

CITY OF LOMPOC



LOMPOC, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2005

About the Cover: From the City of Lompoc website, this year's feature photo is an architect's rendering of the entrance to the City of Lompoc Aquatic Center. The architects responsible for this rendering are the firm of Phillips, Metsch, Sweeney, & Moore, Inc. (PMSM). Final completion of the Aquatic Center is estimated to take place in early 2006.

City of Lompoc
 Comprehensive Annual Financial Report
 Year Ended June 30, 2005

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November 15, 2005

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 auditing standards generally accepted in the United States of America 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, 2005.

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 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, 2005 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, 2005, are fairly presented in conformity with US GAAP. The independent auditors' 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 42,320 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 5%, Santa Barbara County has remained stable with an unemployment rate of 3.9%. Other than Marin, San Luis Obispo, Orange, and Napa County, Santa Barbara County has the lowest unemployment rate of all counties in California.

The City of Lompoc has an employed labor force of 17,700 with an unemployment rate of 5.5%. 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

In December 2004, the City began construction on an aquatic center containing three pools - an Olympic size swimming pool, a therapeutic pool, and a children's pool. The estimated completion date for the aquatic center is February 2006. In August 2002, the property owners of Lompoc approved the formation of the Lompoc Park Maintenance and City Pool Assessment District. Revenue of approximately \$230,000 will be generated annually, which will be used for improvements and enhanced maintenance of park and recreation facilities, construction of the aquatic center, and debt service payments. The estimated cost for design, engineering, and construction of the aquatic center is \$13,000,000. The City issued certificates of participation in November 2004 to fund the majority of the aquatic center. Debt service of the certificates 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 the aquatic center's 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 \$63,600,000 (\$57,000,000 for construction and \$6,600,000 for design, engineering, and construction management) with an estimated completion date of 2009. The City will fund approximately \$42,600,000 of the improvements with the issuance of sewer revenue bonds and loan proceeds from the state revolving loan fund program. The remaining financing will be provided by the Vandenberg Air Force Base and the Vandenberg Village Community Services District. 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 the spring of 2006.

The Water Fund will be constructing Well Number 10 to augment the supply of water during periods of drought. The estimated cost is \$1,750,000. The Water Fund has substantially completed installing additional filters to the treatment plant to increase daily water treatment capacity. Costs incurred to date are approximately \$3,055,000. 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 are being funded from the proceeds of water revenue bonds issued in March 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, 2005 was \$15 million, combined single limit occurrence. The insurance deposit paid for this coverage was \$200,184.

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 \$81,835. 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 \$181,972.

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, 2004. 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 16 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, 2004

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.



Nancy L. Zjelke

President

Jeffrey R. Emmer

Executive Director

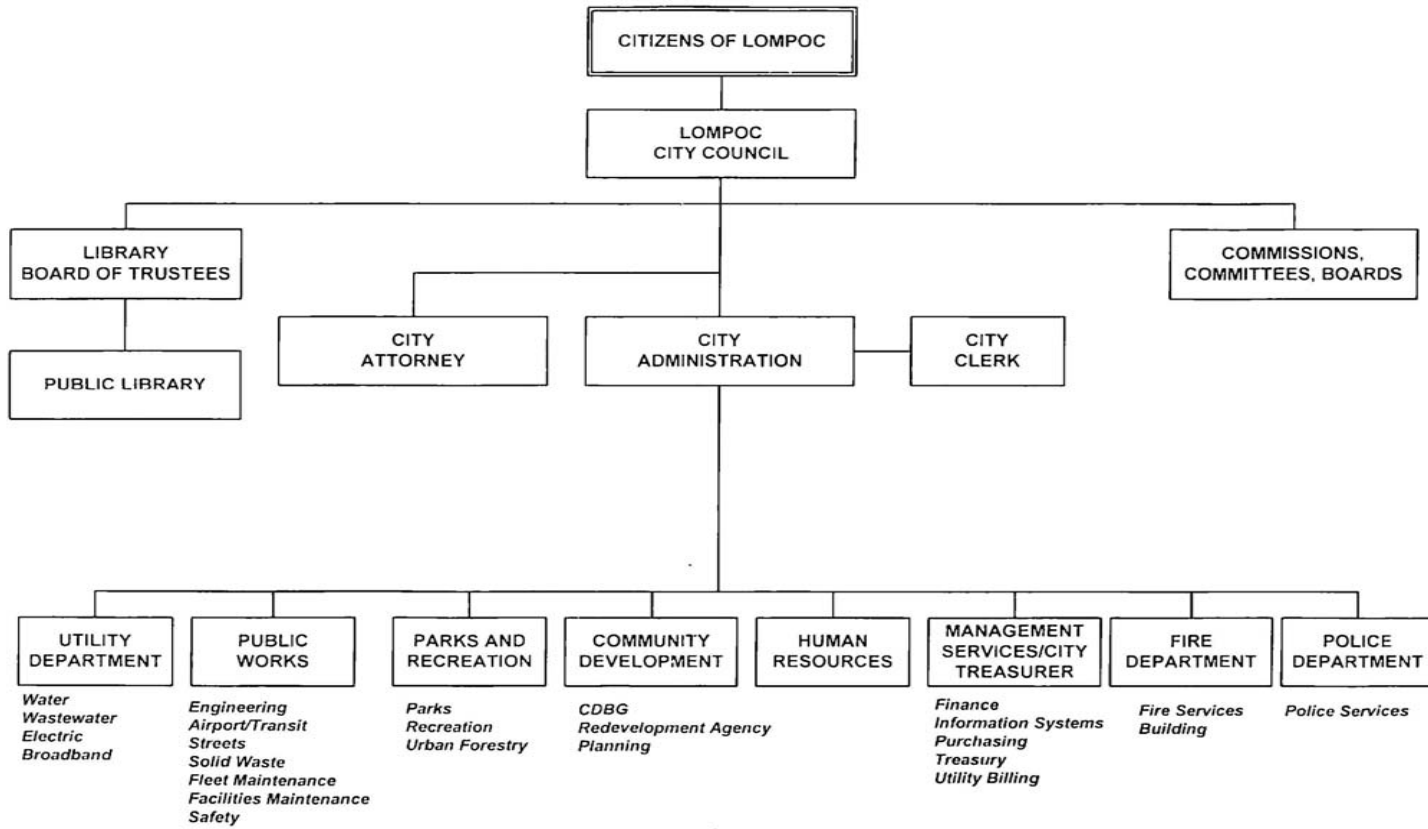
City Council

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.....Donna Terrones
Management Services Director / City Treasurer.....John Walk
Parks and Recreation Director.....Dan McCaffrey
Human Resources Director.....William j. Yanonis
Public Works Director.....Larry Bean
Utility Director.....Jim Beck
Fire Chief.....Linual White
Police Chief.....William Brown, Jr.

CITY OF LOMPOC ORGANIZATION CHART





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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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Lompoc, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lompoc, as of and for the fiscal year ended June 30, 2005, 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, 2005, and the respective changes in financial position and the cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 17 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 15, 2005, 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

A handwritten signature in cursive script that reads "Moss, Levy & Hartzheim".

November 15, 2005

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, 2005. We encourage readers to consider the information presented here in conjunction with the letter of transmittal on pages iv – ix 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 35 - 82 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 to the fund financial statements. The basic governmental fund financial statements can be found on pages 22 - 28 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 29 - 33 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 34 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 \$179.4 million. The largest portion of the City's net assets (74 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

During the current fiscal year, the City’s net assets increased by \$3.21 million. The total increase in net assets, including prior period adjustments, was \$4.62 million. The City’s increase in net assets is primarily attributable to higher investment earnings, increased user charges (“charges for service”), and an increase in tax revenue.

CITY OF LOMPOC'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Current and other assets	\$ 34,909,201	\$ 41,097,652	\$ 36,049,909	\$ 46,681,929	\$ 70,959,110	\$ 87,779,581
Capital assets	71,303,949	71,665,470	63,225,209	75,712,543	134,529,158	147,378,013
Total assets	106,213,150	112,763,122	99,275,118	122,394,472	205,488,268	235,157,594
Current liabilities	6,533,298	6,975,306	5,380,901	5,955,763	11,914,199	12,931,069
Long-term liabilities	6,188,348	13,480,854	12,588,644	29,327,296	18,776,992	42,808,150
Total liabilities	12,721,646	20,456,160	17,969,545	35,283,059	30,691,191	55,739,219
Net assets:						
Invested in capital assets, net						
of related debt	69,390,654	70,159,940	54,644,798	61,877,655	124,035,452	132,037,595
Restricted	3,103,215	1,651,968	8,604,637	10,918,849	11,707,852	12,570,817
Unrestricted	20,997,635	20,495,054	18,056,138	14,314,909	39,053,773	34,809,963
Total net assets	\$ 93,491,504	\$ 92,306,962	\$ 81,305,573	\$ 87,111,413	\$ 174,797,077	\$ 179,418,375

The balance of unrestricted net assets of \$34.8 million represents the amount that may be used to meet the government’s ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The condensed summary of activities, which follows, shows net assets increased by \$3.21 million during the year.

CHANGES IN CITY OF LOMPOC'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Revenues:						
Program revenues:						
Charges for services	\$ 5,816,106	\$ 6,568,250	\$ 31,265,509	\$ 33,468,175	\$ 37,081,615	\$ 40,036,425
Operating grants and contributions	7,001,808	8,106,728	1,742,414	1,499,807	8,744,222	9,606,535
Capital grants and contributions	537,113	565,305	746,224	2,187,067	1,283,337	2,752,372
General revenues:						
Property taxes	3,886,913	4,452,256	10,212	10,806	3,897,125	4,463,062
Sales taxes	3,546,540	3,782,713			3,546,540	3,782,713
Other taxes	3,888,489	5,626,614			3,888,489	5,626,614
Grants and contributions not restricted to specific programs	515,874	450,354			515,874	450,354
Unrestricted investment earnings	(15,186)	1,396,865	55,515	1,013,477	40,329	2,410,342
Other revenue	101,671	138,662	108,478	147,460	210,149	286,122
Total revenues	25,279,328	31,087,747	33,928,352	38,326,792	59,207,680	69,414,539
Expenses:						
Governmental activities:						
General government	4,260,153	4,391,373			4,260,153	4,391,373
Police protection	6,692,487	7,696,494			6,692,487	7,696,494
Fire protection	2,750,997	3,116,279			2,750,997	3,116,279
Engineering/streets	5,484,234	5,424,780			5,484,234	5,424,780
Building	1,120,148	1,118,628			1,120,148	1,118,628
Community development	2,497,063	2,323,325			2,497,063	2,323,325
Parks and recreation	3,165,885	3,369,895			3,165,885	3,369,895
Nondepartmental	638,033	629,344			638,033	629,344
Health and welfare	44,727	56,435			44,727	56,435
Interest on long-term debt	149,890	565,377			149,890	565,377
Business-type activities:						
Water			6,297,870	6,912,826	6,297,870	6,912,826
Electric			15,220,268	17,307,693	15,220,268	17,307,693
Wastewater			5,557,643	5,686,218	5,557,643	5,686,218
Solid Waste			4,647,291	4,849,059	4,647,291	4,849,059
Aquatic Center					-	-
Airport			284,345	276,422	284,345	276,422
Transit			1,533,273	1,702,111	1,533,273	1,702,111
Recreation			326,431	318,424	326,431	318,424
River Park			45,077	70,336	45,077	70,336
Lompoc Valley Community Center			155,073	160,227	155,073	160,227
Broadband			166,520	231,043	166,520	231,043
Total expenses	26,803,617	28,691,930	34,233,791	37,514,359	61,037,408	66,206,289
Increase (decrease) in net assets before transfers	(1,524,289)	2,395,817	(305,439)	812,433	(1,829,728)	3,208,250
Transfers	1,066,864	(4,040,232)	(1,066,864)	4,040,232	-	-
Increase (decrease) in net assets	(457,425)	(1,644,415)	(1,372,303)	4,852,665	(1,829,728)	3,208,250
Beginning net assets	92,845,269	93,491,504	83,507,530	81,305,573	176,352,799	174,797,077
Prior period adjustments	1,103,660	459,873	(829,654)	953,175	274,006	1,413,048
Ending net assets	\$ 93,491,504	\$ 92,306,962	\$ 81,305,573	\$ 87,111,413	\$ 174,797,077	\$ 179,418,375

As shown above, the City's revenues totaled approximately \$69.41 million, with the majority of it (58%) generated from charges for services. Compared to fiscal year ending 2004, revenue increased by 17.2%, or \$10.2 million, for the year ended June 30, 2005. The primary factors for this increase in revenue for fiscal year 2005 was from greater investment earnings, charges for service, and tax revenue. For example, investment earnings for fiscal year 2005 were \$2.4 million compared to \$40,329 in the prior year. This significant increase was primarily due to a large unrealized loss in the value of investments in the prior fiscal year because of longer maturities and rising interest rates. Since then, the City has shortened its portfolio maturity and recorded an unrealized gain in the value of investments in the current fiscal year.

Expenses to the City totaled \$66.2 million, which is an 8.5% increase over the prior year.

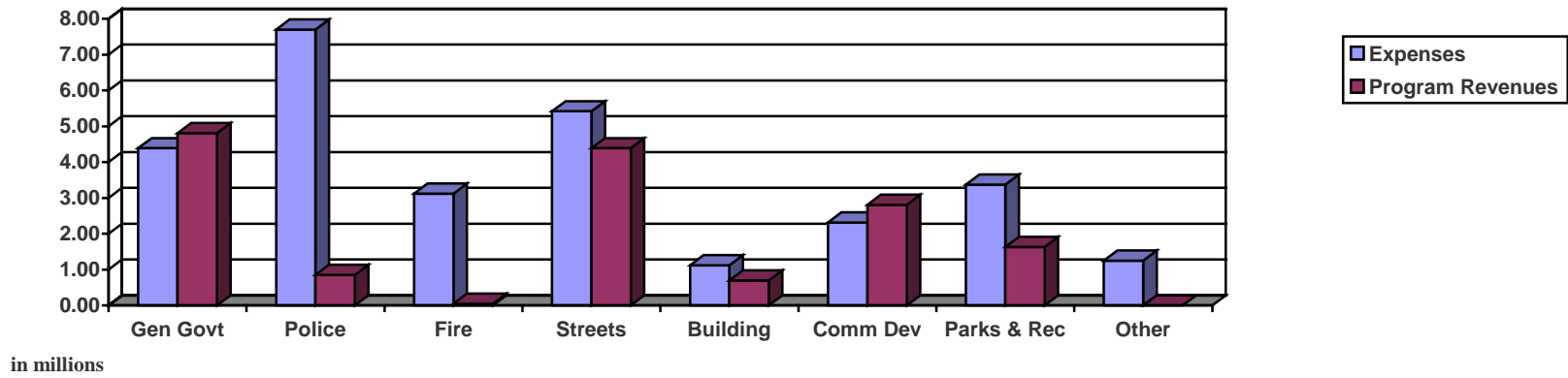
Governmental activities

Governmental activities decreased the City's net assets by \$1.64 million. The key reason for this decrease was the transfer of \$5.3 million of the aquatic center "construction in progress" from governmental activities to business-type activities. Excluding the transfers between governmental activities and business-type activities, governmental activities actually increased the City's net assets by \$2.4 million.

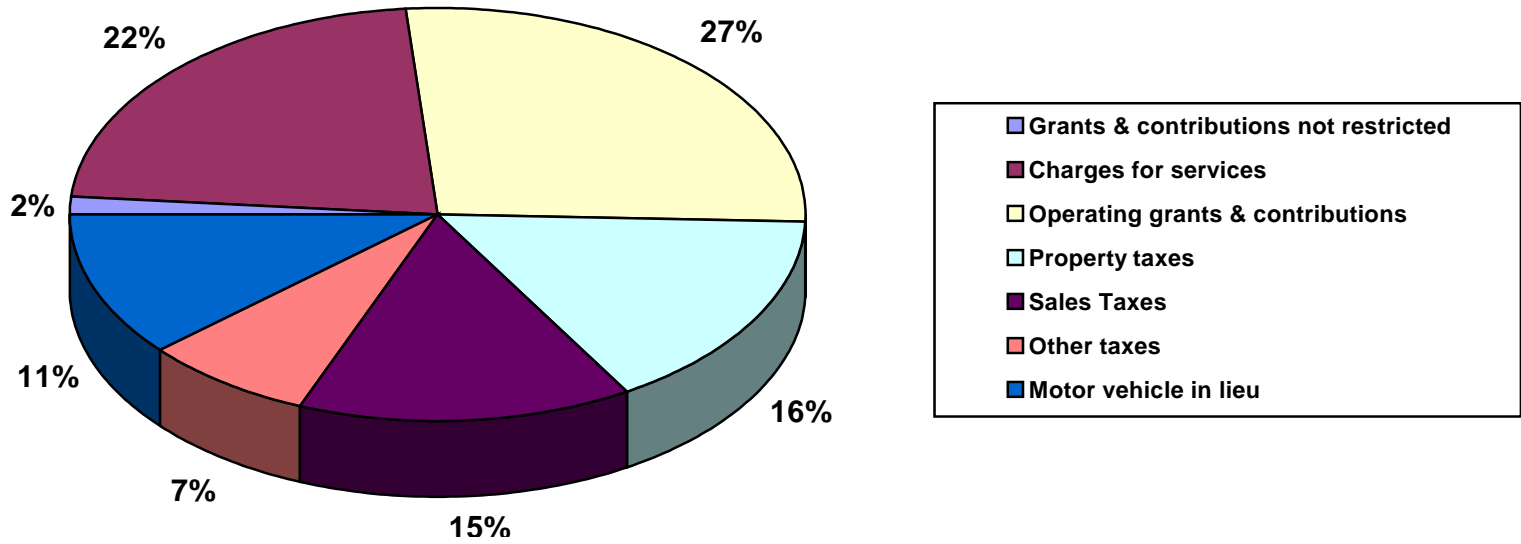
Total revenues for the City's governmental activities were \$31.09 million for the year ended June 30, 2005. Of this total, \$13.86 million (44.6%) was derived from taxes. This is typical in that traditional services provided by a city such as public safety, parks, recreation, and public works are primarily funded from property, sales, transient occupancy, motor vehicle, and other local taxes. Approximately 21%, or \$6.57 million, of total revenues was derived from charges for services, representing fees charged for various services, including planning, engineering, and recreation. Total revenues for governmental activities increased by 23%, or \$5.81 million, from fiscal year 2004 to fiscal year 2005.

