

City of Lompoc, California

Financial Statements

Year Ended June 30, 2013

City of Lompoc
Financial Statements
Year Ended June 30, 2013

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Independents Auditors' Report

Honorable Mayor and City Council
City of Lompoc
Lompoc, California

Report on the Financial Statements

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, California, (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Honorable Mayor and City Council
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lompoc, California, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 17 in the financial statements, during the year ended June 30, 2013, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 8 through 21, and the schedule of funding progress for Public Employees Retirement System, the schedule of funding progress for OPEB obligation, and the budgetary comparison schedule on pages 88 through 91, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

**Honorable Mayor and City Council
City of Lompoc**

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The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reports or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Glenn Burdette Attest Corporation

Glenn Burdette Attest Corporation
San Luis Obispo, California

December 19, 2013

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, 2013. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which begin on page 22 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*, *required supplementary information*, and *supplementary information*.

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 basic 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 22 – 43 of this report. In the supplementary information section, we have opted to include combining and individual statements 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 22 – 25) report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The *statement of net position* (the "Unrestricted Net Position") 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 position 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 position changed during the recent fiscal year. All changes in net positions 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).

**City of Lompoc
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013**

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

The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. 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 Position and the Statement of Activities) and governmental funds in reconciliations to the fund financial statements. The basic governmental fund financial statements can be found on pages 26 – 31 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 and 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. Proprietary funds are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. The basic proprietary fund financial statements can be found on pages 32 – 43 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held by the City as a trustee on behalf of other agencies or individuals 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. A relatively new fiduciary fund of the City is the Private Purpose Trust Fund used to account for assets and liabilities held in trust for the Successor Agency to the former Lompoc Redevelopment Agency. The accounting method used for fiduciary funds is also the full accrual basis of accounting. The basic fiduciary fund financial statements can be found on page 44 of this report while information relating to the activity of the Successor Agency Private Purpose Trust Fund can be found on page 45 of this report and in the Notes to the Financial Statements in Note No. 19.

**City of Lompoc
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As previously noted, net positions may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$229.9 million. The largest portion of the City's net positions (76.7%) 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 governmental activities net position increased by \$5.5 million or 4.7% compared with the previous year. This was mainly attributed to the transfer of \$6.7 million in capital assets from the Successor Agency Private Purpose Trust Fund to the Governmental capital assets. The City's governmental activities net position, excluding the capital asset transfer, decreased by \$1.2 million, while the City's business-type activities net position increased by \$1.4 million or 1.3% compared with the previous year. The total increase in net position was \$6.9 million or 3.1% compared with the previous year. The City's increase in net position is primarily attributable to the capital asset transfer and net income of enterprise fund's activities.

CITY OF LOMPOC'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 42,334,222	\$ 42,201,473	\$ 31,675,842	\$ 34,758,413	\$ 74,010,064	\$ 76,959,886
Capital assets	93,148,939	97,302,539	195,983,050	189,388,871	289,131,989	286,691,410
Total assets	135,483,161	139,504,012	227,658,892	224,147,284	363,142,053	363,651,296
Deferred outflow of resources				246,364		246,364
Current liabilities	7,062,392	6,383,806	12,971,944	12,801,463	20,034,336	19,185,269
Long-term liabilities	9,827,715	8,985,824	110,296,949	105,821,259	120,124,664	114,807,083
Total liabilities	16,890,107	15,369,630	123,268,893	118,622,722	140,159,000	133,992,352
Net Assets:						
Invested in capital assets, net of related debt	86,804,018	91,673,313	86,490,331	84,704,397	173,294,349	176,377,710
Restricted						
Low income housing	1,932,274	2,182,791			1,932,274	2,182,791
Construction	3,050,784	3,125,671	742,642	733,100	3,793,426	3,858,771
Debt service	123,181	116,322	2,957,472	3,142,812	3,080,653	3,259,134
Other purposes	10,088,530	9,906,928	5,397,002	5,863,052	15,485,532	15,769,980
Unrestricted	16,594,267	17,129,357	8,802,552	11,327,565	25,396,819	28,456,922
Total net position	\$ 118,593,054	\$ 124,134,382	\$ 104,389,999	\$ 105,770,926	\$ 222,983,053	\$ 229,905,308

The balance of unrestricted net position of \$28.46 million represents the amount that may be used to meet the City'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 position, both for the City as a whole, as well as for its separate governmental and business-type activities.

**City of Lompoc
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013**

The condensed summary of activities, which follows, shows total net position increased by \$6.9 million or 3.1% compared with the previous year.

CHANGES IN CITY OF LOMPOC'S NET POSITION

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2013	2012	2013	2012	2013
Revenues:						
Program revenues:						
Charges for services	\$ 8,772,043	\$ 8,334,913	\$ 47,964,634	\$ 50,122,942	\$ 56,736,677	\$ 58,457,855
Operating grants and contributions	1,943,569	1,769,236	4,767,416	5,381,595	6,710,985	7,150,831
Capital grants and contributions	1,355,299	696,482	2,335,463	1,727,849	3,690,762	2,424,331
General revenues:						
Property taxes	5,155,637	3,718,815	6,621	4,439	5,162,258	3,723,254
Sales taxes	5,657,634	5,864,599			5,657,634	5,864,599
Other taxes	6,778,776	6,724,198		276,505	6,778,776	7,000,703
Grants and contributions not restricted to specific programs	610,968	608,578			610,968	608,578
Unrestricted investment earnings	147,311	116,344	195,147	56,694	342,458	173,038
Other revenue	1,510,759	1,141,841	317,646	170,865	1,828,405	1,312,706
Total revenues	31,931,996	28,975,006	55,586,927	57,740,889	87,518,923	86,715,895
Expenses:						
Governmental activities:						
General government	5,669,663	5,092,254			5,669,663	5,092,254
Police protection	10,348,564	9,324,853			10,348,564	9,324,853
Fire protection	3,759,904	3,667,979			3,759,904	3,667,979
Engineering/streets	6,244,584	6,795,123			6,244,584	6,795,123
Building	468,502	457,900			468,502	457,900
Community Development	1,685,555	855,434			1,685,555	855,434
Parks and recreation	3,937,854	3,759,367			3,937,854	3,759,367
Nondepartmental	907,369	959,840			907,369	959,840
Interest on long-term debt	807,415	146,074			807,415	146,074
Business-type activities:						
Water			8,744,786	9,724,136	8,744,786	9,724,136
Electric			17,298,313	19,343,631	17,298,313	19,343,631
Wastewater			9,850,699	12,907,493	9,850,699	12,907,493
Solid Waste			6,100,414	6,562,958	6,100,414	6,562,958
Aquatic Center			625,986	667,525	625,986	667,525
Airport			576,915	594,581	576,915	594,581
Transit			1,915,878	2,663,898	1,915,878	2,663,898
Recreation			381,377	344,342	381,377	344,342
River Park			159,446	167,427	159,446	167,427
Lompoc Valley Community Center			86,607	186,049	86,607	186,049
Broadband			858,286	673,088	858,286	673,088
Total expenses	33,829,408	31,058,824	46,598,707	53,835,128	80,428,115	84,893,952
Increase (decrease) in net assets before transfers	(1,897,412)	(2,083,818)	8,988,220	3,905,761	7,090,808	1,821,943
Transfers	1,190,503	1,160,277	(1,190,503)	(1,160,277)		-
Special Item		6,670,034				6,670,034
Increase (decrease) in net position	(706,909)	5,746,493	7,797,717	2,745,484	7,090,808	8,491,977
Extraordinary Loss/Gain from the RDA Dis:	351,302	-			351,302	-
Beginning net position	118,783,577	118,593,054	97,064,966	104,389,999	215,848,543	222,983,053
Cumulative effect from change in accounting principles				(749,591)		(749,591)
Prior year restatements	165,084	(205,164)	(472,684)	(614,966)	(307,600)	(820,130)
Ending net position	\$ 118,593,054	\$ 124,134,382	\$ 104,389,999	\$ 105,770,926	\$ 222,983,053	\$ 229,905,308

**City of Lompoc
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013**

As shown above, the City's revenues for fiscal year 2013 totaled approximately \$86.7 million, with the majority of it (67.4%) generated from charges for services. Revenues changed slightly with a net decrease of approximately \$0.8 million or 0.9% for the year as compared with the previous year. While net revenues decreased by \$0.8 million, some individual revenue categories increased from the previous year while other individual revenues categories experienced decreases. Increases in revenues occurred in the following categories: charges for services, operating grants and contributions, sales tax, and other taxes. The combined total increase for the four previously mentioned revenue sources was approximately \$2.6 million or 3.4% as compared with the previous year. Decreases in revenues occurred in the following categories: capital grants and contributions, property taxes, grants and contributions not restricted to specific programs, unrestricted investment earnings, and other revenues. The combined total decrease for the five previously mentioned revenue sources was approximately \$2.9 million or 29.3% compared with the previous year. The single most significant factor of the identified decreases was attributable to a decrease in the tax increment associated with the dissolution of the Lompoc Redevelopment Agency.

Expenses of the City's governmental activities remained stable compared to the previous fiscal year. Total government activities' expenses for the year ending June 30, 2013 were approximately \$31.1 million, which was a decrease of \$2.8 million or 8.2% compared with the previous year. Total business-type activities' expenses for the year ending June 30, 2013 were approximately \$53.8 million, which was an increase of \$7.2 million or 15.5% compared with the previous year. This increase was due primarily to increased expenses in the Water Fund of \$0.98 million, the Electric Fund of \$2.04 million, the Wastewater Fund of \$3.06 million, and the Transit Fund of \$0.75 million as compared with the previous year.

Governmental Activities

During the current fiscal year, the City's governmental activities' net position increased by \$5.5 million or 4.7% to \$124.1 million compared with the previous year.

Total revenues for the City's governmental activities were \$29.0 million for the year ended June 30, 2013. Of this total, \$16.3 million or 56.3% of total revenues, was derived from taxes. 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 \$8.3 million or 28.8% of total revenues was derived from charges for services, representing fees charged for various services, including planning, engineering, and recreation. The total revenues for governmental activities decreased by \$2.96 million or 9.3% compared with the previous year. Increases in revenues occurred in the sales tax category only in the amount of \$206,965 compared with the previous year. Decreases in revenues occurred in all other categories as follows: Charges for services decreased \$437,130, operating grants and contributions decreased \$174,333, capital grants and contributions decreased \$658,817, property taxes decreased \$1,436,822, other taxes decreased \$54,578, grants and contributions not restricted to specific programs decreased \$2,390, unrestricted investment earnings decreased \$30,967 and other revenue decreased \$368,918 all compared with the previous year.

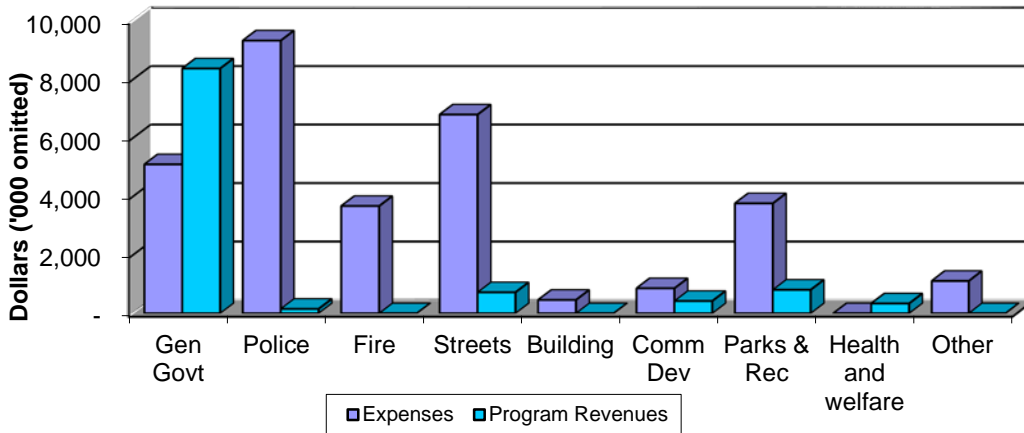
Total expenses for governmental activities totaled \$31.1 million for the year ended June 30, 2013, which is a \$2.8 million or 8.1% decrease compared with the previous year. The largest component of total expenses was for public safety at \$13 million, which represented 41.8% of the total governmental activities' expenses. The next largest component of total expenses was for engineering/streets at \$6.8 million, or 21.9%, of total expenses in the governmental activities.

A special item is included in the changes of net positions to recognize the transfer of the projects completed from the Successor Agency fiduciary funds to the governmental activities in the amount of \$6.7 million. These projects consist of the work on the Lompoc Museum's roof, the Lompoc Aquatic Center dehumidification project and the Dick DeWees Community and Senior Center.

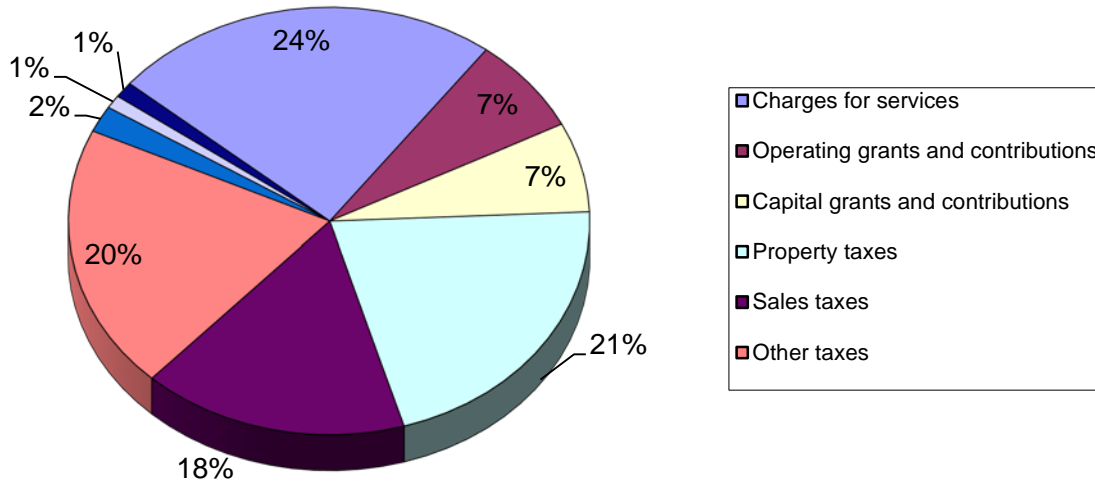
**City of Lompoc
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013**

Following are graphical displays of governmental activities. The first shows revenues and expenses by functions and programs while the second shows revenues by source.

