentioned previously, rate increases have been implemented for the Water, Wastewater, and Solid Waste Funds. Currently, the Water Fund is not able to meet its bond covenant requirements. Additional rate increases have been approved by the City Council for both the Water Fund and Wastewater Fund. These rate increases will be used to meet the bond covenants and finance future debt service from the issuance of Water and Wastewater revenue bonds. The proceeds from the issuance of these bonds will be used to pay for major capital projects in both funds.

The Wastewater Fund, as noted earlier, will spend approximately \$50,000,000 for a major upgrade to the Wastewater Treatment Plant. The majority of the funding, approximately 83%, will come from funds provided through the State Revolving Loan Fund Program. The application for these funds was sent to the State on September 28, 2004. The application is currently under review. The State requires payback of the borrowed funds over a 20-year term, with the first payment occurring during the fiscal year after construction is complete. However, should the application be rejected by the State or if the funds are not available, the City will have to finance the entire upgrade with the issuance of additional revenue bonds at a higher interest cost. The plus side of the revenue bonds is that payback is over a 30-year term.

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 Seth M. Bean, Accounting Supervisor. He can be reached at 100 Civic Center Plaza, Lompoc, CA 93436.

City of Lompoc
Statement of Net Assets
June 30, 2004
(Page 1 of 2)

	Governmental Activities	Primary Government Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 27,863,922	\$ 10,827,344	\$ 38,691,266
Receivables (net of allowance for uncollectibles)	1,052,772	4,970,939	6,023,711
Internal balances	869,394	(869,394)	
Receivables - intergovernmental		65,000	65,000
Interest receivable		12,230	12,230
Loans receivable	4,827,830		4,827,830
Inventories	295,283	1,706,467	2,001,750
Prepaid expenses		2,874,535	2,874,535
Restricted assets:			
Cash and investments:			
Debt service		130,731	130,731
Bond reserves/construction fund		1,574,137	1,574,137
Capital reserve (statutory)		4,534,043	4,534,043
Reserve established by Council		8,628,040	8,628,040
Deposits		750,161	750,161
Retrofit program		611,399	611,399
Deferred cost of issuance		234,277	234,277
Land	27,826,225	7,220,585	35,046,810
Construction in progress	36,752	6,618,635	6,655,387
Capital assets, net of depreciation	43,440,972	49,385,989	92,826,961
Total assets	\$ 106,213,150	\$ 99,275,118	\$ 205,488,268

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

City of Lompoc
Statement of Net Assets
June 30, 2004
(Page 2 of 2)

	Governmental Activities	Primary Government Business-type Activities	Total
LIABILITIES:			
Accounts payable and other current liabilities	\$ 1,151,139	\$ 2,112,070	\$ 3,263,209
Accrued liabilities		241,930	241,930
Accrued interest payable	8,373	147,646	156,019
Developers deposits	482,819	415,989	898,808
Deferred revenue	1,189,315	561,749	1,751,064
Retrofit payable		684,863	684,863
Long-term liabilities:			
Due within one year	3,701,647	1,216,654	4,918,301
Due in more than one year	6,188,348	12,588,644	18,776,992
Total liabilities	12,721,641	17,969,545	30,691,186
NET ASSETS:			
Invested in capital assets, net of related debt	69,390,659	54,644,798	124,035,457
Restricted for:			
Debt service	3,103,215	8,604,637	11,707,852
Unrestricted	20,997,635	18,056,138	39,053,773
Total net assets	\$ 93,491,509	\$ 81,305,573	\$ 174,797,082

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

City of Lompoc
Statement of Activities
For the Year Ended June 30, 2004

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		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 4,260,148	\$ 4,238,514	\$ -	\$ -	\$ (21,634)	\$ -	\$ (21,634)
Police protection	6,692,487	238,996	466,475		(5,987,016)		(5,987,016)
Fire protection	2,750,997	28,220			(2,722,777)		(2,722,777)
Engineering/streets	5,484,234	131,179	5,024,395	261,277	(67,383)		(67,383)
Building	1,120,148	792,336			(327,812)		(327,812)
Community development	2,497,063	270,441	875,951	62,193	(1,288,478)		(1,288,478)
Parks and recreation	3,165,885	116,420	634,987	213,643	(2,200,835)		(2,200,835)
Nondepartmental	638,033				(638,033)		(638,033)
Health & Welfare	44,727				(44,727)		(44,727)
Interest on long term debt	149,890				(149,890)		(149,890)
Total Governmental Activities	26,803,612	5,816,106	7,001,808	537,113	(13,448,585)		(13,448,585)
Business-type activities:							
Water	6,297,870	5,658,433		265,220		(374,217)	(374,217)
Electric	15,220,268	15,375,500		334,900		490,132	490,132
Wastewater	5,557,643	4,864,663		44,357		(648,623)	(648,623)
Solid Waste	4,647,291	4,576,805	48,417	16,748		(5,321)	(5,321)
Aquatic Center							
Airport	284,345	195,353		75,000		(13,992)	(13,992)
Transit	1,533,273	105,556	1,682,879	9,999		265,161	265,161
Recreation	326,431	293,603	11,118			(21,710)	(21,710)
River Park	45,077	146,165				101,088	101,088
Lompoc Valley Community Ctr	155,073	49,431				(105,642)	(105,642)
Broadband	166,520					(166,520)	(166,520)
Total business-type activities	34,233,791	31,265,509	1,742,414	746,224		(479,644)	(479,644)
Total primary government	\$ 61,037,403	\$ 37,081,615	\$ 8,744,222	\$ 1,283,337	(13,448,585)	(479,644)	(13,928,229)
General revenues:							
Taxes							
Property taxes					3,886,913	10,212	3,897,125
Sales taxes					3,546,540		3,546,540
Other taxes					1,568,384		1,568,384
Franchise taxes					439,662		439,662
Motor vehicle in-lieu taxes					1,880,443		1,880,443
Grants & contributions not restricted to specific programs					515,874		515,874
Unrestricted investment earnings less interest expense					(15,186)	55,515	40,329
Other revenue					101,671	108,478	210,149
Transfers					1,066,864	(1,066,864)	
Total general revenues and transfers					12,991,165	(892,659)	12,098,506
Change in net assets					(457,420)	(1,372,303)	(1,829,723)
Net assets - beginning of year					92,845,269	83,507,530	176,352,799
Prior period adjustment					1,103,660	(829,654)	274,006
Net assets - beginning of year, restated					93,948,929	82,677,876	176,626,805
Net assets - ending					\$ 93,491,509	\$ 81,305,573	\$ 174,797,082

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

City of Lompoc
Balance Sheet
Governmental Funds
June 30, 2004

	General	Redevelopment Housing Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 2,964,261	\$ 622,609	\$ 15,559,319	\$ 19,146,189
Receivables (net of allowance for uncollectibles)	553,178		477,633	1,030,811
Due from other funds	639,694		250,000	889,694
Loans receivable	470,626	1,043,776	3,784,054	5,298,456
Inventories	31,778		3,237	35,015
Total Assets	<u>\$ 4,659,537</u>	<u>\$ 1,666,385</u>	<u>\$ 20,074,243</u>	<u>\$ 26,400,165</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 435,209	\$ 187	\$ 489,593	\$ 924,989
Accrued liabilities	508,784	2,744	18,231	529,759
Loans payable			470,626	470,626
Deposits	83,500		399,319	482,819
Due to other funds			20,300	20,300
Deferred revenue	37,848		1,151,467	1,189,315
Total Liabilities	<u>1,065,341</u>	<u>2,931</u>	<u>2,549,536</u>	<u>3,617,808</u>
FUND BALANCES				
Reserved for:				
Encumbrances	1,239,781		1,700,529	2,940,310
Land development			264,517	264,517
Debt service		1,189,925	470,626	1,660,551
Low income housing		473,529		473,529
Inventory	31,778		3,237	35,015
Interfund loans	741,120			741,120
Economic uncertainties			2,000,000	2,000,000
Unreserved, reported in				
General fund	1,581,517			1,581,517
Special revenue funds			12,185,569	12,185,569
Capital projects funds			900,229	900,229
Total fund balances	<u>3,594,196</u>	<u>1,663,454</u>	<u>17,524,707</u>	<u>22,782,357</u>
Total liabilities and fund balances	<u>\$ 4,659,537</u>	<u>\$ 1,666,385</u>	<u>\$ 20,074,243</u>	<u>\$ 26,400,165</u>

The notes to the 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, 2004

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

Total fund balances - governmental funds		22,782,357
<p>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.</p>		
Cost of capital assets	\$ 98,883,139	
Accumulated depreciation	<u>(32,567,452)</u>	66,315,687
<p>Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p>		
		(1,079)
<p>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.</p>		
Long term capital leases payable		(350,891)
Long term loans payable		(1,189,925)
Compensated absences		(1,917,474)
<p>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.</p>		
		<u>7,852,834</u>
Net assets of governmental activities	\$	<u><u>93,491,509</u></u>

The notes to the 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 Year Ended June 30, 2004
(Page 1 of 2)

Revenues:	General	Redevelopment Housing Fund	Other Governmental Funds	Total Governmental Funds
Property taxes	\$ 2,684,243	\$ 240,534	\$ 962,136	\$ 3,886,913
Sales and use taxes	3,546,540		3,738,740	7,285,280
Other taxes	2,008,046			2,008,046
Licenses, fees, and permits	519,184		1,030,618	1,549,802
Intergovernmental revenues	2,345,041		2,121,083	4,466,124
Charges for services	5,073,606		141,200	5,214,806
Fines, forfeitures, and penalties	78,615			78,615
Use of money and property	18,944	(3,664)	22,147	37,427
Special assessments			213,643	213,643
Donations			489,608	489,608
Other	96,538		5,133	101,671
Total revenues	16,370,757	236,870	8,724,308	25,331,935
Expenditures:				
Current:				
City Council	87,505			87,505
City administration	3,893,275			3,893,275
Police protection	6,521,105		7	6,521,112
Fire protection	2,676,172			2,676,172
Engineering / streets	3,639,474		2,155,407	5,794,881
Building	1,071,559			1,071,559
Community development	774,030	117,156	1,515,890	2,407,076
Parks and recreation	1,876,412		1,173,726	3,050,138
Non-departmental	638,033			638,033
Health			44,727	44,727
Capital outlay	1,198,227		97,813	1,296,040
Debt service:				
Principal retirement			81,082	81,082
Interest and fiscal charges			31,757	31,757
Total expenditures	22,375,792	117,156	5,100,409	27,593,357

The notes to the 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 Year Ended June 30, 2004
(Page 2 of 2)

	General	Redevelopment Housing Fund	Other Governmental Funds	Total Governmental Funds
Excess of revenues over (under) expenditures	(6,005,035)	119,714	3,623,899	(2,261,422)
Other financing sources (uses):				
Proceeds from loan		137,556		137,556
Transfers in	4,307,584		137,453	4,445,037
Transfers (out)	(202,453)		(3,213,539)	(3,415,992)
Total other financing sources (uses)	4,105,131	137,556	(3,076,086)	1,166,601
Net change in fund balances	(1,899,904)	257,270	547,813	(1,094,821)
Fund balance, beginning of year	5,595,710	1,406,184	15,771,624	22,773,518
Prior period adjustments	(101,610)		1,205,270	1,103,660
Fund balance, beginning of year, restated	5,494,100	1,406,184	16,976,894	23,877,178
Fund balance, end of year	\$ 3,594,196	\$ 1,663,454	\$ 17,524,707	\$ 22,782,357

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 Year Ended June 30, 2004

Net change in fund balance - total governmental funds \$ (1,094,821)

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 capital outlays (\$3,451,946) exceeds depreciation (\$2,109,416) in the current period (includes infrastructure). 1,342,530

The net effect of various transactions involving capital assets (I.e., deletions, trade-ins, contributions, and sales) (291,789)

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	\$	79,309	
Proceeds from long-term loans		(137,556)	
Increase in compensated absences		(302,526)	
Accrued interest on capital leases (FYE 2003)		1,715	
Accrued interest on capital leases (FYE 2004)		(1,079)	
Net adjustment		(360,137)	(360,137)

The net revenue of certain activities of internal service funds is reported with governmental activities. (53,203)

Change in net assets of governmental activities \$ (457,420)

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

City of Lompoc
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2004
(Page 1 of 2)

	Budgeted Amounts		Actual Amounts	Variance- Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 2,620,444	\$ 2,620,444	\$ 2,684,243	\$ 63,799
Sales and use taxes	3,505,452	3,505,452	3,546,540	41,088
Other taxes	1,763,441	1,763,441	2,008,046	244,605
Licenses and permits	354,043	361,575	519,184	157,609
Intergovernmental revenues	2,742,903	3,094,140	2,345,041	(749,099)
Charges for services	5,104,949	5,111,828	5,073,606	(38,222)
Fines, forfeitures, and penalties	132,000	132,000	78,615	(53,385)
Use of money and property	253,574	253,574	18,944	(234,630)
Other	86,050	106,830	96,538	(10,292)
Total revenues	16,562,856	16,949,284	16,370,757	(578,527)
Expenditures:				
Current:				
City Council	92,134	93,759	87,505	6,254
City administration	4,002,125	4,137,909	3,893,275	244,634
Police protection	5,882,333	6,399,484	6,521,105	(121,621)
Fire protection	2,600,440	2,673,947	2,676,172	(2,225)
Engineering / streets	3,825,614	3,790,023	3,639,474	150,549
Building	1,016,756	1,049,158	1,071,559	(22,401)
Community development	548,499	636,631	774,030	(137,399)
Parks and recreation	1,762,751	2,083,492	1,876,412	207,080
Non-departmental	815,886	871,740	638,033	233,707
Capital outlay	262,759	1,801,002	1,198,227	602,775
Total expenditures	20,809,297	23,537,145	22,375,792	1,161,353

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

City of Lompoc
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2004
 (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>(4,246,441)</u>	<u>(6,587,861)</u>	<u>(6,005,035)</u>	<u>582,826</u>
Other financing sources (uses)				
Transfers in	4,305,731	4,370,731	4,307,584	(63,147)
Transfers (out)	<u>(117,951)</u>	<u>(117,951)</u>	<u>(202,453)</u>	<u>(84,502)</u>
Total other financing sources (uses)	<u>4,187,780</u>	<u>4,252,780</u>	<u>4,105,131</u>	<u>(147,649)</u>
Net change in fund balance	<u>(58,661)</u>	<u>(2,335,081)</u>	<u>(1,899,904)</u>	<u>435,177</u>
Fund balance, beginning of year	5,595,710	5,595,710	5,595,710	
Adjustments:				
Prior period adjustments			<u>(101,610)</u>	<u>(101,610)</u>
Fund balance, beginning of year, restated	<u>5,595,710</u>	<u>5,595,710</u>	<u>5,494,100</u>	<u>(101,610)</u>
Fund balance, end of year	<u>\$ 5,537,049</u>	<u>\$ 3,260,629</u>	<u>\$ 3,594,196</u>	<u>\$ 333,567</u>

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

City of Lompoc
Redevelopment Housing Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance- Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ -	\$ 133,410	\$ 240,534	\$ 107,124
Intergovernmental revenues				
Use of money and property		64,850	(3,664)	(68,514)
Other				
Total revenues		198,260	236,870	38,610
Expenditures:				
Current:				
Community development	30,558	1,336,713	117,156	1,219,557
Capital outlay				
Total expenditures	30,558	1,336,713	117,156	1,219,557
Excess of revenues over (under) expenditures	(30,558)	(1,138,453)	119,714	1,258,167
Other financing sources (uses)				
Proceeds from loan		858,000	137,556	(720,444)
Total other financing sources (uses)		858,000	137,556	(720,444)
Net change in fund balance	(30,558)	(280,453)	257,270	537,723
Fund balance, beginning of year		1,406,184	1,406,184	
Fund balance, end of year	\$ (30,558)	\$ 1,125,731	\$ 1,663,454	\$ 537,723