Total expenses for governmental activities totaled \$28.69 million for the fiscal year ended June 30, 2005, which is a \$1.89 million increase over the previous year. The largest component of total expenses was for public safety, \$10.81 million, which represented 37.69% of the total. Public works expenses, which include engineering and streets, totaled \$5.42 million, or 18.91%, of total expenses in the governmental activities.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



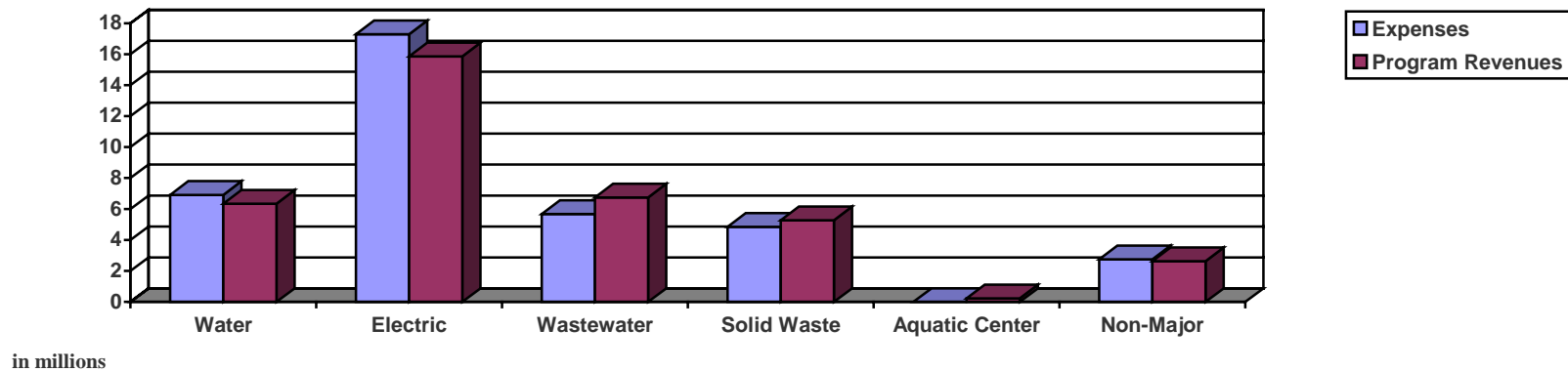
Business-type activities

Business-type activities increased the City's net assets by \$5.81 million. Excluding prior period adjustments, business-type activities for the current year increased net assets by \$4.85 million. This is primarily due to the transfer of \$5.3 million of aquatic center construction from governmental activities to business-type activities and receipt of \$1.2 million from Vandenberg Village to pay their share of the design, engineering, and construction management of the wastewater plant. These increases were partially offset by operating losses in the Water and Electric Funds. Rates have been increased in the Water Fund to prevent these operating losses in future years.

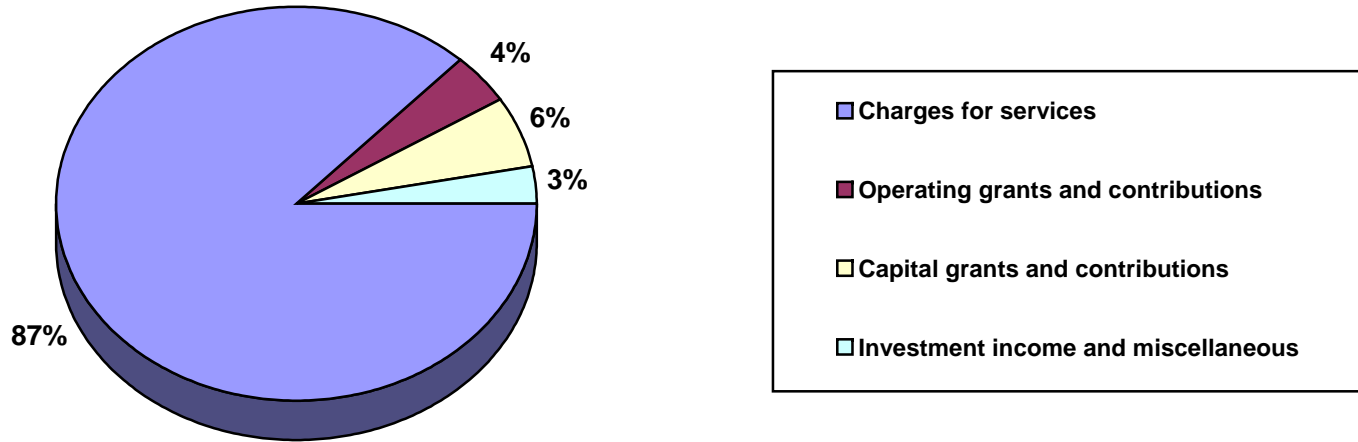
Total revenues for the City's business-type activities were \$38.33 million for the year ended June 30, 2005. Of this total, \$33.47 million (87%) was derived from charges for services. As mentioned previously, business-type activities include enterprise fund operations such as Water, Wastewater, Electric, and Solid Waste funds, all of which recover their costs through user fees and charges. The other majority of revenue is from capital grants and contributions (\$2.19 million). Total revenues for business-type activities increased by approximately 13% or \$4.4 million from fiscal year 2004 to fiscal year 2005.

Total expenses for business-type activities totaled \$37.51 million for the year ended June 30, 2005, which is a \$3.28 million increase over the previous year. The largest individual category of business-type activities' expense is in Electric, representing 46% 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 \$28.81 million, an increase of \$6.03 million over the prior year. Of this amount, approximately 48%, or \$13.92 million, constitutes unreserved fund balance in Special Revenue Funds; 7%, or \$2.01 million, for Capital Project Funds; and 15.5%, or \$4.46 million, for the General Fund, which is available for spending at the government’s discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new

spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$1.45 Million), or 2) for a variety of other restricted purposes (\$6.96 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4.46 million, while the total fund balance was approximately \$5 million.

Current year operations increased the fund balance of the City's General Fund by \$958,576, and, with prior period adjustments of \$440,801, the total fund balance increased by \$1.4 million over last year. Key factors in this gain are as follows:

- A one-time infusion of vehicle license fee (VLF) revenue of \$687,276 due to the state backfilling the VLF for the period of July 1, 2003 through September 30, 2003.
- An increase in user charges of approximately 15%, or \$750,881 over the prior year.
- An increase in investments earnings of \$130,610.
- An increase in Transient Occupancy Tax (TOT) revenue of \$146,472 over the prior fiscal year.

The Redevelopment – Aquatic Center Construction Fund, a new fund and a major fund for fiscal year 2005, is used to account for the construction of the aquatic center. The issuance of bonds in November 2004 will provide the financing. The fund balance of the Redevelopment – Aquatic Center Construction Fund at year-end was \$1.36 million, all of which is reserved for construction of the aquatic center.

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 \$14.31 million, which is a decrease of \$3.74 million, or 20.7% over the course of the year. This is primarily due to operating losses in the Water and Electric Funds. The decline is also due to the increase of restricted assets for capital construction of \$10.27 million in the Water and Wastewater Funds, resulting from remaining unspent bond proceeds. This is partially offset by the overstatement of restricted assets for debt service in the prior year by \$7.35 million, which should have been included in unrestricted assets.

The Electric Fund had a decline in unrestricted net assets of \$1.9 million, which is primarily due to increased power costs. Purchased power costs increased by \$1.58 million, whereas revenue remained consistent with prior years. The City will be reviewing electric rates in the coming fiscal year to determine if adjustments are needed.

The Water Fund also had a decline in unrestricted net assets, due to losses before contributions and transfers, in the amount of \$419,343. Management has taken action to offset these losses by increasing rates for the Water Fund. This increase took effect during fiscal year 2005 and should remedy the losses sustained in following years.

Total net assets for the enterprise funds increased by \$5.8 million. The main factors contributing to this increase are 1) contributed capital for construction of the aquatic center of \$5.5 million and 2) receipt of \$1.17 million from Vandenberg Village to pay their share of the engineering and design of the wastewater plant.

General Fund Budgetary Highlights

The final budget for the General Fund at year-end was \$1.68 million greater than the original budget. This increase over original is primarily due to the following:

- The additional appropriation of \$571,603 for negotiated salary increases for all full-time and part-time permanent employees.
- Appropriation of police grant funds of approximately \$290,000 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 \$99,694 for park and recreation center 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 \$567,972 less than the amended budget at year-end. This is primarily due to lower than anticipated salary and benefits and capital expenditures that never materialized. Actual revenues were greater than the revised budget by \$1.62 million, which, as discussed under *Governmental Funds*, is due mainly to the one-time infusion of VLF revenue, increased user charges, and increased TOT revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the City had \$147.38 million invested in a broad range of capital assets, net of depreciation. This amount represents a net increase (including additions and deductions) of \$12.85 million, or 9.55%, over last year.

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

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
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	4,140,085	3,997,094	16,145,259	17,736,490	20,285,344	21,733,584
Machinery and equipment	8,222,234	8,228,442	33,240,730	32,606,909	41,462,964	40,835,351
Work in process	36,752	34,385	6,618,635	18,148,559	6,655,387	18,182,944
Infrastructure	31,078,653	31,579,324			31,078,653	31,579,324
Totals	\$ 71,303,949	\$ 71,665,470	\$ 63,225,209	\$ 75,712,543	\$ 134,529,158	\$ 147,378,013

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

- Construction of the aquatic center totaled approximately \$5.5 million during the fiscal year. Final construction of the aquatic center is estimated to be complete in February 2006 at a total cost of approximately \$13 million.
- Replacement of City vehicles through the Vehicle Replacement Fund totaled \$1.22 million.
- Infrastructure additions amounting to \$2.08 million, which includes \$1.83 million in Road System Network and \$251,027 in Storm Drain System Network additions.
- Construction of the College Avenue sewer main replacement is substantially complete. Total expenditures in fiscal year 2005 were approximately \$2.245 million. The project should be complete in early fiscal year 2006 for a total cost of \$2.8 million.
- The design, engineering, and architecture for the Wastewater Treatment Plant Upgrade amounted to \$1.055 million. Total estimated costs, including construction management, are \$6.6 million.
- \$2.246 million was spent on the Water Treatment Plant Filter addition. This project should be completed in early fiscal year 2006 for a total cost of \$3.107 million.
- Sewer main rehabilitations throughout the City totaled \$200,000.

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 \$36 million. Of this amount, \$2.9 million represents long-term leases outstanding backed by the equipment purchased, \$31.8 million represents RDA and enterprise fund revenue bonds secured solely by specified revenue sources, \$73,051 represents long-term notes payable, and \$1.22 million represents long-term loans payable for housing assistance.

Outstanding Debt at Year End

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
Revenue bonds	\$ -	\$ 7,350,000	\$ 7,692,274	\$ 24,439,647	\$ 7,692,274	\$ 31,789,647
Loans payable	1,189,925	1,223,075			1,189,925	1,223,075
Long Term Capital Leases	1,913,290	1,505,530	822,729	1,410,000	2,736,019	2,915,530
Notes Payable			89,636	73,051	89,636	73,051
Totals	\$ 3,103,215	\$ 10,078,605	\$ 8,604,639	\$ 25,922,698	\$ 11,707,854	\$ 36,001,303

Total debt increased by \$24.29 million during the current fiscal year. The key factors in this increase were:

- Issuance of Revenue Bonds in the enterprise funds, amounting to \$16.97 million (\$8.37 million for Water and \$8.6 million for Wastewater), to finance several capital projects in the two funds. The Water Fund financed the Water Administration Building, construction of Well #10, improvements to the Water Booster Station, and the Water Filter Addition. The Wastewater Fund financed the design, engineering, and construction management of the Wastewater Plant reconstruction and the College Avenue Sewer Line replacement.
- Issuance of \$7.35 million in Revenue Bonds to finance the construction of the aquatic center.

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 2004-2005

- Received the Government Finance Officer's Award for Excellence in Financial Reporting for fiscal year 2004.
- Construction began on the aquatic center, with completion estimated to take place in fiscal year 2006.
- Issued \$9.955 million in Revenue Bonds, backed by RDA (\$7.35 million) and the Assessment District (\$2.605 million), to finance the construction of the aquatic center.
- Issued \$16.97 million in Water and Wastewater Revenue Bonds to finance major capital projects.
- Contracted with Brown and Caldwell Engineers to design and provide construction management of the Wastewater Treatment Plant upgrade.
- Submitted resolution and application to the State of California Revolving Loan Fund program to finance the Wastewater Treatment Plant upgrade.
- Increased Wastewater and Water rates, effective June 1, and September 1, 2005 for Wastewater and January 1 and April 1, 2005 for Water.
- The 4kv-12kv conversion project continued with expenditures of \$232,912.
- Continued construction of WIFI, the wireless internet system, with expenditures of \$1.3 million

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City is around 5% versus 4.7% in 2004 and 5.1% in 2003. The current year unemployment rate is in line with the State's June, 2005 rate of approximately 5%. The City's labor force has decreased minimally from 18,480 to 17,700 in June 2005.
- The City's assessed valuation of physical property has risen to \$1,788 million in 2005 from \$1,601 million in 2004 (an 11.7% 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.
- Home Depot completed construction in September 2004, which should increase sales tax revenue.
- 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 2006.

During the current fiscal year, fund balance in the general fund increased by \$958,576. The City's proposed General Fund biennial budget for 2005-07 is approximately \$49.7 million, an increase of 16.6% over the previously adopted 2-year budget. Because of the need to provide for normal contingencies during the coming fiscal years, the budget provides for a General Fund Reserve of approximately \$2.7 million. The General Fund Reserve Balance also includes \$2 million held in the Economic Uncertainty Fund.

The ongoing State budget problems may still affect the General Fund in coming years. However, in the November 2004 election, Proposition 1A, a ballot measure to protect local government tax dollars from state raids on local government revenues, was overwhelmingly approved by the voters. Proposition 1A restricts the state's ability to take local government revenues, including the local government share of existing sales taxes, property taxes, and vehicle license fees. Proposition 1a does allow the State to borrow local government if funds are needed in a fiscal emergency. The State is allowed to borrow local government revenues no more than two times in a ten-year period. The State must fully repay the loan and interest within three years. The passage of Proposition 1A restored some predictability and certainty to local government funding needed for police, fire, and other essential local services.

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

Management is aware of these uncertainties and is prepared to recommend the necessary measures to mitigate their impact on services. Sound budget policies have allowed the City of Lompoc to weather the economic uncertainties in fiscal year 2005 without interrupting essential services. Although the impacts of the economy and the State budget woes have impacted City revenues, these impacts have been mitigated with proper fiscal management. In addition, by building reserves during the economic "good times" of the 1990's, the City is well positioned to meet the upcoming economic challenges.

In the Electric Fund, the City may be required to continue charging the 1½-cent per kWh Deregulation Cost Adjustment (DCA), which is scheduled to expire on December 31, 2006. Prior to this date, City staff will be reviewing the need to either extend the DCA or incorporate the DCA in to the electric rates.

As mentioned previously, rate increases have been implemented for the Water, Wastewater, and Solid Waste Funds. Additional rate increases will likely occur to pay the debt service used for the Wastewater Plant upgrade, estimated to cost approximately \$57 million for construction and \$6.6 million for the design, engineering, and construction management. Construction on the Wastewater Plant Upgrade is expected to start in the summer of 2006.

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, 2005
(Page 1 of 2)

	<u>Governmental Activities</u>	<u>Primary Government Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 33,608,757	\$ 8,572,321	\$ 42,181,078
Receivables (net of allowance for uncollectibles)	1,849,425	5,554,058	7,403,483
Internal balances	474,394	(474,394)	
Interest receivable	191,263	251,570	442,833
Loans receivable	4,399,892		4,399,892
Inventories	292,869	1,434,772	1,727,641
Prepaid expenses		1,653,436	1,653,436
Restricted assets:			
Temporarily restricted:			
Cash and investments:			
Bond construction		10,291,007	10,291,007
Debt service		338,388	338,388
Cost of issuance		41,265	41,265
Deposits		1,757,050	1,757,050
Fiscal agent		97,948	97,948
Retrofit program		779,659	779,659
Rate stabilization		400,000	400,000
Escrow		1,103,492	1,103,492
Bond reserves		646,750	646,750
Capital reserve (statutory)		4,257,432	4,257,432
Reserve established by Council		9,285,699	9,285,699
Deferred cost of issuance	281,052	691,476	972,528
Land	27,826,225	7,220,585	35,046,810
Construction in progress	34,385	18,148,559	18,182,944
Capital assets, net of depreciation	<u>43,804,860</u>	<u>50,343,399</u>	<u>94,148,259</u>
Total assets	\$ 112,763,122	\$ 122,394,472	\$ 235,157,594

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

City of Lompoc
Statement of Net Assets
June 30, 2005
(Page 2 of 2)

	Governmental Activities	Primary Government Business-type Activities	Total
LIABILITIES:			
Accounts payable and other current liabilities	\$ 2,282,598	\$ 1,307,163	\$ 3,589,761
Accrued liabilities	381,796	791,139	1,172,935
Accrued interest payable	111,353	357,505	468,858
Accrued payroll and benefits		103,078	103,078
Developers deposits	498,431	342,162	840,593
Deferred revenue	51,946	526,050	577,996
Retrofit payable		852,430	852,430
Long-term liabilities:			
Due within one year	3,649,182	1,676,236	5,325,418
Due in more than one year	13,480,854	29,327,296	42,808,150
Total liabilities	20,456,160	35,283,059	55,739,219
NET ASSETS:			
Invested in capital assets, net of related debt	61,867,917	61,877,655	123,745,572
Restricted for:			
Debt service	111,916	646,384	758,300
Capital projects	1,428,699	10,272,465	11,701,164
Unrestricted	28,898,430	14,314,909	43,213,339
Total net assets	\$ 92,306,962	\$ 87,111,413	\$ 179,418,375