Expenses & Program Revenues - Governmental Activities



Revenue by Source - Governmental Activity



Business-Type Activities

During the current fiscal year, the City's business-type activities' net position increased by \$1.4 million or 1.3% to \$105.8 million compared with the previous year. The increase in business-type activities' net position resulted primarily from revenues exceeding expenses for the year ending June 30, 2013.

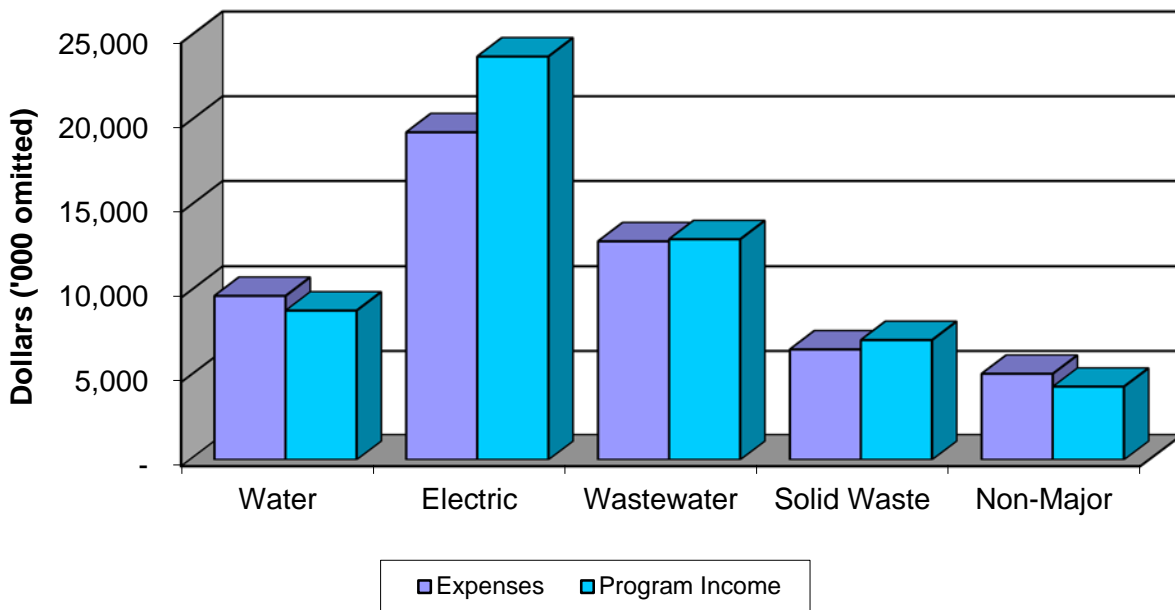
Total revenues for the City's business-type activities were \$57.7 million for the year ended June 30, 2013, which is a \$2.1 million or 3.8% increase compared with the previous year. Of this total, \$50.1 million (86.8% of the total revenues) was derived from charges for services. As mentioned previously, 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. Other significant revenue is from operating grants and contributions of \$5.4 million.

**City of Lompoc
Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2013**

Total expenses for business-type activities totaled \$53.8 million for the year ended June 30, 2013, which is a \$7.2 million or 15.5% increase compared with the previous year. The Electric utility is the largest individual category of business-type activities’ expenses, representing \$19.3 million or 35.93% of the \$53.8 million total business-type activities’ expenses.

Following are graphical displays of business-type activities. The first shows revenues and expenses by individual major fund and non-major funds in total while the second shows revenues by source for all business-type activities. Business-type activities expenses include any interest component of debt service payment obligations; however, the principal component of debt service is excluded from expenses.

Expenses & Program Revenues - 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, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

With the implementation of GASB 54, the presentation of City financial statements has been consolidated to combine all governmental activity with characteristics similar to the General Fund with the General Fund and categorized as Other Governmental Funds. In addition to the traditional General Fund, other funds such as the family of Library Funds are now reported with the General Fund in the category of Other Governmental Funds.

**City of Lompoc
Management's Discussion and Analysis
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As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27.4 million, a decrease of \$1.2 million or 4.2% compared with the previous year. Of the ending fund balance amounts, approximately \$4.8 million or 17.5% constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either *non-spendable form, committed, or assigned* to indicate that it is 1) not in a spendable form of \$6.8 million, 2) restricted for particular purposes of \$15.3 million, or 3) committed for particular purposes of \$0.4 million.

General Fund

The General Fund is the primary operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4.81 million, while the total fund balance was approximately \$5.35 million. With the implementation of GASB 54, the presentation of City financial statements has been consolidated to combine all governmental activity with characteristics similar to the General Fund with the General Fund. In addition to the traditional General Fund, other funds such as the Economic Uncertainty Fund are now reported with the General Fund. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 17.6% of total General Fund expenditures, while total fund balance represents approximately 19.5% of that same amount.

Current year operations decreased the fund balance of the City's General Fund by \$0.61 million. Key factors in this decrease are as follows:

- Increase in revenues of \$0.91 million or 4.1% primarily due to an increase in taxes of \$482,228, charges for services of \$352,220, licenses and permits of \$54,180, and an increase in fines and penalties of \$7,385. The remaining revenues remained relatively constant with only interest decreasing by \$9,184.
- Some expenditure categories experienced increases from the previous year while other categories experienced decreases from the previous year. Overall net expenditures increased \$528,232 or 2.0% compared to the previous year.
 - Expenditure category increases amounted to \$1,001,898 or 3.7% compared to total expenditures in the previous year. Expenses increased in six areas; public safety expenditures increased \$324,653 or 2.4% compared to the previous year; Administrative, Human Resources, and Finance expenditures increased \$324,100 or 9.0% compared to the previous year; Parks and Recreation expenditures increased \$121,243 or 6.2% compared to the previous year; Planning expenditures increased \$105,246 or 29.1% compared to the previous year, Library and Other expenditures increased \$126,656 or 6.9% compared to the previous year.
 - Expenditure category decreases amounted to \$473,666 or 1.8% compared to total expenditures in the previous year. Expenses decreased in four areas; City engineering/streets expenditures decreased \$219,005 or 6.4% compared to the previous year; Non-departmental expenditures decreased \$208,203 or 21.4% compared to the previous year; Information Systems expenditures decreased \$35,856 or 3.8% compared to the previous year, and Building and Inspection expenditures decreased \$10,602 or 2.3% compared to the previous year.

Proprietary Funds

The information provided relating to the City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$11.3 million, an increase of \$2.5 million or 28.7% compared with the previous year.

The Water Fund net position decreased by \$1.1 million or 6.6% compared with the previous year. Growth of expenses over the prior fiscal year exceeded revenues received during the year. A cumulative change in accounting principle decreased net position by \$301,499 due to the early implementation of GASB 65 which wrote off the remaining bond

**City of Lompoc
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issuance cost. Revenues increased \$443,284 and expenses for maintenance and operation, and depreciation increased \$840,987. Subsequent to the financial reporting period, a rate adjustment was implemented in September 2013 in compliance with Proposition 218. The approved rate adjustments are anticipated to improve revenue levels to help reestablish revenues at levels sufficient to cover expenditures and debt service and to establish reserves equal to 90 days of operation expenses based on industry standards and to insure continued compliance with debt coverage covenants. The rate adjustment is scheduled to be phased in over five years achieving the reserve level goal by the end of the fifth year of the proposed adjustments.

The Electric Fund net position increased by \$2.6 million. The City purchases wholesale electricity through a joint powers agency, the Northern California Power Agency (NCPA). The City, a founding member of NCPA when it was established in 1968, is able to secure purchased power supplies at bulk power rates for customers within the City through NCPA. Without the resources of NCPA, a small electric utility like the City would be at a significant disadvantage in the wholesale power market. Operating revenues increased by \$0.65 million while operating expenditures increased \$2.1 million from the prior year. The Electric Fund had a prior year restatement which decreased the net position by \$546,136 due to a correction of depreciation expense for 2012. Overall operating revenues exceeded expenses by \$4.4 million.

The Wastewater Fund's net position decreased by \$0.9 million, the majority of the decrease is attributed to two factors. The two are early implementation of GASB 65, which eliminated remaining unamortized bond issuance cost as a cumulative effect from a change in accounting principle decreasing the net position by \$448,092 and a correction of depreciation expense resulting in a prior year restatement decreasing the net position by \$614,966. Operating revenues exceeded expenses by \$761,133, while non-operating activities decreased net position by \$634,281. Subsequent to the financial reporting period, a rate adjustment was implemented in September 2013 in compliance with Proposition 218. The approved rate adjustments are anticipated to improve revenue levels to help reestablish revenues at levels sufficient to cover expenditures and debt service and to establish reserves equal to 90 days of operation expenses based on industry standards and to insure continued compliance with debt coverage covenants. The rate adjustment is scheduled to be phased in over five years achieving the reserve level goal by the end of the fifth year of the proposed adjustments.

The Solid Waste Fund's net position increased by \$0.6 million, due to the implementation of rate adjustments, approved in May 2010, in June 2011, June 2012 and June 2013. Operating revenues exceeded operating expenses by \$586,499 which was approximately equal to operating revenues over operating expenses in 2012 of \$598,496. While the operating cash of the utility at June 30, 2013 was favorable at \$1.07 million compared with the 2010 rate study projections of \$1.1 million, a rate review and possible rate adjustment are planned for the 2013-14 fiscal year due to the imposition of requirements by the State of California to install a gas collection and monitoring system at the utility owned landfill which will cost approximately \$1.4 million.

Total net position for all business-type activities increased by \$1.4 million. The main factors contributing to this increase are operating revenues over operating expenses in the Electric, Wastewater, and Solid Waste funds and the implementation of GASB 65 resulting in the reinstatement of a portion of the prior net position attributable to unamortized bond issuance costs.

General Fund Budgetary Highlights

The final expenditure budget for the General Fund at year-end was \$.8 million greater than the original budget. This increase over original is primarily due to the following:

- Encumbrances at June 30, 2012 of \$0.32 million carried over to the 2012-2013 budget increasing the final expenditure budget.

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- Appropriation for the Fire SAFER (Staffing for Adequate Fire and Emergency Response) Grant for approximately \$0.2 million occurred after the original budget document had been approved. The amount of grant funds awarded after the adoption of the budget, generally not known until after the beginning of the fiscal year, are routinely added to the adopted budget for revenues and expenditures.
- 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 \$774,840 more than the final budget at year-end. This is primarily due to higher than expected compensation cost in police services. Actual revenues were more than the revised budget by \$343,439 due mainly to increases in other revenues, revenues from other agencies, charges for services and licenses and permits. These increases of \$758,036 were offset by decreases in taxes and interest of \$414,597.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the City had \$286 million invested in a broad range of capital assets, net of depreciation. This amount represents a net decrease (including additions, deductions and transfers) of \$2.4 million, or 0.8% over the previous year.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Land and land rights	\$ 26,699,584	\$ 26,959,352	\$ 7,146,096	\$ 7,146,096	\$ 33,845,680	\$ 34,105,448
Buildings and improvements	16,717,850	21,799,729	179,631,548	174,730,003	196,349,398	196,529,732
Machinery and equipment	8,131,292	7,334,150	6,847,360	4,132,575	14,978,652	11,466,725
Construction in process	3,648,702	4,921,983	2,358,046	3,380,198	6,006,748	8,302,181
Infrastructure	37,751,511	36,087,325			37,751,511	36,087,325
Totals	\$ 92,948,939	\$ 97,102,539	\$ 195,983,050	\$ 189,388,872	\$ 288,931,989	\$ 286,491,411

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

- The increase in governmental capital assets of \$4,153,600, net of depreciation, is primarily due to:
 - The transfer of capital assets from the Successor Agency of the Lompoc Redevelopment Agency in the amount of \$6,670,034.
 - Increase in construction in progress for the Lompoc Library Roofing project in the amount of \$75,551 paid from CDBG resources.
 - JM Park Field renovations of \$177,284 through CDBG and other funding.
 - Police digital video camera system and mobile communication equipment of \$42,000 through COPS grants funding.
 - \$1.5 million in street improvement projects that include the U Street pedestrian bridge project, Hwy 246/ R St traffic signal, street sidewalk improvements and Olive Ave storm drainage project.
- The increase in business-related capital assets of \$2,641,250, net of depreciation, is due to:
 - Replacement of vehicles in the Transit fund of \$152,422.
 - Renovation to the Water system including the capital replacements of revenue meters and replacement of portions of the distribution system of \$535,635.

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- Renovation to the Electric system including:
 - Construction in progress of \$63,594 for utility pole replacements with a project to date expenditure of \$1,192,954.
 - Construction in progress of \$816,926 of portions of the underground distribution system.
 - Construction in progress of \$86,187 for portions of the revenue meter installation project.
- Renovation to the Wastewater system including the capital replacement of portions of the collection system of \$232,320.
- Replacement and relocation of the Solid Waste scale for \$392,396 and the repavement of the Solid Waste Yard for \$168,000.