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

City of Lompoc
Statement of Fund Net Assets
Proprietary Funds
June 30, 2004
(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	\$ 2,681,803	\$ 7,608,240	\$ 89,189	\$ 24,088	\$ 1,518	\$ 422,506	\$ 10,827,344	\$ 8,717,735
Receivables - trade	1,106,160	2,011,678	697,061	482,230		673,810	4,970,939	21,961
Receivables - intergovernmental						65,000	65,000	
Receivables - interest		5,947	6,283				12,230	
Inventories (at average cost)	226,822	1,424,211	24,370			31,064	1,706,467	260,268
Prepaid expenses		2,874,535					2,874,535	
Due from other funds	94,211	508,769	231,992				834,972	
Total current assets	4,108,996	14,433,380	1,048,895	506,318	1,518	1,192,380	21,291,487	8,999,964
Noncurrent assets:								
Restricted assets:								
Cash and investments:								
Restricted cash - debt service	114,403		16,328				130,731	
Bond reserves/construction fund	1,486,161		80,804	7,172			1,574,137	
Capital reserve (statutory)			2,190,825	2,343,218			4,534,043	
Reserve established by Council		8,628,040					8,628,040	
Deposits		410,200	334,411			5,550	750,161	
Retrofit program	611,399						611,399	
Total restricted assets	2,211,963	9,038,240	2,622,368	2,350,390		5,550	16,228,511	
Deferred cost of issuance (net)	205,007		29,270				234,277	
Property, plant, and equipment:								
Land	529,778	250,304	321,758	262,231		5,856,514	7,220,585	199,018
Utility plant and equipment	32,728,816	25,957,667	35,141,591	2,551,402		6,089,619	102,469,095	13,076,034
Construction in progress	2,474,573	1,124,141	793,115	17,828	522,589	1,686,389	6,618,635	
	35,733,167	27,332,112	36,256,464	2,831,461	522,589	13,632,522	116,308,315	13,275,052
(Less) accumulated depreciation	(17,462,640)	(11,051,370)	(20,923,621)	(1,386,024)		(2,259,451)	(53,083,106)	(8,286,791)
Total property, plant, and equipment	18,270,527	16,280,742	15,332,843	1,445,437	522,589	11,373,071	63,225,209	4,988,261
Total assets	\$ 24,796,493	\$ 39,752,362	\$ 19,033,376	\$ 4,302,145	\$ 524,107	\$ 12,571,001	\$ 100,979,484	\$ 13,988,225

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

City of Lompoc
Statement of Fund Net Assets
Proprietary Funds
June 30, 2004
(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	\$ 803,124	\$ 541,750	\$ 233,794	\$ 72,078	\$ 180,107	\$ 281,217	\$ 2,112,070	\$ 226,151
Accrued liabilities	64,329	57,130	53,440	48,920		18,111	241,930	
Accrued interest	114,830	492	16,333	10,044		5,947	147,646	7,294
Due to other funds				431,992	280,000	992,374	1,704,366	
Developers deposits	5,789	410,200					415,989	
Deferred revenue			554,401			7,348	561,749	
Retrofit program	684,863						684,863	
Current portion of long-term liabilities	468,350	261,825	152,909	304,998		28,572	1,216,654	352,716
Total current liabilities	2,141,285	1,271,397	1,010,877	868,032	460,107	1,333,569	7,085,267	586,161
Noncurrent liabilities:								
Accrued liabilities								4,274,208
Compensated absences	15,586	16,500	8,529	9,590		1,122	51,327	2,885
Accrued payroll and benefits	67,997	58,971	56,280	56,834		11,729	251,811	21,287
Landfill closure and postclosure payable				3,825,307			3,825,307	
Trust deposits						5,550	5,550	
Capital lease payable	155,936	183,489		265,489			604,914	1,250,850
Loans payable	61,387					11,664	73,051	
Revenue bonds	6,566,745		875,528				7,442,273	
Reserve fund - VVCS D			334,411				334,411	
Total noncurrent liabilities	6,867,651	258,960	1,274,748	4,157,220		30,065	12,588,644	5,549,230
Total liabilities	9,008,936	1,530,357	2,285,625	5,025,252	460,107	1,363,634	19,673,911	6,135,391
NET ASSETS								
Invested in capital assets, net of related debt	11,240,467	16,070,828	14,426,081	1,011,764	522,589	11,373,071	54,644,800	3,384,695
Restricted for debt service	7,030,060	209,914	906,762	433,673		24,228	8,604,637	1,562,400
Unrestricted	(2,482,970)	21,941,263	1,414,908	(2,168,544)	(458,589)	(189,932)	18,056,136	2,905,738
Total net assets	\$ 15,787,557	\$ 38,222,005	\$ 16,747,751	\$ (723,107)	\$ 64,000	\$ 11,207,367	\$ 81,305,573	\$ 7,852,834

The notes to the 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 Year Ended June 30, 2004

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	\$ 5,580,057	\$ 13,181,493	\$ 3,805,890	\$ 3,634,998	\$ -	\$ 397,211	\$ 26,599,649	\$ 8,684,163
Vehicle and facilities rental						392,900	392,900	2,473,658
Other operating revenues	43,339	1,919,297	987,085	941,807			3,891,528	
Total operating revenues	5,623,396	15,100,790	4,792,975	4,576,805		790,111	30,884,077	11,157,821
Operating expenses:								
Cost of power and water	516,071	9,799,543					10,315,614	
Operations and maintenance	4,133,135	3,984,829	4,384,885	4,176,304		2,134,768	18,813,921	10,190,334
Administration	457,609	532,589	343,667	276,037			1,609,902	
Depreciation and amortization	834,461	893,423	772,420	152,868		353,911	3,007,083	945,472
Total operating expenses	5,941,276	15,210,384	5,500,972	4,605,209		2,488,679	33,746,520	11,135,806
Income (loss) from operations	(317,880)	(109,594)	(707,997)	(28,404)		(1,698,568)	(2,862,443)	22,015
Nonoperating incomes (expenses):								
Fees	300,259	274,707	101,178	16,748			692,892	
Interest income	6,350	76,487	(15,236)	(12,814)		728	55,515	(44,612)
Intergovernmental				48,417		1,779,207	1,827,624	
Miscellaneous	4,614	49,106	7,203	43,454		5,798	110,175	
Gain (loss) on sale of property				(1,697)			(1,697)	9,379
Interest (expense)	(356,594)	(9,881)	(56,669)	(42,082)		(22,044)	(487,270)	(116,997)
Total nonoperating incomes (expenses)	(45,371)	390,419	36,476	52,026		1,763,689	2,197,239	(152,230)
Income (loss) before contributions and transfers	(363,251)	280,825	(671,521)	23,622		65,121	(665,204)	(130,215)
Capital Contributions		334,900	14,866			9,999	359,765	39,193
Transfers in (out)		(1,175,864)		(20,000)	64,000	65,000	(1,066,864)	37,819
Change in net assets	(363,251)	(560,139)	(656,655)	3,622	64,000	140,120	(1,372,303)	(53,203)
Net assets - beginning of the year	16,211,184	38,882,341	18,007,312	(676,363)		11,083,056	83,507,530	7,906,037
Prior period adjustments	(60,376)	(100,197)	(602,906)	(50,366)		(15,809)	(829,654)	
Net assets - beginning of the year, restated	16,150,808	38,782,144	17,404,406	(726,729)		11,067,247	82,677,876	7,906,037
Net assets - end of the year	\$ 15,787,557	\$ 38,222,005	\$ 16,747,751	\$ (723,107)	\$ 64,000	\$ 11,207,367	\$ 81,305,573	\$ 7,852,834

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

City of Lompoc
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2004
(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	\$ 5,746,110	\$ 15,462,627	\$ 4,672,129	\$ 4,641,953	\$ -	\$ 841,561	\$ 31,364,380	\$ 11,141,804
Cash payments to suppliers for goods and services	(2,326,136)	(12,337,226)	(2,691,773)	(2,583,266)		(1,824,741)	(21,763,142)	(9,826,081)
Cash payments to employees for services	(2,113,602)	(1,746,462)	(1,892,952)	(1,854,937)		(475,100)	(8,083,053)	(652,326)
Net cash provided (used) by operating activities	<u>1,306,372</u>	<u>1,378,939</u>	<u>87,404</u>	<u>203,750</u>		<u>(1,458,280)</u>	<u>1,518,185</u>	<u>663,397</u>
Cash flows from noncapital financing activities:								
Net borrowings (repayments) under revolving loan arrangement				220,000	460,106	(89,667)	590,439	
Loans (to) payments from other funds	158,365	(199,709)	17,192				(24,152)	
Increase in trust accounts	(5,333)		5,229			150	46	
Received from other agencies						1,770,088	1,770,088	
Transfers in (out)		(1,112,448)			64,000	65,000	(983,448)	37,819
Net cash provided (used) by noncapital financing activities	<u>153,032</u>	<u>(1,312,157)</u>	<u>22,421</u>	<u>220,000</u>	<u>524,106</u>	<u>1,745,571</u>	<u>1,352,973</u>	<u>37,819</u>
Cash flows from capital and related financing activities:								
Proceeds from loans, lease purchases and equipment contracts						70,203	70,203	
Retention from contractor		(30,951)					(30,951)	
Acquisition and construction of capital assets	(2,266,522)	(1,192,683)	(466,049)	(201,114)	(522,588)	(16,791)	(4,665,747)	(342,875)
Adjustment to lease principal	(495,361)						(495,361)	528,964
Principal paid on revenue bonds/loans								
Leases and equipment contracts	(236,079)	(24,956)	(29,985)	(187,879)		(17,342)	(496,241)	(314,518)
Interest paid on revenue bonds/loans and equipment contracts	(356,594)	(9,881)	(56,669)	(42,082)		(21,585)	(486,811)	(116,998)
Proceeds from sale of assets								9,379
Residual equity transfers		(63,416)		(20,000)			(83,416)	
Contributed capital		334,900	14,866			9,999	359,765	39,194
Net cash provided (used) for capital and related financing activities	<u>(3,354,556)</u>	<u>(986,987)</u>	<u>(537,837)</u>	<u>(451,075)</u>	<u>(522,588)</u>	<u>24,484</u>	<u>(5,828,559)</u>	<u>(196,854)</u>
Cash flows from investing activities:								
Interest and dividends on investments	6,351	76,029	(15,236)	(12,814)		730	55,060	(44,613)
Net increase (decrease) in cash and cash equivalents	(1,888,801)	(844,176)	(443,248)	(40,139)	1,518	312,505	(2,902,341)	459,749
Cash and cash equivalents at beginning of year	6,782,567	17,490,656	3,154,805	2,414,617		115,551	29,958,196	8,257,986
Cash and cash equivalents at end of year	<u>\$ 4,893,766</u>	<u>\$ 16,646,480</u>	<u>\$ 2,711,557</u>	<u>\$ 2,374,478</u>	<u>\$ 1,518</u>	<u>\$ 428,056</u>	<u>\$ 27,055,855</u>	<u>\$ 8,717,735</u>

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

City of Lompoc
Proprietary Funds
Statement of Cash Flows for the Year Ended June 30, 2004
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	\$ (317,882)	\$ (109,591)	\$ (707,998)	\$ (28,404)		\$ (1,698,568)	\$ (2,862,443)	\$ 22,015
Adjustment for nonoperating incomes and (expenses)	304,873	323,813	108,381	108,619	\$ (460,107)	14,916	400,495	
Adjustments to reconcile operating income to net cash used by operating activities:								
Depreciation	834,461	893,423	772,420	152,868		353,910	3,007,082	945,472
Prior period adjustment	(60,377)	(100,197)	(48,505)	(50,366)		(14,293)	(273,738)	
Deferred costs of issuance	8,542		1,220				9,762	
Deferred amount of refunding issue								
Landfill closure/postclosure expense								
Change in assets and liabilities:								
(Increase)decrease in accounts receivable	(182,157)	38,021	(229,228)	(43,471)		35,264	(381,571)	(16,013)
(Increase)decrease in interest receivable		149	466				615	
(Increase)decrease in intergovernmental receivable						210,689	210,689	
(Increase)decrease in inventory	(14,110)	(141,177)	42,860			(9,621)	(122,048)	27,450
(Increase)decrease in prepaid expenses		195,516					195,516	
(Decrease)increase in accounts payable	642,019	190,580	68,574	6,084	180,107	16,898	1,104,262	(137,130)
(Decrease)increase in accrued interest payable	(4,173)	(77)	(410)	(766)	-	309	(5,117)	
(Decrease)increase in developer's deposits	408						408	
(Decrease)increase in deferred credits/revenues						(392,728)	(392,728)	
(Decrease)increase in due to other funds					280,000		280,000	
(Decrease)increase in accrued liabilities	94,768	88,479	79,624	59,186		24,944	347,001	(178,397)
Net cash used by operating activities	<u>\$ 1,306,372</u>	<u>\$ 1,378,939</u>	<u>\$ 87,404</u>	<u>\$ 203,750</u>	<u>\$ -</u>	<u>\$ (1,458,280)</u>	<u>\$ 1,518,185</u>	<u>\$ 663,397</u>

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

City of Lompoc
Statement of Fiduciary Net Assets
 Fiduciary Funds - Agency Fund
 June 30, 2004

	Agency Funds
ASSETS	
Cash and investments	\$ 658,719
Receivables:	
Accounts receivable, net	6,232
Total assets	664,951
LIABILITIES	
Liabilities:	
Accounts payable	7,918
Refundable deposits and accruals	657,033
Total liabilities	664,951
NET ASSETS	
Held in trust for utility customers and other purposes	\$ -

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

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CITY OF LOMPOC
Notes to the Financial Statements
June 30, 2004

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 as 1) a Capital Projects Fund in the Nonmajor Governmental Funds and 2) as a Major Fund in the Basic Financial Statements.

The City currently has no discretely presented component units.

B) Government-wide and fund financial statements

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement #34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments.” This statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation (based on size of government) starting with fiscal years ending 2002 (for larger California local governments with a June 30 fiscal year).

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous model emphasized fund types, (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the 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 nonfiduciary 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 are, in substance, very similar to the financial statements presented in the previous model. Emphasis here 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 statement presentation

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

- Government-wide financial statements
- Fund financial statements
- Notes to the 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 cost of these services are reflected in the appropriate functional activity (police, fire, community development, etc.)

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

GOVERNMENTAL 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.

Redevelopment Housing Fund – Established to account for the provision of adequate and affordable housing for low to moderate-income families. Financing is provided by a percentage of tax increment revenue on project area property.

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 funds and nonmajor proprietary funds whose activities are not self-evident from the title of the fund:

PROPRIETARY 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 design, construction, and operation of the City’s three-pool aquatic center. Initial financing for the design and construction phase will be through certificates of participation bonds. After construction is completed, it is anticipated that user charges will finance the operations of the 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.

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, worker’s compensation, and property insurance coverage’s 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 *nonoperating* 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 nonoperating 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 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.

For purposes of the statements of cash flows, cash and cash equivalents include restricted and unrestricted cash and restricted and unrestricted short-term investments with original maturities of three months or less from the date of acquisition.

2. Inventories

At year end a physical count is made of inventories on hand. These inventories are valued at weighted average cost for all funds. During the 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/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 uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

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 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, 2004. 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 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 year and the prior 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 is 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 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

Solid Waste Disposal

The Solid Waste Disposal Fund has a \$723,107 deficit in net assets because of the recalculation of Closure and Post Closure requirements. Solid Waste rates have been increased to offset this deficit.

Recreation Fund

The Recreation Fund has a \$126,598 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 year and prior years. Recreation management is reviewing the programs to determine the steps needed to reduce the deficit.

River Park Campgrounds

The campground has a \$73,480 deficit in net assets because the revenue from new campsites has not yet returned the initial investment needed to renovate and build new campgrounds. Note the deficit in the prior year was \$171,644.

Broadband Fund

The broadband fund is a new fund with a \$166,520 deficit in net assets. The fund is being used to account for the design and construction of wireless fidelity (Wi-Fi) and broadband infrastructure in the City. The project is currently being financed with loans and equipment leases and is expected to have negative net assets until the fund generates sufficient revenue to offset expenses.

Traffic Offender Fund

The Traffic Offender Fund has a deficit fund balance of \$19,637. This deficit will be eliminated through reimbursements from other funds.

Public Education & Governmental (PEG) Cable Television Access Fund

PEG is a new fund with a \$9,301 deficit in fund balance. The fund is being used to account for PEG cable television access that was previously provided by Comcast Cable. Comcast cable provides a one-time capital contribution and annual operating contributions. The deficit is mainly due to investment values declining as the market fluctuates.

Housing In-Lieu Fund

The Housing In-Lieu Fund is a new fund with a \$14,032 deficit in fund balance. The fund is being used to account for financing low to moderate-income housing units. Financing is provided by the Housing In-Lieu Fee Program, which allows a residential developer to elect to make payments of a fee as an alternative to providing affordable housing units on-site. The deficit is mainly due to investment values declining as the market fluctuates.

III. Detailed notes on all funds

1) Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of the cash and investment pool is displayed on the combined balance sheet or statement of net assets as "Cash and Investments" and "Restricted cash."

Interest earned on pooled cash and investments is allocated monthly to the various funds based on an average monthly cash balance. Interest income from cash and investments with fiscal agents and in the deferred compensation plan is credited directly to the related funds. Cash and investments at June 30, 2004 consisted of the following:

Pooled cash and investments:	
Available cash	\$ 1,539,412
Certificates of deposit	2,180,000
State Local Agency Investment Fund	861,102
U.S Government Issues	<u>43,855,530</u>
Total pooled cash and investments	48,436,044
Funds with fiscal agents:	
Cash and cash equivalents	<u>7,142,452</u>
Total cash and investments	<u><u>\$ 55,578,496</u></u>

Cash and investments listed above are presented on the accompanying financial statements as follows:

Cash and investments - statement of net assets	\$38,691,266
Restricted cash and investments - statement of net assets	\$16,228,511
Cash and investments in Fiduciary Funds (Separate Statement)	<u>658,719</u>
Total cash and investments	<u><u>\$55,578,496</u></u>

Cash:

The City of Lompoc's deposits at year-end were entirely covered by federal depository insurance, securities investment protection corporation insurance, or by securities held by the City's custodial bank, acting as the City's agent, in the City of Lompoc's name.