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, 2005

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	\$ 4,391,374	\$ 4,814,985	\$ -	\$ -	\$ 423,611	\$ -	\$ 423,611
Police protection	7,696,494	288,882	559,932		(6,847,680)		(6,847,680)
Fire protection	3,116,279	46,466			(3,069,813)		(3,069,813)
Engineering/streets	5,424,780	289,000	3,840,277	260,572	(1,034,931)		(1,034,931)
Building	1,118,628	701,983			(416,645)		(416,645)
Community development	2,323,325	304,398	2,487,278	21,206	489,557		489,557
Parks and recreation	3,369,895	122,536	1,219,241	283,527	(1,744,591)		(1,744,591)
Nondepartmental	629,344				(629,344)		(629,344)
Health & Welfare	56,435				(56,435)		(56,435)
Interest on long term debt	565,377				(565,377)		(565,377)
Total Governmental Activities	<u>28,691,931</u>	<u>6,568,250</u>	<u>8,106,728</u>	<u>565,305</u>	<u>(13,451,648)</u>		<u>(13,451,648)</u>
Business-type activities:							
Water	6,912,826	6,188,642		164,673		(559,511)	(559,511)
Electric	17,307,692	15,681,656		186,828		(1,439,208)	(1,439,208)
Wastewater	5,686,218	5,553,615		1,207,605		1,075,002	1,075,002
Solid Waste	4,849,059	5,235,857	43,587	13,892		444,277	444,277
Aquatic Center				241,886		241,886	241,886
Airport	276,422	199,528	10,000			(66,894)	(66,894)
Transit	1,702,111	124,745	1,442,345	372,183		237,162	237,162
Recreation	318,424	281,464	3,875			(33,085)	(33,085)
River Park	70,336	153,644				83,308	83,308
Lompoc Valley Community Ctr	160,227	49,024				(111,203)	(111,203)
Broadband	231,043					(231,043)	(231,043)
Total business-type activities	<u>37,514,358</u>	<u>33,468,175</u>	<u>1,499,807</u>	<u>2,187,067</u>		<u>(359,309)</u>	<u>(359,309)</u>
Total primary government	<u>\$ 66,206,289</u>	<u>\$ 40,036,425</u>	<u>\$ 9,606,535</u>	<u>\$ 2,752,372</u>	<u>(13,451,648)</u>	<u>(359,309)</u>	<u>(13,810,957)</u>
General revenues:							
Taxes							
Property taxes					4,452,256	10,806	4,463,062
Sales taxes					3,782,713		3,782,713
Other taxes					1,418,801		1,418,801
Franchise taxes					807,172		807,172
Motor vehicle taxes, unrestricted					3,400,641		3,400,641
Grants & contributions not restricted to specific programs					450,354		450,354
Unrestricted investment earnings					1,396,865	1,013,477	2,410,342
Other revenue					138,662	147,460	286,122
Transfers					(4,040,231)	4,040,231	
Total general revenues and transfers					<u>11,807,233</u>	<u>5,211,974</u>	<u>17,019,207</u>
Change in net assets					<u>(1,644,415)</u>	<u>4,852,665</u>	<u>3,208,250</u>
Net assets - beginning of year					<u>93,491,504</u>	<u>81,305,573</u>	<u>174,797,077</u>
Prior period adjustments					<u>459,873</u>	<u>953,175</u>	<u>1,413,048</u>
Net assets - beginning of year, restated					<u>93,951,377</u>	<u>82,258,748</u>	<u>176,210,125</u>
Net assets - ending					<u>\$ 92,306,962</u>	<u>\$ 87,111,413</u>	<u>\$ 179,418,375</u>

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

City of Lompoc
Balance Sheet
Governmental Funds
June 30, 2005

	General	Redevelopment - Aquatic Center Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 4,094,624	\$ 2,803,669	\$ 17,764,507	\$ 24,662,800
Accounts receivable, net	997,219		754,525	1,751,744
Interest receivable	19,478		171,785	191,263
Due from other funds	259,994		336,000	595,994
Loans receivable	242,744		4,399,892	4,642,636
Inventories	27,496		3,646	31,142
Total Assets	\$ 5,641,555	\$ 2,803,669	\$ 23,430,355	\$ 31,875,579
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 306,981	\$ 1,340,334	\$ 179,613	\$ 1,826,928
Accrued liabilities	213,356	101,762	8,918	324,036
Loans payable			242,744	242,744
Deposits	89,000		409,431	498,431
Due to other funds			121,600	121,600
Deferred revenue	38,645		13,301	51,946
Total Liabilities	647,982	1,442,096	975,607	3,065,685
FUND BALANCES				
Reserved for:				
Encumbrances			1,453,879	1,453,879
Land development			783,018	783,018
Capital projects		1,361,573	67,126	1,428,699
Debt service			1,446,344	1,446,344
Low income housing			766,179	766,179
Inventory	27,496		3,646	31,142
Interfund loans	502,738			502,738
Economic uncertainties			2,000,000	2,000,000
Unreserved, reported in				
General fund	4,463,339			4,463,339
Special revenue funds			13,923,650	13,923,650
Capital projects funds			2,010,906	2,010,906
Total fund balances	4,993,573	1,361,573	22,454,748	28,809,894
Total liabilities and fund balances	\$ 5,641,555	\$ 2,803,669	\$ 23,430,355	\$ 31,875,579

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, 2005

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

Total fund balances - governmental funds	\$	28,809,894
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When capital assets (land, building, equipment) that are to be used are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$	101,328,956	
Accumulated depreciation		(34,870,745)	66,458,211

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

Interest on capital leases	\$	(688)	
Interest on bonds		(105,533)	(106,221)

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

281,052

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

Bond payable	\$	(7,350,000)	
Long term capital leases payable		(291,048)	
Long term loans payable		(1,223,075)	
Compensated absences		(2,009,770)	(10,873,893)

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.

7,737,919

Net assets of governmental activities

\$ 92,306,962

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, 2005
(Page 1 of 2)

Revenues:	General	Redevelopment - Aquatic Center Construction Fund	Other Governmental Funds	Total Governmental Funds
Property taxes	\$ 2,698,751	\$ -	\$ 1,753,505	\$ 4,452,256
Sales and use taxes	3,782,713		3,617,439	7,400,152
Other taxes	2,225,973			2,225,973
Licenses, fees, and permits	474,456		2,468,065	2,942,521
Intergovernmental revenues	3,898,416		1,933,778	5,832,194
Charges for services	5,824,487		119,873	5,944,360
Fines, forfeitures, and penalties	122,185			122,185
Use of money and property	149,554	53,374	849,888	1,052,816
Special assessments			216,401	216,401
Donations			416,178	416,178
Other	94,676		43,986	138,662
Total revenues	19,271,211	53,374	11,419,113	30,743,698
Expenditures:				
Current:				
City Council	90,011			90,011
City administration	4,055,106			4,055,106
Police protection	7,150,639		97,693	7,248,332
Fire protection	3,009,881			3,009,881
Engineering / streets	3,664,226		461,037	4,125,263
Building	1,014,723			1,014,723
Community development	743,656		1,482,726	2,226,382
Parks and recreation	1,917,574		1,295,023	3,212,597
Non-departmental	629,344			629,344
Health			56,435	56,435
Capital outlay	296,511	5,292,469	1,610,948	7,199,928
Debt service:				
Principal retirement			271,074	271,074
Interest			150,789	150,789
Cost of issuance		305,885		305,885
Total expenditures	22,571,671	5,598,354	5,425,725	33,595,750

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, 2005
(Page 2 of 2)

	General	Redevelopment - Aquatic Center Construction Fund	Other Governmental Funds	Total Governmental Funds
Excess of revenues over (under) expenditures	(3,300,460)	(5,544,980)	5,993,388	(2,852,052)
Other financing sources (uses):				
Issuance of bonds		7,350,000		7,350,000
Bond premium		15,141		15,141
Transfers in	4,453,574		1,368,697	5,822,271
Transfers (out)	(194,538)		(4,525,776)	(4,720,314)
Total other financing sources (uses)	4,259,036	7,365,141	(3,157,079)	8,467,098
Net change in fund balances	958,576	1,820,161	2,836,309	5,615,046
Fund balance, beginning of year	3,594,196	-	19,188,161	22,782,357
Prior period adjustments	440,801	(458,588)	430,278	412,491
Fund balance, beginning of year, restated	4,034,997	(458,588)	19,618,439	23,194,848
Fund balance, end of year	\$ 4,993,573	\$ 1,361,573	\$ 22,454,748	\$ 28,809,894

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, 2005

Net change in fund balance - total governmental funds \$ 5,615,046

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 (\$2,462,508) exceeds depreciation (\$2,317,703) in the current period (includes infrastructure). 144,805

The net effect of various transactions involving capital assets (I.e., deletions, trade-ins, contributions, and sales) (2,278)

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.

Issuance of long-term debt (Bond payable)	\$ (7,350,000)	
Debt issue costs, net of amortization	281,052	
Principal payments on long-term debt	65,963	
Accrued interest on CHFA loans	(33,150)	
Accrued interest on bonds	(105,533)	
Increase in compensated absences	(98,416)	
Accrued interest on capital leases (FYE 2004)	1,079	
Accrued interest on capital leases (FYE 2005)	(688)	
Net adjustment		(7,239,693)

The net revenue (loss) of certain activities of internal service funds is reported with governmental activities. (162,295)

Change in net assets of governmental activities \$ (1,644,415)

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, 2005
(Page 1 of 2)

	Budgeted Amounts		Actual Amounts	Variance- Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 2,759,157	\$ 2,759,157	\$ 2,698,751	\$ (60,406)
Sales and use taxes	3,645,670	3,645,670	3,782,713	137,043
Other taxes	1,811,732	1,811,732	2,225,973	414,241
Licenses and permits	354,043	399,121	474,456	75,335
Intergovernmental revenues	2,949,618	3,192,059	3,898,416	706,357
Charges for services	5,364,175	5,383,582	5,824,487	440,905
Fines, forfeitures, and penalties	132,000	132,000	122,185	(9,815)
Use of money and property	237,083	237,083	149,554	(87,529)
Other	86,050	89,982	94,676	4,694
Total revenues	17,339,528	17,650,386	19,271,211	1,620,825
Expenditures:				
Current:				
City Council	99,265	103,408	90,011	13,397
City administration	4,074,316	4,373,921	4,055,106	318,815
Police protection	6,313,369	6,695,683	7,150,639	(454,956)
Fire protection	2,745,711	2,931,994	3,009,881	(77,887)
Engineering / streets	3,900,365	3,809,811	3,664,226	145,585
Building	1,014,771	1,103,518	1,014,723	88,795
Community development	580,843	386,638	743,656	(357,018)
Parks and recreation	1,826,479	2,102,436	1,917,574	184,862
Non-departmental	769,746	1,005,109	629,344	375,765
Capital outlay	139,493	627,125	296,511	330,614
Total expenditures	21,464,358	23,139,643	22,571,671	567,972

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, 2005
 (Page 2 of 2)

	Budgeted Amounts		Actual Amounts	Variance- Positive (Negative)
	Original	Final		
Excess of revenues over (under) expenditures	(4,124,830)	(5,489,257)	(3,300,460)	2,188,797
Other financing sources (uses)				
Transfers in	4,417,093	4,417,093	4,453,574	36,481
Transfers (out)	(292,263)	(292,263)	(194,538)	97,725
Total other financing sources (uses)	4,124,830	4,124,830	4,259,036	134,206
Net change in fund balance	-	(1,364,427)	958,576	2,323,003
Fund balance, beginning of year	3,594,196	3,594,196	3,594,196	
Adjustments:				
Prior period adjustments			440,801	440,801
Fund balance, beginning of year, restated	3,594,196	3,594,196	4,034,997	440,801
Fund balance, end of year	\$ 3,594,196	\$ 2,229,769	\$ 4,993,573	\$ 2,763,804

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, 2005
(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	\$ 3,440,246	\$ 4,475,246	\$ 234,815	\$ 146,512	\$ -	\$ 275,502	\$ 8,572,321	\$ 8,945,957
Restricted cash and investments:								
Bond construction fund	4,664,887		5,626,120				10,291,007	
Debt service	215,490		122,898				338,388	
Cost of issuance	20,353		20,912				41,265	
Deposits		337,100	1,414,500			5,450	1,757,050	
Fiscal agent				7,323		90,625	97,948	
Retrofit program	779,659						779,659	
Receivables - trade	860,502	2,208,894	853,274	566,888		1,064,500	5,554,058	97,681
Receivables - interest	49,238	120,117	48,401	29,178		4,636	251,570	
Prepaid expenses		1,615,986				37,450	1,653,436	
Inventories (at average cost)	261,693	1,129,917	16,664			26,498	1,434,772	261,727
Due from other funds	99,864	1,257,871	213,665				1,571,400	
Total current assets	10,391,932	11,145,131	8,551,249	749,901	-	1,504,661	32,342,874	9,305,365
Noncurrent assets:								
Restricted assets:								
Cash and investments:								
Restricted cash - rate stabilization			400,000				400,000	
Restricted cash - escrow		1,103,492					1,103,492	
Bond reserves	565,946		80,804				646,750	
Capital reserve (statutory)			1,790,825	2,466,607			4,257,432	
Reserve established by Council		9,285,699					9,285,699	
Total restricted assets	565,946	10,389,191	2,271,629	2,466,607	-	-	15,693,373	
Deferred cost of issuance (net)	427,166		264,310				691,476	
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	34,837,061	26,651,024	35,884,680	2,610,216		6,461,802	106,444,783	13,768,582
Construction in progress	3,381,139	1,737,596	3,743,980		6,120,943	3,164,901	18,148,559	
(Less) accumulated depreciation	(38,747,978)	(28,638,924)	(39,950,418)	(2,872,447)	(6,120,943)	(15,483,217)	(131,813,927)	(13,967,600)
(Less) accumulated depreciation	(18,333,203)	(11,967,519)	(21,675,869)	(1,531,741)		(2,593,052)	(56,101,384)	(8,760,341)
Total property, plant, and equipment	20,414,775	16,671,405	18,274,549	1,340,706	6,120,943	12,890,165	75,712,543	5,207,259
Total assets	\$ 31,799,819	\$ 38,205,727	\$ 29,361,737	\$ 4,557,214	\$ 6,120,943	\$ 14,394,826	\$ 124,440,266	\$ 14,512,624

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, 2005
(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	\$ 257,996	\$ 220,299	\$ 616,292	\$ 66,222	\$ -	\$ 146,354	\$ 1,307,163	\$ 455,668
Accrued liabilities	69,236	591,909	50,615	57,934		21,445	791,139	
Accrued interest	215,857	429	122,898	8,275		10,046	357,505	5,132
Accrued payroll and benefits	27,985	26,340	20,759	22,650		5,344	103,078	9,498
Due to other funds				213,665		1,832,129	2,045,794	
Developers deposits	5,062	337,100					342,162	
Deferred revenue			525,208			842	526,050	
Retrofit program	852,430						852,430	
Current portion of long-term liabilities	669,039	291,594	333,090	283,303		99,210	1,676,236	283,934
Total current liabilities	2,097,605	1,467,671	1,668,862	652,049	-	2,115,370	8,001,557	754,232
Noncurrent liabilities:								
Accrued liabilities								5,035,541
Compensated absences	35,395	38,336	17,513	22,243		2,946	116,433	6,120
Landfill closure and postclosure payable				3,825,307			3,825,307	
Trust deposits						5,350	5,350	
Capital lease payable	128,022	150,029		183,312		700,135	1,161,498	978,812
Loans payable	57,167						57,167	
Revenue bonds	14,560,164		9,269,482				23,829,646	
Reserve fund - VVCS			331,895				331,895	
Total noncurrent liabilities	14,780,748	188,365	9,618,890	4,030,862	-	708,431	29,327,296	6,020,473
Total liabilities	16,878,353	1,656,036	11,287,752	4,682,911	-	2,823,801	37,328,853	6,774,705
NET ASSETS								
Invested in capital assets, net of related debt	10,338,006	16,493,798	15,786,530	1,027,278	6,120,943	12,111,100	61,877,655	3,986,657
Restricted for debt service	565,580		80,804				646,384	
Restricted for capital projects	4,646,345		5,626,120				10,272,465	
Unrestricted	(628,466)	20,055,893	(3,419,469)	(1,152,975)	-	(540,075)	14,314,908	3,751,262
Total net assets	\$ 14,921,466	\$ 36,549,691	\$ 18,073,985	\$ (125,697)	\$ 6,120,943	\$ 11,571,025	\$ 87,111,413	\$ 7,737,919

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, 2005

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	\$ 6,077,947	\$ 13,530,857	\$ 4,743,417	\$ 3,993,955	\$ -	\$ 392,274	\$ 28,738,450	\$ 10,074,807
Vehicle and facilities rental						416,133	416,133	2,609,450
Other operating revenues	49,062	1,964,086	750,197	1,241,902			4,005,247	
Total operating revenues	6,127,009	15,494,943	5,493,614	5,235,857		808,407	33,159,830	12,684,257
Operating expenses:								
Cost of power and water	485,657	11,380,445					11,866,102	
Operations and maintenance	4,601,010	4,370,692	4,374,407	4,390,159		2,341,765	20,078,033	12,306,824
Administration	454,469	623,328	389,771	273,798			1,741,366	
Depreciation and amortization	893,803	924,716	757,424	151,647		349,879	3,077,469	954,538
Total operating expenses	6,434,939	17,299,181	5,521,602	4,815,604		2,691,644	36,762,970	13,261,362
Income (loss) from operations	(307,930)	(1,804,238)	(27,988)	420,253		(1,883,237)	(3,603,140)	(577,105)
Nonoperating incomes (expenses):								
Fees	226,306	186,712	77,255	13,892			504,165	
Interest income	128,130	661,517	102,336	97,514		23,979	1,013,476	344,049
Intergovernmental				43,587		1,467,025	1,510,612	
Miscellaneous	12,496	69,783	10,709	50,804		4,584	148,376	
Gain (loss) on sale of property	(458)			(458)			(916)	(40,766)
Interest (expense)	(477,887)	(8,512)	(164,616)	(33,455)		(66,919)	(751,389)	(61,493)
Total nonoperating incomes (expenses)	(111,413)	909,500	25,684	171,884		1,428,669	2,424,324	241,790
Income (loss) before contributions and transfers	(419,343)	(894,738)	(2,304)	592,137		(454,568)	(1,178,816)	(335,315)
Capital Contributions		186,828	1,190,350		5,534,355	372,183	7,283,716	22,739
Transfers in (out)	(26,661)	(1,193,166)		(97,411)		65,000	(1,252,238)	150,281
Change in net assets	(446,004)	(1,901,076)	1,188,046	494,726	5,534,355	(17,385)	4,852,662	(162,295)
Net assets - beginning of the year	15,787,558	38,222,006	16,747,751	(723,106)	64,000	11,207,367	81,305,576	7,852,832
Prior period adjustments	(420,088)	228,761	138,188	102,683	522,588	381,043	953,175	47,382
Net assets - beginning of the year, restated	15,367,470	38,450,767	16,885,939	(620,423)	586,588	11,588,410	82,258,751	7,900,214
Net assets - end of the year	\$ 14,921,466	\$ 36,549,691	\$ 18,073,985	\$ (125,697)	\$ 6,120,943	\$ 11,571,025	\$ 87,111,413	\$ 7,737,919