For more detailed information on capital assets, see the notes to the basic financial statements.

Long-Term Debt

At the end of the current fiscal year, the City had long-term debt outstanding of \$123 million. Of this amount, \$6.8 million represents long-term leases outstanding backed by the equipment purchased, \$37.1 million represents assessment district and enterprise fund bonds secured solely by specified revenue sources, \$21,085 represents long-term notes payable, and \$66.6 million represents long-term loans payable. Outstanding debt associated with the upgrade of the Wastewater Plant accounts for approximately \$85.7 million of the \$123 million, or approximately 70%, of total outstanding debt of the City.

Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Compensated absences	\$ 2,307,056	\$ 2,106,790	\$ 192,476	\$ 186,814	2,499,532	\$ 2,293,604
Accrued liabilities	5,466,000	4,912,000			5,466,000	4,912,000
Revenue bonds	2,325,000	2,265,000	35,467,765	34,641,672	37,792,765	36,906,672
Loans payable	-	-	69,966,673	66,637,257	69,966,673	66,637,257
Long term capital leases	3,819,921	3,164,227	4,031,427	3,630,825	7,851,348	6,795,052
Landfill closure and post-closure costs			5,457,162	5,681,249	5,457,162	5,681,249
Notes payable			27,023	21,085	27,023	21,085
Totals	\$ 13,917,977	\$ 12,448,017	\$ 115,142,526	\$ 110,798,902	\$ 129,060,503	\$ 123,246,919

Total debt decreased by \$6.1 million during the current fiscal year. The key factors in this decrease were:

- Decreases of \$3.3 million in the principal balance of the State Revolving Loan due to payments.
- Decrease of \$2.25 million due to reductions of principal balance on leases, notes, and bonds due to payments and amortization.
- Decrease of \$0.55 million in accrued liabilities.

In September 2013, the City completed a financing and refinancing package which reduced the interest cost of a majority of the City's long term capital leases for the remainder of the various terms of the leases. The interest savings due to the refinancing is approximately \$650,000 for the remaining life of the various leases.

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

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Fiscal Year Ended June 30, 2013**

Significant Accomplishments for Fiscal Year Ending June 30, 2013

- Completion of a majority of the dissolution process for the Lompoc Redevelopment Agency (RDA) as required by AB X1 26 and AB 1484 including the approval of asset transfers by the Successor Agency Oversight Board and the State Department of Finance.
- Projects from the former Lompoc RDA that were deemed complete included the Dick DeWees Community and Senior Center and the Aquatic Center's Dehumidification project.
- The City's Library Roof repair project.
- "U" street pedestrian bridge completion that consisted of removing the existing bridge and the construction of a new, 10-foot wide pedestrian bridge. The bridge supports an existing sewer collection main which was also renovated as part of the project.
- JM Park Little League fields renovations and surrounding infrastructure improvements funded through CDBG and other resources.
- The Solid Waste facility landfill scale project, to ensure continued function, included replaced and relocated the weight scale at the City's Landfill; repairing and repaving the Landfill access road.
- Repaving of the Solid Waste Transfer Yard.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Santa Barbara County was approximately 6.3% at June 2013 compared to 7.9% in June 2012, 8.8% in June 2011, 8.9% in 2010, and 8.3% in 2009. The County unemployment rate is better than the State's June 2013 rate of approximately 8.5% and nationwide 7.6%.
- Sales Tax receipts have increased 4% over last year with an anticipated growth of 2% and property tax increased 2% giving the impression that revenues are steady however revenue growth is not robust. The property tax revenues decreased 28% or 1.4 million primarily due to the dissolution of the Lompoc Redevelopment Agency by the state, with overall property taxes stabilizing. A conservative approach was taken in implementing the biannual budget as the local economy is following a similar pattern established overall for the nation and state.

These indicators were taken into account when preparing the City's biannual budget for fiscal years 2013-2015.

During the fiscal year ending June 30, 2013, fund balance in the General Fund decreased by \$605,669 or 10.2%. The General Fund, for reporting purposes of GASB Pronouncement #54, the City has incorporated the Economic Uncertainty Fund with a fund balance of \$2 million, certain police grants with fund balances of \$63,527, the payroll clearing account with a fund balance of \$3,000 and library funds with fund balances of \$443,073 into the General Fund. The City's adopted General Fund biennial budget for 2011-2013 includes expenditures of \$50.8 million, a decrease of 1.8% over the previously adopted 2-year budget and that had been reduced by 8.3% over the previously adopted 2-year budget. Budgeted expenditures fell \$5.6 million from the adopted budget of 2007-09 to 2011-13 or 10% since the 2007-09 period. Because of the need to provide for normal contingencies during the coming fiscal years, the 2011-2013 budget provides for a General Fund unrestricted fund balance (reserves) at June 30, 2013, of approximately \$2.9 million. In addition to the General Fund reserve balance, the City also holds a \$2 million reserve held in the Economic Uncertainty Fund that has been incorporated into the general fund for financial reporting purposes.

The State of California's budget has caused and continues to cause significant uncertainty in the government sector. This has been especially true for California Redevelopment Agencies. On December 29, 2011, the California Supreme Court issued its opinion in the case of *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, Case No. S194861, and upheld the validity of Assembly Bill X126 ("AB 26") and invalidated Assembly Bill X127 ("AB 27"). The result of this decision is all redevelopment agencies have been dissolved as of February 1, 2012. The City is now the Successor Agency of the former Lompoc Redevelopment Agency (RDA) and the assets held by the former RDA will have to have a long range management plan to determine the fate of those assets. This plan, approved by the Oversight Board, was submitted to the State of California's Department of Finance on September 26, 2013. The plan is to be reviewed and acted upon by the State of California something during the next fiscal year.

**City of Lompoc
Management's Discussion and Analysis
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There are still many economic uncertainties facing local governments in the coming years, which could impact the City's overall revenue, however sales tax revenue trends estimate a two to three percent increase, property taxes are anticipated to grow at no more than two percent. The challenges facing the City are not unique as all cities across California face the same issues as well many cities do across the nation. Rising costs related to health care and retirement contributions continue to be significant factors facing cities.

On September 12, 2012 the Governor signed pension reform AB 340, which the California State Legislature approved on August 31. Within AB 340 is the California Public Employees' Pension Reform Act of 2013 (PEPRA), which affects most California retirement systems, including CalPERS, effective January 1, 2013. PEPRA generally restricts current pension provisions while increasing flexibility for employee/employer cost sharing. It includes one new retirement formula for Miscellaneous members and three new retirement formulas for Safety members. While PEPRA will have no significant immediate impact to current pension costs, the law is designed to reduce pension costs of all public employers in the future. New employees hired after December 31, 2012 will be enrolled in a plan with substantially lower benefits with the new employees required to pay at least 50% of the normal pension costs. The pension contribution rates for existing employees are expected to rise as the legislation, beginning January 1, 2013 allows employers to require that employees contribute half of the total normal cost capped at 8% of salary for miscellaneous members and 12% of salary for safety members by 2018.

In addition to PEPRA, as a member of the CalPERS system, the City's retirement plans will be subject to revised amortization policies adopted by the CalPERS board to be effective with the employer contribution rates for the 2015-16 fiscal year. The revised smoothing policy will pay for all gains and losses over a fixed 30 year period with a five year phase in period and is anticipated to allow for the elimination of unfunded liabilities in the pension system in 30 years. This new actuarial method will negatively impact member agencies as contributions are anticipated to grow substantially over the five year phase in period.

Management is aware of the economic uncertainties along with the Federal and State changes in policies 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 2013 without interrupting essential services. Although the impacts of the economy and the State budget 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 positioned well to meet the upcoming economic challenges.

In the Electric Fund, the City had a temporary reduction in consumer rates for most of the 2012-13 fiscal year justified by reduced wholesale energy procurement costs. The City had increased rates by 6% increase in the 2011-2012 fiscal year and had a 3% increase scheduled for the 2012-2013 fiscal year, however the City has deferred the 3% rate increase and reduced consumer rates an additional 3% in August 2012. The temporary deferral and reduction of rates will be reviewed periodically during the remainder of the 2013-15 budget cycle. The existing rate schedule, including the 3% rate increases proposed for July 1, 2013 are still effective and can be implemented in the event wholesale power costs increase such that the utility would need the additional revenue to maintain a conservative operating reserve as outlined in the utility's reserve policy.

No increases for the Water or Wastewater Funds occurred in the 2012-2013 FY, however the City underwent a rate study for the Water and Wastewater funds and completed a public hearing in compliance with Proposition 218 in August 2013. . The approved rate adjustments are anticipated to improve revenue levels to help reestablish revenues at levels sufficient to cover expenditures and debt service and to establish reserves equal to 90 days of operation expenses based on industry standards and to insure continued compliance with debt coverage covenants. The rate adjustment is scheduled to be phased in over five years achieving the reserve level goal by the end of the fifth year of the proposed adjustments. The approved revenue adjustment for Water resulted in an averaged revenue adjustment of 15% for the 2013-14 fiscal year and for Wastewater an averaged revenue adjustment of 21% for the 2013-14 fiscal year. The rates for Water and Wastewater include rate increases over a five year period, from October 2013 to July 1, 2017. The adoption of the rate schedule in August included a requirement for an annual review of the financial status

**City of Lompoc
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of each utility by the City Council. Implementation of annual adjustments requires City Council approval based on the annual review as directed by the City Council. The minimum rate for residential Water service was \$22.32 per meter per month for a standard 3/4" meter; the new minimum of \$23.71 per meter per month for a standard 5/8" meter became effective in September 2013. Also effective in September 2013, the residential Water service class became subject to a tier structure for various levels of water consumption. Commercial, Industrial, and Irrigation services are subject to different consumption charges based on their class characteristics without any tier structure. Wastewater charges increased from \$5.58 per unit to \$6.22 per unit with the minimum residential charge increasing from \$22.32 per month to \$31.10 per month. The wastewater fees also included a change in the charge structure to provide a separate per unit charge for commercial and industrial class customers based on their discharge characteristics. Sewer charges are based on a combination of the per unit charge and a consumption charge based on the individual customer's water usage.

The Solid Waste Fund is conducting a rate review study in compliance with Proposition 218. It is anticipated a rate adjustment will be required for the utility to assist in funding the cost of installing a gas collection and control system estimated to cost \$1.4 million. To minimize ratepayer cost increases due to this mandate, the utility was able to obtain a 10 year loan of \$1 million with a fixed annual rate of 0.249% to design and install the gas collection system.

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 the attention of the Accounting Supervisor at P.O. Box 8001, Lompoc, CA 93438-8001.

City of Lompoc
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 31,128,011	\$ 15,134,240	\$ 46,262,251
Cash with fiscal agents	88,481	9,032,667	9,121,148
Accounts receivable	2,395,644	9,337,051	11,732,695
Interest receivable	17,769	13,398	31,167
Prepaid expenses	25,538	31,224	56,762
Internal balances	969,116	(969,116)	-
Inventories	385,107	2,178,949	2,564,056
Loans receivable	7,191,807		7,191,807
Land held for resale	200,000		200,000
Land	26,959,352	7,146,096	34,105,448
Construction in progress	4,921,983	3,380,198	8,302,181
Depreciable capital assets, net	65,221,204	178,862,577	244,083,781
Total assets	<u>139,504,012</u>	<u>224,147,284</u>	<u>363,651,296</u>
Deferred Outflow of Resources			
Unamortized loss on refundings		246,364	246,364
Liabilities			
Accounts payable and accrued liabilities	1,469,744	2,339,165	3,808,909
Unearned revenue	216,586	2,722,586	2,939,172
Interest payable	57,664	1,517,491	1,575,155
Deposits and retentions payable	1,177,620	1,244,579	2,422,199
Long-term liabilities:			
Due within one year	3,462,192	4,977,642	8,439,834
Due after one year	8,985,824	105,821,259	114,807,083
Total liabilities	<u>15,369,630</u>	<u>118,622,722</u>	<u>133,992,352</u>
Net Position			
Net investment in capital assets	91,673,313	84,704,397	176,377,710
Restricted:			
Low income housing	2,182,791		2,182,791
Construction	3,125,671	733,100	3,858,771
Debt service	116,322	3,142,812	3,259,134
Other purposes	9,906,928	5,863,052	15,769,980
Unrestricted	17,129,357	11,327,565	28,456,922
Total net position	<u>\$ 124,134,382</u>	<u>\$ 105,770,926</u>	<u>\$ 229,905,308</u>

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

City of Lompoc
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 5,092,254	\$ 7,579,132	\$ 790,392	\$
Police protection	9,324,853	21,322	130,364	
Fire protection	3,667,979			
Engineering and streets	6,795,123	21,196		696,482
Building	457,900			
Community development	855,434	115	420,712	
Parks and recreation	3,759,367	376,692	427,768	
Nondepartmental	959,840			
Health and welfare		336,456		
Interest on long-term debt	146,074			
Total governmental activities	31,058,824	8,334,913	1,769,236	696,482
Business-type activities:				
Water	9,724,136	8,857,787		
Electric	19,343,631	23,377,776	268,698	171,944
Wastewater	12,907,493	7,994,952	3,535,209	1,500,000
Solid Waste	6,562,958	7,092,667	24,000	
Other	5,296,910	2,799,760	1,553,688	55,905
Total business-type activities	53,835,128	50,122,942	5,381,595	1,727,849