Investments:

The California government code authorizes the City to invest in obligations, certificates of participation or other instruments of the U.S. Government or its agencies, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptance, repurchase agreements and the State Treasurer's Investment Pool. The City is also authorized to invest in mutual funds and medium term corporate bonds.

The City's investments at year-end are shown and categorized below. These categories are intended to indicate the level of non-market risk assumed by the City in its investments, and are defined as follows:

Category 1 - Includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

Category 2 - Includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

Category 3 - Includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent, but not specifically in the City's name.

Investments in pools managed by other governments are not required to be categorized.

At June 30, 2004, the City maintained no category 3 investments. Based upon these criteria, the City's investments at June 30, 2004 are as follows:

INVESTMENT RISK CATEGORIZATION

	Category 1	Category 2	Not Subject to Categorization	Carrying Amount (Fair Value)
<u>Pooled investments</u>				
State pool (LAIF)	\$ -	\$ -	\$ 861,102	\$ 861,102
U.S. Government issues	-	43,855,530	-	43,855,530
	<u>-</u>	<u>43,855,530</u>	<u>861,102</u>	<u>44,716,632</u>
<u>With fiscal agent</u>				
Municipal Leasing	-	1,145,676	-	1,145,676
NCPA	-	-	4,429,810	4,429,810
U.S. Government issues	-	1,566,966	-	1,566,966
	<u>-</u>	<u>2,712,642</u>	<u>4,429,810</u>	<u>7,142,452</u>
Total investments	-	46,568,172	5,290,912	51,859,084
Deposits	3,719,412	-	-	3,719,412
Net cash and investments	<u>\$ 3,719,412</u>	<u>\$ 46,568,172</u>	<u>\$ 5,290,912</u>	<u>\$ 55,578,496</u>

The Carrying amount of all investments reflected in the above table is at fair value, except for nonparticipating investment contracts, which are carried at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

2) Receivables and payables

Receivables in the General Fund consist primarily of inter-fund loans (53.6%), and the remainder consists of accounts receivables from the billing of miscellaneous invoices. The remaining receivables in the nonmajor 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 nonmajor governmental funds are primarily payables to vendors, whereas payments in the Insurance Control Fund are primarily for claims payable. Payables in the Water, Wastewater, Electric, Aquatic Center, and Solid Waste funds are 70 percent payables to vendors and 30 percent payables to contractors for work on capital projects. Payables in the nonmajor 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 \$147,033 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. Both loans bear interest at 5.5% and will be repaid from the Agency's tax increment. The proceeds from the loans will be used to rehabilitate the City's Senior Center. At June 30, 2004, the principal balances remaining on the loans are \$17,827 and \$92,433.

On October 1, 2002, the City entered into a long-term loan agreement with the Lompoc Redevelopment Agency for \$200,000. The proceeds from this loan will be used to pay the Aquatic Center Feasibility Study. This loan bears simple interest at 4% and will be repaid when permanent financing is secured for the design and construction of the Aquatic Center. At June 30, 2004, the balance of loan, including interest, is \$213,333.

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. 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, 2004, the balance of the loans, including interest, is \$1,189,925 and the Redevelopment Agency is contingently liable for payment of the loans if the recipients default on their payments.

4) Inter-fund receivables, payables and transfers

Inter-fund receivables and payables

The composition of inter-fund balances as of June 30, 2004, is as follows:

	<u>Receivable</u>	<u>Payable</u>
GENERAL FUND	\$ 639,694	\$ -
NONMAJOR GOVERNMENTAL FUNDS	250,000	20,300
ENTERPRISE FUNDS:		
Water Utility Fund	94,211	
Electric Utility Fund	508,769	
Wastewater Utility Fund	231,992	
Solid Waste Fund		431,992
Aquatic Center Fund		280,000
NONMAJOR ENTERPRISE FUNDS		992,374
	<u>\$ 1,724,666</u>	<u>\$ 1,724,666</u>

The balance owed to the General Fund of \$639,694 resulted from loans made to the Revolving Recreation Fund and the River Park Campground Fund to finance campground improvements. The loans are being amortized over the next nine years. The amount also includes a short-term loan to the Aquatic Center of \$280,000 to finance the engineering and design of the three-pool aquatic facility.

The balance due from the Solid Waste Fund of \$431,992 consists of a loan of \$231,992 from the Wastewater Fund to purchase land from Cal-Trans in 1998 for \$314,280. The loan is being amortized over the next ten years. The remaining amount of \$200,000 represents a short-term loan from the Electric Fund for cash flow purposes.

The balance of \$308,769 owed to the Electric Fund consists of loans made to the Airport Fund and Broadband Fund to purchase land and construct a taxiway, and begin design work of the wireless fidelity system. The loans are being amortized over the next eighteen and five years, respectively.

Interfund Transfers

Interfund 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	\$ 4,307,584	\$ 202,453
NONMAJOR GOVERNMENTAL FUNDS	137,453	3,213,539
INTERNAL SERVICE FUNDS	91,331	53,512
ENTERPRISE FUNDS		
Electric Utility Fund		1,175,864
Solid Waste Fund		20,000
Aquatic Center Fund	64,000	
NONMAJOR ENTERPRISE FUNDS	65,000	
	<u>\$ 4,665,368</u>	<u>\$ 4,665,368</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 \$2,950,914, which are routine transfers. The transfer of \$1,175,864 from the Electric Fund consists of transfers to the General Fund of \$1,112,448 an in-lieu franchise fee and \$63,416 to the Vehicle Fund for capital equipment.

The remaining transfers are primarily for reimbursement to the General Fund for cash flow purposes and are routine.

5) Capital Assets

Capital Asset activity for the year ended June 30, 2004 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Non-depreciable assets:				
Land	\$ 27,826,225	\$ -	\$ -	\$ 27,826,225
Construction in progress	1,085,966	19,921	(1,069,135)	36,752
Depreciable assets:				
Buildings and improvements	11,321,667	763,498		12,085,165
Machinery and equipment	17,830,865	1,815,880	(274,391)	19,372,354
Infrastructure	51,174,964	2,155,906	(493,171)	52,837,699
Totals at historical cost	<u>109,239,687</u>	<u>4,755,205</u>	<u>(1,836,697)</u>	<u>112,158,195</u>
Less: accumulated depreciation for:				
Buildings and improvements	(7,616,065)	(329,015)		(7,945,080)
Machinery and equipment	(10,222,953)	(1,200,461)	273,294	(11,150,120)
Infrastructure	(20,544,864)	(1,525,413)	311,231	(21,759,046)
Totals accumulated depreciation	<u>(38,383,882)</u>	<u>(3,054,889)</u>	<u>584,525</u>	<u>(40,854,246)</u>
Governmental activities capital assets, net	<u>\$ 70,855,805</u>	<u>\$ 1,700,316</u>	<u>\$ (1,252,172)</u>	<u>\$ 71,303,949</u>

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Non-depreciable assets:				
Land	\$ 7,220,585	\$ -	\$ -	\$ 7,220,585
Construction in progress	4,442,790	3,193,175	(1,017,330)	6,618,635
Depreciable assets:				
Buildings and improvements	18,632,640			18,632,640
Machinery and equipment	81,390,691	2,393,240	(52,524)	83,836,455
Totals at historical cost	<u>111,686,706</u>	<u>5,586,415</u>	<u>(1,069,854)</u>	<u>116,308,315</u>
Less: accumulated depreciation for:				
Buildings and improvements	(2,121,944)	(365,437)		(2,487,381)
Machinery and equipment	(48,006,603)	(2,641,646)	52,524	(50,595,725)
Totals accumulated depreciation	<u>(50,128,547)</u>	<u>(3,007,083)</u>	<u>52,524</u>	<u>(53,083,106)</u>
Business-type activities capital assets, net	<u>\$ 61,558,159</u>	<u>\$ 2,579,332</u>	<u>\$ (1,017,330)</u>	<u>\$ 63,225,209</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$	140,469
Police protection		139,002
Fire protection		29,857
Engineering/streets		1,631,877
Building		51,151
Community development		43,977
Parks and recreation		73,083
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		945,471

Total depreciation expense

\$ 3,054,889

Business-type activities:

Water	\$	834,461
Electric		893,423
Wastewater		772,420
Solid Waste		152,868
Airport		60,427
Transit		228,139
Recreation		
River Park Campground		1,183
Health and welfare		64,161

Total depreciation expense

\$ 3,007,083

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 11 cities, one Rural Electric Cooperative, one Public Utility District, one Port Authority and one Irrigation 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 rata 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.

	PARTICIPATING PERCENTAGE	INVESTMENT	DATE OF LATEST AUDITED FINANCIAL STATEMENTS
NCPA	3.938%	\$ 728,451	June 30, 2003
TANC	0.408%	1,461	June 30, 2004
Total		<u>\$ 729,912</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	\$ 67,981	\$ 8,272	\$ 76,253
Property, equipment and capital project costs	531,125	357,855	888,980
Restricted assets and other assets	554,343	112,449	666,792
TOTAL ASSETS	<u>\$ 1,153,449</u>	<u>\$ 478,576</u>	<u>\$ 1,632,025</u>
LIABILITIES AND CAPITALIZATION:			
Current liabilities	\$ 34,072	\$ 101,126	\$ 135,198
Member advances	1,918		1,918
Long-term debt and other liabilities	1,099,144	375,805	1,474,949
Members' capital	18,315	1,645	19,960
TOTAL LIABILITIES AND CAPITALIZATION	<u>\$ 1,153,449</u>	<u>\$ 478,576</u>	<u>\$ 1,632,025</u>
REVENUE:			
Interest	\$ 8,883	\$ 13,216	\$ 22,099
Operating revenues and other revenues	305,541	44,031	349,572
TOTAL REVENUE	<u>314,424</u>	<u>57,247</u>	<u>371,671</u>

COSTS AND EXPENSES:

General and other operating costs	220,720	20,991	241,711
Interest and other financing costs	81,342	36,544	117,886
TOTAL COSTS AND EXPENSES	302,062	57,535	359,597
Reserve additions and refunds	3,536		3,536
NET INCOME (LOSS)	8,826	(288)	8,538
ACCUMULATED NET REVENUES			
Beginning of year	9,489	1,933	11,422
Additional contributions			-
Change in unrealized holding losses			-
End of year	<u>\$ 18,315</u>	<u>\$ 1,645</u>	<u>\$ 19,960</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, 2004, for approximately \$62,957,069 (TANC principal \$1,663,536, TANC interest \$784,942; NCPA principal \$34,216,298, NCPA interest \$26,292,293). 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, 1996, 1997, 2000, and 2002, the City entered into long-term leases as lessee for financing the purchase of \$2,765,000 of certain equipment utilized in the General Fund, Capital Development Fund, Communications 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
2005	\$ 448,979
2006	385,441
2007	335,312
2008	270,253
2009	240,142
2010-2014	525,128
Total minimum lease payments	<u>2,205,254</u>
Amount representing interest	(291,963)
Present value of minimum lease payments	<u><u>\$ 1,913,291</u></u>

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

8) Leases under business-type activities

During the fiscal years ended June 30, 1996, 1997, 1999, and 2002, the City entered into long-term leases as lessee for financing purchases of \$2,780,979 of certain equipment utilized in the Solid Waste, Water, and Electric 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
2005	\$ 253,053
2006	199,267
2007	141,212
2008	87,983
2009	78,180
2010-2014	170,894
Total minimum lease payments	930,589
Amount representing interest	(107,860)
Present value of minimum lease payments	\$ 822,729

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

9) Long-term liability activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due within One Year</u>
Governmental Activities					
Compensated absences	\$ 1,614,948	\$ 2,049,571	\$ (1,747,045)	\$ 1,917,474	\$ 1,791,876
Accrued Liabilities	4,976,413	90,798	(197,906)	4,869,305	1,460,792
Capital leases	1,778,154	528,964	(393,828)	1,913,290	448,979
Loans payable	1,052,369	137,556		1,189,925	
Governmental activities long-term liabilities	<u>\$ 9,421,884</u>	<u>\$ 2,806,889</u>	<u>\$ (2,338,779)</u>	<u>\$ 9,889,994</u>	<u>\$ 3,701,647</u>
Business-type activities					
Bonds and notes payable:					
Water notes payable	69,236		(3,828)	65,408	4,020
Airport notes payable	35,620		(11,392)	24,228	12,564
Water revenue bonds	7,372,352		(210,015)	7,162,337	218,766
Wastewater revenue bonds	1,052,648		(29,985)	1,022,663	31,234
	<u>8,529,856</u>	<u>-</u>	<u>(255,220)</u>	<u>8,274,636</u>	<u>266,584</u>
Less: deferred amount on refundings	(520,100)	-	27,374	(492,726)	
Total bonds and notes payable	8,009,756	-	(227,846)	7,781,910	266,584
Compensated absences	700,431	946,632	(863,485)	783,578	732,254
Accrued payroll and benefits	229,526	43,886	(21,603)	251,809	
Capital leases-Solid Waste	604,360		(170,687)	433,673	168,185
Capital leases-Water	719,963		(540,821)	179,142	23,206
Capital leases-Electric	235,959		(26,045)	209,914	26,425
Landfill closure & postclosure	3,825,307	-	-	3,825,307	-
Trust deposits	5,400	150	-	5,550	-
Reserve Fund - VVCSO	329,182	5,229	-	334,411	-
Business-type activities Long-term liabilities	<u>\$ 14,659,884</u>	<u>\$ 995,897</u>	<u>\$ (1,850,487)</u>	<u>\$ 13,805,294</u>	<u>\$ 1,216,653</u>

Long-term debt other than capital leases at June 30, 2004 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 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	\$ 8,185,000	
Deferred amount of refunding	(492,726)	
	<hr/>	<hr/>
Amount shown on financial statements		7,692,274
Total revenue bonds		<u><u>\$ 7,692,274</u></u>

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

\$ 65,408

Loan payable (Airport Fund)

State of California, Department of Transportation Aeronautics Program, Loan No. SB-12-96-L-1, Aircraft Fuel Facility Loan; a 1997 simple interest loan at 5.5094% payable yearly; principal portion of the loan increases each year to reflect the anticipated increase in fuel sales; final payment is due July 21, 2005. The proceeds were used to construct a 10,000 gallon self-fueling aircraft fueling system.

\$ 24,228

The annual requirements in the Enterprise Funds to amortize Revenue Bonds and Loans Payable outstanding as of June 30, 2004 are as follows:

YEAR ENDING JUNE 30	REVENUE BONDS		
	PRINCIPAL	INTEREST	TOTAL
2005	\$ 250,000	\$ 392,194	\$ 642,194
2006	260,000	381,568	641,568
2007	270,000	370,518	640,518
2008	280,000	359,044	639,044
2009	295,000	347,144	642,144
2010-2014	1,680,000	1,528,144	3,208,144
2015-2019	2,130,000	1,084,268	3,214,268
2020-2024	1,990,000	514,500	2,504,500
2025-2028	1,030,000	131,750	1,161,750
	<u>\$ 8,185,000</u>	<u>\$ 5,109,130</u>	<u>\$ 13,294,130</u>

YEAR ENDING JUNE 30	LOANS PAYABLE		
	PRINCIPAL	INTEREST	TOTAL
2005	\$ 16,584	\$ 4,605	\$ 21,189
2006	15,885	3,712	19,597
2007	4,432	2,858	7,290
2008	4,653	2,637	7,290
2009	4,886	2,404	7,290
2010-2014	28,349	8,102	36,451
2015-2018	14,849	1,228	16,077
	<u>\$ 89,638</u>	<u>\$ 25,546</u>	<u>\$ 115,184</u>

10) Notes payable

The Lompoc Redevelopment Agency issued loans payable as follows:

	<u>Loan Amount</u>	<u>Principal Due at June 30, 2004</u>
City of Lompoc (General Fund)	233,000	\$147,033
	119,801	92,433
	22,700	17,827
	<u>213,333</u>	<u>213,333</u>
	<u>\$588,834</u>	<u>\$470,626</u>
 CHFA	 <u>\$1,189,925</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, 2004, the balance of the loans is \$1,189,925 and the Redevelopment Agency is contingently liable for payments of the loans if the recipients default on their payments.

11) Bond requirements

At June 30, 2004, the City was not in compliance with the Water Revenue Bond covenant, which stipulates that net revenues are at least 100% of the total installment payments each fiscal year. Net revenues are gross revenues less direct operating expenses. The current ratio is 97%. Management has raised Water rates for each of the next two years and believes that these rate increases will eliminate the shortfall in net revenues and bring the City in compliance with this rate covenant.