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, 2005
(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	\$ 6,173,120	\$ 15,778,866	\$ 5,548,536	\$ 5,349,101	\$ -	\$ 827,126	\$ 33,676,749	\$ 12,655,918
Cash payments to suppliers for goods and services	(4,154,058)	(13,242,524)	(2,710,730)	(2,820,328)		(2,147,758)	(25,075,398)	(10,585,302)
Cash payments to employees for services	(2,118,437)	(1,458,065)	(1,849,251)	(1,863,968)		(472,332)	(7,762,053)	(741,867)
Net cash provided (used) by operating activities	(99,375)	1,078,277	988,555	664,805		(1,792,964)	839,298	1,328,749
Cash flows from noncapital financing activities:								
Net borrowings (repayments) under revolving loan arrangement				(200,000)	(1,518)	781,994	580,476	
Loans (to) payments from other funds	167,567	(931,994)					(764,427)	
Increase in trust accounts			(2,516)			(100)	(2,616)	
Received from other agencies						1,467,024	1,467,024	
Transfers in (out)		(1,175,926)				65,000	(1,110,926)	150,281
Net cash provided (used) by noncapital financing activities	167,567	(2,107,920)	(2,516)	(200,000)	(1,518)	2,313,918	169,531	150,281
Cash flows from capital and related financing activities:								
Proceeds from loans, lease purchases and equipment contracts	8,370,000		8,600,000	55,053		800,000	17,825,053	6,635
Retention from contractor		(73,100)					(73,100)	
Acquisition and construction of capital assets	(3,023,616)	(1,132,486)	(3,703,558)	(46,918)		(1,660,838)	(9,567,416)	(1,220,938)
Adjustment to lease principal							-	
Principal paid on revenue bonds/loans /leases and equipment contracts	(245,343)	(32,307)	(31,234)	(193,624)		(45,840)	(548,348)	(341,799)
Interest paid on revenue bonds/loans and equipment contracts	(477,887)	(8,512)	(164,616)	(33,455)		(66,919)	(751,389)	(61,493)
Residual equity transfers	(26,661)	(17,240)		(97,411)			(141,312)	
Contributed capital		186,828	1,190,350			372,183	1,749,361	22,739
Net cash provided (used) for capital and related financing activities	4,596,493	(1,076,817)	5,890,942	(316,355)	-	(601,414)	8,492,849	(1,594,856)
Cash flows from investing activities:								
Interest and dividends on investments	128,130	661,517	102,336	97,514		23,980	1,013,477	344,049
Net increase (decrease) in cash and cash equivalents	4,792,815	(1,444,943)	6,979,317	245,964	(1,518)	(56,480)	10,515,155	228,223
Cash and cash equivalents at beginning of year	4,893,766	16,646,480	2,711,557	2,374,478	1,518	428,057	27,055,856	8,717,734
Cash and cash equivalents at end of year	<u>\$ 9,686,581</u>	<u>\$ 15,201,537</u>	<u>\$ 9,690,874</u>	<u>\$ 2,620,442</u>	<u>\$ -</u>	<u>\$ 371,577</u>	<u>\$ 37,571,011</u>	<u>\$ 8,945,957</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, 2005
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	\$ (307,930)	\$ (1,804,238)	\$ (27,988)	\$ 420,253	\$ -	\$ (1,883,237)	\$ (3,603,140)	\$ (577,105)
Adjustment for nonoperating incomes and (expenses)	238,344	256,495	87,965	107,825		4,584	695,213	
Adjustments to reconcile operating income to net cash used by operating activities:								
Depreciation	893,803	924,716	757,424	151,647		349,879	3,077,469	954,538
Deferred costs of issuance	(222,159)		(235,040)				(457,199)	
Change in assets and liabilities:								
(Increase)decrease in accounts receivable	(192,234)	(40,439)	(33,042)	5,419		(191,990)	(452,286)	(28,338)
(Increase)decrease in interest receivable	(31,434)	(42,186)	(27,101)	(16,572)		(4,636)	(121,929)	
(Increase)decrease in intergovernmental receivable						65,000	65,000	
(Increase)decrease in inventory	(34,871)	294,294	7,706			4,566	271,695	(1,459)
(Increase)decrease in prepaid expenses		1,258,549				(37,450)	1,221,099	
(Decrease)increase in accounts payable	(545,128)	(321,451)	382,498	(5,856)		(134,861)	(624,798)	229,520
(Decrease)increase in accrued interest payable	96,853	(63)	106,565	(1,769)		3,641	205,227	
(Decrease)increase in developer's deposits	(727)						(727)	
(Decrease)increase in deferred credits/revenues						(6,506)	(6,506)	
(Decrease)increase in due to other funds						35,000	35,000	
(Decrease)increase in accrued liabilities	6,108	552,600	(30,432)	3,858		3,046	535,180	751,593
Net cash used by operating activities	\$ (99,375)	\$ 1,078,277	\$ 988,555	\$ 664,805	\$ -	\$ (1,792,964)	\$ 839,298	\$ 1,328,749

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

City of Lompoc
Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2005

ASSETS	Agency Fund	Assessment District - Aquatic Center Agency Fund	Total
Cash and investments	\$ 736,656	\$ 2,524,596	\$ 3,261,252
Receivables:			
Accounts receivable, net	6,188		6,188
Interest receivable	4,738		4,738
Total assets	747,582	2,524,596	3,272,178
 LIABILITIES			
Liabilities:			
Accounts payable	1,199		1,199
Refundable deposits and accruals	746,383		746,383
Due to bond holders		2,524,596	2,524,596
Total liabilities	747,582	2,524,596	3,272,178
 NET ASSETS			
Held in trust for utility customers and other purposes	\$ -	\$ -	\$ -

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

CITY OF LOMPOC
Notes to the Financial Statements
June 30, 2005

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, 2) a Special Revenue Fund in the Nonmajor Governmental Funds, and 3) 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

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the 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 emphasis is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

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

C) Measurement focus, basis of accounting, and financial 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 and nonmajor governmental funds whose activities are not self-evident from the title of the fund:

MAJOR FUNDS

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

Redevelopment – Aquatic Center Construction Fund – Established to account for the construction of the aquatic center with financing provided by the proceeds from the issuance of Revenue Bonds in November 2004.

NONMAJOR FUNDS

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

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

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

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

MAJOR FUNDS

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

Aquatic Center Fund - Established to account for the operations of the City’s aquatic center.

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

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

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

NONMAJOR FUNDS

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

Internal Service Funds – These funds account for fleet management, telecommunication services, for the buying, distribution, and receiving for the City’s warehouse system, and for general liability, 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, bond proceeds, 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.

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
Other infrastructure

6-25 Years
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, 2005. 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 million.

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.

K) Implementation of New GASB Pronouncement

The City adopted the following new accounting standard in order to conform to the following Governmental Accounting Standards Board Statements:

Statement No. 40, *Deposit and Investment Risk Disclosure*

GASB Statement No. 40 is an amendment of GASB Statement No. 3 addressing deposit and investment risk disclosures. The new statement updates the custodial credit risk disclosure requirements of Statement No. 3 and establishes more comprehensive disclosure requirements addressing other common risks of deposits and investments of state and local governments, such as credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

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 Funds are subject to the bid and contract process. While budgets are prepared for the City's Capital Project 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 \$125,697 deficit in net assets because operating revenue did not cover operating expenditures. Solid Waste rates have been increased and the deficit should decline in the future. Note the deficit in the prior year was \$620,423.

Recreation Fund

The Recreation Fund has a \$160,853 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.

Broadband Fund

The Broadband Fund is a new fund with deficit net assets of \$231,502. 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 \$35,895. This deficit will be eliminated through reimbursements from other funds.

III. Detailed notes on all funds

1) Cash and Investments

Cash Deposits

The carrying amounts of the City's time and demand deposits were \$7.87 million at June 30, 2005. The total bank balance was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This code states that the collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The fair value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits that are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents. Interest income earned on pooled cash and investments is allocated on a monthly basis to the various funds based on average monthly cash balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Investments

As defined in the California Government Code Section 53601 and the City's investment policy adopted September 21, 2004, the following investment instruments are authorized:

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

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

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

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

Summary of Cash and Investments

Deposits and investments were categorized as follows with the corresponding rating at June 30, 2005:

	<u>Credit Quality Ratings</u>	<u>2005</u>
City Treasury Deposits:		
Deposits	Not Rated	\$ 586,997
Petty Cash	Not Rated	3,020
Total City Treasury Deposits		<u>590,017</u>
City Treasury Investments		
Securities of U.S. Government Agencies		
FFCB	AAA	2,026,250
FHLB	AAA	14,777,814
FHLMC	AAA	1,948,190
FNMA	AAA	6,914,063
Time Deposits	Not Rated	7,280,000
Local Agency Investment Funds	Not Rated	19,713,288
Total City Treasury Investments		<u>52,659,605</u>
Total City Treasury		<u>53,249,622</u>
Cash and Investments with Fiscal Agents:		
FHLMC Discount Notes	AAA	2,918,801
FNMA	AAA	8,087,500
Cost of Bond Issuance Funds	Not Rated	735,629
Commercial Paper	AAA	4,064,586
Developer Deposits	Not Rated	101,762
Municipal Leasing	Not Rated	481,186
NCPA Funds	Not Rated	3,698,442
PG&E Escrow Account	Not Rated	1,103,492
Total Cash and Investments with Fiscal Agents		<u>21,191,398</u>
Total Cash and Investments		<u>\$ 74,441,020</u>

Risk Disclosures

Interest Rate Risk: The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the City’s investment portfolio shall remain sufficiently liquid to enable the City to meet its cash flow requirements. An adequate portion of the portfolio shall be maintained in liquid short term securities which can be converted to cash and guarantee the City’s ability to meet operating expenditures. At June 30, 2005 the City had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
U.S. Government Agencies	\$ 37,408,247	\$ 11,006,302	\$ 26,401,944
Commercial Paper	4,064,586	4,064,586	
Time Deposits	7,280,000	893,000	6,387,000
Developer Deposits	101,762	101,762	
Municipal Leasing	481,186	481,186	
NCPA Funds	3,698,442		3,698,442
PG&E Escrow Account	1,103,492		1,103,492
Local Agency Investment Fund	19,713,288	19,713,289	
	<u>\$ 73,851,003</u>	<u>\$ 36,260,125</u>	<u>\$ 37,590,878</u>

Credit Risk: State law authorizes the City to invest in commercial paper and corporate bonds rated A-1 by Standard & Poor’s Corporation or P-1 by Moody’s Investors Service, Inc. The City’s investment policy follows the state guidelines for ratings in these investment types. All of the City’s investments were rated AAA at June 30, 2005.

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

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

The City also limits the allowable amount to be invested in the State's Investment Pool (LAIF) to \$30 million. The City is unlimited in the amount and percentage of the total portfolio it may invest in Certificates of Deposit. As of June 30, 2005 the City is in compliance with these provisions of the policy.

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

2) Receivables and payables

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

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

3) Loans receivable

General Fund - A 16 year loan receivable dated June 29, 1993, from the Lompoc Redevelopment Agency, for the construction of a parking facility in the downtown area. The principal balance of \$140,594 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, 2005, the principal balances remaining on the loans are \$16,550 and \$85,600.

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. At June 30, 2005 the accrued interest for these loans is \$118,075, accruing at 3% per annum. At June 30, 2005, the balance of the loans, including interest, is approximately \$1.233 million and the Redevelopment Agency is contingently liable for payment of the loans if the recipients default on their payments.

Community Development Block Grant (CDBG) – The CDBG program offers loans to individuals, businesses, and non-profit organizations for use in economic development and the rehabilitation of low-income housing. These loans are payable in terms ranging from seven years to a maximum of thirty years, with interest rates ranging from 3% to 8%. At June 30, 2005, the principal balance of the loans is approximately \$3.3 million.

4) **Inter-fund receivables, payables and transfers**

Inter-fund receivables and payables

The composition of inter-fund balances as of June 30, 2005, is as follows:

	<u>Receivable</u>	<u>Payable</u>
GENERAL FUND	\$ 259,994	\$ -
NONMAJOR GOVERNMENTAL FUNDS	336,000	121,600
ENTERPRISE FUNDS:		
Water Utility Fund	99,864	
Electric Utility Fund	1,257,870	
Wastewater Utility Fund	213,665	
Solid Waste Fund		213,665
NONMAJOR ENTERPRISE FUNDS		1,832,128
	<u>\$ 2,167,393</u>	<u>\$ 2,167,393</u>

The balance owed to the General Fund of \$259,994 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 balance due from the Solid Waste Fund of \$213,665 consists of a loan of from the Wastewater Fund to purchase land from Cal-Trans in 1998 for \$314,280. The loan is being amortized over the next eleven years.

The balance of \$1.258 million owed to the Electric Fund consists of loans made to the Airport Fund and Broadband Fund to purchase land and construct a taxiway, and continue design work of the wireless fidelity system. The loans are being amortized over nineteen and ten 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	\$ 4,453,574	\$ 194,538
NONMAJOR GOVERNMENTAL FUNDS	129,538	3,286,617
INTERNAL SERVICE FUNDS	150,281	
ENTERPRISE FUNDS		
Water Utility Fund		26,661
Electric Utility Fund		1,193,166
Solid Waste Fund		97,411
NONMAJOR ENTERPRISE FUNDS	65,000	
	<u>\$ 4,798,393</u>	<u>\$ 4,798,393</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 \$3.08 million, which are routine transfers. The transfer of \$1.19 million from the

Electric Fund consists of transfers to the General Fund of \$1.176 million as an in-lieu franchise fee and \$17,240 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, 2005 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	36,752	34,385	(36,752)	34,385
Depreciable assets:				
Buildings and improvements	12,085,165	222,720		12,307,885
Machinery and equipment	19,372,354	1,395,470	(553,717)	20,214,107
Infrastructure	52,837,699	2,076,256		54,913,955
Totals at historical cost	<u>112,158,195</u>	<u>3,728,831</u>	<u>(590,469)</u>	<u>115,296,557</u>
Less: accumulated depreciation for:				
Buildings and improvements	(7,945,080)	(365,711)		(8,310,791)
Machinery and equipment	(11,150,120)	(1,330,943)	495,398	(11,985,665)
Infrastructure	(21,759,046)	(1,575,585)		(23,334,631)
Totals accumulated depreciation	<u>(40,854,246)</u>	<u>(3,272,239)</u>	<u>495,398</u>	<u>(43,631,087)</u>
Governmental activities capital assets, net	<u>\$ 71,303,949</u>	<u>\$ 456,592</u>	<u>\$ (95,071)</u>	<u>\$ 71,665,470</u>

Primary Government

	<u>Beginning Balance</u>	<u>Adjustments to Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:					
Non-depreciable assets:					
Land	\$ 7,220,585	\$ -	\$ -	\$ -	\$ 7,220,585
Construction in progress	6,618,635	166,061	13,593,142	(2,229,279)	\$ 18,148,559
Depreciable assets:					
Buildings and improvements	18,632,640		1,951,574		\$ 20,584,214
Machinery and equipment	83,836,455		2,196,756	(172,641)	\$ 85,860,570
Totals at historical cost	<u>116,308,315</u>	<u>166,061</u>	<u>17,741,472</u>	<u>(2,401,920)</u>	<u>131,813,928</u>
Less: accumulated depreciation for:					
Buildings and improvements	(2,487,381)		(360,343)		\$ (2,847,724)
Machinery and equipment	(50,595,725)	16,278	(2,717,126)	42,912	\$ (53,253,661)
Totals accumulated depreciation	<u>(53,083,106)</u>	<u>16,278</u>	<u>(3,077,469)</u>	<u>42,912</u>	<u>(56,101,385)</u>
Business-type activities capital assets, net	<u>\$ 63,225,209</u>	<u>\$ 182,339</u>	<u>\$ 14,664,003</u>	<u>\$ (2,359,008)</u>	<u>\$ 75,712,543</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$	131,930
Police protection		279,585
Fire protection		28,281
Engineering/streets		1,678,132
Building		82,302
Community development		43,344
Parks and recreation		74,129
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		954,536

Total depreciation expense

\$ 3,272,239

Business-type activities:

Water	\$	893,803
Electric		924,716
Wastewater		757,424
Solid Waste		151,647
Airport		60,427
Transit		219,274
River Park Campground		6,279
Health and welfare		63,899

Total depreciation expense

\$ 3,077,469

6) Joint ventures

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

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

TANC was organized under the California government code pursuant to a joint powers agreement entered into by 15 northern California utilities, of which the City is a part of under NCPA. Each TANC member has agreed to pay a pro 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.

	<u>PARTICIPATING PERCENTAGE</u>	<u>INVESTMENT</u>	<u>DATE OF LATEST AUDITED FINANCIAL STATEMENTS</u>
NCPA	3.938%	\$ 425,304	June 30, 2004
TANC	0.408%	6,711	June 30, 2004
Total		<u>\$ 432,015</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	\$ 69,064	\$ 8,272	\$ 77,336
Property, equipment and capital project costs	471,628	357,855	829,483
Restricted assets and other assets	455,586	112,449	568,035
TOTAL ASSETS	<u>\$ 996,278</u>	<u>\$ 478,576</u>	<u>\$ 1,474,854</u>
LIABILITIES AND CAPITALIZATION:			
Current liabilities	\$ 44,912	\$ 101,126	\$ 146,038
Member advances	1,453		1,453
Long-term debt and other liabilities	939,113	375,805	1,314,918
Members' capital	10,800	1,645	12,445
TOTAL LIABILITIES AND CAPITALIZATION	<u>\$ 996,278</u>	<u>\$ 478,576</u>	<u>\$ 1,474,854</u>
REVENUE:			
Interest	\$ 7,363	\$ 13,216	\$ 20,579
Operating revenues and other revenues	210,914	44,031	254,945
TOTAL REVENUE	<u>218,277</u>	<u>57,247</u>	<u>275,524</u>

COSTS AND EXPENSES:

General and other operating costs	137,542	20,991	158,533
Interest and other financing costs	76,382	36,544	112,926
TOTAL COSTS AND EXPENSES	213,924	57,535	271,459
Reserve additions and refunds	12,051		12,051
NET INCOME (LOSS)	(7,698)	(288)	(7,986)
ACCUMULATED NET REVENUES			
Beginning of year	18,498	1,933	20,431
End of year	\$ 10,800	\$ 1,645	\$ 12,445

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 \$57.51 million (TANC principal \$1.66 million, TANC interest \$784,942; NCPA principal \$32.13 million, NCPA interest \$22.93 million). Under certain circumstances, such as default or bankruptcy of the other participants, the City may also be liable to pay a portion of the debt of these agencies on behalf of the other participants in these agencies.