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

Net Revenues (Expenses) and Changes in Net Position

Total Governmental Activities		Total Business-Type Activities		Total
\$	3,277,270	\$		\$ 3,277,270
	(9,173,167)			(9,173,167)
	(3,667,979)			(3,667,979)
	(6,077,445)			(6,077,445)
	(457,900)			(457,900)
	(434,607)			(434,607)
	(2,954,907)			(2,954,907)
	(959,840)			(959,840)
	336,456			336,456
	(146,074)			(146,074)
	<u>(20,258,193)</u>			<u>(20,258,193)</u>
		(866,349)		(866,349)
		4,474,787		4,474,787
		122,668		122,668
		553,709		553,709
		<u>(887,557)</u>		<u>(887,557)</u>
		<u>3,397,258</u>		<u>3,397,258</u>

City of Lompoc
Statement of Activities
Year Ended June 30, 2013
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Functions/Programs	Net Revenues (Expenses) and Changes in Net Position		
	Total	Total	Total
	Governmental Activities	Business-Type Activities	
General revenues:			
Sales taxes	\$ 5,864,599	\$	\$ 5,864,599
Property taxes	3,718,815	4,439	3,723,254
Transient occupancy tax (TOT)	1,312,829		1,312,829
Vehicle license fees	2,902,678		2,902,678
Gas tax	1,841,301	276,505	2,117,806
Business tax	281,070		281,070
Franchise fees	608,578		608,578
State of California in-lieu	8,273		8,273
Property transfer tax	64,477		64,477
License and permits	313,569		313,569
Interest income	116,344	56,694	173,038
Other revenues	1,141,841	170,865	1,312,706
Transfers	1,160,277	(1,160,277)	-
Total general and business-type revenues	<u>19,334,651</u>	<u>(651,774)</u>	<u>18,682,877</u>
Special item	6,670,034		6,670,034
Change in net position	<u>5,746,492</u>	<u>2,745,484</u>	<u>8,491,976</u>
Net position - beginning of year	118,593,054	104,389,999	222,983,053
Cumulative effect from change in accounting principle		(749,591)	(749,591)
Prior year restatements	(205,164)	(614,966)	(820,130)
Net position - beginning of year, restated	<u>118,387,890</u>	<u>103,025,442</u>	<u>221,413,332</u>
Net position - end of year	<u>\$ 124,134,382</u>	<u>\$ 105,770,926</u>	<u>\$ 229,905,308</u>

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

City of Lompoc
Balance Sheet
June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 5,351,069	\$ 14,741,663	\$ 20,092,732
Cash with fiscal agents	88,481		88,481
Accounts receivable	1,419,112	972,731	2,391,843
Interest receivable	1,501	9,196	10,697
Prepaid expenses	25,538		25,538
Due from other funds		90,000	90,000
Land held for resale		200,000	200,000
Inventories	28,964	8,185	37,149
Loans receivable		7,191,807	7,191,807
	<u>\$ 6,914,665</u>	<u>\$ 23,213,582</u>	<u>\$ 30,128,247</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ 581,947	\$ 113,781	\$ 695,728
Due to other funds	5,800	90,000	95,800
Deposits payable	257,740	919,879	1,177,619
Accrued wages and benefits	506,656	7,372	514,028
Unearned revenue	215,013		215,013
	<u>1,567,156</u>	<u>1,131,032</u>	<u>2,698,188</u>

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

City of Lompoc
Balance Sheet
June 30, 2013
Page 2

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance:			
Nonspendable:			
Inventories	\$ 28,964	\$ 8,185	\$ 37,149
Long-term loans receivable		6,806,984	6,806,984
Restricted for:			
Low income housing		2,182,791	2,182,791
Road surface repairs		8,111,123	8,111,123
Library services	443,073		443,073
Debt service		116,322	116,322
Law enforcement	9	4,252	4,261
Other capital projects		3,125,671	3,125,671
Other purposes	63,518	1,284,952	1,348,470
Committed to:			
Library acquisitions		386,142	386,142
Health and welfare		56,128	56,128
Unassigned	4,811,945		4,811,945
Total fund balance	<u>5,347,509</u>	<u>22,082,550</u>	<u>27,430,059</u>
Total liabilities and fund balance	<u>\$ 6,914,665</u>	<u>\$ 23,213,582</u>	<u>\$ 30,128,247</u>

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

City of Lompoc
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2013

Total fund balance - governmental funds \$ 27,430,059

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

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. Net capital assets relating to governmental activities consisted of:

Capital assets at estimated historical cost	\$ 149,574,310	
Accumulated depreciation	(57,751,467)	
	<u>91,822,843</u>	91,822,843

Interest payable: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the statement of net position, it is recognized in the period that it is incurred. The additional liability for unmatured interest owed at year-end was: (33,421)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consisted of:

Tax Allocation Bonds - 2004	2,265,000	
Capital leases payable	906,831	
Compensated absences	2,097,974	
	<u>(5,269,805)</u>	(5,269,805)

Internal service funds: Internal service funds are used to conduct activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds was: 10,184,705

Total net position - governmental activities \$ 124,134,382

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

City of Lompoc
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 12,426,432	\$ 3,938,698	\$ 16,365,130
Licenses and permits	313,569		313,569
Fines and penalties	99,076		99,076
Revenues from other agencies	1,342,474	1,123,244	2,465,718
Charges for current services	7,646,723	826,604	8,473,327
Interest	2,891	70,701	73,592
Other revenues	1,095,041	46,801	1,141,842
Total revenues	<u>22,926,206</u>	<u>6,006,048</u>	<u>28,932,254</u>
Expenditures:			
Personnel services	20,104,792	578,548	20,683,340
Maintenance and operations	7,110,556	1,692,368	8,802,924
Capital outlay	156,033	1,774,186	1,930,219
Debt service:			
Principal		105,471	105,471
Interest and fiscal charges		146,783	146,783
Total expenditures	<u>27,371,381</u>	<u>4,297,356</u>	<u>31,668,737</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,445,175)</u>	<u>1,708,692</u>	<u>(2,736,483)</u>
Other financing sources (uses):			
Operating transfers in	4,247,558	207,888	4,455,446
Operating transfers out	<u>(408,052)</u>	<u>(2,539,497)</u>	<u>(2,947,549)</u>
Total other financing sources (uses)	<u>3,839,506</u>	<u>(2,331,609)</u>	<u>1,507,897</u>
Net change in fund balance	<u>(605,669)</u>	<u>(622,917)</u>	<u>(1,228,586)</u>
Fund balance - beginning of year	5,953,178	22,910,631	28,863,809
Prior year restatements		(205,164)	(205,164)
Fund balance - beginning of year, restated	<u>5,953,178</u>	<u>22,705,467</u>	<u>28,658,645</u>
Fund balance - end of year	<u>\$ 5,347,509</u>	<u>\$ 22,082,550</u>	<u>\$ 27,430,059</u>

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

City of Lompoc
Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2013

Total net change in fund balance - governmental funds \$ (1,228,586)

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

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the year was:

Expenditures for capital outlay - governmental funds	\$ 1,930,219	
Depreciation expense	<u>(3,276,088)</u>	
		(1,345,869)

Loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss was: 2,375

Debt service: In governmental funds, repayments of long-term debt are recognized as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 105,471

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The differences between compensated absences paid and compensated absences earned was: 196,791

Interest expense: Interest on long-term debt is recognized as an expenditure in governmental funds when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The difference in interest expense paid and interest accrued was: 709

Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, internal service activities are reported with governmental activities in the statement of activities. The net increase in the internal service funds was: 1,345,568

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

City of Lompoc
Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2013
Page 2

Special item reported in the statement of activities: increase in net position
for capital assets transferred to the City from the Successor Agency Trust
Fund

\$ 6,670,034

Total change in net position - governmental activities

\$ 5,746,492

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

City of Lompoc
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Funds			
	Water Utility	Electric Utility	Wastewater Utility	Solid Waste Disposal
Assets				
Current assets:				
Cash and investments	\$ 71,110	\$ 1,877,040	\$ 5,914,407	\$ 3,965,535
Cash with fiscal agents	566,433	8,385,430	80,804	
Accounts receivable, net	1,417,536	3,345,716	1,960,488	955,758
Interest receivable	35	5,229	3,871	2,106
Prepaid expenses		31,224		
Due from other funds	102,380	4,961,735		
Inventories	309,548	1,787,294	30,820	
Total current assets	<u>2,467,042</u>	<u>20,393,668</u>	<u>7,990,390</u>	<u>4,923,399</u>
Noncurrent assets:				
Land	529,778	250,304	321,758	262,231
Construction in progress	417,517	2,578,984	83,830	34,992
Structures and improvements	33,067,419	13,246,265	139,785,943	1,785,125
Vehicles and equipment	22,036,915	31,709,755	15,334,012	2,454,029
Less accumulated depreciation	<u>(26,897,026)</u>	<u>(21,414,027)</u>	<u>(35,399,177)</u>	<u>(2,627,861)</u>
Total noncurrent assets	<u>29,154,603</u>	<u>26,371,281</u>	<u>120,126,366</u>	<u>1,908,516</u>
Total assets	<u>31,621,645</u>	<u>46,764,949</u>	<u>128,116,756</u>	<u>6,831,915</u>
Deferred Outflows of Resources				
Unamortized loss on refundings	<u>188,413</u>		<u>57,951</u>	

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

<u>Enterprise Funds</u>		<u>Governmental</u>
<u>Other Enterprise</u>	<u>Total</u>	<u>Activities -</u>
<u>Funds</u>	<u>Enterprise</u>	<u>Internal</u>
	<u>Funds</u>	<u>Service Funds</u>
\$ 3,306,147	\$ 15,134,239	\$ 11,035,277
	9,032,667	
1,657,553	9,337,051	3,801
2,157	13,398	7,073
	31,224	
	5,064,115	993,448
51,286	2,178,948	347,958
<u>5,017,143</u>	<u>40,791,642</u>	<u>12,387,557</u>
5,782,025	7,146,096	
264,875	3,380,198	
5,108,234	192,992,986	178,146
6,024,925	77,559,636	18,526,220
(5,351,953)	(91,690,044)	(13,424,670)
<u>11,828,106</u>	<u>189,388,872</u>	<u>5,279,696</u>
<u>16,845,249</u>	<u>230,180,514</u>	<u>17,667,253</u>
	<u>246,364</u>	

City of Lompoc
Statement of Net Position
Proprietary Funds
June 30, 2013
Page 2

	Enterprise Funds			
	Water Utility	Electric Utility	Wastewater Utility	Solid Waste Disposal
Liabilities				
Current liabilities:				
Accounts payable	\$ 368,789	\$ 188,674	\$ 192,735	\$ 120,181
Due to other funds				582,654
Accrued wages and benefits	363,163	331,131	203,799	247,779
Unearned revenue			2,708,621	
Interest payable	220,268	5,447	1,286,009	815
Deposits payable	7,387	489,400		
Trust deposits				
Reserve fund - VVCS			742,642	
Current portion of claims payable				
Current portion of capital leases payable	132,583	153,189	7,580	27,537
Current portion of loans payable	6,236		3,388,940	
Current portion of revenue bonds	583,773		581,227	
Total current liabilities	<u>1,682,199</u>	<u>1,167,841</u>	<u>9,111,553</u>	<u>978,966</u>
Noncurrent liabilities:				
Claims payable, net of current portion				
Compensated absences	54,759	52,587	28,458	36,966
Landfill closure and postclosure costs				5,681,249
Capital leases payable, net of current portion	568,244	2,087,827	137,016	321,733
Loans payable, net of current portion	14,849		63,248,317	
Revenue bonds, net of current portion	13,444,288		20,032,384	
Total noncurrent liabilities	<u>14,082,140</u>	<u>2,140,414</u>	<u>83,446,175</u>	<u>6,039,948</u>
Total liabilities	<u>15,764,339</u>	<u>3,308,255</u>	<u>92,557,728</u>	<u>7,018,914</u>
Net Position				
Net investment in capital assets	14,593,043	24,130,265	32,788,853	1,559,246
Restricted for:				
Construction			733,100	
Debt service	780,035		2,362,776	
Other purposes		1,097,059		2,098,879
Unrestricted	672,641	18,229,370	(267,750)	(3,845,124)
Total net position	<u>\$ 16,045,719</u>	<u>\$ 43,456,694</u>	<u>\$ 35,616,979</u>	<u>\$ (186,999)</u>

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

<u>Enterprise Funds</u>		<u>Governmental</u>
<u>Other Enterprise</u>	<u>Total</u>	<u>Activities -</u>
<u>Funds</u>	<u>Enterprise</u>	<u>Internal</u>
	<u>Funds</u>	<u>Service Funds</u>
\$ 218,695	\$ 1,089,074	\$ 188,560
5,450,577	6,033,231	18,532
104,217	1,250,089	71,424
13,965	2,722,586	1,573
4,952	1,517,491	24,243
	496,787	
5,150	5,150	
	742,642	
	-	1,013,000
96,577	417,466	528,697
	3,395,176	
	1,165,000	
<u>5,894,133</u>	<u>18,834,692</u>	<u>1,846,029</u>
	-	3,899,000
14,044	186,814	8,819
	5,681,249	
98,539	3,213,359	1,728,700
	63,263,166	
	33,476,672	
<u>112,583</u>	<u>105,821,260</u>	<u>5,636,519</u>
<u>6,006,716</u>	<u>124,655,952</u>	<u>7,482,548</u>
11,632,990	84,704,397	3,022,299
	733,100	
	3,142,811	
2,667,114	5,863,052	6,366,835
(3,461,571)	11,327,566	795,571
<u>\$ 10,838,533</u>	<u>\$ 105,770,926</u>	<u>\$ 10,184,705</u>