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, CA 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, 2004 were 0.0% for non-safety members and 15.244% for safety members. Non-safety members contribute 7% 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 2003/04, the City's annual pension cost of \$1,734,255 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003 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 four-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, 2003, was 17 years for safety and 7 years for miscellaneous. June 30, 2003 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 credited 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 employee's 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
6/30/2001	844,381	100.00%	0
6/30/2002	878,683	100.00%	0
6/30/2003	944,190	100.00%	0

Safety Employees:

6/30/2001	524,773	100.00%	0
6/30/2002	482,626	100.00%	0
6/30/2003	432,533	100.00%	0

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	
6/30/2001	69,059,036	51,639,309	(17,419,727)	133.7%	12,504,488	-139.308%
6/30/2002	64,432,099	55,793,630	(8,638,469)	115.5%	12,932,847	-66.795%
6/30/2003	65,804,229	64,595,859	(1,208,370)	101.9%	13,448,297	-8.985%
<u>Safety Employees:</u>						
6/30/2001	34,325,192	32,239,229	(2,085,963)	106.5%	4,059,170	-51.389%
6/30/2002	32,503,544	35,880,716	3,377,172	90.6%	4,385,775	77.003%
6/30/2003	33,078,033	37,774,296	4,696,263	87.6%	4,158,691	112.926%

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, thirty-two 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 of up to \$100 per month for a medicare supplement for the twenty-eight retirees eligible for Medicare. Expenditures for post-employment health care benefits are recognized as monthly premiums are paid. During the year, expenditures of \$163,570 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, 2004:

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 - \$ 31,778

RESERVE FOR INTERFUND LOANS - GENERAL FUND:

Used to indicate that the loans due from other funds do not represent available, spendable resources even though they are a component of assets - 741,120

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

Used to indicate the reserving of funds for low income housing - 473,529

**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 - 264,517

**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 – SPECIAL REVENUE FUNDS:

Used to indicate reserves established to pay long-term debt. 1,660,581

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 - 3,237

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 \$68,892,937. 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.

Condensed financial information for CPEIA for the year ended June 30, 2003, the latest information available, is as follows:

	Workers' Compensation Fund	Liability Fund
	\$ -	\$ -
Current assets	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>
Current liabilities	\$ -	\$ -
Long-term debt and other liabilities	-	-
Total liabilities	<u>\$ -</u>	<u>\$ -</u>
Interest	-	-
Operating revenue and other revenue	\$ 6,332,126	\$ 2,002,986
Total revenue	<u>6,332,126</u>	<u>2,002,986</u>
General and other operating costs	6,332,126	2,002,986
Total costs and expenses	<u>6,332,126</u>	<u>2,002,986</u>
Net income (loss)	-	-
Accumulated net revenues, beginning of year	-	-
Accumulated net revenues, end of year	<u>\$ -</u>	<u>\$ -</u>

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 2004, 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 claim liabilities (paid and reserves). As of June 30, 2004 the estimated outstanding liability was \$4,128,196 for workers' compensation and \$146,012 for general liability. The Insurance Control Fund has total net assets of \$744,393 all of which are available for the known outstanding liabilities and for future catastrophic losses. Estimated liabilities for incurred but not reported (IBNR) claims are \$0 at June 30, 2004. 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, 2002	\$ 150,967	\$ 2,240,547
Incurred claims (including IBNR)	359,501	2,302,832
Claim payments	(61,142)	(547,815)
Unpaid claims liability, June 30, 2003	449,326	3,995,564
Incurred claims (including IBNR)	(251,359)	334,835
Claim payments	(51,955)	(202,203)
Unpaid claims liability, June 30, 2004	<u>\$ 146,012</u>	<u>\$ 4,128,196</u>

16) **Prior period adjustments**

Certain adjustments have been made to July 1, 2003 fund balances and net assets as follows:

	<u>Increase (Decrease) in Fund Balances and Net Assets</u>
GENERAL FUND	
Correction of allocation of lease proceeds from prior year	\$ 5,449
SPECIAL REVENUE FUNDS	
Transportation Improvement Fund	
Correction of posting of revenue from prior year	8,336
Street Development Fund	
Correction of posting of revenue from prior years	1,196,934
ENTERPRISE FUNDS	
Water Fund	
Adjustment from prior year error in posting of payroll accrual	(60,376)
Wastewater Fund	
Adjustment from prior year error in posting of payroll accrual & error in recording of deferred revenue	(602,906)
Electric Fund	
Adjustment from prior year error in posting of payroll accrual & recording of prepaid assets	(100,197)
Airport Fund	

Adjustment from prior year error in posting of payroll accrual	(2,051)
Solid Waste Fund	
Adjustment from prior year error in posting of payroll accrual	(50,366)
Transit Fund	
Adjustment from prior year error in posting of payroll accrual	(2,808)
Recreation Fund	
Adjustment from prior year error in posting of payroll accrual	(6,134)
River Park Campground Fund	
Adjustment from prior year error in posting of payroll accrual	(1,480)
Community Center Fund	
Adjustment from prior year error in posting of payroll accrual	(3,336)

17) Segment information for enterprise funds

Summary financial information, as of and for the fiscal year ended June 30, 2004 for the City's non-major enterprise funds is as follows:

Condensed Statement of Net Assets

	<u>Lompoc Airport</u>	<u>Lompoc Transit</u>	<u>Recreation</u>	<u>River Park Campgrounds</u>	<u>Lompoc Valley Community Center</u>	<u>Broadband</u>	<u>Total</u>
Assets:							
Current assets	\$ 129,782	\$ 898,587	\$ 6,560	\$ 79,169	\$ 78,282	\$ -	\$ 1,192,380
Noncurrent assets	5,550						5,550
Capital assets	8,926,200	903,647	2,093	92,605	1,448,526		11,373,071
Total assets	<u>9,061,532</u>	<u>1,802,234</u>	<u>8,653</u>	<u>171,774</u>	<u>1,526,808</u>		<u>12,571,001</u>
Liabilities:							
Current liabilities	379,592	407,098	130,354	243,989	6,016	166,520	1,333,569
Noncurrent liabilities	19,119	3,849	4,897	1,265	935		30,065
Total liabilities	<u>398,711</u>	<u>410,947</u>	<u>135,251</u>	<u>245,254</u>	<u>6,951</u>	<u>166,520</u>	<u>1,363,634</u>
Net Assets:							
Invested in capital assets, net of related debt	8,926,200	903,647	2,093	92,605	1,448,526		11,373,071
Restricted	24,228						24,228
Unrestricted	(287,607)	487,640	(128,691)	(166,085)	71,331	(166,520)	(189,932)
Total Net Assets	<u>\$ 8,662,821</u>	<u>\$ 1,391,287</u>	<u>\$ (126,598)</u>	<u>\$ (73,480)</u>	<u>\$ 1,519,857</u>	<u>\$ (166,520)</u>	<u>\$ 11,207,367</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	<u>Lompoc Airport</u>	<u>Lompoc Transit</u>	<u>Recreation</u>	<u>River Park Campgrounds</u>	<u>Lompoc Valley Community Center</u>	<u>Broadband</u>	<u>Total</u>
Operating revenues	\$ 195,355	\$ 105,558	\$ 293,603	\$ 146,163	\$ 49,432	\$ -	\$ 790,111
Depreciation expense	(60,427)	(228,139)		(1,183)	(64,162)		(353,911)
Other operating expenses	(202,333)	(1,305,135)	(326,433)	(43,894)	(90,912)	(166,061)	(2,134,768)
Operating income	<u>(67,405)</u>	<u>(1,427,716)</u>	<u>(32,830)</u>	<u>101,086</u>	<u>(105,642)</u>	<u>(166,061)</u>	<u>(1,698,568)</u>
Nonoperating revenues (expenses)							
Interest income	(2,313)	5,503	(387)	(1,442)	(633)		728
Intergovernmental	85,210	1,682,879	11,118				1,779,207
Other income	3,798	2,000					5,798
Interest expense	(21,585)					(459)	(22,044)
Capital contributions		9,999					9,999
Transfers					65,000		65,000
Change in net assets	<u>(2,295)</u>	<u>272,665</u>	<u>(22,099)</u>	<u>99,644</u>	<u>(41,275)</u>	<u>(166,520)</u>	<u>140,120</u>
Beginning net assets	8,667,167	1,121,430	(98,365)	(171,644)	1,564,468		11,083,056
Prior period adjustments	(2,051)	(2,808)	(6,134)	(1,480)	(3,336)		(15,809)
Ending net assets	<u>\$ 8,662,821</u>	<u>\$ 1,391,287</u>	<u>\$ (126,598)</u>	<u>\$ (73,480)</u>	<u>\$ 1,519,857</u>	<u>\$ (166,520)</u>	<u>\$ 11,207,367</u>

Condensed Statement of Cash Flows

	<u>Lompoc Airport</u>	<u>Lompoc Transit</u>	<u>Recreation</u>	<u>River Park Campgrounds</u>	<u>Lompoc Valley Community Center</u>	<u>Broadband</u>	<u>Total</u>
Net cash provided (used) by:							
Operating activities	\$ 60,727	\$ (1,489,175)	\$ (12,034)	\$ 97,573	\$ (45,168)	\$ (70,203)	\$ (1,458,280)
Noncapital financing activities	25,693	1,684,878		(30,000)	65,000		1,745,571
Capital and related financing activities	(43,637)			(2,082)		70,203	24,484
Investing activities	<u>(2,313)</u>	<u>5,505</u>	<u>(387)</u>	<u>(1,442)</u>	<u>(633)</u>		<u>730</u>
Net increase (decrease)	40,470	201,208	(12,421)	64,049	19,199		312,505
Beginning cash and cash equivalents	6,779	15,590	18,980	15,119	59,083		115,551
Ending cash and cash equivalents	<u>\$ 47,249</u>	<u>\$ 216,798</u>	<u>\$ 6,559</u>	<u>\$ 79,168</u>	<u>\$ 78,282</u>	<u>\$ -</u>	<u>\$ 428,056</u>

18) 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	\$121,621
Community Development	137,399
Building	22,401
Fire	2,225

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 Building Department were due to greater than forecast charges for professional services.

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

19) Closure and postclosure care cost

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 postclosure 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 postclosure 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 postclosure care liability at June 30, 2004 represents the cumulative

amount to date based on the use of 55.7 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$3.23 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2004. 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 postclosure care. The City is in compliance with these requirements, and, at June 30, 2004, restricted cash in the amount of \$2,343,218 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 postclosure 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.

20) Litigation, Claims, and Assessments

As of June 30, 2004, Pacific, Gas and Electric Company (PG&E) alleged that it performed Scheduling Coordination Services to Northern California Power Agency (NCPA) from April 1, 1998 through August 31, 2002. The amount that is allegedly owed by NCPA is \$26,124,004. The City of Lompoc's share of this amount is \$1,063,548. NCPA is disputing PG&E's assertions and the amount PG&E claims it is owed. The City, through NCPA, is establishing an escrow account to hold the payments NCPA may have to make pending the outcome of the claim. Should the claim result in an unfavorable outcome, the amount of \$1,063,548 would be paid from the Electric Fund's general operating reserves on deposit with NCPA.

21) Subsequent Events

On November 23, 2004, the City of Lompoc sold \$9,955,000 in Certificate of Participation Bonds. The proceeds of the Bonds will be used to finance the acquisition and construction of a three-pool Aquatic Center, to fund a Reserve Fund (or premium for a surety in lieu thereof), and to pay costs of executing and delivering the Bonds. The interest rates range from 2.75% to 4.85% for the 30 year Bonds. The Bonds are secured by and payable from revenues received from the Lompoc Redevelopment Agency tax increment and the Park Maintenance and City Pool Assessment District.

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City of Lompoc
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004
(Page 1 of 5)

	Special Revenue Funds				
	Transportation Improvement Fund	Civic Center Fund	Street Development Fund	Special Gas Tax Funds	Capital Development Fund
ASSETS					
Cash and investments	\$ 3,880,015	\$ 49,788	\$ 2,346,528	\$ 385,740	\$ 588,297
Receivables:					
Accounts receivable, net	78,061			73,350	
Due from other funds					
Loans receivable					
Inventory				3,237	
Total assets	\$ 3,958,076	\$ 49,788	\$ 2,346,528	\$ 462,327	\$ 588,297
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 96		\$ 16,072	\$ 81,864	\$ 28,154
Accrued liabilities					
Loans payable					
Deposits			399,319		
Due to other funds					
Deferred revenue					
Total liabilities	96	-	415,391	81,864	28,154
Fund balance:					
Reserved for encumbrances	1,166,146	6,267	39,691	488,425	
Reserved for land development					264,517
Reserved for debt service					
Reserved for low income housing					
Reserved for inventories				3,237	
Reserved for economic uncertainties					
Unreserved:					
Undesignated	2,791,834	43,521	1,891,446	(111,199)	295,626
Total fund balance (deficit)	3,957,980	49,788	1,931,137	380,463	560,143
Total liabilities and fund balance	\$ 3,958,076	\$ 49,788	\$ 2,346,528	\$ 462,327	\$ 588,297

City of Lompoc
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004
(Page 2 of 5)

	Special Revenue Funds				
	Local Transportation Fund	Parking Maintenance Funds	Jailer - Dispatcher Training Fund	Community Development Funds	Human Services Fund
ASSETS					
Cash and investments	\$ 276,396	\$ 51,416	\$ 3,862	\$ 1,903,554	\$ 83,685
Receivables:					
Accounts receivable, net	33,153			102,425	1,511
Due from other funds	250,000				
Loans receivable				3,671,061	
Inventory					
Total assets	\$ 559,549	\$ 51,416	\$ 3,862	\$ 5,677,040	\$ 85,196
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable		\$ 67		\$ 9,037	\$ 26,576
Accrued liabilities					
Loans payable					
Deposits					
Due to other funds					
Deferred revenue				38,868	
Total liabilities	-	67	-	47,905	26,576
Fund balance:					
Reserved for encumbrances					
Reserved for land development					
Reserved for debt service					
Reserved for low income housing					
Reserved for inventories					
Reserved for economic uncertainties					
Unreserved:					
Undesignated	559,549	51,349	3,862	5,629,135	58,620
Total fund balance (deficit)	559,549	51,349	3,862	5,629,135	58,620
Total liabilities and fund balance	\$ 559,549	\$ 51,416	\$ 3,862	\$ 5,677,040	\$ 85,196

City of Lompoc
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004
(Page 3 of 5)

	Special Revenue Funds				
	Beautification Fund	Library Funds	Literacy Grant Fund	SLTPP Fund	Economic Uncertainty Fund
ASSETS					
Cash and investments	\$ 24,005	\$ 296,297	\$ 25,116	\$ 106,816	\$ 2,000,000
Receivables:					
Accounts receivable, net	102	2,368	7,663		
Due from other funds					
Loans receivable					
Inventory					
Total assets	\$ 24,107	\$ 298,665	\$ 32,779	\$ 106,816	\$ 2,000,000
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 146	\$ 13,223	\$ 3,415		
Accrued liabilities		13,822			
Loans payable					
Deposits					
Due to other funds					
Deferred revenue		1,050			
Total liabilities	146	28,095	3,415	-	-
Fund balance:					
Reserved for encumbrances					
Reserved for land development					
Reserved for debt service					
Reserved for low income housing					
Reserved for inventories					
Reserved for economic uncertainties					2,000,000
Unreserved:					
Undesignated	23,961	270,570	29,364	106,816	
Total fund balance (deficit)	23,961	270,570	29,364	106,816	2,000,000
Total liabilities and fund balance	\$ 24,107	\$ 298,665	\$ 32,779	\$ 106,816	\$ 2,000,000

City of Lompoc
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004
(Page 4 of 5)

	<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	\$ 38,475	\$ 206,320	\$ 1,837	\$ 186,581	\$ 16,645
Receivables:					
Accounts receivable, net				179,000	
Due from other funds					
Loans receivable					
Inventory					
Total assets	<u>\$ 38,475</u>	<u>\$ 206,320</u>	<u>\$ 1,837</u>	<u>\$ 365,581</u>	<u>\$ 16,645</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable		\$ 42,966	\$ 1,174		
Accrued liabilities					
Loans payable					
Deposits					
Due to other funds			20,300		
Deferred revenue					
Total liabilities	<u>-</u>	<u>42,966</u>	<u>21,474</u>	<u>-</u>	<u>-</u>
Fund balance:					
Reserved for encumbrances					
Reserved for land development					
Reserved for debt service					
Reserved for low income housing					
Reserved for inventories					
Reserved for economic uncertainties					
Unreserved:					
Undesignated	38,475	163,354	(19,637)	365,581	16,645
Total fund balance (deficit)	<u>38,475</u>	<u>163,354</u>	<u>(19,637)</u>	<u>365,581</u>	<u>16,645</u>
Total liabilities and fund balance	<u>\$ 38,475</u>	<u>\$ 206,320</u>	<u>\$ 1,837</u>	<u>\$ 365,581</u>	<u>\$ 16,645</u>

City of Lompoc
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004
(Page 5 of 5)