Northern California Power Agency

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

7) Leases under governmental activities

During the fiscal years ended June 30, 1996, 1997, 2000, and 2002, the City entered into long-term leases as lessee for financing the

purchase of \$2.765 million 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
2006	\$ 378,231
2007	327,753
2008	262,694
2009	233,426
2010	204,157
2011-2015	306,198
Total minimum lease payments	<u>1,712,459</u>
Amount representing interest	<u>(206,929)</u>
Present value of minimum lease payments	<u><u>\$ 1,505,530</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, 2002, and 2005 the City entered into long-term leases as lessee for financing purchases of \$3.58 million of certain equipment utilized in the Solid Waste, Water, Electric and Broadband Funds. These lease agreements allow the City, upon 30 days written notice, to terminate the leases as of the end of that fiscal year based solely on the City’s failure to appropriate funds for the subsequent years’ rental payments after exercising reasonable efforts to appropriate funds from any and all of its legally available sources. These leases qualified as capital leases for accounting purposes and therefore, were recorded at the present value of the future minimum lease payments at the date of inception of the leases.

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

FISCAL YEAR ENDED JUNE 30	CAPITAL LEASES
2006	\$ 305,625
2007	247,570
2008	194,340
2009	183,694
2010	173,049
2011-2015	556,000
Total minimum lease payments	1,660,278
Amount representing interest	(250,278)
Present value of minimum lease payments	<u>\$ 1,410,000</u>

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

9) **Long-term liability activity** for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One Year
Governmental Activities					
Compensated absences	\$ 1,917,474	\$ 1,820,625	\$ (1,722,208)	\$ 2,015,890	\$ 1,760,288
Accrued liabilities	4,274,208	761,333		5,035,541	1,510,662
Capital leases	1,913,290		(407,760)	1,505,530	316,248
Bonds payable		7,350,000		7,350,000	
Loans payable	1,189,925	33,150		1,223,075	
Governmental activities long-term liabilities	\$ 9,294,897	\$ 9,965,108	\$ (2,129,968)	\$ 17,130,036	\$ 3,587,199
Business-type activities					
Bonds and notes payable:					
Water notes payable	65,408		(4,021)	61,387	4,221
Airport notes payable	24,228		(12,564)	11,664	11,664
Water revenue bonds	7,162,337	8,370,000	(218,766)	15,313,571	397,516
Wastewater revenue bonds	1,022,663	8,600,000	(31,234)	9,591,429	212,484
	8,274,636	16,970,000	(266,585)	24,978,051	625,885
Less: deferred amount on refundings	(492,726)		27,373	(465,353)	
Total bonds and notes payable	7,781,910	16,970,000	(239,212)	24,512,698	625,885
Compensated absences	783,578	998,189	(863,485)	918,282	801,849
Capital leases-Solid Waste	433,673	55,053	(175,298)	313,428	130,116
Capital leases-Water	179,142		(27,578)	151,564	23,542
Capital leases-Electric	209,914		(32,307)	177,607	27,578
Capital leases-Broadband		800,000	(32,599)	767,401	67,266
Landfill closure & postclosure	3,825,307			3,825,307	
Trust deposits	5,550		(200)	5,350	
Reserve Fund - VVCSD	334,411		(2,516)	331,895	
Business-type activities Long-term liabilities	\$ 13,553,485	\$ 18,823,242	\$ (1,373,195)	\$ 31,003,532	\$ 1,676,236

Long-term debt other than capital leases at June 30, 2005 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	\$ 7,935,000	
Deferred amount of refunding	(465,353)	
	<hr/>	
Amount shown on financial statements		7,469,647
Total revenue bonds		<hr/> <hr/> \$ 7,469,647

2005 Water and Wastewater Revenue Bonds

On March 22, 2005, Revenue Bonds in the amount of \$16,970,000 were sold. \$8,370,000 of this bond issue is to be used to finance four new Water Fund Capital projects and the remaining amount is to be used to finance two Wastewater Fund Capital projects. \$10,990,000 are serial bonds with interest rates ranging from 3.50% to 4.50% due in annual installments from \$350,000 to \$715,000 from March 1, 2006 to March 1, 2028; \$1,525,000 term bonds, 4.50% due March 1, 2030; \$4,455,000 term bonds, 4.50% due March 1, 2035.

Principal Outstanding

\$16,970,000

Loan payable (Water Utility Fund)

U.S. Department of Commerce, Economic Development Administration, Wet Well Loan, Contract Number 078100237-01; a 1978 simple interest loan of 5% payable June 30; annual payment of \$7,290; final payment is due June 30, 2017. Proceeds were used toward the construction of a wet well.
Original issue \$124,000

\$ 61,387

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.

\$ 11,664

The annual requirements in the Enterprise Funds to amortize Revenue Bonds and Loans Payable outstanding as of June 30, 2005 are as follows:

YEAR ENDING JUNE 30	REVENUE BONDS		
	PRINCIPAL	INTEREST	TOTAL
2006	\$ 610,000	\$ 1,057,002	\$ 1,667,002
2007	590,000	1,075,543	1,665,543
2008	610,000	1,052,868	1,662,868
2009	635,000	1,029,418	1,664,418
2010	655,000	1,004,407	1,659,407
2011-2015	3,730,000	4,585,047	8,315,047
2016-2020	4,605,000	3,697,763	8,302,763
2021-2025	4,645,000	2,605,067	7,250,067
2026-2030	4,370,000	1,579,220	5,949,220
2031-2035	4,455,000	618,975	5,073,975
	<u>\$ 24,905,000</u>	<u>\$ 18,305,310</u>	<u>\$ 43,210,310</u>
YEAR ENDING JUNE 30	LOANS PAYABLE		
	PRINCIPAL	INTEREST	TOTAL
2006	\$ 15,885	\$ 3,106	\$ 18,991
2007	4,432	2,858	7,290
2008	4,653	2,637	7,290
2009	4,886	2,404	7,290
2010	5,130	2,160	7,290
2011-2015	29,765	6,684	36,449
2016-2018	8,300	486	8,786
	<u>\$ 73,051</u>	<u>\$ 20,335</u>	<u>\$ 93,386</u>

Revenue Bonds

2004 Redevelopment Agency - Aquatic Center Revenue Bonds

On November 23, 2004, Revenue Bonds in the amount of \$7,350,000 were sold. All proceeds of this bond issue are being used to finance the construction of the City's new Aquatic Center. \$4,345,000 are serial bonds with interest rates ranging from 2.75% to 4.75% due in annual installments from \$150,000 to \$300,000 from September 2, 2006 to September 2, 2026; \$1,360,000 term bonds, 4.80% due in annual installments from \$315,000 to \$365,000 from September 2, 2027 to September 2, 2030; \$1,645,000 term bonds, 4.85% due in annual installments from \$385,000 to \$440,000 from September 2, 2031 to September 2, 2034.

Principal Outstanding

\$7,350,000

The Redevelopment Debt Service Fund will pay remaining debt service from future property tax revenue. The annual debt service requirements to maturity as of June 30, 2005 are as follows:

YEAR ENDING JUNE 30	REVENUE BONDS		
	PRINCIPAL	INTEREST	TOTAL
2006	\$ -	\$ 316,598	\$ 316,598
2007	150,000	314,535	464,535
2008	150,000	310,410	460,410
2009	155,000	306,216	461,216
2010	160,000	301,685	461,685
2011-2015	855,000	1,425,616	2,280,616
2016-2020	1,025,000	1,248,941	2,273,941
2021-2025	1,260,000	1,011,185	2,271,185
2026-2030	1,585,000	683,543	2,268,543
2031-2035	2,010,000	252,594	2,262,594
	<u>\$ 7,350,000</u>	<u>\$ 6,171,323</u>	<u>\$ 13,521,323</u>

10) **Other Long-Term Liabilities**

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

Revenue Bonds

2004 Park & Maintenance Assessment District Bonds (Not obligations of the City)

On November 23, 2004, Revenue Bonds in the amount of \$2,605,000 were sold. All proceeds of this bond issue are being used to finance park improvements, maintenance, and other capital improvements. \$1,515,000 are serial bonds with interest rates ranging from 2.75% to 4.75% due in annual installments from \$30,000 to \$110,000 from September 2, 2006 to September 2, 2026; \$490,000 term bonds, 4.8% due in annual installments from \$115,000 to \$130,000 from September 2, 2027 to September 2, 2030; \$600,000 term bonds, 4.85% due in annual installments from \$140,000 to \$160,000 from September 2, 2031 to September 2, 2034.

Principal Outstanding

\$2,605,000

11) **Loans payable**

The Lompoc Redevelopment Agency issued loans payable as follows:

	<u>Loan Amount</u>	<u>Principal Due at June 30, 2005</u>
City of Lompoc (General Fund)	233,000	\$140,594
	119,801	85,600
	<u>22,700</u>	<u>16,550</u>
	<u>\$588,834</u>	<u>\$242,744</u>
CHFA	<u>\$1,223,075</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, 2005, the balance of the loans is \$1.223 million and the Redevelopment Agency is contingently liable for payments of the loans if the recipients default on their payments.

12) **Deferred compensation plan**

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

13) **Defined benefit pension plan**

Public Employees Retirement System

Plan Description: The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office – 400 P Street – Sacramento, 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, 2005 were 10.906% for non-safety members and 24.203% for safety members. Non-safety members contribute 8% and safety members contribute 9% of their annual covered salary. The City makes the contributions required of non-safety employees on their behalf and pays a portion of the contributions of safety employees for their behalf and for their accounts. The contribution requirements of the City and plan members are established and may be amended by PERS.

Annual Pension Cost: For fiscal year 2004/05, the City's annual pension cost of \$2.89 million for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected annual salary increases that vary by duration of service; and (c) 3.25% annual payroll growth. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2004, was 14 years for safety and 20 years for miscellaneous. June 30, 2004 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
6/30/2002	\$878,683	100.00%	\$0
6/30/2003	944,190	100.00%	0
6/30/2004	1,051,612	100.00%	0

Safety Employees:

6/30/2002	\$482,626	100.00%	\$0
6/30/2003	432,533	100.00%	0
6/30/2004	682,643	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	
						{[(B) - (A)]/(E)}
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%
6/30/2004	69,763,418	78,172,083	8,408,665	89.2%	14,897,986	56.442%
<u>Safety Employees:</u>						
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%	4,577,484	102.595%
6/30/2004	35,369,490	40,522,288	5,152,798	87.3%	5,022,670	102.591%

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 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 thirty-two retirees eligible for Medicare. Expenditures for post-employment health care benefits are recognized as monthly premiums when paid. During the year, expenditures of \$180,935 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, 2005:

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 -

\$ 27,496

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 -

502,738

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

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

766,179

**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 - 783,018

**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. 1,446,344

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 - 3,646

RESERVE FOR CAPITAL PROJECTS – CAPITAL DEVELOPMENT FUNDS:

Used to indicate reserves established to pay for construction of the
aquatic center. 1,428,699

RESERVE FOR ENCUMBRANCES – SPECIAL REVENUE FUNDS:

Used to indicate commitments related to unperformed (executory) contracts
for goods or services 1,453,879

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 \$73.43 million. Various unique risks, such as boilers, machinery and data processing equipment are also insured.

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

The City is self-insured for the first \$100,000 per occurrence, and excess insurance through CPEIA provides coverage to a maximum of \$15 million 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 2005, 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, 2005 the estimated outstanding liability was \$4.87 million for workers' compensation and \$155,780 for general liability. The Insurance Control Fund has total net assets of \$955,859 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 \$7,800 at June 30, 2005. 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, 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	146,012	4,128,196
Incurred claims (including IBNR)	1,222,835	(182,297)
Claim payments	(35,324)	(243,881)
Unpaid claims liability, June 30, 2005	<u>\$ 1,333,523</u>	<u>\$ 3,702,018</u>

16) Prior period adjustments

Certain adjustments have been made to July 1, 2004 fund balances and net assets as follows:

<u>GENERAL FUND</u>	Increase (Decrease) in Fund Balances and Net Assets
Adjustment from prior year error in recording of accrued interest income and accounts receivable	\$440,801

SPECIAL REVENUE FUNDS

RDA Low/Moderate Income Housing Fund	
Adjustment from prior year error in recording of accrued interest income	3,629
PEG Cable Access Fund	
Adjustment from prior year error in recording of accrued interest income	2,617
Library Funds	
Adjustment from prior year error in recording of accrued interest income	1,725
California Literacy Grant Fund	
Adjustment from prior year error in recording of accrued interest income	146
Capital Development Fund	
Adjustment from prior year error in recording of accrued interest income	3,474
Transportation Improvement Fund	
Adjustment from prior year error in recording of accrued interest income and under-accrual accounts receivable	261,756
Civic Center Fund	
Adjustment from prior year error in recording of accrued interest income	669
Special Gas Tax Fund	
Adjustment from prior year error in recording of accrued interest income	2,166
Transportation Fund	
Adjustment from prior year error in recording of accrued interest income and under accrual accounts receivable	110,583

Parking In-Lieu Fund	
Adjustment from prior year error in recording of accrued interest income	228
Street Development Fund	
Adjustment from prior year error in recording of accrued interest income	15,017
Traffic Offender Fund	
Adjustment from prior year error in recording of accrued interest income	(113)
Traffic Congestion Relief Fund	
Adjustment from prior year error in recording of accrued interest income	178
Housing In-Lieu Fund	
Adjustment from prior year error in recording of accrued interest income	3,948
Jailer-Dispatcher Fund	
Adjustment from prior year error in recording of accrued interest income	1,105
Community Development Funds	
Adjustment from prior year error in recording of accrued interest income	11,096
Human Services Fund	
Adjustment from prior year error in recording of accrued interest income	488
Beautification Fund	
Adjustment from prior year error in recording of accrued interest income	140

CAPITAL PROJECT FUNDS

Redevelopment Agency Fund	
Adjustment from prior year error in recording of accrued interest income	9,319
Park Maintenance and Pool Assessment District Fund	
Adjustment from prior year error in recording of accrued interest income	2,107
Redevelopment – Aquatic Center Construction Fund	
Adjustment from prior year error in recording of contributed capital	(458,588)

INTERNAL SERVICE FUNDS

Stores Inventory Fund	
Adjustment from prior year error in recording of accrued interest income	818
Insurance Control Fund	
Adjustment from prior year error in recording of accrued interest income	29,957
Vehicle Fund	
Adjustment from prior year error in recording of accrued interest income	16,607

ENTERPRISE FUNDS

Water Fund	
Adjustment from prior year error in recording of accrued interest income and over-accrual accounts receivable	(420,088)
Wastewater Fund	
Adjustment from prior year error in recording of accrued interest income and under-accrual of accounts receivable	138,188

Electric Fund	
Adjustment from prior year error in recording of construction in progress, accrued interest income, and under-accrual of receivable	228,761
Airport Fund	
Adjustment from prior year error in recording of accrued interest income	274
Solid Waste Fund	
Adjustment from prior year error in recording of accrued interest income and under-accrual of accounts receivable	102,683
Transit Fund	
Adjustment from prior year error in posting of contract expense, over-accrual of depreciation expense, under-accrual of sales tax revenue and error in recording of accrued interest income	213,588
Recreation Fund	
Adjustment from prior year error in recording of accrued interest income	31
River Park Campground Fund	
Adjustment from prior year error in recording of accrued interest income	633
Community Center Fund	
Adjustment from prior year error in recording of accrued interest income	456

Aquatic Center Fund	
Adjustment from prior year error in recording of contributed capital	522,588
 Broadband Fund	
Adjustment from prior year error in recording of capital assets	166,061

17) **Excess of expenditures over appropriations**

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

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Police Protection	\$454,956
Community Development	357,018
Fire	77,887

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 Fire Department were due to greater than forecast overtime charges.

18) 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 \$3.82 million reported as landfill closure and postclosure care liability at June 30, 2005 represents the cumulative amount to date based on the use of 56.6 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 2005. 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, 2005, restricted cash in the amount of \$2.47 million is held for these purposes. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional 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.