City of Lompoc
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2013

	Enterprise Funds			
	Water Utility	Electric Utility	Wastewater Utility	Solid Waste Disposal
Operating revenues:				
User fees and charges for services	\$ 8,824,765	\$ 23,220,557	\$ 7,956,803	\$ 6,018,521
Revenue from other agencies		268,698	3,535,209	24,000
Other operating revenues	33,021	157,119	33,349	1,074,147
Facilities rental		100	4,800	
Total operating revenues	<u>8,857,786</u>	<u>23,646,474</u>	<u>11,530,161</u>	<u>7,116,668</u>
Operating expenses:				
Personnel services	2,894,413	2,007,883	2,286,706	2,341,106
Maintenance and operations	4,553,484	15,612,040	3,840,364	4,060,140
Depreciation and amortization	1,554,330	1,618,643	4,641,978	128,923
Total operating expenses	<u>9,002,227</u>	<u>19,238,566</u>	<u>10,769,048</u>	<u>6,530,169</u>
Operating income (loss)	<u>(144,441)</u>	<u>4,407,908</u>	<u>761,113</u>	<u>586,499</u>
Nonoperating revenues and expenses:				
Interest earnings	6,783	48,413	1,361	
Interest expense	(721,909)	(105,062)	(2,138,445)	(32,790)
Capital grants and contributions		171,944	1,500,000	
Other revenue (expense)	20,716	148,821	2,803	2,167
Loss on disposal of equipment				
Operating transfers in				
Operating transfers out		(1,525,639)		
Total nonoperating revenues and expenses	<u>(694,410)</u>	<u>(1,261,523)</u>	<u>(634,281)</u>	<u>(30,623)</u>
Net income (loss)	<u>(838,851)</u>	<u>3,146,385</u>	<u>126,832</u>	<u>555,876</u>
Net position - beginning of year	17,186,069	40,856,445	36,553,205	(742,875)
Cumulative effect from change in accounting principle	(301,499)		(448,092)	
Prior year restatements		(546,136)	(614,966)	
Net position - beginning of year, restated	<u>16,884,570</u>	<u>40,310,309</u>	<u>35,490,147</u>	<u>(742,875)</u>
Net position - end of year	<u>\$ 16,045,719</u>	<u>\$ 43,456,694</u>	<u>\$ 35,616,979</u>	<u>\$ (186,999)</u>

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

Enterprise Funds		Governmental
Other Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
\$ 2,392,196	\$ 48,412,842	\$ 16,562,095
1,830,192	5,658,099	
53,148	1,350,784	
358,855	363,755	3,666,345
<u>4,634,391</u>	<u>55,785,480</u>	<u>20,228,440</u>
1,186,960	10,717,068	6,542,965
3,106,701	31,172,729	10,598,804
941,033	8,884,907	1,328,864
<u>5,234,694</u>	<u>50,774,704</u>	<u>18,470,633</u>
<u>(600,303)</u>	<u>5,010,776</u>	<u>1,757,807</u>
138	56,695	42,753
(62,214)	(3,060,420)	(117,997)
55,905	1,727,849	
9,451	183,958	10,625
(13,097)	(13,097)	
365,362	365,362	
	(1,525,639)	(347,620)
<u>355,545</u>	<u>(2,265,292)</u>	<u>(412,239)</u>
<u>(244,758)</u>	<u>2,745,484</u>	<u>1,345,568</u>
10,537,155	104,389,999	8,839,137
	(749,591)	
546,136	(614,966)	
<u>11,083,291</u>	<u>103,025,442</u>	<u>8,839,137</u>
<u>\$ 10,838,533</u>	<u>\$ 105,770,926</u>	<u>\$ 10,184,705</u>

City of Lompoc
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013

	Enterprise Funds			
	Water Utility	Electric Utility	Wastewater Utility	Solid Waste Disposal
Cash flows from operating activities:				
Cash received from customers	\$ 8,843,070	\$ 23,424,867	\$ 7,945,666	\$ 7,133,968
Cash received from other agencies		268,698	3,535,209	24,000
Cash received from interfund services provided				
Internal activity - cash paid from (to) other funds	6,452	(13,290)		(130,028)
Cash paid to suppliers	(4,521,900)	(15,198,930)	(3,891,457)	(3,776,061)
Cash paid to employees	(2,830,310)	(1,972,040)	(2,231,213)	(2,317,165)
Net cash provided (used) by operating activities	<u>1,497,312</u>	<u>6,509,305</u>	<u>5,358,205</u>	<u>934,714</u>
Cash flows from noncapital financing activities:				
Cash received from other agencies	20,716	148,824	2,804	2,168
Net operating transfers		(1,525,639)		
Net cash provided (used) by non-capital financing activities	<u>20,716</u>	<u>(1,376,815)</u>	<u>2,804</u>	<u>2,168</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(619,006)	(1,077,670)	(322,275)	(651,232)
Loss on disposal of equipment				
Principal payments on long-term debt	(682,071)	(146,718)	(3,888,005)	(26,358)
Interest payments on long-term debt	(700,974)	(105,403)	(2,189,207)	(32,815)
Cash from capital grants and contributions		171,944	1,500,000	
Net cash used by capital and related financing activities	<u>(2,002,051)</u>	<u>(1,157,847)</u>	<u>(4,899,487)</u>	<u>(710,405)</u>
Cash flows from investing activities:				
Interest on investments	\$ 6,990	\$ 47,812	\$ 2,609	\$ 1,366
Net cash provided by investing activities	<u>6,990</u>	<u>47,812</u>	<u>2,609</u>	<u>1,366</u>
Net increase (decrease) in cash and investments	(477,033)	4,022,455	464,131	227,843
Cash and investments - beginning of year	<u>1,114,576</u>	<u>6,240,015</u>	<u>5,531,080</u>	<u>3,737,692</u>
Cash and investments - end of year	<u>\$ 637,543</u>	<u>\$ 10,262,470</u>	<u>\$ 5,995,211</u>	<u>\$ 3,965,535</u>

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

Enterprise Funds		Governmental
Other Enterprise	Total	Activities -
Funds	Enterprise	Internal
	Funds	Service Funds
\$ 2,287,437	\$ 49,635,008	\$ -
1,830,192	5,658,099	
		20,426,275
(30,471)	(167,337)	161,536
(3,516,139)	(30,904,487)	(11,425,460)
(1,165,580)	(10,516,308)	(6,559,518)
<u>(594,561)</u>	<u>13,704,975</u>	<u>2,602,833</u>
9,472	183,984	10,625
365,362	(1,160,277)	(347,620)
<u>374,834</u>	<u>(976,293)</u>	<u>(336,995)</u>
(248,607)	(2,918,790)	(155,924)
(13,097)	(13,097)	
(92,636)	(4,835,788)	(610,224)
(63,080)	(3,091,479)	(123,837)
55,905	1,727,849	
<u>(361,515)</u>	<u>(9,131,305)</u>	<u>(889,985)</u>
\$ 1,552	\$ 60,329	\$ 44,690
1,552	60,329	44,690
(579,690)	3,657,706	1,420,543
<u>3,885,837</u>	<u>20,509,200</u>	<u>9,614,734</u>
\$ 3,306,147	\$ 24,166,906	\$ 11,035,277

City of Lompoc
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013
Page 2

	Enterprise Funds			
	Water Utility	Electric Utility	Wastewater Utility	Solid Waste Disposal
Summary of cash investments - end of year:				
Cash and investments	\$ 71,110	\$ 1,877,040	\$ 5,914,407	\$ 3,965,535
Cash with fiscal agents	566,433	8,385,430	80,804	
Total cash and investments - end of year	<u>\$ 637,543</u>	<u>\$ 10,262,470</u>	<u>\$ 5,995,211</u>	<u>\$ 3,965,535</u>
Noncash investing, capital and financing activities:				
None in CY	\$ 637,543	\$ 10,262,470	\$ 5,995,211	\$ 3,965,535

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

<u>Enterprise Funds</u>		<u>Governmental</u>
<u>Other Enterprise</u>	<u>Total</u>	<u>Activities -</u>
<u>Funds</u>	<u>Enterprise</u>	<u>Internal</u>
	<u>Funds</u>	<u>Service Funds</u>
\$ 3,306,147	\$ 15,134,239	\$ 11,035,277
	9,032,667	
<u>\$ 3,306,147</u>	<u>\$ 24,166,906</u>	<u>\$ 11,035,277</u>
\$ 3,306,147	\$ 24,166,906	\$ 11,035,277

City of Lompoc
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013
Page 3

	Enterprise Funds			
	Water Utility	Electric Utility	Wastewater Utility	Solid Waste Disposal
Operating income (loss)	\$ (144,441)	\$ 4,407,908	\$ 761,113	\$ 586,499
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation and amortization	1,554,330	1,618,643	4,641,978	128,923
Loss on disposal of equipment				
Change in assets and liabilities:				
Accounts receivable, net	(14,717)	47,091	(49,286)	41,300
Due from other funds	6,452	(13,290)		
Prepaid expenses	16,358	132,892	19,901	
Inventories	4,393	291,192	289	
Accounts payable	12,872	(71,174)	(24,419)	59,992
Due to other funds				(130,028)
Accrued wages and benefits	65,245	40,770	51,934	27,930
Deposits payable	(2,038)	60,200		
Unearned revenue			(46,864)	
Trust deposits				
Compensated absences	(1,142)	(4,927)	3,559	(3,989)
Landfill closure and postclosure costs				224,087
Claim liabilities				
Total adjustments	1,641,753	2,101,397	4,597,092	348,215
Net cash provided (used) by operating activities	\$ 1,497,312	\$ 6,509,305	\$ 5,358,205	\$ 934,714

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

<u>Enterprise Funds</u>		<u>Governmental</u>
<u>Other Enterprise</u>	<u>Total</u>	<u>Activities -</u>
<u>Funds</u>	<u>Enterprise</u>	<u>Internal</u>
	<u>Funds</u>	<u>Service Funds</u>
\$ (600,303)	\$ 5,010,776	\$ 1,757,807
941,033	8,884,907	1,328,864
13,097	13,097	
(516,861)	(492,473)	199,378
	(6,838)	161,536
1,500	170,651	
15,233	311,107	(17,345)
(424,237)	(446,966)	(258,429)
(30,471)	(160,499)	
20,713	206,592	(13,077)
	58,162	
(15,034)	(61,898)	1,573
100	100	
669	(5,830)	(3,474)
	224,087	
	-	(554,000)
5,742	8,694,199	845,026
\$ (594,561)	\$ 13,704,975	\$ 2,602,833

City of Lompoc
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Successor Agency Private-Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and investments	\$ 2,203,250	\$ 1,295,620
Cash with fiscal agent	605,911	
Interest receivable	843	12,997
Loans receivable	843,934	445
Capital assets, net	1,201,752	
Total assets	<u>4,855,690</u>	<u>\$ 1,309,062</u>
Liabilities		
Accounts payable	1,200	\$ 8,165
Accrued wages and benefits	21,931	
Due to City of Lompoc	43,885	
Interest payable	240,761	
Long-term debt due within one year	337,643	
Long-term debt due in more than one year	14,137,489	
Amounts due to others		<u>1,300,897</u>
Total liabilities	<u>14,782,909</u>	<u>\$ 1,309,062</u>
Net Position		
Held in trust for successor agency activities	<u>\$ (9,927,219)</u>	

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

City of Lompoc
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2013

	Successor Agency Private-Purpose Trust Fund
Additions:	
Property taxes	\$ 2,204,115
Other revenues	9,167
Total additions	2,213,282
 Deductions:	
Program expenses	3,771,708
Administrative expenses	164,619
Interest on long term debt	907,006
Total deductions	4,843,333
Special item	(6,670,034)
Change in net position	(9,300,085)
Net position - beginning of year	(109,029)
Cummulative effect from change in accounting principle	(518,105)
Net position - beginning of year, restated	(627,134)
Net position - end of year	\$ (9,927,219)

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

City of Lompoc
Notes to Financial Statements
June 30, 2013

Note 1: The Reporting Entity

The City of Lompoc (the City) was incorporated in 1888. The City is a general law city under the laws of the State of California and operates under a Council-Administrator form of government. The City provides the following services: public safety (police and fire), construction and maintenance of highways and streets, sanitation, culture and recreation, public improvements, planning, zoning and general administration. Enterprise funds, operated in a manner similar to a private business, include water, electric, wastewater, solid waste, and transit.

The City has defined its reporting entity in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, amended by GASB Statements No. 39 and 61. These statements provide guidance for determining which organizations, functions and activities of a government should be included in the general purpose financial statements.

The criteria for inclusion in the basic financial statements are generally based upon the ability of the City to exercise oversight responsibility over such organizations, functions and activities. Oversight responsibility is generally defined as the existence of financial interdependency and/or the ability to appoint governing boards, to designate management, to significantly influence operations, to approve operating budgets or control day-to-day activities.

The accompanying financial statements include all activities and reporting entities over which the City exercises oversight responsibility. Effective January 31, 2012, the Lompoc Redevelopment Agency of the City of Lompoc (the Agency) was dissolved through the Supreme Court decision on Assembly Bill 1X26. This action impacted the reporting entity of the City that previously had reported the Agency as a blended component unit. See Note 19 for additional information on the dissolution and reporting of the Agency as a private-purpose trust fund.

In determining the financial reporting entity for the City, the following governmental unit has met the criteria for inclusion in the City's financial statements.

Lompoc Public Financing Authority

The Lompoc Public Financing Authority (the Authority) was established in 1984, and is a separate governmental entity under the laws of the State of California. The purpose of the Authority is to provide financing for the construction and acquisition of selected City facilities. The City Council and the Board of Directors of the Authority are legally separate boards; however, they share a common membership. Activities of the Authority are accounted for in the applicable City governmental or enterprise funds. Separate financial statements are not prepared for the Authority, as it is included in the accompanying financial statements as a blended component unit.