	Special Revenue Funds		Capital Projects Funds			Total Nonmajor Governmental Funds
	Public Education & Government Access	Housing In-Lieu Fund	Park Assessment District Fund	Redevelopment Agency Fund	Debt Service Fund	
ASSETS						
Cash and investments	\$ 449,182	\$ 677,627	\$ 361,639	\$ 1,599,498		\$ 15,559,319
Receivables:						
Accounts receivable, net						477,633
Due from other funds						250,000
Loans receivable				112,993		3,784,054
Inventory						3,237
Total assets	\$ 449,182	\$ 677,627	\$ 361,639	\$ 1,712,491	\$ -	\$ 20,074,243
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ 38,593		\$ 847	\$ 227,363		\$ 489,593
Accrued liabilities			1,592	2,817		18,231
Loans payable				470,626		470,626
Deposits						399,319
Due to other funds						20,300
Deferred revenue	419,890	691,659				1,151,467
Total liabilities	458,483	691,659	2,439	700,806	-	2,549,536
Fund balance:						
Reserved for encumbrances						1,700,529
Reserved for land development						264,517
Reserved for debt service				470,626		470,626
Reserved for low income housing						-
Reserved for inventories						3,237
Reserved for economic uncertainties						2,000,000
Unreserved:						
Undesignated	(9,301)	(14,032)	359,200	541,059		13,085,798
Total fund balance (deficit)	(9,301)	(14,032)	359,200	1,011,685	-	17,524,707
Total liabilities and fund balance	\$ 449,182	\$ 677,627	\$ 361,639	\$ 1,712,491	\$ -	\$ 20,074,243

City of Lompoc
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004
(Page 1 of 4)

	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	\$ 1,990,442			\$ 757,038		\$ 991,264
Licenses, fees and permits		\$ 62,193	\$ 648,408		\$ 261,277	
Intergovernmental						
Charges for current services						
Use of money and property	(22,035)	(1,588)	(33,063)	(2,611)	(4,120)	(2,147)
Special assessments						
Donations						
Other Revenue						
Total revenues	<u>1,968,407</u>	<u>60,605</u>	<u>615,345</u>	<u>754,427</u>	<u>257,157</u>	<u>989,117</u>
Expenditures:						
Current:						
Police Protection						
Fire Protection						
Engineering / streets	903,409		284,947	818,985		
Community development		3,366				
Parks and recreation					3,366	
Health						
Debt Service:						
Principal						
Interest						
Capital outlay					28,154	
Total expenditures	<u>903,409</u>	<u>3,366</u>	<u>284,947</u>	<u>818,985</u>	<u>31,520</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>1,064,998</u>	<u>57,239</u>	<u>330,398</u>	<u>(64,558)</u>	<u>225,637</u>	<u>989,117</u>
Other financing sources (uses):						
Proceeds from loans						
Transfers in						
Transfers (out)	(1,119,469)	(65,000)		(307,531)	(71,915)	(1,290,000)
Total other financing sources (uses)	<u>(1,119,469)</u>	<u>(65,000)</u>	<u>-</u>	<u>(307,531)</u>	<u>(71,915)</u>	<u>(1,290,000)</u>
Net change in fund balances	(54,471)	(7,761)	330,398	(372,089)	153,722	(300,883)
Fund balance, beginning of year, as restated	4,004,114	57,550	403,805	752,554	406,422	860,432
Prior period adjustments	8,336		1,196,934			
Fund balance (deficit), end of year	<u>\$ 3,957,979</u>	<u>\$ 49,789</u>	<u>\$ 1,931,137</u>	<u>\$ 380,465</u>	<u>\$ 560,144</u>	<u>\$ 559,549</u>

City of Lompoc
Combining Statement of Revenues, Expenditures
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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	\$ 3,500					
Intergovernmental		\$ 1,265	\$ 862,356			\$ 443,723
Charges for current services						116,041
Use of money and property	(268)		102,786	\$ (842)	\$ (176)	(1,282)
Special assessments						
Donations				43,729	2,511	396,294
Other Revenue			1,654			3,479
Total revenues	<u>3,232</u>	<u>1,265</u>	<u>966,796</u>	<u>42,887</u>	<u>2,335</u>	<u>958,255</u>
Expenditures:						
Current:						
Police Protection		7				
Fire Protection						
Engineering / streets	411					
Community development			896,270		3,090	
Parks and recreation						988,004
Health				44,727		
Debt Service:						
Principal						
Interest						
Capital outlay			19,822			15,190
Total expenditures	<u>411</u>	<u>7</u>	<u>916,092</u>	<u>44,727</u>	<u>3,090</u>	<u>1,003,194</u>
Excess of revenues over (under) expenditures	<u>2,821</u>	<u>1,258</u>	<u>50,704</u>	<u>(1,840)</u>	<u>(755)</u>	<u>(44,939)</u>
Other financing sources (uses):						
Proceeds from loans						
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>2,821</u>	<u>1,258</u>	<u>50,704</u>	<u>(1,840)</u>	<u>(755)</u>	<u>(44,939)</u>
Fund balance, beginning of year, as restated	<u>48,529</u>	<u>2,603</u>	<u>5,578,431</u>	<u>60,460</u>	<u>24,716</u>	<u>315,505</u>
Prior period adjustments						
Fund balance (deficit), end of year	<u>\$ 51,350</u>	<u>\$ 3,861</u>	<u>\$ 5,629,135</u>	<u>\$ 58,620</u>	<u>\$ 23,961</u>	<u>\$ 270,566</u>

City of Lompoc
Combining Statement of Revenues, Expenditures
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Special Revenue Funds

	Literacy Grant Fund	SLTPP Fund	Economic Uncertainty Fund	COPS Grant Fund	Federal Road Fund	Traffic Offender Fund	Local STP Fund
Revenues:							
Property taxes							
Sales and use taxes							
Licenses, fees and permits							
Intergovernmental	\$ 76,492			\$ 100,000	\$ 279,243	\$ 25,159	\$ 358,000
Charges for current services						70	
Use of money and property	(564)		\$ 29,528	(1,411)			
Special assessments							
Donations	47,074						
Other Revenue							
Total revenues	<u>123,002</u>	<u>-</u>	<u>29,528</u>	<u>98,589</u>	<u>279,243</u>	<u>25,229</u>	<u>358,000</u>
Expenditures:							
Current:							
Police Protection							
Fire Protection							
Engineering / streets		5,825			141,830		
Community development						92,692	
Parks and recreation	98,756						
Health							
Debt Service:							
Principal							
Interest							
Capital outlay							
Total expenditures	<u>98,756</u>	<u>5,825</u>	<u>-</u>	<u>-</u>	<u>141,830</u>	<u>92,692</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>24,246</u>	<u>(5,825)</u>	<u>29,528</u>	<u>98,589</u>	<u>137,413</u>	<u>(67,463)</u>	<u>358,000</u>
Other financing sources (uses):							
Proceeds from loans							
Transfers in						52,951	
Transfers (out)			(29,528)	(151,096)			(179,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(29,528)</u>	<u>(151,096)</u>	<u>-</u>	<u>52,951</u>	<u>(179,000)</u>
Net change in fund balances	24,246	(5,825)	-	(52,507)	137,413	(14,512)	179,000
Fund balance, beginning of year, as restated	5,118	112,641	2,000,000	90,982	25,941	(5,125)	186,581
Prior period adjustments							
Fund balance (deficit), end of year	<u>\$ 29,364</u>	<u>\$ 106,816</u>	<u>\$ 2,000,000</u>	<u>\$ 38,475</u>	<u>\$ 163,354</u>	<u>\$ (19,637)</u>	<u>\$ 365,581</u>

City of Lompoc
Combining Statement of Revenues, Expenditures
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	Special Revenue Funds			Capital Projects Funds		Debt Service Fund	Total Nonmajor Governmental Funds
	Traffic Congestion Relief Fund	Public Education & Government Access	Housing In-Lieu Fund	Park Assessment District Fund	Redevelopment Agency Fund		
Revenues:							
Property taxes					\$ 962,136		\$ 962,136
Sales and use taxes							3,738,744
Licenses, fees and permits		\$ 55,240					1,030,618
Intergovernmental							2,121,079
Charges for current services							141,200
Use of money and property	1,528	(9,548)	\$ (14,032)	\$ (3,453)	(14,625)		22,147
Special assessments				213,643			213,643
Donations							489,608
Other Revenue							5,133
Total revenues	<u>1,528</u>	<u>45,692</u>	<u>(14,032)</u>	<u>210,190</u>	<u>947,511</u>	<u>-</u>	<u>8,724,308</u>
Expenditures:							
Current:							
Police Protection							7
Fire Protection							-
Engineering / streets							2,155,407
Community development					520,472		1,515,890
Parks and recreation		39,594		44,006			1,173,726
Health							44,727
Debt Service:							
Principal					13,773	67,309	81,082
Interest					14,565	17,193	31,758
Capital outlay		15,399		19,248			97,813
Total expenditures	<u>-</u>	<u>54,993</u>	<u>-</u>	<u>63,254</u>	<u>548,810</u>	<u>84,502</u>	<u>5,100,410</u>
Excess of revenues over (under) expenditures	<u>1,528</u>	<u>(9,301)</u>	<u>(14,032)</u>	<u>146,936</u>	<u>398,701</u>	<u>(84,502)</u>	<u>3,623,898</u>
Other financing sources (uses):							
Proceeds from loans							-
Transfers in						84,502	137,453
Transfers (out)							(3,213,539)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,502</u>	<u>(3,076,086)</u>
Net change in fund balances	<u>1,528</u>	<u>(9,301)</u>	<u>(14,032)</u>	<u>146,936</u>	<u>398,701</u>	<u>-</u>	<u>547,812</u>
Fund balance, beginning of year, as restated	<u>15,117</u>	<u>-</u>	<u>-</u>	<u>212,264</u>	<u>612,984</u>	<u>-</u>	<u>15,771,624</u>
Prior period adjustments							<u>1,205,270</u>
Fund balance (deficit), end of year	<u>\$ 16,645</u>	<u>\$ (9,301)</u>	<u>\$ (14,032)</u>	<u>\$ 359,200</u>	<u>\$ 1,011,685</u>	<u>\$ -</u>	<u>\$ 17,524,706</u>

City of Lompoc
Schedule of Revenues, Expenditures and Changes
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	Transportation Improvement Fund			Civic Center Fund			Street Development Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Revenues:									
Property taxes									
Sales and use taxes	\$ 1,921,154	\$ 1,990,442	\$ 69,288	\$ 10,000	\$ 62,193	\$ 52,193	\$ 10,000	\$ 648,408	\$ 638,408
Licenses, fees and permits									
Intergovernmental									
Charges for current services									
Use of money and property	100,000	(22,035)	(122,035)	2,000	(1,588)	(3,588)	12,000	(33,063)	(45,063)
Special assessments									
Donations									
Other Revenue									
Total revenues	2,021,154	1,968,407	(52,747)	12,000	60,605	48,605	22,000	615,345	593,345
Expenditures:									
Current:									
Police Protection									
Fire Protection									
Engineering / streets	1,985,473	903,409	1,082,064						
Community development				6,267	3,366	2,901	5,955	284,947	(278,992)
Parks and recreation									
Health									
Debt Service:									
Principal									
Interest									
Capital outlay							35,406		35,406
Total expenditures	1,985,473	903,409	1,082,064	6,267	3,366	2,901	41,361	284,947	(243,586)
Excess of revenues over (under) expenditures	35,681	1,064,998	1,029,317	5,733	57,239	51,506	(19,361)	330,398	349,759
Other financing sources (uses):									
Proceeds from loans							75,000		(75,000)
Transfers in									
Transfers out	(1,200,000)	(1,119,469)	80,531	(65,000)	(65,000)	-			
Total other financing sources (uses)	(1,200,000)	(1,119,469)	80,531	(65,000)	(65,000)	-	75,000	-	(75,000)
Net change in fund balances	(1,164,319)	(54,471)	1,109,849	(59,267)	(7,761)	51,507	55,639	330,398	274,759
Fund balance, beginning of year, as restated	4,004,114	4,004,114		57,550	57,550		403,805	403,805	
Prior period adjustments		8,336	8,336					1,196,934	1,196,934
Fund balance (deficit), end of year	\$ 2,839,795	\$ 3,957,980	\$ 1,118,185	\$ (1,718)	\$ 49,789	\$ 51,507	\$ 459,444	\$ 1,931,137	\$ 1,471,693

City of Lompoc
Schedule of Revenues, Expenditures and Changes
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	Special Gas Tax Fund			Capital Development Fund			Local Transportation Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Revenues:									
Property taxes									
Sales and use taxes	\$ 713,880	\$ 757,038	\$ 43,158				\$ 872,351	\$ 991,264	\$ 118,913
Licenses, fees and permits				\$ 236,890	\$ 261,277	\$ 24,387			
Intergovernmental									
Charges for current services									
Use of money and property	11,000	(2,611)	(13,611)	18,000	(4,120)	(22,120)	13,500	(2,147)	(15,647)
Special assessments									
Donations									
Other Revenue						-			
Total revenues	724,880	754,427	29,547	254,890	257,157	2,267	885,851	989,117	103,266
Expenditures:									
Current:									
Police Protection									
Fire Protection									
Engineering / streets	801,798	818,985	(17,187)				1,441,728		1,441,728
Community development									
Parks and recreation				6,267	3,366	2,901			
Health									
Debt Service:									
Principal									
Interest									
Capital outlay	172,000		172,000	20,375	28,154	(7,779)			
Total expenditures	973,798	818,985	154,813	26,642	31,520	(4,878)	1,441,728	-	1,441,728
Excess of revenues over (under) expenditures	(248,918)	(64,558)	184,360	228,248	225,637	(2,611)	(555,877)	989,117	1,544,994
Other financing sources (uses):									
Proceeds from loans									
Transfers in									
Transfers out	(307,531)	(307,531)	-	(64,000)	(71,915)	(7,915)		(1,290,000)	(1,290,000)
Total other financing sources (uses)	(307,531)	(307,531)	-	(64,000)	(71,915)	(7,915)	-	(1,290,000)	(1,290,000)
Net change in fund balances	(556,449)	(372,089)	184,359	164,248	153,722	(10,527)	(555,877)	(300,883)	254,993
Fund balance, beginning of year, as restated	752,554	752,554		406,422	406,422		860,432	860,432	
Prior period adjustments									
Fund balance (deficit), end of year	\$ 196,105	\$ 380,464	\$ 184,359	\$ 570,670	\$ 560,143	\$ (10,527)	\$ 304,555	\$ 559,548	\$ 254,993

City of Lompoc
Schedule of Revenues, Expenditures and Changes
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	Parking Maintenance Funds			Jailer-Dispatcher Training Fund			Community Development Funds		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Revenues:									
Property taxes									
Sales and use taxes									
Licenses, fees and permits	\$ 3,500	\$ 3,500	-	\$ -	\$ 1,265	\$ 1,265	\$ -	\$ 862,356	\$ 862,356
Intergovernmental									
Charges for current services								102,786	102,786
Use of money and property	-	(268)	(268)						
Special assessments									
Donations									
Other Revenue								1,654	1,654
Total revenues	3,500	3,232	(268)	-	1,265	1,265	-	966,796	966,796
Expenditures:									
Current:									
Police Protection				-	7	(7)			
Fire Protection									
Engineering / streets	4,732	411	4,321						
Community development							647,397	896,270	(248,873)
Parks and recreation									
Health									
Debt Service:									
Principal									
Interest									
Capital outlay							467,826	19,822	448,004
Total expenditures	4,732	411	4,321	-	7	(7)	1,115,223	916,092	199,131
Excess of revenues over (under) expenditures	(1,232)	2,821	4,053	-	1,258	1,258	(1,115,223)	50,704	1,165,927
Other financing sources (uses):									
Proceeds from loans									
Transfers in									
Transfers out									
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Net change in fund balances	(1,232)	2,821	4,052	-	1,258	1,259	(1,115,223)	50,704	1,165,927
Fund balance, beginning of year, as restated	48,529	48,529		2,603	2,603		5,578,431	5,578,431	
Prior period adjustments									
Fund balance (deficit), end of year	\$ 47,297	\$ 51,349	\$ 4,052	\$ 2,603	\$ 3,862	\$ 1,259	\$ 4,463,208	\$ 5,629,135	\$ 1,165,927