City of Lompoc
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005
(Page 1 of 6)

	Special Revenue Funds				
	Transportation Improvement Fund	Civic Center Fund	Street Development Fund	Special Gas Tax Fund	Capital Development Fund
ASSETS					
Cash and investments	\$ 3,809,566	\$ 74,649	\$ 2,242,706	\$ 322,593	\$ 823,871
Receivables:					
Accounts receivable, net	331,245		44,339	134,171	
Interest receivable	43,576	821	25,600	3,546	9,155
Due from other funds			86,000		
Loans receivable					
Inventory				3,646	
Total assets	\$ 4,184,387	\$ 75,470	\$ 2,398,645	\$ 463,956	\$ 833,026
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 34	\$ 178	\$ 92	\$ 18,885	\$ 7,454
Accrued liabilities					
Loans payable					
Deposits			409,431		
Due to other funds					
Deferred revenue					
Total liabilities	34	178	409,523	18,885	7,454
Fund balances:					
Reserved for encumbrances	769,169		174,965	144,272	
Reserved for land development					783,018
Reserved for capital projects					
Reserved for debt service					
Reserved for low income housing					
Reserved for inventories				3,646	
Reserved for economic uncertainties					
Unreserved:					
Undesignated	3,415,184	75,292	1,814,157	297,153	42,554
Total fund balances (deficit)	4,184,353	75,292	1,989,122	445,071	825,572
Total liabilities and fund balances	\$ 4,184,387	\$ 75,470	\$ 2,398,645	\$ 463,956	\$ 833,026

City of Lompoc
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005
(Page 2 of 6)

	Special Revenue Funds				
	Local Transportation Fund	Parking Maintenance Funds	Jailer - Dispatcher Training Fund	Community Development Funds	Human Services Fund
ASSETS					
Cash and investments	\$ 1,850	\$ 54,641	\$ 3,862	\$ 2,357,490	\$ 80,052
Receivables:					
Accounts receivable, net	100,836			133,292	1,424
Interest receivable		446		25,958	880
Due from other funds	250,000				
Loans receivable				3,298,570	
Inventory					
Total assets	\$ 352,686	\$ 55,087	\$ 3,862	\$ 5,815,310	\$ 82,356
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 34	\$ -	\$ 65,552	\$ 34,128
Accrued liabilities					
Loans payable					
Deposits					
Due to other funds	86,000				
Deferred revenue				3,304	
Total liabilities	86,000	34	-	68,856	34,128
Fund balances:					
Reserved for encumbrances				350,707	
Reserved for land development					
Reserved for capital projects					
Reserved for debt service					
Reserved for low income housing					
Reserved for inventories					
Reserved for economic uncertainties					
Unreserved:					
Undesignated	266,686	55,053	3,862	5,395,747	48,228
Total fund balances (deficit)	266,686	55,053	3,862	5,746,454	48,228
Total liabilities and fund balances	\$ 352,686	\$ 55,087	\$ 3,862	\$ 5,815,310	\$ 82,356

City of Lompoc
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005
(Page 3 of 6)

	Special Revenue Funds				
	Beautification Fund	Library Funds	Literacy Grant Fund	SLTPP Fund	Economic Uncertainty Fund
ASSETS					
Cash and investments	\$ 24,269	\$ 323,553	\$ 7,138	\$ 106,816	\$ 2,000,000
Receivables:					
Accounts receivable, net	99	499	1,322		
Interest receivable	267	3,645	96		
Due from other funds					
Loans receivable					
Inventory					
Total assets	<u>\$ 24,635</u>	<u>\$ 327,697</u>	<u>\$ 8,556</u>	<u>\$ 106,816</u>	<u>\$ 2,000,000</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 237	\$ 13,580	\$ 3,666	\$ -	\$ -
Accrued liabilities		4,565	792		
Loans payable					
Deposits					
Due to other funds					
Deferred revenue		9,997			
Total liabilities	<u>237</u>	<u>28,142</u>	<u>4,458</u>	<u>-</u>	<u>-</u>
Fund balances:					
Reserved for encumbrances		8,965			
Reserved for land development					
Reserved for capital projects					
Reserved for debt service					
Reserved for low income housing					
Reserved for inventories					
Reserved for economic uncertainties					2,000,000
Unreserved:					
Undesignated	24,398	290,590	4,098	106,816	
Total fund balances (deficit)	<u>24,398</u>	<u>299,555</u>	<u>4,098</u>	<u>106,816</u>	<u>2,000,000</u>
Total liabilities and fund balances	<u>\$ 24,635</u>	<u>\$ 327,697</u>	<u>\$ 8,556</u>	<u>\$ 106,816</u>	<u>\$ 2,000,000</u>

City of Lompoc
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005
(Page 4 of 6)

	Special Revenue Funds				
	COPS Grant Fund	Federal Road Fund	Traffic Offender Fund	Local STP Fund	Traffic Congestion Fund
ASSETS					
Cash and investments	\$ 36	\$ 170,033	\$ 476	\$ 186,581	\$ 17,598
Receivables:					
Accounts receivable, net					
Interest receivable	1,587				193
Due from other funds					
Loans receivable					
Inventory					
Total assets	<u>\$ 1,623</u>	<u>\$ 170,033</u>	<u>\$ 476</u>	<u>\$ 186,581</u>	<u>\$ 17,791</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 385	\$ -	\$ -
Accrued liabilities			386		
Loans payable					
Deposits					
Due to other funds			35,600		
Deferred revenue					
Total liabilities	<u>-</u>	<u>-</u>	<u>36,371</u>	<u>-</u>	<u>-</u>
Fund balances:					
Reserved for encumbrances		5,801			
Reserved for land development					
Reserved for capital projects					
Reserved for debt service					
Reserved for low income housing					
Reserved for inventories					
Reserved for economic uncertainties					
Unreserved:					
Undesignated	<u>1,623</u>	<u>164,232</u>	<u>(35,895)</u>	<u>186,581</u>	<u>17,791</u>
Total fund balances (deficit)	<u>1,623</u>	<u>170,033</u>	<u>(35,895)</u>	<u>186,581</u>	<u>17,791</u>
Total liabilities and fund balances	<u>\$ 1,623</u>	<u>\$ 170,033</u>	<u>\$ 476</u>	<u>\$ 186,581</u>	<u>\$ 17,791</u>

City of Lompoc
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005
(Page 5 of 6)

	Special Revenue Funds			Capital Project Funds	
	Public Education & Government Access Fund	Housing In-Lieu Fund	Redevelopment Housing Fund	Redevelopment Agency Fund	Park Assessment District Fund
ASSETS					
Cash and investments	\$ 440,357	\$ 1,309,382	\$ 976,420	\$ 1,712,455	\$ 446,083
Receivables:					
Accounts receivable, net			1,460		
Interest receivable	4,840	14,393	10,761	9,556	3,938
Due from other funds					
Loans receivable			1,001,891	99,431	
Inventory					
Total assets	\$ 445,197	\$ 1,323,775	\$ 1,990,532	\$ 1,821,442	\$ 450,021
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 19,472	\$ -	\$ 13	\$ 15,903	\$ -
Accrued liabilities			1,265	1,334	576
Loans payable				242,744	
Deposits					
Due to other funds					
Deferred revenue					
Total liabilities	19,472	-	1,278	259,981	576
Fund balances:					
Reserved for encumbrances					
Reserved for land development					
Reserved for capital projects					
Reserved for debt service			1,223,075		
Reserved for low income housing			766,179		
Reserved for inventories					
Reserved for economic uncertainties					
Unreserved:					
Undesignated	425,725	1,323,775	-	1,561,461	449,445
Total fund balances (deficit)	425,725	1,323,775	1,989,254	1,561,461	449,445
Total liabilities and fund balances	\$ 445,197	\$ 1,323,775	\$ 1,990,532	\$ 1,821,442	\$ 450,021

City of Lompoc
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005
(Page 6 of 6)

	<u>Capital Project Funds</u>	<u>Debt Service Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	City - Aquatic Center Construction Fund	Redevelopment - Aquatic Center Debt Service Fund	Assessment District Debt Service Fund	Lease Purchase Fund	
ASSETS					
Cash and investments	\$ 67,126	\$ 149,589	\$ 55,315	\$ -	\$ 17,764,507
Receivables:					
Accounts receivable, net		5,838			754,525
Interest receivable		10,941	1,586		171,785
Due from other funds					336,000
Loans receivable					4,399,892
Inventory					3,646
Total assets	<u>\$ 67,126</u>	<u>\$ 166,368</u>	<u>\$ 56,901</u>	<u>\$ -</u>	<u>\$ 23,430,355</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 179,613
Accrued liabilities					8,918
Loans payable					242,744
Deposits					409,431
Due to other funds					121,600
Deferred revenue					13,301
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>975,607</u>
Fund balances:					
Reserved for encumbrances					1,453,879
Reserved for land development					783,018
Reserved for capital projects	67,126				67,126
Reserved for debt service		166,368	56,901		1,446,344
Reserved for low income housing					766,179
Reserved for inventories					3,646
Reserved for economic uncertainties					2,000,000
Unreserved:					
Undesignated					15,934,556
Total fund balances (deficit)	<u>67,126</u>	<u>166,368</u>	<u>56,901</u>	<u>-</u>	<u>22,454,748</u>
Total liabilities and fund balances	<u>\$ 67,126</u>	<u>\$ 166,368</u>	<u>\$ 56,901</u>	<u>\$ -</u>	<u>\$ 23,430,355</u>

City of Lompoc
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005
(Page 1 of 5)

	Special Revenue Funds					
	Transportation Improvement Fund	Civic Center Fund	Street Development Fund	Special Gas Tax Fund	Capital Development Fund	Local Transportation Fund
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	2,093,005			761,113		763,321
Licenses, fees and permits		21,206	161,819		260,572	
Intergovernmental			44,339			
Charges for current services						
Use of money and property	155,465	3,628	89,968	11,070	28,030	5,849
Special assessments						
Donations						
Other revenue						
Total revenues	<u>2,248,470</u>	<u>24,834</u>	<u>296,126</u>	<u>772,183</u>	<u>288,602</u>	<u>769,170</u>
Expenditures:						
Current:						
Police protection						
Engineering / streets			24,135	435,223		
Community development						
Parks and recreation						
Health						
Debt service:						
Principal						
Interest						
Capital outlay	680,440		229,023	74,520	17,679	72,616
Total expenditures	<u>680,440</u>	<u>-</u>	<u>253,158</u>	<u>509,743</u>	<u>17,679</u>	<u>72,616</u>
Excess of revenues over (under) expenditures	<u>1,568,030</u>	<u>24,834</u>	<u>42,968</u>	<u>262,440</u>	<u>270,923</u>	<u>696,554</u>
Other financing sources (uses):						
Transfers in						
Transfers (out)	(1,603,412)			(200,000)	(8,969)	(1,100,000)
Total other financing sources (uses)	<u>(1,603,412)</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>(8,969)</u>	<u>(1,100,000)</u>
Net change in fund balances	(35,382)	24,834	42,968	62,440	261,954	(403,446)
Fund balances, beginning of year	3,957,979	49,789	1,931,137	380,465	560,144	559,549
Prior period adjustments	261,756	669	15,017	2,166	3,474	110,583
Fund balances (deficit), end of year	<u>\$ 4,184,353</u>	<u>\$ 75,292</u>	<u>\$ 1,989,122</u>	<u>\$ 445,071</u>	<u>\$ 825,572</u>	<u>\$ 266,686</u>

City of Lompoc
Combining Statement of Revenues, Expenditures,
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	Special Revenue Funds					
	Parking Maintenance Funds	Jailer - Dispatcher Training Fund	Community Development Funds	Human Services Fund	Beautification Fund	Library Services Funds
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes						
Licenses, fees and permits	3,500					6,814
Intergovernmental			1,184,097			450,984
Charges for current services						118,688
Use of money and property	1,654		271,956	3,009	1,004	12,394
Special assessments						
Donations				42,546	1,914	357,363
Other revenue			2,973			7,717
Total revenues	<u>5,154</u>	<u>-</u>	<u>1,459,026</u>	<u>45,555</u>	<u>2,918</u>	<u>953,960</u>
Expenditures:						
Current:						
Police protection						
Engineering / streets	1,679					
Community development			941,451		2,621	
Parks and recreation						920,999
Health				56,435		
Debt service:						
Principal						
Interest						
Capital outlay			411,352			5,697
Total expenditures	<u>1,679</u>	<u>-</u>	<u>1,352,803</u>	<u>56,435</u>	<u>2,621</u>	<u>926,696</u>
Excess of revenues over (under) expenditures	<u>3,475</u>	<u>-</u>	<u>106,223</u>	<u>(10,880)</u>	<u>297</u>	<u>27,264</u>
Other financing sources (uses):						
Transfers in						
Transfers (out)						
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,475	-	106,223	(10,880)	297	27,264
Fund balances, beginning of year	51,350	3,862	5,629,135	58,620	23,961	270,566
Prior period adjustments	228		11,096	488	140	1,725
Fund balances (deficit), end of year	<u>\$ 55,053</u>	<u>\$ 3,862</u>	<u>\$ 5,746,454</u>	<u>\$ 48,228</u>	<u>\$ 24,398</u>	<u>\$ 299,555</u>

City of Lompoc
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Special Revenue Funds

	<u>Literacy Grant Fund</u>	<u>SLTPP Fund</u>	<u>Economic Uncertainty Fund</u>	<u>COPS Grant Fund</u>	<u>Federal Road Fund</u>	<u>Traffic Offender Fund</u>
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes						
Licenses, fees and permits						23,749
Intergovernmental	70,552			100,000	16,680	
Charges for current services						
Use of money and property	739		50,856	6,423		(1,062)
Special assessments						
Donations	14,355					
Other revenue						
Total revenues	<u>85,646</u>	<u>-</u>	<u>50,856</u>	<u>106,423</u>	<u>16,680</u>	<u>22,687</u>
Expenditures:						
Current:						
Police protection						97,693
Engineering / streets						
Community development						
Parks and recreation	111,058					
Health						
Debt service:						
Principal						
Interest					10,001	
Capital outlay						
Total expenditures	<u>111,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,001</u>	<u>97,693</u>
Excess of revenues over (under) expenditures	<u>(25,412)</u>	<u>-</u>	<u>50,856</u>	<u>106,423</u>	<u>6,679</u>	<u>(75,006)</u>
Other financing sources (uses):						
Transfers in						58,861
Transfers (out)			(50,856)	(144,380)		
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(50,856)</u>	<u>(144,380)</u>	<u>-</u>	<u>58,861</u>
Net change in fund balances	<u>(25,412)</u>	<u>-</u>	<u>-</u>	<u>(37,957)</u>	<u>6,679</u>	<u>(16,145)</u>
Fund balances, beginning 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>
Prior period adjustments	<u>146</u>			<u>1,105</u>		<u>(113)</u>
Fund balances (deficit), end of year	<u>\$ 4,098</u>	<u>\$ 106,816</u>	<u>\$ 2,000,000</u>	<u>\$ 1,623</u>	<u>\$ 170,033</u>	<u>\$ (35,895)</u>

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	Special Revenue Funds					Capital Project Funds
	Local STP Fund	Traffic Congestion Relief Fund	Public Education & Government Access Fund	Housing In-Lieu Fund	Redevelopment Housing Fund	Redevelopment Agency Fund
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 350,155	\$ -
Sales and use taxes						
Licenses, fees and permits			697,705	1,292,700		
Intergovernmental						
Charges for current services			1,185			
Use of money and property		968	18,178	41,159	57,467	67,647
Special assessments						
Donations						
Other revenue			200		33,063	33
Total revenues	-	968	717,268	1,333,859	440,685	67,680
Expenditures:						
Current:						
Police protection						
Engineering / streets						
Community development					118,514	416,921
Parks and recreation			202,735			
Health						
Debt service:						
Principal						214,549
Interest						18,455
Capital outlay			82,124			27,496
Total expenditures	-	-	284,859	-	118,514	677,421
Excess of revenues over (under) expenditures	-	968	432,409	1,333,859	322,171	(609,741)
Other financing sources (uses):						
Transfers in						1,150,198
Transfers (out)	(179,000)					
Total other financing sources (uses)	(179,000)	-	-	-	-	1,150,198
Net change in fund balances	(179,000)	968	432,409	1,333,859	322,171	540,457
Fund balances, beginning of year	365,581	16,645	(9,301)	(14,032)	1,663,454	1,011,685
Prior period adjustments		178	2,617	3,948	3,629	9,319
Fund balances (deficit), end of year	\$ 186,581	\$ 17,791	\$ 425,725	\$ 1,323,775	\$ 1,989,254	\$ 1,561,461

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	Capital Project Funds		Debt Service Funds			Total Nonmajor Governmental Funds
	Park Assessment District Fund	City - Aquatic Center Construction Fund	Redevelopment - Aquatic Center Debt Service Fund	Assessment District Debt Service Fund	Lease Purchase Fund	
Revenues:						
Property taxes	\$ -	\$ -	\$ 1,400,621	\$ 2,729	\$ -	\$ 1,753,505
Sales and use taxes						3,617,439
Licenses, fees and permits						2,468,065
Intergovernmental		67,126				1,933,778
Charges for current services						119,873
Use of money and property	9,986		6,228	7,272		849,888
Special assessments	49,422			166,979		216,401
Donations						416,178
Other revenue						43,986
Total revenues	59,408	67,126	1,406,849	176,980	-	11,419,113
Expenditures:						
Current:						
Police protection						97,693
Engineering / streets						461,037
Community development			3,219			1,482,726
Parks and recreation	60,231					1,295,023
Health						56,435
Debt service:						
Principal					56,525	271,074
Interest			87,064	31,118	14,152	150,789
Capital outlay						1,610,948
Total expenditures	60,231	-	90,283	31,118	70,677	5,425,725
Excess of revenues over (under) expenditures	(823)	67,126	1,316,566	145,862	(70,677)	5,993,388
Other financing sources (uses):						
Transfers in	88,961				70,677	1,368,697
Transfers (out)			(1,150,198)	(88,961)		(4,525,776)
Total other financing sources (uses)	88,961	-	(1,150,198)	(88,961)	70,677	(3,157,079)
Net change in fund balances	88,138	67,126	166,368	56,901	-	2,836,309
Fund balances, beginning of year	359,200	-	-	-	-	19,188,161
Prior period adjustments	2,107					430,278
Fund balances (deficit), end of year	\$ 449,445	\$ 67,126	\$ 166,368	\$ 56,901	\$ -	\$ 22,454,748

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	\$ 2,000,298	\$ 2,093,005	\$ 92,707	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees, and permits				10,000	21,206	11,206	10,000	161,819	151,819
Intergovernmental							50,000	44,339	(5,661)
Charges for current services									
Use of money and property	90,000	155,465	65,465	2,000	3,628	1,628	12,000	89,968	77,968
Special assessments									
Donations									
Other revenue									
Total revenues	<u>2,090,298</u>	<u>2,248,470</u>	<u>158,172</u>	<u>12,000</u>	<u>24,834</u>	<u>12,834</u>	<u>72,000</u>	<u>296,126</u>	<u>224,126</u>
Expenditures:									
Current:									
Police protection									
Engineering / streets							24,137	24,135	2
Community development				2,901		2,901			
Parks and recreation									
Health									
Debt service:									
Principal									
Interest									
Capital outlay	1,238,400	680,440	557,960				11,401	229,023	(217,622)
Total expenditures	<u>1,238,400</u>	<u>680,440</u>	<u>557,960</u>	<u>2,901</u>	<u>-</u>	<u>2,901</u>	<u>35,538</u>	<u>253,158</u>	<u>(217,620)</u>
Excess of revenues over (under) expenditures	<u>851,898</u>	<u>1,568,030</u>	<u>716,132</u>	<u>9,099</u>	<u>24,834</u>	<u>15,735</u>	<u>36,462</u>	<u>42,968</u>	<u>6,506</u>
Other financing sources (uses):									
Proceeds from loans									
Transfers in									
Transfers out	(1,448,412)	(1,603,412)	(155,000)						
Total other financing sources (uses)	<u>(1,448,412)</u>	<u>(1,603,412)</u>	<u>(155,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(596,514)	(35,382)	561,132	9,099	24,834	15,736	36,462	42,968	6,506
Fund balances, beginning of year	3,957,979	3,957,979		49,789	49,789		1,931,137	1,931,137	
Prior period adjustments		261,756	261,756		669	669		15,017	15,017
Fund balances (deficit), end of year	<u>\$ 3,361,465</u>	<u>\$ 4,184,353</u>	<u>\$ 822,888</u>	<u>\$ 58,887</u>	<u>\$ 75,292</u>	<u>\$ 16,405</u>	<u>\$ 1,967,599</u>	<u>\$ 1,989,122</u>	<u>\$ 21,523</u>