Other Governmental Agencies

Other governmental agencies provide various levels of services to residents of the City, either entirely or partially. The entities include, but are not limited to, the State of California, the County of Santa Barbara, as well as several school districts. Each of these agencies has an independently elected governing board or is dependent on an independently elected governing board other than the City Council.

City of Lompoc

Notes to Financial Statements

June 30, 2013

Page 2

Note 1: The Reporting Entity (Continued)

The City has no ability to appoint or control the management of any of these entities and is not responsible for any operating losses or debts incurred. As a result of the above analysis, financial information for these agencies is not included within the scope of this report.

Note 2: Summary of Significant Accounting Policies

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applied to governmental agencies. The following summary of the City's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the primary government and its blended component unit. 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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Note 2: Summary of Significant Accounting Policies (Continued)

Major Funds

GASB Statement No. 34 defines major funds and requires that the City's major governmental funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund type.

Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund: This fund accounts for all financial resources except those to be accounted for in another fund. It is the general operating fund of the City.

The City reported the following major proprietary funds in the accompanying financial statements:

Water Utility Fund: This fund accounts 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.

Electric Utility Fund: This fund accounts 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: This fund accounts 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: This fund accounts 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.

Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

City of Lompoc

Notes to Financial Statements

June 30, 2013

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Note 2: Summary of Significant Accounting Policies (Continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted Net Position may be available to finance program expenditures/expenses. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

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 principal operating revenues of the enterprise funds are charges to customers for 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.

The City has established agency funds, which are used to account for funds held by the City as an agent for private individuals or organizations. The agency funds are accounted for using the accrual basis of accounting.

Budgetary Information

A two-year budget is legally adopted for all funds by the City Council prior to July 1 of odd years, on a basis consistent with accounting principles generally accepted in the United States of America. After adoption of the final budget, transfers of appropriations within a General Fund department, or within other funds, can be made by the

City of Lompoc

Notes to Financial Statements

June 30, 2013

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Note 2: Summary of Significant Accounting Policies (Continued)

Management Services Director. Budget modifications between funds and increases or decreases to a fund's overall budget, must be approved by the City Administrator or City Council. Numerous properly authorized amendments were made during the fiscal year. The appropriations are legally adopted at the major expenditure classification level for each department within each fund. Expenditures may not legally exceed appropriations at the department level.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The proprietary funds' deposits in the City-wide cash management pool are, in substance, demand deposits and are, therefore, considered cash equivalents for purposes of the statement of cash flows.

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 "due to/from other funds".

All trade and property tax receivables are shown net of any allowance for uncollectible accounts if material. Property tax assessment and collection is administered by the County of Santa Barbara.

Property Taxes

California Constitution Article XIII A limits the combined property tax rate to one percent of a property's assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The state legislature has determined the method of distributing the one percent tax levy among the various taxing jurisdictions.

In 2011 the City elected to receive property tax revenue in accordance with the County's Teeter plan whereby the County remits 100% of taxes levied without regard to delinquencies. The County then pursues collection, retaining any delinquent taxes and related penalties and interest. Property taxes are billed and collected by the County on behalf of the City. Property taxes attach as an enforceable lien on the property on March 1. Taxes levied on July 1 are due on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

Note 2: Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are valued at weighted average cost for all funds under the consumption method of accounting. Under this method, purchases are recorded as increases in inventory and charge to expenditures when used.

Prepaid Expenses/Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. The City's policy is to capitalize all capital assets with costs exceeding certain minimum of \$2,500 and with useful lives exceeding one year.

With the implementation of GASB Statement No. 34, the City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that fiscal year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each fiscal year until the asset is fully depreciated.

The City has assigned the useful lives listed below to capital assets:

Buildings and utility plants	10-50 years
Improvements other than buildings	5-10 years
Equipment and vehicles	6-30 years
Infrastructure	10-50 years

Note 2: Summary of Significant Accounting Policies (Continued)

Compensated Absences

In compliance with GASB Statement No. 16, the City has established a liability for accrued sick leave and vacation in relevant funds. For governmental funds, the current liability appears in the respective funds. All vacation paid is accrued when incurred in the government-wide and proprietary funds financial statements. This liability is set up for current employees at the current rates of pay. If sick leave and vacation are not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement. Such compensation is calculated at the employee's prevailing rate at the time of retirement or termination. Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

Net Position

GASB Statement No. 34, amended by GASB Statement No. 63, adds the concept of net position, which is measured on the full accrual basis, to the concept of fund balance, which is measured on the modified accrual basis.

Net position is the excess of all the City's assets over all its liabilities. Net position is divided into three captions. These captions apply only to net position, which is determined only at the government-wide level, and are described below:

Net Investment in Capital Assets: Describes the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted Net Position: Describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and funds restricted to low and moderate income purposes.

Unrestricted Net Position: Describes the portion of net position which is not restricted to use.

Fund Equity

The City's fund financial statements report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, identifies five components of fund balance – nonspendable, restricted, committed, assigned, and unassigned.

City of Lompoc

Notes to Financial Statements

June 30, 2013

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Note 2: Summary of Significant Accounting Policies (Continued)

Nonspendable: This component consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed: This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority which includes the City Municipal Code, Ordinances and Resolutions. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (City Municipal Code, Ordinance and Resolution) it employed previously to commit those amounts.

Assigned: This component consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by the City Council or its designated officials to assign amounts to be used. Constraints imposed on the use of assigned amounts can be removed with no formal Council actions.

Unassigned: This component consists of amounts that have not been restricted, committed or assigned to specific purposes.

Fund Balance Spending Policy

The City has formally adopted a spending policy regarding the order in which restricted, committed, assigned, and unassigned fund balances are spent when more than one amount is available for a specific purpose. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

Note 2: Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 3: Cash and Investments

Cash balances from all funds are combined and invested to the extent possible, pursuant to the City’s investment policy, and State Government Code. The earnings from these investments are allocated monthly to each fund, based on an average of monthly opening and closing balances of cash and investments. Interest earned from cash and investments with fiscal agents is credited directly to such funds.

At June 30, 2013, cash and investments consisted of the following:

Cash and cash equivalents:	
Deposits	\$ 2,230,447
Petty cash	3,850
Investments:	
Local Agency Investment Fund (LAIF)	44,027,954
Cash with fiscal agents	9,121,148
	<hr/>
Total	<u><u>\$ 55,383,399</u></u>

City of Lompoc

Notes to Financial Statements

June 30, 2013

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Note 3: Cash and Investments (Continued)

Investment Policy

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

- Securities issued or guaranteed by the federal government or its agencies
- Repurchase and reverse repurchase agreements
- Bankers' acceptances
- Commercial paper
- Corporate notes and money market mutual funds
- Negotiable certificates of deposit
- State 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.

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 based on quoted market prices, in accordance with GASB standards.

Local Agency Investment Fund (LAIF)

The City maintained investments with the State of California Local Agency Investment Fund (LAIF). The LAIF is an external investment pool sponsored by the State of California. These pooled funds approximate fair value. The administration of the LAIF is provided by the California State Treasurer and regulatory oversight is provided by the Pooled Money Investment Board and the Local Investment Advisory Board. State statutes, bond resolutions, and LAIF investment policy resolutions allow investments in United States government securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, mortgage loans and notes, other debt securities, repurchase agreements, reverse repurchase agreements, equity securities, real estate, mutual funds and other investments. The LAIF's report discloses the required information in accordance with GASB Statements No. 3 and 40. Pooled investments are not required to be categorized by risk category.

Cash with Fiscal Agents

The City had \$9,121,148 in cash and investments as of June 30, 2013, held by fiscal agents pledged for the payment or security of certain liabilities, bonds and capital leases. The California Government code provides that these monies, in

City of Lompoc

Notes to Financial Statements

June 30, 2013

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Note 3: Cash and Investments (Continued)

the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments, not permitted by the City's general investment policy, been authorized.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk in addition to the California Government Code collateral requirements. All deposits held by financial institutions are fully insured or collateralized with securities, held by the pledging financial institutions' trust departments in the City's name.

For custodial credit risk associated with deposits, the City's policy is to follow the California Government Code which required California financial institutions to secure the City's deposits by pledging government securities as collateral. The market value of the pledge securities must equal 110% of the City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes equal to 150% of the City's deposits.

Interest Rate Risk

The City's formal investment policy does not limit 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, 2013, all of the City's had all investments had maturities of less than one year.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. The City had no investments in commercial paper or corporate bonds at June 30, 2013.

Note 3: Cash and Investments (Continued)

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:

Bankers' Acceptances	40%
Commercial Paper	15%
Medium Term Corporate Notes	25%
Negotiable Certificates of Deposit	30%
Mutual Funds	10%

The City places no limit on the amount the City may invest in any one issuer. The City is unlimited in the amount and percentage of the total portfolio it may invest in Certificates of Deposit. The City's investments in the LAIF represented 80% of total cash and investments at June 30, 2013.

Note 4: Loans Receivable

Community Development Loans Receivable

Community Development Block Grants provide for low-income housing assistance; first time home buyers assistance; and single and multi-family rehabilitation loans. The City of Lompoc Single Family Rehabilitation Loan Program (the Program) assists low and moderate income homeowners within the City by providing low interest rate loans for home rehabilitation projects. Loans are collateralized by a Deed of Trust recorded on the property. The Program's goals are to provide income qualified homeowners the opportunity to make home improvements and repairs at minimal cost and allow them to protect and/or increase the value of their investment. The Program is designed to improve the quality of life for low-income families and seniors by maintaining and upgrading the City's housing stock. The Program also provides for loans to individuals and other organizations that provide benefits to low-income households or neighborhoods. The loans' principal and interest amounts are typically deferred and due at maturity. Some loan terms provide for maturity upon the sale of the property. Interest rates range from 0% - 5% per annum. At June 30, 2013, the outstanding loans receivable was \$2,691,432.

Housing-In-Lieu Loans Receivable

The City established a Housing In-Lieu Fee Program (the Program) to allow a developer of a residential development of ten or more units to elect to pay a fee as an alternative to providing affordable housing units on-site, if on-site units are determined to be infeasible. The Program was originally established for residential developments located outside the boundaries of the Old Town Lompoc Redevelopment Project Area. At June 30, 2013, the outstanding loans receivable was \$1,654,979.

Housing Successor Agency Loans Receivable

As housing successor agency for the low-income housing function of the former redevelopment agency, the City will continue to manage the low and moderate income housing loans. The loans are collateralized by a Deed of Trust

City of Lompoc
Notes to Financial Statements
June 30, 2013
Page 13

Note 4: Loans Receivable (Continued)

recorded on the property. The loans' principal and interest amounts are typically deferred and due at maturity. Some of the loans provide for maturity upon the sale of the property. Interest rates range from 0% - 5% per annum. At June 30, 2013, the outstanding loans receivable was \$2,845,396.

At June 30, 2013, the aggregate maturities of loans receivable were as follows:

<u>For the Year Ending June 30,</u>	
2014	\$ 250,120
2015	26,463
2016	166,470
2017	23,574
2018	43,288
Thereafter	<u>6,681,892</u>
Total	<u>\$ 7,191,807</u>

Note 5: Capital Assets

For the year ended June 30, 2013, governmental activities capital assets activity was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets not being depreciated:					
Land	\$ 26,699,584	\$	\$	\$ 259,768	\$ 26,959,352
Construction in progress	<u>3,648,702</u>	<u>1,337,770</u>	<u>(1,210)</u>	<u>(63,279)</u>	<u>4,921,983</u>
Total capital assets not being depreciated	<u>30,348,286</u>	<u>1,337,770</u>	<u>(1,210)</u>	<u>196,489</u>	<u>31,881,335</u>
Capital assets being depreciated:					
Buildings and improvements	29,459,335	244,643	(42,008)	5,571,654	35,233,624
Vehicles and equipment	26,754,042	284,624	(313,649)	838,612	27,563,629
Infrastructure	<u>73,317,704</u>	<u>219,106</u>	<u></u>	<u>63,279</u>	<u>73,600,089</u>
Total capital assets being depreciated	<u>129,531,081</u>	<u>748,373</u>	<u>(355,657)</u>	<u>6,473,545</u>	<u>136,397,342</u>
Less accumulated depreciation for:					
Buildings and improvements	12,741,485	738,003	(45,593)		13,433,895
Vehicles and equipment	18,622,750	1,920,378	(313,649)		20,229,479
Infrastructure	<u>35,566,193</u>	<u>1,946,571</u>	<u></u>		<u>37,512,764</u>
Total accumulated depreciation	<u>66,930,428</u>	<u>4,604,952</u>	<u>(359,242)</u>		<u>71,176,138</u>
Total capital assets being depreciated, net	<u>62,600,653</u>	<u>(3,856,579)</u>	<u>3,585</u>	<u>6,473,545</u>	<u>65,221,204</u>
Governmental activities capital assets, net	<u>\$ 92,948,939</u>	<u>\$ (2,518,809)</u>	<u>\$ 2,375</u>	<u>\$ 6,670,034</u>	<u>\$ 97,102,539</u>

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June 30, 2013
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Note 5: Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:	
Public safety	\$ 308,254
Transportation	2,059,187
Leisure, cultural and social services	404,622
Building	98,407
Community development	134,909
General government	270,709
Depreciation on capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,328,864
Total governmental activities depreciation expense	\$ 4,604,952

Governmental activities capital assets include assets under capital leases. The amount of assets under capital leases included in buildings and improvements was \$1,288,036 and in equipment was \$4,791,209, and related accumulated depreciation was \$134,071 and \$2,114,606, respectively, as of June 30, 2013.