City of Lompoc
Schedule of Revenues, Expenditures and Changes
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	Human Services Fund			Beautification Fund			Library Funds		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Revenues:									
Property taxes									
Sales and use taxes									
Licenses, fees and permits									
Intergovernmental							\$ 443,528	\$ 443,723	\$ 195
Charges for current services							101,400	116,041	14,641
Use of money and property	\$ 2,000	\$ (842)	\$ (2,842)	\$ 1,050	\$ (176)	\$ (1,226)	14,600	(1,282)	(15,882)
Special assessments									
Donations	36,260	43,729	7,469	2,552	2,511	(41)	401,116	396,294	(4,822)
Other Revenue							4,730	3,479	(1,251)
Total revenues	38,260	42,887	4,627	3,602	2,335	(1,267)	965,374	958,255	(7,119)
Expenditures:									
Current:									
Police Protection									
Fire Protection									
Engineering / streets									
Community development				6,340	3,090	3,250			
Parks and recreation							1,062,041	988,004	74,037
Health		44,727	(44,727)						
Debt Service:									
Principal									
Interest									
Capital outlay							14,796	15,190	(394)
Total expenditures	-	44,727	(44,727)	6,340	3,090	3,250	1,076,837	1,003,194	73,643
Excess of revenues over (under) expenditures	38,260	(1,840)	(40,100)	(2,738)	(755)	1,983	(111,463)	(44,939)	66,524
Other financing sources (uses):									
Proceeds from loans									
Transfers in									
Transfers out									
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Net change in fund balances	38,260	(1,840)	(40,100)	(2,738)	(755)	1,983	(111,463)	(44,939)	66,524
Fund balance, beginning of year, as restated	60,460	60,460		24,716	24,716		315,505	315,505	
Prior period adjustments									
Fund balance (deficit), end of year	\$ 98,720	\$ 58,620	\$ (40,100)	\$ 21,978	\$ 23,961	\$ 1,983	\$ 204,042	\$ 270,566	\$ 66,524

City of Lompoc
Schedule of Revenues, Expenditures and Changes
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	Literacy Grant Fund			SLTPP Fund			Economic Uncertainty Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Revenues:									
Property taxes									
Sales and use taxes									
Licenses, fees and permits									
Intergovernmental	\$ 76,562	\$ 76,492	\$ (70)						
Charges for current services									
Use of money and property	250	(564)	(814)				\$ 60,000	\$ 29,528	\$ (30,472)
Special assessments									
Donations	47,006	47,074	68						
Other Revenue									
Total revenues	123,818	123,002	(816)	-	-	-	60,000	29,528	(30,472)
Expenditures:									
Current:									
Police Protection									
Fire Protection									
Engineering / streets				80,000	5,825	74,175			
Community development									
Parks and recreation	125,731	98,756	26,975						
Health									
Debt Service:									
Principal									
Interest									
Capital outlay									
Total expenditures	125,731	98,756	26,975	80,000	5,825	74,175	-	-	-
Excess of revenues over (under) expenditures	(1,913)	24,246	26,159	(80,000)	(5,825)	74,175	60,000	29,528	(30,472)
Other financing sources (uses):									
Proceeds from loans									
Transfers in									
Transfers out							(60,000)	(29,528)	30,472
Total other financing sources (uses)	-	-	-	-	-	-	(60,000)	(29,528)	30,472
Net change in fund balances	(1,913)	24,246	26,159	(80,000)	(5,825)	74,175	-	-	-
Fund balance, beginning of year, as restated	5,118	5,118		112,641	112,641		2,000,000	2,000,000	
Prior period adjustments									
Fund balance (deficit), end of year	\$ 3,205	\$ 29,364	\$ 26,159	\$ 32,641	\$ 106,816	\$ 74,175	\$ 2,000,000	\$ 2,000,000	\$ -

City of Lompoc
Schedule of Revenues, Expenditures and Changes
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	COPS Grant Fund			Federal Road Fund			Traffic Offender Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Revenues:									
Property taxes									
Sales and use taxes									
Licenses, fees and permits									
Intergovernmental	\$ 100,000	\$ 100,000	\$ -	\$ 343,000	\$ 279,243	\$ (63,757)			
Charges for current services							\$ 27,000	\$ 25,159	\$ (1,841)
Use of money and property	1,500	(1,411)	(2,911)				-	70	70
Special assessments									
Donations									
Other Revenue									
Total revenues	<u>101,500</u>	<u>98,589</u>	<u>(2,911)</u>	<u>343,000</u>	<u>279,243</u>	<u>(63,757)</u>	<u>27,000</u>	<u>25,229</u>	<u>(1,771)</u>
Expenditures:									
Current:									
Police Protection									
Fire Protection									
Engineering / streets				478,079	141,830	336,249			
Community development							83,771	92,692	(8,921)
Parks and recreation									
Health									
Debt Service:									
Principal									
Interest									
Capital outlay									
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>478,079</u>	<u>141,830</u>	<u>336,249</u>	<u>83,771</u>	<u>92,692</u>	<u>(8,921)</u>
Excess of revenues over (under) expenditures	<u>101,500</u>	<u>98,589</u>	<u>(2,911)</u>	<u>(135,079)</u>	<u>137,413</u>	<u>272,492</u>	<u>(56,771)</u>	<u>(67,463)</u>	<u>(10,692)</u>
Other financing sources (uses):									
Proceeds from loans									
Transfers in							52,951	52,951	-
Transfers out	(100,000)	(151,096)	(51,096)						
Total other financing sources (uses)	<u>(100,000)</u>	<u>(151,096)</u>	<u>(51,096)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,951</u>	<u>52,951</u>	<u>-</u>
Net change in fund balances	1,500	(52,507)	(54,007)	(135,079)	137,413	272,492	(3,820)	(14,512)	(10,692)
Fund balance, beginning of year, as restated	90,982	90,982		25,941	25,941		(5,125)	(5,125)	
Prior period adjustments									
Fund balance (deficit), end of year	<u>\$ 92,482</u>	<u>\$ 38,475</u>	<u>\$ (54,007)</u>	<u>\$ (109,138)</u>	<u>\$ 163,354</u>	<u>\$ 272,492</u>	<u>\$ (8,945)</u>	<u>\$ (19,637)</u>	<u>\$ (10,692)</u>

City of Lompoc
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
For the Year Ended June 30, 2004
(Page 7 of 8)

	Local STP Fund			Traffic Congestion Relief Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Revenues:						
Property taxes						
Sales and use taxes						
Licenses, fees and permits						
Intergovernmental	\$ 179,000	\$ 358,000	\$ 179,000			
Charges for current services						
Use of money and property				\$ -	\$ 1,528	\$ 1,528
Special assessments						
Donations						
Other Revenue						
Total revenues	<u>179,000</u>	<u>358,000</u>	<u>179,000</u>	<u>-</u>	<u>1,528</u>	<u>1,528</u>
Expenditures:						
Current:						
Police Protection						
Fire Protection						
Engineering / streets						
Community development						
Parks and recreation						
Health						
Debt Service:						
Principal						
Interest						
Capital outlay						
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>179,000</u>	<u>358,000</u>	<u>179,000</u>	<u>-</u>	<u>1,528</u>	<u>1,528</u>
Other financing sources (uses):						
Proceeds from loans						
Transfers in						
Transfers out	(179,000)	(179,000)	-			
Total other financing sources (uses)	<u>(179,000)</u>	<u>(179,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	179,000	179,000	-	1,528	1,528
Fund balance, beginning of year, as restated	186,581	186,581		15,117	15,117	
Prior period adjustments						
Fund balance (deficit), end of year	<u>\$ 186,581</u>	<u>\$ 365,581</u>	<u>\$ 179,000</u>	<u>\$ 15,117</u>	<u>\$ 16,645</u>	<u>\$ 1,528</u>

City of Lompoc
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
For the Year Ended June 30, 2004
(Page 8 of 8)

	<u>Public Education and Government Cable Access</u>			<u>Housing In-Lieu Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:						
Property taxes						
Sales and use taxes						
Licenses, fees and permits	\$ 196,399	\$ 55,240	\$ (141,159)			
Intergovernmental						
Charges for current services						
Use of money and property	11,608	(9,548)	\$ (21,156)	\$ -	\$ (14,032)	\$ (14,032)
Special assessments						
Donations						
Other Revenue						
Total revenues	<u>208,007</u>	<u>45,692</u>	<u>(162,315)</u>	<u>-</u>	<u>(14,032)</u>	<u>(14,032)</u>
Expenditures:						
Current:						
Police Protection						
Fire Protection						
Engineering / streets						
Community development						
Parks and recreation	44,100	39,594	4,506			
Health						
Debt Service:						
Principal						
Interest						
Capital outlay	-	15,399	(15,399)			
Total expenditures	<u>44,100</u>	<u>54,993</u>	<u>(10,893)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>163,907</u>	<u>(9,301)</u>	<u>(173,208)</u>	<u>-</u>	<u>(14,032)</u>	<u>(14,032)</u>
Other financing sources (uses):						
Proceeds from loans						
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	163,907	(9,301)	(173,208)	-	(14,032)	(14,032)
Fund balance, beginning of year, as restated	-	-		-	-	
Prior period adjustments						
Fund balance (deficit), end of year	<u>\$ 163,907</u>	<u>\$ (9,301)</u>	<u>\$ (173,208)</u>	<u>\$ -</u>	<u>\$ (14,032)</u>	<u>\$ (14,032)</u>

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City of Lompoc
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2004
(Page 1 of 2)

ASSETS	Lompoc Airport	Lompoc Transit	Recreation	River Park Campground	Lompoc Valley Community Center	Broadband	Totals
Current assets:							
Cash and investments	\$ 41,699	\$ 216,796	\$ 6,560	\$ 79,169	\$ 78,282		\$ 422,506
Receivables - trade	3,068	670,742					673,810
Receivables - intergovernmental	65,000						65,000
Inventories (at average cost)	20,015	11,049					31,064
Total current assets	129,782	898,587	6,560	79,169	78,282	-	1,192,380
Noncurrent assets:							
Restricted assets:							
Cash and investments:							
Deposits	5,550						5,550
Total restricted assets	5,550	-	-	-	-	-	5,550
Property, plant, and equipment:							
Land	5,401,514				455,000		5,856,514
Utility plant and equipment	2,382,076	2,221,842	22,082	228,518	1,235,101		6,089,619
Construction in progress	1,684,307			2,082			1,686,389
	9,467,897	2,221,842	22,082	230,600	1,690,101	-	13,632,522
(Less) accumulated depreciation	(541,697)	(1,318,195)	(19,989)	(137,995)	(241,575)		(2,259,451)
Total property, plant, and equipment	8,926,200	903,647	2,093	92,605	1,448,526	-	11,373,071
Total assets	\$ 9,061,532	\$ 1,802,234	\$ 8,653	\$ 171,774	\$ 1,526,808	-	\$ 12,571,001

City of Lompoc
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2004
(Page 2 of 2)

LIABILITIES	Lompoc Airport	Lompoc Transit	Recreation	River Park Campground	Lompoc Valley Community Center	Broadband	Totals
Current liabilities:							
Accounts payable	\$ 24,514	\$ 146,989	\$ 9,787	\$ 1,085	\$ 3,442	\$ 95,400	\$ 281,217
Accrued liabilities	1,635	3,363	9,860	1,241	2,012		18,111
Accrued interest	5,947						5,947
Due to other funds	331,860	250,000	98,900	240,494		71,120	992,374
Deferred revenue			7,348				7,348
Current portion of noncurrent liabilities	<u>15,636</u>	<u>6,746</u>	<u>4,459</u>	<u>1,169</u>	<u>562</u>		<u>28,572</u>
Total current liabilities	<u>379,592</u>	<u>407,098</u>	<u>130,354</u>	<u>243,989</u>	<u>6,016</u>	<u>166,520</u>	<u>1,333,569</u>
Noncurrent liabilities:							
Accrued payroll and benefits	1,690	3,376	4,584	1,183	896		11,729
Compensated absences	215	473	313	82	39		1,122
Trust deposits	5,550						5,550
Loans payable	<u>11,664</u>						<u>11,664</u>
Total noncurrent liabilities	<u>19,119</u>	<u>3,849</u>	<u>4,897</u>	<u>1,265</u>	<u>935</u>	<u>-</u>	<u>30,065</u>
Total liabilities	<u>398,711</u>	<u>410,947</u>	<u>135,251</u>	<u>245,254</u>	<u>6,951</u>	<u>166,520</u>	<u>1,363,634</u>
NET ASSETS							
Invested in capital assets, net of related debt	8,926,200	903,647	2,093	92,605	1,448,526	-	11,373,071
Restricted for debt service	24,228						24,228
Unrestricted	<u>(287,607)</u>	<u>487,640</u>	<u>(128,691)</u>	<u>(166,085)</u>	<u>71,331</u>	<u>(166,520)</u>	<u>(189,932)</u>
Total net assets	<u>\$ 8,662,821</u>	<u>\$ 1,391,287</u>	<u>\$ (126,598)</u>	<u>\$ (73,480)</u>	<u>\$ 1,519,857</u>	<u>\$ (166,520)</u>	<u>\$ 11,207,367</u>

City of Lompoc
Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2004

	Lompoc Airport	Lompoc Transit	Recreation	River Park Campground	Lompoc Valley Community Center	Broadband	Totals
Operating revenues:							
User fees and charges for services	\$ 79,499	\$ 105,558	\$ 209,357		\$ 2,797		\$ 397,211
Facilities rental	115,856		84,246	\$ 146,163	46,635		392,900
Total operating revenues	195,355	105,558	293,603	146,163	49,432	-	790,111
Operating expenses:							
Operations and maintenance	202,333	1,305,135	326,433	43,894	90,912	166,061	2,134,768
Depreciation and amortization	60,427	228,139		1,183	64,162		353,911
Total operating expenses	262,760	1,533,274	326,433	45,077	155,074	166,061	2,488,679
Income (loss) from operations	(67,405)	(1,427,716)	(32,830)	101,086	(105,642)	(166,061)	(1,698,568)
Nonoperating incomes (expenses):							
Interest income	(2,313)	5,503	(387)	(1,442)	(633)		728
Intergovernmental	85,210	1,682,879	11,118				1,779,207
Miscellaneous	3,798	2,000					5,798
Interest (expense)	(21,585)					(459)	(22,044)
Total nonoperating incomes (expenses)	65,110	1,690,382	10,731	(1,442)	(633)	(459)	1,763,689
Income (loss) before contributions and transfers	(2,295)	262,666	(22,099)	99,644	(106,275)	(166,520)	65,121
Capital Contributions		9,999					9,999
Transfers in (out)					65,000		65,000
Change in net assets	(2,295)	272,665	(22,099)	99,644	(41,275)	(166,520)	140,120
Net assets - beginning of the year	8,667,167	1,121,430	(98,365)	(171,644)	1,564,468	-	11,083,056
Prior period adjustments	(2,051)	(2,808)	(6,134)	(1,480)	(3,336)		(15,809)
Net assets - end of the year	\$ 8,662,821	\$ 1,391,287	\$ (126,598)	\$ (73,480)	\$ 1,519,857	\$ (166,520)	\$ 11,207,367

City of Lompoc
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2004
(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	\$ 199,534	\$ 140,437	\$ 305,994	\$ 146,165	\$ 49,431		\$ 841,561
Cash payments to suppliers for goods and services	(81,273)	(1,512,204)	(116,163)	(9,916)	(34,982)	\$ (70,203)	(1,824,741)
Cash payments to employees for services	(57,534)	(117,408)	(201,865)	(38,676)	(59,617)		(475,100)
Net cash provided (used) by operating activities	<u>60,727</u>	<u>(1,489,175)</u>	<u>(12,034)</u>	<u>97,573</u>	<u>(45,168)</u>	<u>(70,203)</u>	<u>(1,458,280)</u>
Cash flows from noncapital financing activities:							
Net borrowings (repayments) under revolving loan arrangement	(59,667)			(30,000)			(89,667)
Received from other agencies	85,210	1,684,878					1,770,088
Increase (decrease) in trust accounts	150						150
Operating transfers in (out)					65,000		65,000
Net cash provided (used) by noncapital financing activities	<u>25,693</u>	<u>1,684,878</u>	<u>-</u>	<u>(30,000)</u>	<u>65,000</u>	<u>-</u>	<u>1,745,571</u>
Cash flows from capital and related financing activities:							
Proceeds from loans, lease purchases and equipment contracts						70,203	70,203
Acquisition and construction of capital assets	(4,710)	(9,999)		(2,082)			(16,791)
Principal paid on revenue bonds/loans /leases and equipment contracts	(17,342)						(17,342)
Interest paid on revenue bonds/loans and equipment contracts	(21,585)						(21,585)
Proceeds from sale of assets							-
Contributed capital		9,999					9,999
Net cash provided (used) for capital and related financing activities	<u>(43,637)</u>	<u>-</u>	<u>-</u>	<u>(2,082)</u>	<u>-</u>	<u>70,203</u>	<u>24,484</u>
Cash flows from investing activities:							
Interest and dividends on investments	(2,313)	5,505	(387)	(1,442)	(633)		730
Net increase (decrease) in cash and cash equivalents	40,470	201,208	(12,421)	64,049	19,199	-	312,505
Cash and cash equivalents at beginning of year	6,779	15,590	18,980	15,119	59,083	-	115,551
Cash and cash equivalents at end of year	<u>\$ 47,249</u>	<u>\$ 216,798</u>	<u>\$ 6,559</u>	<u>\$ 79,168</u>	<u>\$ 78,282</u>	<u>\$ -</u>	<u>\$ 428,056</u>

City of Lompoc
Reconciliation of Operating Income to Net Cash Provided by Operating Activities
Nonmajor Enterprise Funds
For the Year Ended June 30, 2004
(Page 2 of 2)