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	984,916	761,113	(223,803)				997,065	763,321	(233,744)
Licenses, fees, and permits				354,380	260,572	(93,808)			
Intergovernmental									
Charges for current services									
Use of money and property	5,200	11,070	5,870	18,000	28,030	10,030	8,200	5,849	(2,351)
Special assessments									
Donations									
Other revenue						-			
Total revenues	<u>990,116</u>	<u>772,183</u>	<u>(217,933)</u>	<u>372,380</u>	<u>288,602</u>	<u>(83,778)</u>	<u>1,005,265</u>	<u>769,170</u>	<u>(236,095)</u>
Expenditures:									
Current:									
Police protection									
Engineering / streets	622,569	435,223	187,346						
Community development									
Parks and recreation									
Health									
Debt service:									
Principal									
Interest									
Capital outlay	322,360	74,520	247,840	128,601	17,679	110,922	150,000	72,616	77,384
Total expenditures	<u>944,929</u>	<u>509,743</u>	<u>435,186</u>	<u>128,601</u>	<u>17,679</u>	<u>110,922</u>	<u>150,000</u>	<u>72,616</u>	<u>77,384</u>
Excess of revenues over (under) expenditures	<u>45,187</u>	<u>262,440</u>	<u>217,253</u>	<u>243,779</u>	<u>270,923</u>	<u>27,144</u>	<u>855,265</u>	<u>696,554</u>	<u>(158,711)</u>
Other financing sources (uses):									
Proceeds from loans									
Transfers in									
Transfers out	(200,000)	(200,000)	-	(50,000)	(8,969)	41,031	(1,200,000)	(1,100,000)	100,000
Total other financing sources (uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>(50,000)</u>	<u>(8,969)</u>	<u>41,031</u>	<u>(1,200,000)</u>	<u>(1,100,000)</u>	<u>100,000</u>
Net change in fund balances	<u>(154,813)</u>	<u>62,440</u>	<u>217,253</u>	<u>193,779</u>	<u>261,954</u>	<u>68,175</u>	<u>(344,735)</u>	<u>(403,446)</u>	<u>(58,711)</u>
Fund balances, beginning of year	<u>380,465</u>	<u>380,465</u>		<u>560,144</u>	<u>560,144</u>		<u>559,549</u>	<u>559,549</u>	
Prior period adjustments		<u>2,166</u>	<u>2,166</u>		<u>3,474</u>	<u>3,474</u>		<u>110,583</u>	<u>110,583</u>
Fund balances (deficit), end of year	<u>\$ 225,652</u>	<u>\$ 445,071</u>	<u>\$ 219,419</u>	<u>\$ 753,923</u>	<u>\$ 825,572</u>	<u>\$ 71,649</u>	<u>\$ 214,814</u>	<u>\$ 266,686</u>	<u>\$ 51,872</u>

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	-						
Intergovernmental							1,184,097	1,184,097	
Charges for current services									
Use of money and property		1,654	1,654				271,956	271,956	
Special assessments									
Donations									
Other revenue							2,973	2,973	
Total revenues	3,500	5,154	1,654	-	-	-	1,459,026	1,459,026	
Expenditures:									
Current:									
Police protection									
Engineering / streets	9,069	1,679	7,390						
Community development							667,504	941,451	(273,947)
Parks and recreation									
Health									
Debt service:									
Principal									
Interest									
Capital outlay							680,135	411,352	268,783
Total expenditures	9,069	1,679	7,390	-	-	-	1,347,639	1,352,803	(5,164)
Excess of revenues over (under) expenditures	(5,569)	3,475	9,044	-	-	-	(1,347,639)	106,223	1,453,862
Other financing sources (uses):									
Proceeds from loans									
Transfers in									
Transfers out									
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Net change in fund balances	(5,569)	3,475	9,044	-	-	-	(1,347,639)	106,223	1,453,862
Fund balances, beginning of year	51,350	51,350		3,862	3,862		5,629,135	5,629,135	
Prior period adjustments		228	228				11,096	11,096	
Fund balances (deficit), end of year	\$ 45,781	\$ 55,053	\$ 9,272	\$ 3,862	\$ 3,862	\$ -	\$ 4,281,496	\$ 5,746,454	\$ 1,464,958

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								6,814	6,814
Intergovernmental							460,528	450,984	(9,544)
Charges for current services							50,800	118,688	67,888
Use of money and property	2,000	3,009	1,009	1,050	1,004	(46)	18,100	12,394	(5,706)
Special assessments									
Donations	42,100	42,546	446	2,552	1,914	(638)	405,712	357,363	(48,349)
Other revenue							730	7,717	6,987
Total revenues	44,100	45,555	1,455	3,602	2,918	(684)	935,870	953,960	18,090
Expenditures:									
Current:									
Police protection									
Engineering / streets									
Community development				9,906	2,621	7,285			
Parks and recreation							1,087,911	920,999	166,912
Health	31	56,435	(56,404)						
Debt service:									
Principal									
Interest									
Capital outlay							5,588	5,697	(109)
Total expenditures	31	56,435	(56,404)	9,906	2,621	7,285	1,093,499	926,696	166,803
Excess of revenues over (under) expenditures	44,069	(10,880)	(54,949)	(6,304)	297	6,601	(157,629)	27,264	184,893
Other financing sources (uses):									
Proceeds from loans									
Transfers in									
Transfers out									
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Net change in fund balances	44,069	(10,880)	(54,949)	(6,304)	297	6,601	(157,629)	27,264	184,893
Fund balances, beginning of year	58,620	58,620		23,961	23,961		270,566	270,566	
Prior period adjustments		488	488		140	140		1,725	1,725
Fund balances (deficit), end of year	\$ 102,689	\$ 48,228	\$ (54,461)	\$ 17,657	\$ 24,398	\$ 6,741	\$ 112,937	\$ 299,555	\$ 186,618

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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	69,166	70,552	1,386						
Charges for current services									
Use of money and property	250	739	489				60,000	50,856	(9,144)
Special assessments									
Donations	14,006	14,355	349						
Other revenue									
Total revenues	83,422	85,646	2,224	-	-	-	60,000	50,856	(9,144)
Expenditures:									
Current:									
Police protection									
Engineering / streets						-			
Community development									
Parks and recreation	83,422	111,058	(27,636)						
Health									
Debt service:									
Principal									
Interest									
Capital outlay									
Total expenditures	83,422	111,058	(27,636)	-	-	-	-	-	-
Excess of revenues over (under) expenditures	-	(25,412)	(25,412)	-	-	-	60,000	50,856	(9,144)
Other financing sources (uses):									
Proceeds from loans									
Transfers in									
Transfers out							(60,000)	(50,856)	9,144
Total other financing sources (uses)	-	-	-	-	-	-	(60,000)	(50,856)	9,144
Net change in fund balances	-	(25,412)	(25,412)	-	-	-	-	-	-
Fund balances, beginning of year	29,364	29,364		106,816	106,816		2,000,000	2,000,000	
Prior period adjustments		146	146						
Fund balances (deficit), end of year	\$ 29,364	\$ 4,098	\$ (25,266)	\$ 106,816	\$ 106,816	\$ -	\$ 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							25,000	23,749	(1,251)
Intergovernmental	100,000	100,000	-	1,880,000	16,680	(1,863,320)			
Charges for current services									
Use of money and property	1,500	6,423	4,923				2,000	(1,062)	(3,062)
Special assessments									
Donations									
Other revenue									
Total revenues	101,500	106,423	4,923	1,880,000	16,680	(1,863,320)	27,000	22,687	(4,313)
Expenditures:									
Current:									
Police protection							83,800	97,693	(13,893)
Engineering / streets									
Community development									
Parks and recreation									
Health									
Debt service:									
Principal									
Interest									
Capital outlay				2,007,200	10,001	1,997,199			
Total expenditures	-	-	-	2,007,200	10,001	1,997,199	83,800	97,693	(13,893)
Excess of revenues over (under) expenditures	101,500	106,423	4,923	(127,200)	6,679	133,879	(56,800)	(75,006)	(18,206)
Other financing sources (uses):									
Proceeds from loans									
Transfers in							58,861	58,861	-
Transfers out	(48,904)	(144,380)	(95,476)						
Total other financing sources (uses)	(48,904)	(144,380)	(95,476)	-	-	-	58,861	58,861	-
Net change in fund balances	52,596	(37,957)	(90,553)	(127,200)	6,679	133,879	2,061	(16,145)	(18,206)
Fund balances, beginning of year	38,475	38,475		163,354	163,354		(19,637)	(19,637)	
Prior period adjustments		1,105	1,105			-		(113)	(113)
Fund balances (deficit), end of year	\$ 91,071	\$ 1,623	\$ (89,448)	\$ 36,154	\$ 170,033	\$ 133,879	\$ (17,576)	\$ (35,895)	\$ (18,319)

City of Lompoc
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
For the Year Ended June 30, 2005
(Page 7 of 8)

	Local STP Fund			Traffic Congestion Relief Fund			Public Education and Government Cable Access 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							569,601	697,705	128,104
Intergovernmental	179,000		(179,000)						
Charges for current services							3,225	1,185	(2,040)
Use of money and property					968	968	10,000	18,178	8,178
Special assessments									
Donations									
Other revenue								200	200
Total revenues	<u>179,000</u>	<u>-</u>	<u>(179,000)</u>	<u>-</u>	<u>968</u>	<u>968</u>	<u>582,826</u>	<u>717,268</u>	<u>134,442</u>
Expenditures:									
Current:									
Police protection									
Engineering / streets									
Community development									
Parks and recreation							186,507	202,735	(16,228)
Health									
Debt service:									
Principal									
Interest									
Capital outlay							234,601	82,124	152,477
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>421,108</u>	<u>284,859</u>	<u>136,249</u>
Excess of revenues over (under) expenditures	<u>179,000</u>	<u>-</u>	<u>(179,000)</u>	<u>-</u>	<u>968</u>	<u>968</u>	<u>161,718</u>	<u>432,409</u>	<u>270,691</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>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(179,000)</u>	<u>(179,000)</u>	<u>-</u>	<u>968</u>	<u>968</u>	<u>161,718</u>	<u>432,409</u>	<u>270,691</u>
Fund balances, beginning of year	<u>365,581</u>	<u>365,581</u>		<u>16,645</u>	<u>16,645</u>		<u>(9,301)</u>	<u>(9,301)</u>	
Prior period adjustments					<u>178</u>	<u>178</u>		<u>2,617</u>	<u>2,617</u>
Fund balances (deficit), end of year	<u>\$ 365,581</u>	<u>\$ 186,581</u>	<u>\$ (179,000)</u>	<u>\$ 16,645</u>	<u>\$ 17,791</u>	<u>\$ 1,146</u>	<u>\$ 152,417</u>	<u>\$ 425,725</u>	<u>\$ 273,308</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, 2005
(Page 8 of 8)

	Housing In-Lieu Fund			Redevelopment Housing Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ 234,000	\$ 350,155	\$ 116,155
Sales and use taxes						
Licenses, fees, and permits		1,292,700	1,292,700			
Intergovernmental						
Charges for current services						
Use of money and property		41,159	41,159	36,000	57,467	21,467
Special assessments						
Donations						
Other revenue					33,063	33,063
Total revenues	<u>-</u>	<u>1,333,859</u>	<u>1,333,859</u>	<u>270,000</u>	<u>440,685</u>	<u>170,685</u>
Expenditures:						
Current:						
Police protection						
Engineering / streets						
Community development				1,535,054	118,514	1,416,540
Parks and recreation			-			
Health						
Debt service:						
Principal						
Interest						
Capital outlay			-			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,535,054</u>	<u>118,514</u>	<u>1,416,540</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>1,333,859</u>	<u>1,333,859</u>	<u>(1,265,054)</u>	<u>322,171</u>	<u>1,587,225</u>
Other financing sources (uses):						
Proceeds from loans				807,500		(807,500)
Transfers in						
Transfers out						
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>807,500</u>	<u>-</u>	<u>(807,500)</u>
Net change in fund balances	<u>-</u>	<u>1,333,859</u>	<u>1,333,859</u>	<u>(457,554)</u>	<u>322,171</u>	<u>779,725</u>
Fund balances, beginning of year	<u>(14,032)</u>	<u>(14,032)</u>	<u>1,333,859</u>	<u>1,663,454</u>	<u>1,663,454</u>	<u>1,663,454</u>
Prior period adjustments		3,948	3,948		3,629	3,629
Fund balances (deficit), end of year	<u>\$ (14,032)</u>	<u>\$ 1,323,775</u>	<u>\$ 1,337,807</u>	<u>\$ 1,205,900</u>	<u>\$ 1,989,254</u>	<u>\$ 783,354</u>

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City of Lompoc
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2005
(Page 1 of 2)

ASSETS	Lompoc Airport	Lompoc Transit	Recreation	River Park Campground	Lompoc Valley Community Center	Broadband	Totals
Current assets:							
Cash and investments	\$ 77,597	\$ 77,016	\$ 4,528	\$ 17,613	\$ 98,748	\$ -	\$ 275,502
Restricted cash and investments:							-
Deposits	5,350					100	5,450
Fiscal agent						90,625	90,625
Prepaid expenses						37,450	37,450
Receivables - trade	1,434	1,063,066					1,064,500
Receivables - interest	935	765		1,846	1,090		4,636
Inventories (at average cost)	20,321	6,177					26,498
Total current assets	105,637	1,147,024	4,528	19,459	99,838	128,175	1,504,661
Property, plant and equipment:							
Land	5,401,514				455,000		5,856,514
Utility plant and equipment	2,382,076	2,594,025	22,082	228,518	1,235,101		6,461,802
Construction in progress	1,688,177			9,924		1,466,800	3,164,901
	9,471,767	2,594,025	22,082	238,442	1,690,101	1,466,800	15,483,217
(Less) accumulated depreciation	(602,124)	(1,521,191)	(19,989)	(144,274)	(305,474)		(2,593,052)
Total property, plant and equipment	8,869,643	1,072,834	2,093	94,168	1,384,627	1,466,800	12,890,165
Total assets	\$ 8,975,280	\$ 2,219,858	\$ 6,621	\$ 113,627	\$ 1,484,465	\$ 1,594,975	\$ 14,394,826

City of Lompoc
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2005
(Page 2 of 2)

LIABILITIES	Lompoc Airport	Lompoc Transit	Recreation	River Park Campground	Lompoc Valley Community Center	Broadband	Totals
Current liabilities:							
Accounts payable	\$ 3,657	\$ 100,334	\$ 12,485	\$ 323	\$ 3,158	\$ 26,397	\$ 146,354
Accrued liabilities	1,861	3,774	10,389	1,493	1,739	2,189	21,445
Accrued interest	5,789		318			3,939	10,046
Accrued payroll and benefits	711	1,407	1,853	1,003	370		5,344
Due to other funds	331,184	250,000	133,900	90,494		1,026,551	1,832,129
Deferred revenue			842				842
Current portion of noncurrent liabilities	<u>14,128</u>	<u>5,754</u>	<u>6,712</u>	<u>4,001</u>	<u>1,349</u>	<u>67,266</u>	<u>99,210</u>
Total current liabilities	<u>357,330</u>	<u>361,269</u>	<u>166,499</u>	<u>97,314</u>	<u>6,616</u>	<u>1,126,342</u>	<u>2,115,370</u>
Noncurrent liabilities:							
Compensated absences	358	836	975	581	196		2,946
Leases payable						700,135	700,135
Trust deposits	<u>5,350</u>						<u>5,350</u>
Total noncurrent liabilities	<u>5,708</u>	<u>836</u>	<u>975</u>	<u>581</u>	<u>196</u>	<u>700,135</u>	<u>708,431</u>
Total liabilities	<u>363,038</u>	<u>362,105</u>	<u>167,474</u>	<u>97,895</u>	<u>6,812</u>	<u>1,826,477</u>	<u>2,823,801</u>
NET ASSETS							
Invested in capital assets, net of related debt	8,857,979	1,072,834	2,093	94,168	1,384,627	699,399	12,111,100
Unrestricted	<u>(245,737)</u>	<u>784,919</u>	<u>(162,946)</u>	<u>(78,436)</u>	<u>93,026</u>	<u>(930,901)</u>	<u>(540,075)</u>
Total net assets	<u>\$ 8,612,242</u>	<u>\$ 1,857,753</u>	<u>\$ (160,853)</u>	<u>\$ 15,732</u>	<u>\$ 1,477,653</u>	<u>\$ (231,502)</u>	<u>\$ 11,571,025</u>

City of Lompoc
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2005

	Lompoc Airport	Lompoc Transit	Recreation	River Park Campground	Lompoc Valley Community Center	Broadband	Totals
Operating revenues:							
User fees and charges for services	\$ 66,322	\$ 124,745	\$ 194,128	\$ -	\$ 7,079	\$ -	\$ 392,274
Facilities rental	133,207		87,336	153,644	41,946		416,133
Total operating revenues	199,529	124,745	281,464	153,644	49,025	-	808,407
Operating expenses:							
Operations and maintenance	195,189	1,482,837	318,424	64,057	96,328	184,930	2,341,765
Depreciation and amortization	60,427	219,274		6,279	63,899		349,879
Total operating expenses	255,616	1,702,111	318,424	70,336	160,227	184,930	2,691,644
Income (loss) from operations	(56,087)	(1,577,366)	(36,960)	83,308	(111,202)	(184,930)	(1,883,237)
Nonoperating incomes (expenses):							
Interest income	2,800	13,566	(1,200)	5,271	3,542		23,979
Intergovernmental	20,806	1,442,345	3,874				1,467,025
Miscellaneous	2,434	2,150					4,584
Interest (expense)	(20,806)					(46,113)	(66,919)
Total nonoperating incomes (expenses)	5,234	1,458,061	2,674	5,271	3,542	(46,113)	1,428,669
Income (loss) before contributions and transfers	(50,853)	(119,305)	(34,286)	88,579	(107,660)	(231,043)	(454,568)
Capital contributions		372,183					372,183
Transfers in (out)					65,000		65,000
Change in net assets	(50,853)	252,878	(34,286)	88,579	(42,660)	(231,043)	(17,385)
Net assets - beginning of the year	8,662,821	1,391,287	(126,598)	(73,480)	1,519,857	(166,520)	11,207,367
Prior period adjustments	274	213,588	31	633	456	166,061	381,043
Net assets - end of the year	\$ 8,612,242	\$ 1,857,753	\$ (160,853)	\$ 15,732	\$ 1,477,653	\$ (231,502)	\$ 11,571,025