Included in governmental capital assets is a transfer of \$6,670,034 from the Successor Agency Trust Fund (the Trust Fund) for projects categorized as construction in progress in the Trust Fund that were completed during the year ended June 30, 2013. The balance of construction in progress had been transferred during the year ended June 30, 2012 from the Agency to the Trust Fund, due to the dissolution of the Agency. These construction in progress projects were listed as assets of the Agency and subsequently of the Trust Fund during their construction to allow the Agency and the Trust Fund to track the project's costs and use of Agency bond proceeds until completion. As the projects, listed as assets of the Agency, belonged to the City, they were transferred back upon completion and have been recorded as a special item in the government-wide financial statements. See Note 19 for detail of the Trust Fund's capital assets activity.

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Notes to Financial Statements
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Note 5: Capital Assets (Continued)

For the year ended June 30, 2013, business-type capital assets activity was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets not being depreciated:					
Land	\$ 7,146,096	\$	\$	\$	\$ 7,146,096
Construction in progress	2,358,047	1,191,367	(40,574)	(128,642)	3,380,198
Total capital assets not being depreciated	<u>9,504,143</u>	<u>1,191,367</u>	<u>(40,574)</u>	<u>(128,642)</u>	<u>10,526,294</u>
Capital assets being depreciated:					
Buildings and improvements	191,859,089	1,054,557	(6,109)	85,449	192,992,986
Vehicles and equipment	77,074,436	719,548	(277,541)	43,193	77,559,636
Total capital assets being depreciated	<u>268,933,525</u>	<u>1,774,105</u>	<u>(283,650)</u>	<u>128,642</u>	<u>270,552,622</u>
Less accumulated depreciation for:					
Buildings and improvements	12,842,476	5,420,507			18,262,983
Vehicles and equipment	70,227,106	3,464,400	(264,445)		73,427,061
Total accumulated depreciation	<u>83,069,582</u>	<u>8,884,907</u>	<u>(264,445)</u>		<u>91,690,044</u>
Total capital assets being depreciated, net	<u>185,863,943</u>	<u>(7,110,802)</u>	<u>(19,205)</u>	<u>128,642</u>	<u>178,862,578</u>
Business-type activities capital assets, net	<u>\$ 195,368,086</u>	<u>\$ (5,919,435)</u>	<u>\$ (59,779)</u>	<u>\$</u>	<u>\$ 189,388,872</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Water	\$ 1,554,330
Waste water	4,641,978
Transit	518,955
Electric	1,618,643
Solid Waste	128,923
Airport	151,061
River Park Campground	6,279
Broadband	261,272
Aquatic Center	3,466
Total business-type activities depreciation expense	<u>\$ 8,884,907</u>

Business-type activities capital assets include assets under capital leases. The amount of assets under capital leases included in buildings and structures was \$2,915,638 and in equipment was \$2,503,499, and related accumulated depreciation was \$660,556 and \$855,669, respectively, as of June 30, 2013.

City of Lompoc
Notes to Financial Statements
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Note 6: Long-Term Liabilities

For the year ended June 30, 2013, governmental activities long-term liability activity was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
2004 tax allocation bonds	\$ 2,325,000	\$	\$ 60,000	\$ 2,265,000	\$ 65,000
Capital leases payable	3,819,921		655,695	3,164,226	576,260
Claims liabilities	5,466,000		554,000	4,912,000	1,013,000
Compensated absences	2,307,056		200,266	2,106,790	1,807,932
Total	<u>\$ 13,917,977</u>	<u>\$</u>	<u>\$ 1,469,961</u>	<u>\$ 12,448,016</u>	<u>\$ 3,462,192</u>

See Note 11 for detail of estimated claims liabilities, which are included in other liabilities on the government-wide statement of net position.

2004 Tax Allocation Bonds

During the year ended June 30, 2004, tax allocation bonds in the amount of \$9,955,000 were issued to finance the construction and maintenance of the Aquatic Center, park improvements and other capital improvements. The City has pledged its tax increment and property assessment for the repayment of the bonds. The City's former Redevelopment Agency secured \$7,350,000 of the issue amount from future tax increment while the City's Park Maintenance and City Pool Assessment District secured the remaining amount of \$2,605,000 from annual property assessments. The portion of the bonds related to the former Redevelopment Agency has been transferred to the Successor Agency Trust Fund as of February 1, 2012. See Note 18. The bonds bear interest rates from 2.75 to 4.85%. Principal and interest payments are due each March 2 and September 2 through September 2, 2034. At June 30, 2013, the principal balance outstanding on the City's portion of the bonds was \$2,265,000.

At June 30, 2013, the aggregate maturities of the 2004 tax allocation bonds were as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 65,000	\$ 380,483	\$ 445,483
2015	65,000	371,602	436,602
2016	70,000	362,034	432,034
2017	70,000	2,675,212	2,745,212
2018	75,000	341,128	416,128
2019-2023	420,000	1,520,287	1,940,287
2024-2028	525,000	1,126,646	1,651,646
2029-2033	660,000	1,231,425	1,891,425
2034-2035	315,000	57,594	372,594
Total	<u>\$ 2,265,000</u>	<u>\$ 8,066,411</u>	<u>\$ 10,331,411</u>

City of Lompoc
Notes to Financial Statements
June 30, 2013
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Note 6: Long-Term Liabilities (Continued)

Capital Leases Payable

The City leases vehicles and equipment under capital leases that expire through June 2027. At June 30, 2013, future minimum payments on capital leases were as follows:

<u>For the Year Ending June 30,</u>	
2014	\$ 715,127
2015	606,826
2016	457,832
2017	417,140
2018	270,131
Thereafter	<u>1,391,416</u>
Total minimum lease payments	3,858,472
Less amounts representing interest	<u>(694,246)</u>
Principal portion of capital lease obligation	3,164,226
Less current principal portion	<u>(715,127)</u>
Capital lease obligation, net of current portion	<u><u>\$ 2,449,099</u></u>

For the year ended June 30, 2013, business-type activities long-term debt activity was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
1998 Revenue Bonds	\$ 5,870,000	\$	\$ 350,000	\$ 5,520,000	\$ 370,000
2005 Revenue Bonds	14,535,000		390,000	14,145,000	410,000
2007 Revenue Bonds	15,580,000		370,000	15,210,000	385,000
	<u>35,985,000</u>		<u>1,110,000</u>	<u>34,875,000</u>	<u>1,165,000</u>
Less: Unamortized bond discounts	(243,498)	10,170		(233,328)	
Total revenue bonds	<u>35,741,502</u>	<u>10,170</u>	<u>1,110,000</u>	<u>34,641,672</u>	<u>1,165,000</u>
Wastewater state loan payable	69,966,673		3,329,416	66,637,257	3,388,940
Water loan payable	27,023		5,938	21,085	6,236
Capital leases payable	4,031,427		400,602	3,630,825	417,466
Landfill closure and post-closure costs	5,457,162	224,087		5,681,249	
Compensated absences	192,476		5,662	186,814	
	<u>\$ 115,416,263</u>	<u>\$ 234,257</u>	<u>\$ 4,851,618</u>	<u>\$ 110,798,902</u>	<u>\$ 4,977,642</u>

Note 6: Long-Term Liabilities (Continued)

Revenue Bonds

1998 Water and Wastewater Revenue Bonds

On July 7, 1998, revenue bonds in the amount of \$9,535,000 were issued. Of this bond issue, \$4,470,000 was used to finance various 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. Under GASB Statement No. 65, this unamortized loss on refunding is reported in the accompanying financial statements as deferred outflows of financial resources and is being amortized as additional interest expense through the year 2022 using the straight-line method and was \$246,364 as of June 30, 2013. The City completed the advance refunding to reduce its total debt service payments by \$822,744 and to obtain an economic gain (difference between the present value of the old debt and the new debt service payments) of \$497,677. The bonds bear interest from 3.50 to 5.00% and are due in semi-annual installments on March 1 and September 1 through March 1, 2028. At June 30, 2013, the principal amount outstanding on the bonds was \$5,520,000.

2005 Water and Wastewater Revenue Bonds

On March 22, 2005, revenue bonds in the amount of \$16,970,000 were issued to finance various water and wastewater capital projects. The bonds bear interest from 3.50 to 4.50% and are due in annual installments on March 1 through March 1, 2035. The bonds were issued at a discount of \$109,605 which is reported in the accompanying financial statements as a deduction from bonds payable and is being charged to operations as amortization expense through the year 2035. At June 30, 2013, the principal amount outstanding on the bonds was \$14,145,000 and the unamortized bond discount was \$79,376.

2007 Water and Wastewater Revenue Bonds

On February 14, 2007, revenue bonds in the amount of \$17,080,000 were issued. Of this bond issue, \$14,545,000 was used to finance a portion of the Wastewater Treatment Plant Upgrade and the remainder was used to finance a water capital project. The bonds bear interest from 3.75 to 4.375% and are due in annual installments on March 1 through March 1, 2037. The bonds were issued at a discount of \$195,452 which is reported in the accompanying financial statements as a deduction from bonds payable and is being charged to operations as amortization expense through the year 2037. At June 30, 2013, the principal balance outstanding on the bonds was \$15,210,000 and the unamortized bond discount was \$153,952.

City of Lompoc
Notes to Financial Statements
June 30, 2013
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Note 6: Long-Term Liabilities (Continued)

At June 30, 2013, the aggregate maturities of the revenue bonds were as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,165,000	\$ 1,543,070	\$ 2,708,070
2015	1,210,000	1,494,473	2,704,473
2016	1,255,000	1,444,767	2,699,767
2017	1,310,000	1,392,437	2,702,437
2018	1,370,000	1,336,324	2,706,324
2019-2023	7,410,000	5,734,923	13,144,923
2024-2028	5,960,000	3,423,477	9,383,477
2029-2033	7,845,000	2,719,375	10,564,375
2034-2037	7,350,000	888,300	8,238,300
Total	<u>\$ 34,875,000</u>	<u>\$ 19,977,146</u>	<u>\$ 54,852,146</u>

Wastewater State Loan Payable

On May 3, 2007, the City executed a contract and obtained financing for the Wastewater Treatment Plant Upgrade project from the State Water Resources Control Board (SWRCB). Proceeds borrowed during the construction phase that were converted to the loan payable were \$76,337,875. Under the terms of the agreement, the loan was considered to be interest free during the construction phase with a required matching portion of \$15,267,940 which was equal to 16.667% of the total estimated cost of the project. The total repayment obligation, including imputed interest, to the SWRCB loan is \$91,605,815. Repayments on the loan began during the year ended June 30, 2011 and are equal annual payments of \$4,580,291 through 2030. The imputed interest rate on the loan is approximately 1.77%. At June 30, 2013, the principal balance outstanding was \$66,637,257.

At June 30, 2013, the aggregate maturities of the wastewater state loan payable were as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,388,940	\$ 1,191,351	\$ 4,580,291
2015	3,449,528	1,130,763	4,580,291
2016	3,511,199	1,069,092	4,580,291
2017	3,573,973	1,006,318	4,580,291
2018	3,637,869	942,422	4,580,291
2019-2023	19,188,489	3,712,964	22,901,453
2024-2028	20,966,201	1,935,252	22,901,453
2029-2030	8,921,058	239,948	9,161,006
Total	<u>\$ 66,637,257</u>	<u>\$ 11,228,110</u>	<u>\$ 77,865,367</u>

Note 6: Long-Term Liabilities (Continued)

Water Loan Payable

During the year ended June 30, 1997, the City obtained a loan payable of \$124,000 from the State for construction of a wet well. The loan is due in annual installments of principal and interest of \$7,290 at 5% interest per annum through 2017. At June 30, 2013, the principal balance outstanding was \$21,085.

At June 30, 2013, the aggregate maturities of the water loan payable were as follows:

<u>For the Year Ending June 30,</u>	
2014	\$ 6,236
2015	6,548
2016	6,875
2017	<u>1,426</u>
Total	<u>\$ 21,085</u>

Capital Leases Payable

The City leases vehicles and equipment under capital leases that expire through June 2027. At June 30, 2013, future minimum payments on capital leases were as follows:

<u>For the Year Ending June 30,</u>	
2014	\$ 572,310
2015	522,911
2016	473,512
2017	473,512
2018	369,583
Thereafter	<u>2,234,318</u>
Total minimum lease payments	4,646,146
Less amounts representing interest	<u>(1,015,321)</u>
Principal portion of capital lease obligation	3,630,825
Less current principal portion	<u>(417,466)</u>
Capital lease obligation, net of current portion	<u><u>\$ 3,213,359</u></u>

City of Lompoc

Notes to Financial Statements

June 30, 2013

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Note 6: Long-Term Liabilities (Continued)

Landfill Closure and Post-Closure Costs

State and federal laws and regulations require the City to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Landfill closure and post-closure care liability of \$5,681,249 at June 30, 2013 represents the cumulative amount to date based on the use of 23.2 percent of the estimated capacity of the landfill. This amount is based on what it would cost to perform all closure and post-closure care in 2013. The City expects to close the landfill in the year 2047. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a reserve account to finance closure and post-closure care. The City is in compliance with these requirements, and at June 30, 2013, restricted net position in the amount of \$2,098,879 was designated for these purposes. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users.

Note 7: City Employees' Retirement Benefits

Public Employees Retirement System – Safety Plan

Plan Description

The City contributes to the California Public Employees' Retirement System (PERS), a cost-sharing multiple-employers 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 the PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. Effective July 2004, the City's Safety Employee Plan became a member of the PERS Safety 3% at 50 Risk Pool. PERS regulations require that public agency plans with less than 100 active members participate in a risk pool. While in the past, the City's Safety Employee Plan had more than 100 members and as such was a stand-alone plan, at the time PERS implemented risk pools in July 2004, the City's Safety Employee Plan had fewer than 100 active members and was included in the PERS Safety 3% at 50 Risk Pool. After joining a risk pool, a plan cannot at a future

City of Lompoc

Notes to Financial Statements

June 30, 2013

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Note 7: City Employees' Retirement Benefits (Continued)

date request to leave the risk pool structure and become a stand-alone plan. Therefore, even if the City were to exceed 100 active members in the future, the Safety Employee Plan will remain in the risk pool. As members of the risk pool, the City previously received information only on the entire pool, not City specific data. However, the PERS actuarial valuation as of June 30, 2013 includes plan specific information for the City Safety Employee Plan, and this information has been reflected here as appropriate.