	Lompoc Airport	Lompoc Transit	Recreation	River Park Campgrounds	Lompoc Valley Community Center	Broadband	Totals
Income (loss) from operations	\$ (67,405)	\$ (1,427,716)	\$ (32,830)	\$ 101,086	\$ (105,642)	\$ (166,061)	\$ (1,698,568)
Adjustment for nonoperating incomes and (expenses)	3,798		11,118				14,916
Adjustments to reconcile operating income to net cash used by operating activities:							
Depreciation	60,427	228,139		1,183	64,161		353,910
Prior period adjustment	(2,050)	(2,808)	(6,134)	(1,480)	(1,821)		(14,293)
Change in assets and liabilities:							
(Increase)decrease in accounts receivable	383	34,881					35,264
(Increase)decrease in interest receivable							
(Increase)decrease in grants receivable	210,689						210,689
(Increase)decrease in inventory	(5,070)	(4,551)					(9,621)
(Decrease)increase in accounts payable	(140,955)	70,531	(1,785)	(1,467)	(4,826)	95,400	16,898
(Decrease)increase in accrued interest payable	(149)					458	309
(Decrease)increase in deferred credits/revenues		(394,002)	1,274				(392,728)
(Decrease)increase in due to other funds							-
(Decrease)increase in accrued payroll	1,059	6,351	16,323	(1,749)	2,960		24,944
Net cash used by operating activities	<u>\$ 60,727</u>	<u>\$ (1,489,175)</u>	<u>\$ (12,034)</u>	<u>\$ 97,573</u>	<u>\$ (45,168)</u>	<u>\$ (70,203)</u>	<u>\$ (1,458,280)</u>

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City of Lompoc
Combining Statement of Net Assets
Internal Service Funds
June 30, 2004

	Insurance Control Fund	Vehicle Fund	Communication Fund	Stores Inventory Fund	Totals
ASSETS					
Current assets:					
Cash and investments	\$ 5,095,004	\$ 3,482,424		\$ 140,307	\$ 8,717,735
Accounts receivable, net	21,961				21,961
Due from other funds					-
Inventory		182,146		78,122	260,268
Total current assets	<u>5,116,965</u>	<u>3,664,570</u>		<u>218,429</u>	<u>8,999,964</u>
Property and equipment:					
Improvements		199,018			199,018
Automotive equipment		12,638,563			12,638,563
Furnishings and equipment		80,005	210,497	146,969	437,471
		12,917,586	210,497	146,969	13,275,052
(Less) accumulated depreciation		(8,107,931)	(94,461)	(84,399)	(8,286,791)
Total property and equipment		<u>4,809,655</u>	<u>116,036</u>	<u>62,570</u>	<u>4,988,261</u>
Total assets	<u>5,116,965</u>	<u>8,474,225</u>	<u>116,036</u>	<u>280,999</u>	<u>13,988,225</u>
LIABILITIES					
Current liabilities:					
Accounts payable	97,699	115,163		13,289	226,151
Accrued interest		6,966	328		7,294
Current portion of long-term liabilities		335,312	17,404		352,716
Total current liabilities	<u>97,699</u>	<u>457,441</u>	<u>17,732</u>	<u>13,289</u>	<u>586,161</u>
Noncurrent liabilities:					
Accrued liabilities	4,274,208				4,274,208
Accrued payroll	665	20,622			21,287
Compensated absences		2,885			2,885
Lease purchase contract		1,250,850	-		1,250,850
Total noncurrent liabilities	<u>4,274,873</u>	<u>1,274,357</u>	<u>-</u>	<u>-</u>	<u>5,549,230</u>
Total liabilities	<u>4,372,572</u>	<u>1,731,798</u>	<u>17,732</u>	<u>13,289</u>	<u>6,135,391</u>
NET ASSETS					
Invested in capital assets, net of related debt		3,223,493	98,632	62,570	3,384,695
Restricted for debt service		1,544,996	17,404		1,562,400
Unrestricted	744,393	1,973,938	(17,732)	205,140	2,905,739
Total Net Assets	<u>\$ 744,393</u>	<u>\$ 6,742,427</u>	<u>\$ 98,304</u>	<u>\$ 267,710</u>	<u>\$ 7,852,834</u>

City of Lompoc
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2004

	<u>Insurance Control Fund</u>	<u>Vehicle Fund</u>	<u>Communication Fund</u>	<u>Stores Inventory Fund</u>	<u>Totals</u>
Operating revenues:					
Charge for services	\$ 8,299,683		\$ 137,112	\$ 247,368	\$ 8,684,163
Vehicle equipment rental		\$ 2,473,658			2,473,658
Total operating revenues	<u>8,299,683</u>	<u>2,473,658</u>	<u>137,112</u>	<u>247,368</u>	<u>11,157,821</u>
Operating Expenses:					
Maintenance, operations and administration	7,896,752	1,958,662	101,320	233,600	10,190,334
Depreciation		906,009	20,674	18,789	945,472
Total operating expenses	<u>7,896,752</u>	<u>2,864,671</u>	<u>121,994</u>	<u>252,389</u>	<u>11,135,806</u>
Income (loss) from operations	<u>402,931</u>	<u>(391,013)</u>	<u>15,118</u>	<u>(5,021)</u>	<u>22,015</u>
Nonoperating income (expenses):					
Interest income	68,346	61,111		2,184	131,641
Increase (decrease) in fair value of investments	(111,439)	(61,760)		(3,054)	(176,253)
Sale of fixed assets		9,379			9,379
Interest (expense)		(115,221)	(1,776)		(116,997)
Total nonoperating incomes (expenses)	<u>(43,093)</u>	<u>(106,491)</u>	<u>(1,776)</u>	<u>(870)</u>	<u>(152,230)</u>
Income (loss) before contributions and transfers	<u>359,838</u>	<u>(497,504)</u>	<u>13,342</u>	<u>(5,891)</u>	<u>(130,215)</u>
Capital contributions		39,193			39,193
Transfers in (out)	(46,894)	84,713			37,819
Changes in net assets	<u>312,944</u>	<u>(373,598)</u>	<u>13,342</u>	<u>(5,891)</u>	<u>(53,203)</u>
Net assets - beginning	<u>431,449</u>	<u>7,116,025</u>	<u>84,962</u>	<u>273,601</u>	<u>7,906,037</u>
Prior period adjustments					-
Net assets - ending	<u>\$ 744,393</u>	<u>\$ 6,742,427</u>	<u>\$ 98,304</u>	<u>\$ 267,710</u>	<u>\$ 7,852,834</u>

City of Lompoc
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2004
(Page 1 of 2)

	Insurance Control Fund	Vehicle Fund	Communication Fund	Stores Inventory Fund	Total 2004
Cash flows from operating activities:					
Cash received from customers	\$ 8,283,669	\$ 2,473,657	\$ 137,111	\$ 247,367	\$ 11,141,804
Cash payments to suppliers for goods and services	(8,076,511)	(1,399,610)	(101,948)	(248,012)	(9,826,081)
Cash payment to employees for services		(652,326)			(652,326)
Non-operating revenues (expenses)					-
Net cash provided (used) by operating activities	<u>207,158</u>	<u>421,721</u>	<u>35,163</u>	<u>(645)</u>	<u>663,397</u>
Cash flows from noncapital financing activities:					
Operating transfers (out)	<u>(46,894)</u>	<u>84,713</u>			<u>37,819</u>
Net cash provided (used) by noncapital financing activities	<u>(46,894)</u>	<u>84,713</u>	<u>-</u>	<u>-</u>	<u>37,819</u>
Cash flows from capital and related financing activities:					
Proceeds from lease financing					-
Acquisition of capital assets		(342,875)			(342,875)
Adjustment to lease principal		528,964			528,964
Principal paid on loans/leases and equipment contracts		(281,131)	(33,387)		(314,518)
Interest paid on loans/leases and equipment contracts		(115,222)	(1,776)		(116,998)
Proceeds from equipment sale		9,379			9,379
Contributed Capital		39,194			39,194
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(161,691)</u>	<u>(35,163)</u>	<u>-</u>	<u>(196,854)</u>
Cash flows from investing activities:					
Interest and dividends on investments	<u>(43,093)</u>	<u>(650)</u>		<u>(870)</u>	<u>(44,613)</u>
Net increase (decrease) in cash and cash equivalents	117,171	344,093	-	(1,515)	459,749
Cash and cash equivalents at beginning of year	<u>4,977,833</u>	<u>3,138,331</u>	<u>-</u>	<u>141,822</u>	<u>8,257,986</u>
Cash and cash equivalents at end of year	<u>\$ 5,095,004</u>	<u>\$ 3,482,424</u>	<u>\$ -</u>	<u>\$ 140,307</u>	<u>\$ 8,717,735</u>

City of Lompoc
Combining Statement of Cash Flows for the Year Ended June 30, 2004
Reconciliation of Operating Income to Net Cash Provided 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 2004</u>
Income (loss) from operations	\$ 402,931	\$ (391,013)	\$ 15,118	\$ (5,021)	\$ 22,015
Adjustment for nonoperating income (expenses)					
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation		906,009	20,674	18,789	945,472
Changes in assets and liabilities:					
(Increase)decrease in accounts receivable	(16,013)				(16,013)
(Increase)decrease in inventory		44,222		(16,772)	27,450
(Increase)decrease in due from other funds					
(Decrease)increase in accounts payable	(2,755)	(136,734)		2,359	(137,130)
(Decrease)increase in accrued liabilities	(177,005)	(763)	(629)		(178,397)
Net cash provided (used) by operating activities	<u>\$ 207,158</u>	<u>\$ 421,721</u>	<u>\$ 35,163</u>	<u>\$ (645)</u>	<u>\$ 663,397</u>

City of Lompoc
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

<u>Grantor Agency and Grant Title</u>	<u>CFDA Number</u>	<u>Grant/Project Number</u>	<u>Personnel Expenditures</u>	<u>Operating Expenditures</u>	<u>Capital Expenditures</u>	<u>Total Program Expenditures</u>
Direct Federal Assistance						
Department of Housing and Urban Development:						
Community Dev Block/Entitlement	14.218	B-97	\$ 4,189	\$ 10,255	\$ -	\$ 14,444
Community Dev Block/Entitlement	14.218	B-98	26,119	30,662		56,781
Community Dev Block/Entitlement	14.218	B-99	-	-		-
Community Dev Block/Entitlement	14.218	B-00	-	-		-
Community Dev Block/Entitlement	14.218	B-01	4,411	10,799		15,211
Community Dev Block/Entitlement	14.218	B-02	16,328	39,975		56,303
Community Dev Block/Entitlement	14.219	B-03	70,350	172,235		242,585
Total Department of Housing and Urban Development			121,397	263,927	-	385,324
Federal Aviation Administration:						
Runway Extension	20.106	3-06-0125-07			45,000	45,000
Runway Extension	20.106	3-06-0125-08			20,000	20,000
Total Federal Aviation Administration			-	-	65,000	65,000
Department of Transportation						
Federal Road Funds	20.205	STPLER5080012			124,030	124,030
Federal Road Funds	20.205	STPLER5080013			17,800	17,800
Total Department of Transportation			-	-	141,830	141,830
Department of Justice						
OCJP Domestic Violence	16.588	LE97017237	71,697	26,220		97,917
OCJP Domestic Violence Match	16.588	LE97017237	23,899	8,740		32,639
Local Law Enforcement Block Grant	16.592	03-LB-BX-0107			21,761	21,761
Local Law Enforcement Block Grant Matcl	16.592	03-LB-BX-0107			1,156	1,156
Total Department of Justice			95,596	34,960	22,917	153,473
Pass through - Other Agencies						
Department of Transportation						
Pass through California Dept of Transit Administration						
Transit Administration	20.509	CA90-007Y			105,181	105,181
Transit Administration	20.509	CA90-326Y		545,000		545,000
Total Department of Transportation			-	545,000	105,181	650,181
Total Federal Assistance			\$ 216,993	\$ 843,887	\$ 334,928	\$ 1,395,808

1 OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 and state requirements



MOSS, LEVY & HARTZHEIM

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

ROBERT M. MOSS, C.P.A.*
RONALD A. LEVY, C.P.A.*
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*DENOTES PROFESSIONAL CORPORATION

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

Honorable Mayor and City Council
City of Lompoc
Lompoc, California

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Lompoc (the City) as of and for the fiscal year ended June 30, 2004, and have issued our report thereon dated November 26, 2004. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to material weaknesses.

Compliance and Other Matters

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

This report is intended for the information and use of the audit committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

MOSS, LEVY & HARTZHEIM

Moss, Levy & Hartzheim

November 26, 2004



MOSS, LEVY & HARTZHEIM

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council
City of Lompoc
Lompoc, California

Compliance

We have audited the compliance of the City of Lompoc with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2004, City of Lompoc major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Lompoc's management. Our responsibility is to express an opinion on the City of Lompoc's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lompoc compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination on the City of Lompoc's compliance with those requirements.

In our opinion, the City of Lompoc complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2004.

Internal Control Over Compliance

The management of the City of Lompoc is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Lompoc's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City as of and for the fiscal year ended June 30, 2004, and have issued our report thereon dated November 26, 2004. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 a whole.

This report is intended for the information of the audit committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

MOSS, LEVY & HARTZHEIM

Moss, Levy & Hartzheim

November 26, 2004

FINDINGS AND RECOMMENDATIONS SECTION

CITY OF LOMPOC
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2003
Page 1 of 2

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal Control over financial reporting:

Material weakness(es) identified?

Yes No

Reporting condition(s) identified not considered
to be material weaknesses?

Yes None

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Yes No

Reporting condition(s) identified not considered
to be material weaknesses?

Yes None

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported
in accordance with Circular A-133, Section .510(a)

Yes No

CITY OF LOMPOC
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2003
Page 2 of 2

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.218</u>	<u>Community Development Block Grants</u>
<u>20.106</u>	<u>Federal Aviation Administration</u>
<u>20.509</u>	<u>Transit Administration</u>
<u>20.205</u>	<u>Department of Transportation</u>

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

Yes None reported

Section II – Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

CITY OF LOMPOC

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

No findings or recommendations for the year ended June 30, 2003.

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City of Lompoc
General Expenditures by Function
 Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Culture & Recreation	Other Expenditures	Capital Outlay	Total
1995-1996	\$ 3,557,908	\$ 5,849,494	\$ 2,367,196	\$ 1,306,428	\$ 635,680	\$ 88,517	\$ 13,805,223
1996-1997	3,525,102	6,049,199	2,350,961	1,305,813	473,960	84,313	13,789,348
1997-1998	2,739,761	6,454,155	3,320,248	1,331,875	687,099	127,920	14,661,058
1998-1999	2,743,583	6,890,818	3,450,852	1,314,867	519,118	396,843	15,316,081
1999-2000	2,865,967	7,111,117	3,527,376	1,345,740	794,534	216,226	15,860,960
2000-2001	2,938,930	7,476,568	3,731,300	1,388,121	557,970	764,747	16,857,636
2001-2002	3,221,355	7,775,470	3,915,565	1,527,873	568,217	804,509	17,812,989
2002-2003	3,431,836	8,526,516	4,122,480	1,580,306	613,526	455,148	18,729,812
2002-2003	3,831,249	8,441,351	4,708,869	1,641,035	698,583	504,260	19,825,347
2003-2004	3,980,780	9,197,277	5,485,063	1,876,412	638,033	1,198,227	22,375,792

Source: City of Lompoc Annual Financial Report - General Fund

City Of Lompoc
General Revenues by Source
 Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses and Permits	Intergovern- mental Revenue	Charges for Services	Fines and Penalties	Use of Money and Property	Miscel- laneous	Total
1994-1995	\$ 5,372,111	\$ 194,680	\$ 1,584,254	\$ 3,287,911	\$ 31,539	\$ 243,815	\$ 11,400	\$ 10,725,710
1995-1996	5,515,928	189,638	1,758,895	3,213,897	34,937	174,764	35,425	10,923,484
1996-1997	5,649,649	157,823	2,022,134	3,155,331	26,655	350,011	1,434	11,363,037
1997-1998	6,026,051	124,926	2,022,760	3,893,587	27,969	412,407	240,273	12,747,973
1998-1999	6,099,447	353,608	2,420,131	3,989,309	26,935	188,932	82,332	13,160,694
1999-2000	6,723,631	395,219	2,654,739	4,237,337	23,468	95,484	122,241	14,252,119
2000-2001	7,134,894	279,909	3,172,453	4,092,120	24,131	410,571	103,583	15,217,660
2001-2002	7,392,771	421,094	2,959,794	4,701,676	28,720	331,724	576,694	16,412,472
2002-2003	7,702,445	440,533	3,153,776	5,146,755	122,907	281,388	110,647	16,958,451
2003-2004	8,238,829	519,184	2,237,982	5,073,606	23,701	18,944	96,538	16,208,784