City of Lompoc
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2005
(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	\$ 203,596	\$ 145,904	\$ 274,958	\$ 153,644	\$ 49,024	\$ -	\$ 827,126
Cash payments to suppliers for goods and services	(96,481)	(1,627,313)	(93,007)	(8,869)	(38,594)	(283,494)	(2,147,758)
Cash payments to employees for services	(56,905)	(114,284)	(186,657)	(53,760)	(58,506)	(2,220)	(472,332)
Net cash provided (used) by operating activities	<u>50,210</u>	<u>(1,595,693)</u>	<u>(4,706)</u>	<u>91,015</u>	<u>(48,076)</u>	<u>(285,714)</u>	<u>(1,792,964)</u>
Cash flows from noncapital financing activities:							
Net borrowings (repayments) under revolving loan arrangement				(150,000)		931,994	781,994
Received from other agencies	20,805	1,442,345	3,874				1,467,024
Increase (decrease) in trust accounts	(200)					100	(100)
Operating transfers in (out)					65,000		65,000
Net cash provided (used) by noncapital financing activities	<u>20,605</u>	<u>1,442,345</u>	<u>3,874</u>	<u>(150,000)</u>	<u>65,000</u>	<u>932,094</u>	<u>2,313,918</u>
Cash flows from capital and related financing activities:							
Proceeds from loans, lease purchases and equipment contracts						800,000	800,000
Acquisition and construction of capital assets	(3,870)	(372,183)		(7,842)		(1,276,943)	(1,660,838)
Principal paid on revenue bonds/loans /leases and equipment contracts	(13,241)					(32,599)	(45,840)
Interest paid on revenue bonds/loans and equipment contracts	(20,806)					(46,113)	(66,919)
Contributed capital		372,183					372,183
Net cash provided (used) for capital and related financing activities	<u>(37,917)</u>	<u>-</u>	<u>-</u>	<u>(7,842)</u>	<u>-</u>	<u>(555,655)</u>	<u>(601,414)</u>
Cash flows from investing activities:							
Interest and dividends on investments	<u>2,800</u>	<u>13,566</u>	<u>(1,200)</u>	<u>5,272</u>	<u>3,542</u>		<u>23,980</u>
Net increase (decrease) in cash and cash equivalents	35,698	(139,782)	(2,032)	(61,555)	20,466	90,725	(56,480)
Cash and cash equivalents at beginning of year	47,249	216,798	6,559	79,169	78,282	-	428,057
Cash and cash equivalents at end of year	<u>\$ 82,947</u>	<u>\$ 77,016</u>	<u>\$ 4,527</u>	<u>\$ 17,614</u>	<u>\$ 98,748</u>	<u>\$ 90,725</u>	<u>\$ 371,577</u>

City of Lompoc
Reconciliation of Operating Income to Net Cash Provided by Operating Activities
Nonmajor Enterprise Funds
For the Year Ended June 30, 2005
(Page 2 of 2)

	Lompoc Airport	Lompoc Transit	Recreation	River Park Campgrounds	Lompoc Valley Community Center	Broadband	Totals
Income (loss) from operations	\$ (56,088)	\$ (1,577,365)	\$ (36,960)	\$ 83,309	\$ (111,203)	\$ (184,930)	\$ (1,883,237)
Adjustment for nonoperating incomes and (expenses)	2,434	2,150					4,584
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	60,427	219,274		6,279	63,899		349,879
Prior period adjustment	274	197,306	31	633	456		198,700
Change in assets and liabilities:							
(Increase)decrease in accounts receivable	1,634	(392,324)					(390,690)
(Increase)decrease in prepaid expenses						(37,450)	(37,450)
(Increase)decrease in interest receivable	(935)	(765)		(1,846)	(1,090)		(4,636)
(Increase)decrease in grants receivable	65,000						65,000
(Increase)decrease in inventory	(306)	4,872					4,566
(Decrease)increase in accounts payable	(20,854)	(46,655)	2,698	(764)	(282)	(69,004)	(134,861)
(Decrease)increase in accrued interest payable	(158)		318			3,481	3,641
(Decrease)increase in deferred credits/revenues			(6,506)				(6,506)
(Decrease)increase in due to other funds			35,000				35,000
(Decrease)increase in accrued payroll	(1,218)	(2,186)	713	3,404	144	2,189	3,046
Net cash provided by operating activities	<u>\$ 50,210</u>	<u>\$ (1,595,693)</u>	<u>\$ (4,706)</u>	<u>\$ 91,015</u>	<u>\$ (48,076)</u>	<u>\$ (285,714)</u>	<u>\$ (1,792,964)</u>

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City of Lompoc
Combining Statement of Net Assets
Internal Service Funds
June 30, 2005

	Insurance Control Fund	Vehicle Fund	Communication Fund	Stores Inventory Fund	Totals
ASSETS					
Current assets:					
Cash and investments	\$ 6,010,610	\$ 2,814,567	\$ -	\$ 120,780	\$ 8,945,957
Accounts receivable, net	68,970	27,383		1,328	97,681
Inventory		184,297		77,430	261,727
Total current assets	6,079,580	3,026,247	-	199,538	9,305,365
Property and equipment:					
Improvements		199,018			199,018
Automotive equipment		13,335,774			13,335,774
Furnishings and equipment		80,005	210,497	142,306	432,808
	-	13,614,797	210,497	142,306	13,967,600
(Less) accumulated depreciation		(8,559,078)	(114,645)	(86,618)	(8,760,341)
Total property and equipment	-	5,055,719	95,852	55,688	5,207,259
Total assets	6,079,580	8,081,966	95,852	255,226	14,512,624
LIABILITIES					
Current liabilities:					
Accounts payable	87,877	347,211		20,580	455,668
Accrued interest		5,132			5,132
Accrued payroll and benefits	303	9,195			9,498
Current portion of long-term liabilities		283,934			283,934
Total current liabilities	88,180	645,472	-	20,580	754,232
Long-term liabilities:					
Accrued liabilities	5,035,541				5,035,541
Compensated absences		6,120			6,120
Lease purchase contract		978,812			978,812
Total noncurrent liabilities	5,035,541	984,932	-	-	6,020,473
Total liabilities	5,123,721	1,630,404	-	20,580	6,774,705
NET ASSETS					
Invested in capital assets, net of related debt		3,835,117	95,852	55,688	3,986,657
Unrestricted	955,859	2,616,445	-	178,958	3,751,262
Total Net Assets	\$955,859	6,451,562	95,852	\$234,646	7,737,919

City of Lompoc
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2005

	Insurance Control Fund	Vehicle Fund	Communication Fund	Stores Inventory Fund	Totals
Operating revenues:					
Charge for services	\$ 9,722,665	\$ -	\$ 114,022	\$ 238,120	\$ 10,074,807
Vehicle equipment rental		2,609,450			2,609,450
Total operating revenues	<u>9,722,665</u>	<u>2,609,450</u>	<u>114,022</u>	<u>238,120</u>	<u>12,684,257</u>
Operating expenses:					
Maintenance, operations, and administration	9,759,253	2,192,263	96,125	259,183	12,306,824
Depreciation		916,020	20,185	18,333	954,538
Total operating expenses	<u>9,759,253</u>	<u>3,108,283</u>	<u>116,310</u>	<u>277,516</u>	<u>13,261,362</u>
Income (loss) from operations	<u>(36,588)</u>	<u>(498,833)</u>	<u>(2,288)</u>	<u>(39,396)</u>	<u>(577,105)</u>
Nonoperating income (expenses):					
Interest income	218,097	120,438		5,514	344,049
Sale of capital assets		(40,766)			(40,766)
Interest (expense)		(61,329)	(164)		(61,493)
Total nonoperating incomes (expenses)	<u>218,097</u>	<u>18,343</u>	<u>(164)</u>	<u>5,514</u>	<u>241,790</u>
Income (loss) before contributions and transfers	<u>181,509</u>	<u>(480,490)</u>	<u>(2,452)</u>	<u>(33,882)</u>	<u>(335,315)</u>
Capital contributions		22,739			22,739
Transfers in (out)		150,281			150,281
Changes in net assets	<u>181,509</u>	<u>(307,470)</u>	<u>(2,452)</u>	<u>(33,882)</u>	<u>(162,295)</u>
Net assets - beginning	744,393	6,742,425	98,304	267,710	7,852,832
Prior period adjustments	29,957	16,607		818	47,382
Net assets - ending	<u>\$ 955,859</u>	<u>\$ 6,451,562</u>	<u>\$ 95,852</u>	<u>\$ 234,646</u>	<u>\$ 7,737,919</u>

City of Lompoc
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2005
(Page 1 of 2)

	<u>Insurance Control Fund</u>	<u>Vehicle Fund</u>	<u>Communication Fund</u>	<u>Stores Inventory Fund</u>	<u>Totals</u>
Cash flows from operating activities:					
Cash received from customers	\$ 9,705,613	\$ 2,598,674	\$ 114,021	\$ 237,610	\$ 12,655,918
Cash payments to suppliers for goods and services	(9,008,104)	(1,229,547)	(96,453)	(251,198)	(10,585,302)
Cash payment to employees for services		(741,867)			(741,867)
Net cash provided (used) by operating activities	<u>697,509</u>	<u>627,260</u>	<u>17,568</u>	<u>(13,588)</u>	<u>1,328,749</u>
Cash flows from noncapital financing activities:					
Operating transfers (out)		<u>150,281</u>			<u>150,281</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>150,281</u>	<u>-</u>	<u>-</u>	<u>150,281</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets		(1,209,487)		(11,451)	(1,220,938)
Principal paid on loans/leases and equipment contracts		(324,395)	(17,404)		(341,799)
Interest paid on loans/leases and equipment contracts		(61,329)	(164)		(61,493)
Proceeds from equipment sale		6,635			6,635
Contributed capital		22,739			22,739
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(1,565,837)</u>	<u>(17,568)</u>	<u>(11,451)</u>	<u>(1,594,856)</u>
Cash flows from investing activities:					
Interest and dividends on investments	<u>218,097</u>	<u>120,438</u>		<u>5,514</u>	<u>344,049</u>
Net increase (decrease) in cash and cash equivalents	915,606	(667,858)	-	(19,525)	228,223
Cash and cash equivalents at beginning of year	<u>5,095,004</u>	<u>3,482,425</u>	<u>-</u>	<u>140,305</u>	<u>8,717,734</u>
Cash and cash equivalents at end of year	<u>\$ 6,010,610</u>	<u>\$ 2,814,567</u>	<u>\$ -</u>	<u>\$ 120,780</u>	<u>\$ 8,945,957</u>

City of Lompoc
Combining Statement of Cash Flows for the Year Ended June 30, 2005
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>Totals</u>
Income (loss) from operations	\$ (36,588)	\$ (498,833)	\$ (2,288)	\$ (39,396)	\$ (577,105)
Adjustment for nonoperating income (expenses)					
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation		916,020	20,185	18,333	954,538
Changes in assets and liabilities:					
(Increase)decrease in accounts receivable	(17,052)	(10,776)		(510)	(28,338)
(Increase)decrease in inventory		(2,151)		692	(1,459)
(Decrease)increase in accounts payable	(9,821)	232,048		7,293	229,520
(Decrease)increase in accrued liabilities	760,970	(9,048)	(329)		751,593
Net cash provided (used) by operating activities	<u>\$ 697,509</u>	<u>\$ 627,260</u>	<u>\$ 17,568</u>	<u>\$ (13,588)</u>	<u>\$ 1,328,749</u>

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	\$ 3,525,102	\$ 6,049,199	\$ 2,350,961	\$ 1,305,813	\$ 473,960	\$ 84,313	\$ 13,789,348
1996-1997	2,739,761	6,454,155	3,320,248	1,331,875	687,099	127,920	14,661,058
1997-1998	2,743,583	6,890,818	3,450,852	1,314,867	519,118	396,843	15,316,081
1998-1999	2,865,967	7,111,117	3,527,376	1,345,740	794,534	216,226	15,860,960
1999-2000	2,938,930	7,476,568	3,731,300	1,388,121	557,970	764,747	16,857,636
2000-2001	3,221,355	7,775,470	3,915,565	1,527,873	568,217	804,509	17,812,989
2001-2002	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
2004-2005	4,145,117	10,160,520	5,422,605	1,917,574	629,344	296,511	22,571,671

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	Intergovernmental Revenue	Charges for Services	Fines and Penalties	Use of Money and Property	Miscellaneous	Total
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	2,345,041	5,073,606	78,615	18,944	96,538	16,370,757
2004-2005	8,707,437	474,456	3,898,416	5,824,487	122,185	149,554	94,676	19,271,211

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
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
2004-2005	2,698,751	3,782,713	1,224,291	201,449	389,581	339,979	70,673	8,707,437

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
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
2004-2005	3,029,089	2,763,652	91.24	24,697	2,788,349	92.05	35,511	1.17

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
1995-1996	\$ 1,071,508,167	\$ 1,071,508,167	\$ 49,913,030	\$ 49,913,030	\$ 1,121,421,197	\$ 1,121,421,197
1996-1997	1,083,177,840	1,083,177,840	48,771,480	48,771,480	1,131,949,320	1,131,949,320
1997-1998	1,108,757,542	1,108,757,542	56,620,848	56,620,848	1,165,378,390	1,165,378,390
1998-1999	1,130,905,329	1,130,905,329	59,819,938	59,819,938	1,190,725,267	1,190,725,267
1999-2000	1,166,568,799	1,166,568,799	67,090,516	67,090,516	1,233,659,315	1,233,659,315
2000-2001	1,216,911,668	1,216,911,668	70,409,056	70,409,056	1,287,320,724	1,287,320,724
2001-2002	1,302,562,615	1,302,562,615	72,628,747	72,628,747	1,375,191,362	1,375,191,362
2002-2003	1,387,719,204	1,387,719,204	79,444,909	79,444,909	1,467,164,113	1,467,164,113
2003-2004	1,514,793,673	1,514,793,673	86,607,733	86,607,733	1,601,401,406	1,601,401,406
2004-2005	1,721,136,799	1,721,136,799	66,967,717	66,967,717	1,788,104,516	1,788,104,516

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
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%
2004-2005	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>
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	213,554	207,692	0.97	5,862
2003-2004	220,169	211,341	0.96	14,690
2004-2005	229,672	49,422	0.22	194,940

Source: City of Lompoc Financial Records

City of Lompoc
Statement of Legal Debt Margin
June 30, 2005

Assessed Value	<u>\$ 1,788,104,516</u>
Debt Limit - 3.75 of Total Assessed Value	\$ 67,053,919
Amount of Debt Applicable to the Limit	<u>-</u>
Legal Debt Margin	<u>\$ 67,053,919</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, 2005

<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	\$ 26,365,000	56.043%	\$ 14,775,737
City of Lompoc		100.000%	-
Lompoc Park Maintenance and City Pool Assessment District No. 2	2,605,000	100.000%	2,605,000
Santa Barbara County Public Safety Authority and Certificates of Participation	59,270,002	4.010%	2,376,727
Allan Hancock Community College District District Certificates of Participation	8,459,996	11.107%	939,652
Combined Total Debt	<u>\$ 96,699,998</u>		<u>\$ 20,697,116</u>

Total Assessed Valuation: \$1,684,594,935 *

Ratios to Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	0.95%
Combined Total Debt	1.23%

* Assessed valuation calculated as follows:

Net Taxable Value	\$1,826,413,315
Less: Redevelopment Agency Tax Increment	<u>(141,818,380)</u>
Total Assessed Valuation	<u>\$1,684,594,935</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
1995-1996	41,002	\$ 1,121,421,197	\$ -	0	\$ -
1996-1997	41,641	1,131,949,320	-	0	-
1997-1998	42,275	1,165,378,390	-	0	-
1998-1999	42,432	1,190,725,267	-	0	-
1999-2000	43,284	1,233,659,315	-	0	-
2000-2001	42,155	1,287,320,724	-	0	-
2001-2002	41,671	1,375,191,362	-	0	-
2002-2003	41,865	1,467,164,113	-	0	-
2003-2004	42,250	1,601,401,406	-	0	-
2004-2005	42,320	1,788,104,516	-	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>
1995-1996	\$	-	\$	-	\$	-	\$	13,789,348	0
1996-1997		-		-		-		14,661,058	0
1997-1998		-		-		-		15,316,081	0
1998-1999		-		-		-		15,860,960	0
1999-2000		-		-		-		16,857,636	0
2000-2001		-		-		-		17,812,989	0
2001-2002		-		-		-		18,729,812	0
2002-2003		-		-		-		19,825,347	0
2003-2004		-		-		-		22,375,792	0
2004-2005		-		-		-		22,571,671	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	
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
2004-2005	5,639,946	4,764,178	875,768	31,234	164,616	195,850	4.47

(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	
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
2004-2005	6,307,522	5,541,136	766,386	222,786	470,623	693,409	1.11

(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>
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%
2004-2005	42,320	-	1.9%	11,336	5.5%

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
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
2004-2005	120	61,008,112	846	26,858,330	382,536,000	2,826,724	2,232,471,985	133,706,876

(1) Source: City of Lompoc Building Department

(2) Source: State Banking Department

(3) Source: Santa Barbara County Tax Rates and Assessed Value 1995-96 through 2004-05

City of Lompoc
Principal Property Taxpayers
June 30, 2005

	Taxpayer	Types of Business	2005 Assessed Valuation	Percentage of Total Principal Taxpayers	Percentage of Total Assessed Valuation
1	Windscape Village LLC	Apartments	\$ 27,000,000	17.02%	1.51%
2	Centro Watt Property Owner II	Real Estate	17,243,000	10.87%	0.96%
3	KW Ravenswood LLC	Apartments	12,688,180	8.00%	0.71%
4	Bascal Properties II LLC	Real Estate	11,953,381	7.53%	0.67%
5	Lompoc Housing Assistance Corporation	Non-Profit Housing	11,700,969	7.38%	0.65%
6	Kailani Village Limited	Apartments	9,748,637	6.14%	0.55%
7	Nesbitt Partners Lompoc Ventures Limited	Hotel	9,522,057	6.00%	0.53%
8	Nadel Properties	Real Estate	8,822,760	5.56%	0.49%
9	Walmart Stores Inc.	Retail	8,199,645	5.17%	0.46%
10	Lobern Properties Inc.	Real Estate	7,600,000	4.79%	0.43%
11	Fagerdala USA Lompoc Inc.	Manufacturing	7,386,970	4.66%	0.41%
12	Raytheon Company	Manufacturing	6,876,020	4.33%	0.38%
13	Sansum Santa Barbara Medical Foundation	Medical Services	6,776,236	4.27%	0.38%
14	Raytheon Systems Company	Manufacturing	6,639,300	4.18%	0.37%
15	Albertsons Inc.	Grocery Stores	6,490,947	4.09%	0.36%
Totals			\$ 158,648,102	100.00%	8.86%

Source: County of Santa Barbara Assessor's Role

City of Lompoc
Miscellaneous Statistical Information
June 30, 2005

Date Incorporated	- August 13, 1888
Type of City	- General Law
Form of Government	- Council / City Administrator
Police Services	- 1 Station - 1 Jail - 48 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	- 363 Full-Time - 92 Other Part-time

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