Source: City of Lompoc Annual Financial Report - General Fund

City of Lompoc
Tax and Franchise Fee Revenues by Source
 Last Ten Fiscal Years

Fiscal Year	Property Tax	Sales and Use Tax	Transient Occupancy Tax	Property Transfer Tax	Franchise Fee	License Tax	Other	Total
1994-1995	\$ 1,928,522	\$ 2,316,973	\$ 593,369	\$ 36,524	\$ 278,536	\$ 218,187	-	\$ 5,372,111
1995-1996	1,951,988	2,375,808	643,911	43,415	281,870	218,936	-	5,515,928
1996-1997	1,999,254	2,485,180	651,247	42,541	289,525	181,902	-	5,649,649
1997-1998	2,025,422	2,713,094	723,735	31,740	329,708	202,352	-	6,026,051
1998-1999	2,081,391	2,698,030	649,771	46,615	349,979	233,530	40,132	6,099,447
1999-2000	2,170,524	2,969,246	807,653	61,079	367,064	235,556	112,510	6,723,631
2000-2001	2,222,011	3,107,456	940,851	77,125	377,536	255,855	154,060	7,134,894
2001-2002	2,391,358	3,292,453	961,762	83,692	400,202	250,254	13,050	7,392,771
2002-2003	2,534,370	3,397,116	968,308	136,715	375,509	268,439	21,988	7,702,445
2003-2004	2,684,243	3,546,540	1,077,819	214,179	384,974	278,990	52,083	8,238,828

Source: City of Lompoc Annual Financial Report - General Fund

City Of Lompoc
Property Tax Levies and Collections
 Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent Delinquent Taxes to Tax Levy
1994-1995	\$ 1,928,274	\$ 1,801,358	93.42	\$ 66,450	\$ 1,867,808	96.86	\$ 56,878	2.95
1995-1996	1,949,813	1,912,211	98.07	53,901	1,966,112	100.84	50,371	2.58
1996-1997	1,980,261	1,945,237	98.23	54,017	1,999,254	100.96	26,727	1.35
1997-1998	1,992,087	1,983,522	99.57	41,900	2,025,422	101.67	28,153	1.41
1998-1999	2,020,488	2,000,189	99.00	28,414	2,028,603	100.40	24,657	1.22
1999-2000	2,113,526	2,058,516	97.40	28,091	2,086,607	98.73	38,411	1.82
2000-2001	2,202,562	2,109,479	95.77	47,415	2,156,894	97.93	38,947	1.77
2001-2002	2,335,440	2,251,472	96.40	28,790	2,280,262	97.64	33,451	1.43
2002-2003	2,492,657	2,362,715	94.79	24,554	2,387,269	95.77	36,726	1.47
2003-2004	2,716,636	2,534,721	93.30	32,530	2,567,251	94.50	36,726	1.35

Source: City of Lompoc Annual Financial Report
 State Controller's Report of Cities of California

City of Lompoc
Assessed and Estimated
Actual Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year	Secured Roll		Unsecured Roll		Totals	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1994-1995	\$ 1,075,183,325	\$ 1,075,183,325	\$ 54,270,749	\$ 54,270,749	\$ 1,129,454,074	\$ 1,129,454,074
1995-1996	1,094,473,001	1,094,473,001	53,257,781	53,257,781	1,147,730,782	1,147,730,782
1996-1997	1,106,087,297	1,106,087,297	51,963,725	51,963,725	1,158,051,022	1,158,051,022
1997-1998	1,131,933,745	1,131,933,745	61,336,817	61,336,817	1,193,270,562	1,193,270,562
1998-1999	1,154,581,744	1,154,581,744	63,072,395	63,072,395	1,217,654,139	1,217,654,139
1999-2000	1,429,827,230	1,429,827,230	70,751,754	70,751,754	1,500,578,984	1,500,578,984
2000-2001	1,491,090,115	1,491,090,115	92,061,574	92,061,574	1,583,151,689	1,583,151,689
2001-2002	1,587,607,680	1,587,607,680	94,812,980	94,812,980	1,682,420,660	1,682,420,660
2002-2003	1,691,731,091	1,691,731,091	105,507,739	105,507,739	1,797,238,830	1,797,238,830
2003-2004	1,855,779,959	1,855,779,959	110,405,943	110,405,943	1,966,185,902	1,966,185,902

Note: Property values include supplemental tax rolls.

Source: Santa Barbara County Tax Rates and Assessed Valuation

City of Lompoc
Property Tax Rates
Direct and Overlapping Governments
 Last Ten Fiscal Years

Fiscal Year	Basic County Tax	School Districts	State Water Bond	Hospital District Bond	Total
1994-1995	1.00000%	-	-	-	1.00000%
1995-1996	1.00000%	-	-	-	1.00000%
1996-1997	1.00000%	-	-	-	1.00000%
1997-1998	1.00000%	-	-	-	1.00000%
1998-1999	1.00000%	-	-	-	1.00000%
1999-2000	1.00000%	-	-	-	1.00000%
2000-2001	1.00000%	-	-	-	1.00000%
2001-2002	1.00000%	-	-	-	1.00000%
2002-2003	1.00000%	-	-	-	1.00000%
2003-2004	1.00000%	-	-	-	1.00000%

Note: Valuations are established by the County Assessor of the County of Santa Barbara, except for property owned by private utility companies, which is valued by the State of California. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978) properties are assessed at 100% of full value and subsequently increase at a maximum rate of 2% per year. The County collects property taxes and distributes the appropriate amount to each city. Each \$1.00 of property tax is distributed to various local government agencies based upon fixed allocation factors.

Source: Santa Barbara County Tax Rates and Assessed Valuations

City of Lompoc
Special Assessment Collections
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Current Assesments Due</u>	<u>Current Assessments Collected</u>	<u>Ratio of Collections to Amount Due</u>	<u>Total Outstanding Assessments</u>
1994-1995	\$ 27,765	\$ 29,149	1.05	\$ 43,217
1995-1996	27,765	26,470	0.95	15,452
1996-1997	15,452	13,743	0.89	5,978
1997-1998	5,978	3,757	0.63	3,315
1998-1999	3,315	2,664	0.80	651
1999-2000	651	361	0.55	290
2000-2001	290	249	0.86	41
2001-2002	41	41	1.00	-
2002-2003	-	-	-	-
2003-2004	-	-	-	-

City of Lompoc
Statement of Legal Debt Margin
June 30, 2004

Assessed Value	<u>\$ 1,966,185,902</u>
Debt Limit - 3.75 of Total Assessed Value	\$ 73,731,971
Amount of Debt Applicable to the Limit	<u>0</u>
Legal Debt Margin	<u>\$ 73,731,971</u>

Note: Section 43605 of California Government Code, which established the debt limit of 15%, is based on assessed valuation being equivalent to 25% of full market value. In 1981-82, assessed valuation became equal to full market valuation. As a result, 1981-82 and subsequent years charter debt limit is computed at 1/4 of 15% or 3.75 of full market valuation.

Source: Santa Barbara County Tax Rates and Assessed Valuations

City of Lompoc
Computation of Direct and Overlapping Debt
 June 30, 2004

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Lompoc</u>	<u>Amount Applicable to City of Lompoc</u>
Lompoc Unified School District	\$ 17,500,000	57.699%	\$ 10,097,325
City of Lompoc		100.000%	0
Santa Barbara County Public Safety Authority and Certificates of Participation	67,995,800	3.998%	2,718,472
Allan Hancock Community College District District Certificates of Participation	5,405,000	11.275%	609,414
Combined Total Debt	<u>\$ 90,900,800</u>		<u>\$ 13,425,211</u>

Total Assessed Valuation: \$1,544,064,738 *

Ratios to Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	0.62%
Combined Total Debt	0.86%

* Assessed valuation calculated as follows:

Net Taxable Value	\$1,639,762,160
Less: Redevelopment Agency Tax Increment	(95,697,422)
Total Assessed Valuation	<u>\$1,544,064,738</u>

Source: California Municipal Statistics

City of Lompoc
Schedule of Debt Ratios
 Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Net General Bond Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1994-1995	41,093	\$ 1,129,454,074	\$0	0	0
1995-1996	41,002	1,147,730,782	0	0	0
1996-1997	41,641	1,158,051,022	0	0	0
1997-1998	42,275	1,193,270,562	0	0	0
1998-1999	42,432	1,217,654,139	0	0	0
1999-2000	43,284	1,500,578,984	0	0	0
2000-2001	42,155	1,583,151,689	0	0	0
2001-2002	41,671	1,682,420,660	0	0	0
2002-2003	41,865	1,797,238,830	0	0	0
2003-2004	42,250	1,966,185,902	0	0	0

Note: Property values include supplemental tax rolls

Source: (1) California Department of Finance
 (2) Santa Barbara County Tax Rates and Assessed Valuation
 (3) City of Lompoc Annual Financial Report

City of Lompoc
Ratio of Annual Debt Service
 For General Obligation Debt to Total General Expenditures
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to General Expenditures</u>
1994-1995	0	0	0	\$ 13,805,223	0
1995-1996	0	0	0	13,789,348	0
1996-1997	0	0	0	14,661,058	0
1997-1998	0	0	0	15,316,081	0
1998-1999	0	0	0	15,860,960	0
1999-2000	0	0	0	16,857,636	0
2000-2001	0	0	0	17,812,989	0
2001-2002	0	0	0	18,729,812	0
2002-2003	0	0	0	19,825,347	0
2003-2004	0	0	0	22,375,792	0

Source: City of Lompoc Annual Financial Report

City of Lompoc
Schedule of Revenue Bond Coverage
Wastewater Utility Fund
Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Direct Operating Expense (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1994-1995	\$ 4,070,546	\$ 3,264,649	\$ 805,897	\$ 204,679	\$ 114,743	\$ 319,422	2.52
1995-1996	3,963,873	3,419,468	544,405	104,832	97,963	202,795	2.68
1996-1997	4,384,189	3,389,988	994,201	109,851	91,568	201,419	4.94
1997-1998	4,478,473	3,666,202	812,271	114,720	84,848	199,568	4.07
1998-1999	4,483,980	3,773,643	710,337	131,295	45,168	176,463	4.03
1999-2000	3,942,210	4,052,450	(110,240)	119,396	60,730	180,126	(0.61)
2000-2001	4,004,270	4,014,692	(10,422)	26,237	53,490	79,727	(0.13)
2001-2002	3,995,163	4,087,417	(92,254)	27,486	52,466	79,952	(1.15)
2002-2003	4,265,144	4,484,795	(219,651)	28,111	51,368	79,479	(2.76)
2003-2004	4,837,742	4,732,074	105,668	29,985	50,230	80,215	1.32

(1) Operating and nonoperating revenues

(2) Excludes depreciation

Source: City of Lompoc Annual Financial Report

City of Lompoc
Schedule of Revenue Bond Coverage
 Water Utility Fund
 Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Direct Operating Expense (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1994-1995	\$ 4,960,044	\$ 3,872,755	\$ 1,087,289	\$ 53,534	\$ 244,732	\$ 298,266	3.65
1995-1996	5,195,966	3,905,360	1,290,606	53,534	242,056	295,590	4.37
1996-1997	5,401,718	3,859,890	1,541,828	57,358	238,194	295,552	5.22
1997-1998	5,306,295	4,294,347	1,011,948	61,182	234,927	296,109	3.42
1998-1999	5,510,319	4,160,152	1,350,167	223,141	259,288	482,429	2.80
1999-2000	5,747,780	4,347,199	1,400,581	175,012	381,122	556,134	2.52
2000-2001	5,930,947	4,322,681	1,608,266	183,763	374,646	558,409	2.88
2001-2002	5,642,783	5,014,759	628,024	192,522	367,480	560,002	1.12
2002-2003	5,434,369	4,912,044	522,325	196,889	359,778	556,667	0.94
2003-2004	5,664,783	5,120,167	544,616	210,015	351,804	561,819	0.97

(1) Operating and nonoperating revenues

(2) Excludes depreciation

Source: City of Lompoc Annual Financial Report

City of Lompoc
Demographic Statistics
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Median Income (2)</u>	<u>High School Drop Out Rate (3)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rates (4)</u>
1994-1995	41,093	-	6.0%	10,774	8.7%
1995-1996	41,002	-	6.0%	11,188	7.0%
1996-1997	41,641	-	3.1%	11,220	5.7%
1997-1998	42,275	-	3.9%	11,275	5.8%
1998-1999	42,432	-	3.7%	11,384	4.4%
1999-2000	43,284	-	4.2%	11,232	4.2%
2000-2001	42,155	-	4.3%	11,552	5.6%
2001-2002	41,671	-	4.3%	11,287	4.9%
2002-2003	41,865	-	2.5%	11,618	5.1%
2003-2004	42,250	-	1.5%	11,559	4.8%

Sources: (1) State of California Department of Finance
 (2) Not available
 (3) Lompoc Unified School District
 (4) California Employment Development Department

City of Lompoc
Property Value, Construction and Bank Deposits
 Last Ten Fiscal Years

Fiscal Year	Commercial Construction (1)		Residential Construction (1)		Bank Deposits (2)	Property Values (3)		
	Number of Permits	Value	Number of Permits	Value		State Assessed	Locally Assessed	Exemptions
1994-1995	104	\$ 3,667,296	440	\$ 13,611,989	\$ 214,009,000	\$ 975,977	\$ 1,188,388,782	\$ 59,910,685
1995-1996	91	4,168,509	474	7,844,725	257,474,000	730,577	1,210,050,171	63,049,966
1996-1997	96	5,136,051	428	6,282,026	257,533,000	629,647	1,225,908,015	68,486,640
1997-1998	72	3,708,942	537	2,880,600	266,769,000	699,524	1,262,353,008	69,781,970
1998-1999	97	4,181,132	263	13,926,214	277,921,000	754,181	1,287,987,090	71,087,132
1999-2000	81	15,681,423	213	10,471,800	278,121,000	1,095,676	1,588,296,162	88,812,854
2000-2001	44	8,249,828	344	3,389,857	300,437,000	1,080,349	1,576,273,665	89,528,653
2001-2002	179	8,403,322	1,003	12,964,315	319,114,000	1,098,125	1,684,262,159	103,493,746
2002-2003	101	9,919,754	796	26,022,399	344,176,000	2,384,589	1,792,842,615	105,488,373
2003-2004	136	11,609,292	1,071	30,454,581	354,947,000	2,770,795	1,962,617,370	119,486,334

(1) Source: City of Lompoc Building Department

(2) Source: State Banking Department:

(3) Source: Santa Barbara County Tax Rates and Assessed Value 1994-95 through 2003-04

City of Lompoc
Principal Property Taxpayers
June 30, 2004

	Taxpayer	Types of Business	2004 Assessed Valuation	Percentage of Total Principal Taxpayers	Percentage of Total Assessed Valuation
1	Optical Concepts Inc.	Research & Development	\$ 23,646,720	16.47%	1.20%
2	Windscape Village LLC	Apartments	18,444,940	12.85%	0.94%
3	Lincoln Ravenswood	Apartments	11,220,000	7.82%	0.57%
4	Bascal Properties II LLC	Real Estate	9,791,204	6.82%	0.50%
5	Centro Watt Property Owner II	Real Estate	9,541,969	6.65%	0.49%
6	Nadel Properties	Real Estate	9,456,280	6.59%	0.48%
7	Nesbitt Partners Lompoc Ventures Limited	Hotel	9,366,553	6.52%	0.48%
8	Lompoc Housing Assistance Corporation	Non-Profit Housing	8,543,624	5.95%	0.43%
9	Saeed Keshtgar	Food Retail	6,821,150	4.75%	0.35%
10	Kailani Village Limited	Apartments	6,551,227	4.56%	0.33%
11	Mervyns	Department Store	6,280,811	4.38%	0.32%
12	Central Coast Convalescent Hospital	Hospital	6,136,622	4.27%	0.31%
13	The Willows Mobile Home Park	Mobile Home Park	6,106,676	4.25%	0.31%
14	Department of Veterans Affairs	Non-Profit Housing	5,828,839	4.06%	0.30%
15	Albertsons Inc.	Grocery Stores	5,815,735	4.05%	0.30%
Totals			\$ 143,552,350	100.00%	7.31%

City of Lompoc
Miscellaneous Statistical Information
June 30, 2004

Date Incorporated	- August 13, 1888
Type of City	- General Law
Form of Government	- Council / City Administrator
Police Services	- 1 Station - 1 Jail - 46 Sworn Officers - 13 Dispatchers / Jailers - 9 Support Staff - 44 Reserves / Volunteers
Fire Services	- 2 Stations - 25 Personnel - 1 Support Staff - 0 Reserves / Volunteers
Cultural / Recreational	- 1 Museum - 3 Libraries (2 outside City Limits) - 1 Recreation Center - 11 Parks - 1 Private Professional Golf Course (outside City Limits) - 1 Public Professional Golf Course (outside City Limits) - 2 Swimming Pools - 1 Campground (outside City Limits)
City Personnel	- 365 Full-Time - 95 Other Part-time

Note: Positions listed are authorized/budgeted positions
and are not necessarily filled.

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