Effective in August 2011, the City added a second tier to the plan for fire safety employees in the 3% at 55 Risk Pool. Effective in November 2011, the City added a second tier to the plan for police safety employees in the 3% at 55 Risk Pool. Effective from November 2011 until January 2013, new City police and fire safety members participated in the 3% at 55 Risk Pool, a separate risk pool from the 3% at 50 Risk Pool. All safety members hired after December 2012 as defined under the Public Pension Reform Act (PEPRA) will either be a member of the 3% at 55 Risk Pool or a member of the 2.7% at 57 Risk Pool. The determination of membership in either pool will depend on the new employee's status with PERS. A "classic" member has been a PERS member within the most recent six months prior to entering service with the City and would be a member of the 3% at 55 Risk Pool. A "new" member either has no prior membership in PERS (or an eligible governmental pension system) or has not been an active member for more than six months and would be a member in the 2.7% at 57 Risk Pool.

The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The safety members hired before the implementation of the second tier have a required employer contribution rate for the years ended June 30, 2013, 2012, and 2011 of 31.499%, 30.173% and 25.370%, respectively. Safety members hired in the second tier have a required employer contribution rate for the years ended June 30, 2013, and 2012 of 21.802%, and 22.062%, respectively. Safety members hired in the third tier (PEPRA tier), have an initial employer contribution rate for 2013 of 12.25%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS. The safety members in tier 1 or tier 2 contribute 9.00% of their annual covered salary. Safety members in PEPRA tier contribute 12.25% initially and are required to pay 50% of the plan normal cost, once the plan has an actuarially determined contribution rate, anticipated for the plan year beginning July 1, 2015.

Annual Pension Cost

The City's safety member's contributions to PERS for the years ended June 30, 2013, 2012, and 2011 were \$1,583,658, \$1,559,701 and \$1,397,016, respectively, and were equal to 100% of the City's annual required contributions. The required contribution for 2012/2013 was determined as part of the June 30, 2010 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 salary increases that vary by duration of service, and (c) 3.25% annual payroll growth. Both (a) and (b) include an inflation component of 3.00%. The actuarial value of PERS assets was determined

City of Lompoc

Notes to Financial Statements

June 30, 2013

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Note 7: City Employees' Retirement Benefits (Continued)

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 periods at June 30, 2013, was 24 years.

Tier 1 Safety employees with five years of service credit are entitled to an annual retirement benefit, payable monthly for life, and may retire at age 50. The service retirement benefits are capped at 90% of an average compensation based on 36 months of compensation multiplied by 3% for every year of credited service. Tier 2 Safety employees with five years of service credit are entitled to an annual retirement benefit, payable monthly for life, and may retire at age 55. The service retirement benefits are capped at 90% of an average compensation based on 36 months of compensation multiplied by 3% for every year of credited service. Tier 3 Safety employees with five years of service credit are entitled to an annual retirement benefit, payable monthly for life, and may retire at age 57. The service retirement benefits are capped at 90% of an average compensation based on 36 months of compensation multiplied by 2.7% for every year of credited service.

Public Employees Retirement System – Miscellaneous Plan

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 the PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

Effective July 2004, PERS implemented Risk Pools to mitigate volatility associated with small plans. PERS regulations require that public agency plans with less than 100 active members participate in a risk pool. The City's Safety Employee Plan became a member of the PERS Safety 3% at 50 Risk Pool effective July 2004 based on PERS regulations. While the City's Safety Plan qualified for Risk Pool participation, the City's Miscellaneous Plan had more than 100 active members as of July 2004 and remains a stand-alone plan. The City has contracted with PERS for the 2.7% at 55 retirement formula for all tier 1 employees. Effective in November 2011, the City added a second tier to the City's plan for miscellaneous employees based on the 2% at 60 retirement formula.

All miscellaneous members hired after December 2012, as defined under the Public Pension Reform Act (PEPRA) will either be a member of the City's tier 2 retirement formula (2% at 60) or a member of the PEPRA 2% at 62 retirement formula. The determination of membership in either the tier 2 or tier 3 retirement formula will depend on the new employee's status with PERS. A "classic" member has been a PERS member within the most recent six months prior to

City of Lompoc

Notes to Financial Statements

June 30, 2013

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Note 7: City Employees' Retirement Benefits (Continued)

entering service with the City. A "new" member either has no prior membership in PERS (or an eligible governmental pension system) or has not been an active member for more than six months. A "classic" member would enter the tier 2 retirement formula (2% at 60 plan) while a "new" member would enter the tier 3, or PEPRA retirement formula (2% at 62 plan). An important distinction between the Risk Pools for the City's safety member and the City's miscellaneous plan is that all employees are in a single plan for the City regardless of which tier plan they are a member of.

Funding Policy

PERS is a contributory plan deriving funds from employees' contributions as well as from employer contributions and earnings from investments. The non-safety, or miscellaneous plan, have required employer contribution rate for the years ended June 30, 2013, 2012, and 2011 of 18.265%, 17.917% and 14.209%, respectively. Tier 1 members contribute 8% of their covered salary. Tier 2 members contribute 7% of their covered salaries. The two tier contribution rates are set by contract with PERS. Tier 3 members contribute 50% of the plan normal costs, currently estimated by PERS at 6.25% of their covered salary. The City made a contributions required of tier 1 miscellaneous employees on their behalf for the year ended June 30, 2013. Tier 2 and tier 3 employees pay their full contributions rate of 7% and 6.25% of covered salary, respectively. The contribution requirements of the City and plan members are established and may be amended by PERS.

Annual Pension Cost

The City's miscellaneous member's contributions to PERS for the years ended June 30, 2013, 2012, and 2011 were \$3,504,979, \$3,644,925 and \$3,257,702, respectively, and were equal to 100% of the City's annual required contributions. The required contribution for 2012/2013 was determined as part of the June 30, 2010 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 salary increases that vary by duration of service, and (c) 3.25% annual payroll growth. Both (a) and (b) include an inflation component of 3.00%. 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, 2012 was 24 years.

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 three separate retirement programs for Safety employees (Police and Fire) and one retirement program for Miscellaneous employees.

Tier 1 Miscellaneous employees' retirement program provides an annual retirement benefit payable monthly for life, after five years of service credit based on their single highest year of employment multiplied by 2.7% for each year of credited service. Miscellaneous members, otherwise eligible for retirement may retire at age 50 but at a reduced

Note 7: City Employees' Retirement Benefits (Continued)

multiplier while the 2.7% multiplier applies to retirement at age 55. The service retirement benefit is not capped. Tier 2 Miscellaneous employees' retirement program provides an annual retirement benefit payable monthly for life, after five years of service credit based on their average compensation based on 36 months of compensation multiplied by 2% for each year of credited service. Miscellaneous members, otherwise eligible for retirement may retire at age 50 but at a reduced multiplier while the 2% multiplier applies to retirement at age 60. The service retirement benefit is not capped while the multiplier caps out at 2.418% at age 63. Tier 3 Miscellaneous employees' retirement program provides an annual retirement benefit payable monthly for life, after five years of service credit based on their average compensation based on 36 months of compensation multiplied by 2% for each year of credited service. Miscellaneous members, otherwise eligible for retirement may retire at age 52 but at a reduced multiplier while the 2% multiplier applies to retirement at age 62. The service retirement benefit is not capped while the multiplier caps out at 2.5% at age 67.

PERS also provides death and disability benefits. These benefit provisions are established by State statute and City ordinance.

Funding Status and Progress

The funded status of the plan as of June 30, 2012, the plan's most recent actuarial valuation date, is shown as follows (in thousands):

Actuarial accrued liability (AAL)	\$	141,786
Actuarial value of plan assets		118,777
Unfunded AAL (UAAL)		<u>23,009</u>
Funded ratio		83.8%
Covered payroll		15,149,000
UAAL as a percentage of covered payroll		0.2%

The schedule of funding progress is presented as required supplementary information following the notes to the financial statements. The schedule presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Deferred Compensation Plan

The City offers its employees the option of participating in deferred compensation plans with ICMA Retirement Corporation and PERS in accordance with Internal Revenue Code Section 457. Employees may withdraw their contributions only at retirement, termination of employment, or certain catastrophic circumstances.

Note 8: Other Post-Employment Benefits

Plan Description

The City's primary other post-employment benefits (OPEB) cost obligation is for retiree health benefits under its election to participate in the California Public Employees' Retirement System (PERS) Health Benefit Program, an agent multiple-employer defined benefit OPEB plan, under the "unequal contribution option." The City entered the PERS medical insurance program in 2000 under the Public Employees' Medical and Hospital Care Act (PEMHCA). The required employer contribution was \$115 per month in 2013.

In addition to the pension benefits described in Note 7, 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, 100 retirees meet those eligibility requirements. The City pays a percentage of the cost incurred by pre-Medicare retirees, toward health and dental insurance, beginning with 50% with 15 years of service and increasing 2.5% with each year, to a maximum of 75% with 25 years of service. The City also reimburses a fixed amount up to \$100 per month for a Medicare supplement for the 42 retirees eligible for Medicare.

During the fiscal year ended June 30, 2009, the City entered into an agreement with California Employers' Retiree Benefit Trust (CERBT) to pre-fund the City's OPEB liability.

Funding Policy

The contribution requirements of the plan members and the City are established and may be amended by the City. The City prefunds the plan through CERBT by contributing at least 100% of the annual required contribution.

The City's annual OPEB cost (expense) is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

The City's ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 30 years. The ARC for 2012/2013 was \$1,303,000.

For the fiscal year 2012/2013, the City contributed \$680,534 to the Plan. The City paid \$622,466 to the PERS Health Benefit Program or directly to retirees during the year, and did not request reimbursement for eligible costs paid under this plan. The expenditure of \$1,303,000 represented the City's contributions to the Plan on a pay-as-you-go basis.

City of Lompoc

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Note 8: Other Post-Employment Benefits (Continued)

CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 and established to pre-fund retiree healthcare benefits. CERBT issues a publicly available financial report including GASB Statement No. 43 disclosure information in aggregate with other CERBT participating employers. That report may be obtained by contacting PERS, 400 P Street, Sacramento, California 95814.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the City's annual OPEB cost, the actual amount contributed to the plan, and changes in the City's OPEB obligation:

Annual Required Contributions	\$ 1,303,000
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contributions	-
Annual OPEB cost	<u>1,303,000</u>
Contributions made	<u>(1,303,000)</u>
Change in net OPEB obligation	-
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u><u>\$ -</u></u>

The City Retiree Medical annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2011, 2012 and 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB (Prepayment)/Obligation
6/30/11	\$ 1,303,000	\$ 1,303,000	100.0%	\$ (434,464)
6/30/12	\$ 909,000	\$ 474,536	52.2%	\$ -
6/30/13	\$ 1,303,000	\$ 1,303,000	100.0%	\$ -

Funded Status and Funding Progress

The funded status of the plan of June 30, 2011, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 13,285,000
Actuarial value of plan assets	<u>2,136,000</u>
Unfunded AAL (UAAL)	11,149,000
Funded ratio	16.1%
Covered payroll	19,568,000
UAAL as a percentage of covered payroll	57.0%

City of Lompoc

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June 30, 2013

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Note 8: Other Post-Employment Benefits (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress is presented as required supplementary information following the notes to the financial statements. The schedule presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.75% investment rate of return (net of administrative expenses), which is the expected long-term investment return on CERBT investments and a 3% inflation assumption. The initial health care cost trend rates were 8.4 to 9.3% and the ultimate rate was 4.5%. The actuarial value of assets is equal to the market value. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll over 30 years on a closed basis. The remaining amortization period at June 30, 2013 was 26 years.

Note 9: Interfund Transactions

Interfund Receivables and Payables (Due to/Due From)

Interfund receivables and payables include temporary negative cash balances that result from the timing of cash flows at year end and the time lag between the dates that transactions are recorded in the accounting system and payment between funds are made. Liquidation of interfund receivables and payables typically occurs in the first quarter of the subsequent fiscal year. Interfund balances between governmental funds are not included in the government-wide statement of Net Position.

Note 9: Interfund Transactions (Continued)

At June 30, 2013, interfund receivables and payables were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 5,800
Other Governmental Funds	90,000	90,000
Internal Service Funds	993,448	18,532
Enterprise Funds	5,064,115	582,654
Other Enterprise Funds		5,450,577
	<u>6,147,563</u>	<u>6,147,563</u>
Total	<u>\$ 6,147,563</u>	<u>\$ 6,147,563</u>

Included within the Electric Utility Fund and the Broadband fund is an interfund balance of \$4,792,367 that will not be repaid within one year. The arrangement was established to develop Broadband services and repayment will be as revenues become available in the Broadband Fund.

Interfund Transfers

Interfund transfers are used to move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due and to move unrestricted fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

For the year ended June 30, 2013, interfund transfers were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 4,247,558	\$ 444,568
Other Governmental Funds	207,888	2,502,981
Internal Service Funds		347,620
Enterprise Funds		1,525,639
Other Enterprise Funds	365,362	
	<u>4,820,808</u>	<u>4,820,808</u>
Total	<u>\$ 4,820,808</u>	<u>\$ 4,820,808</u>

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Note 10: Revenue Limitations Imposed By California Proposition 218

Proposition 218, which was approved by voters in November 1996, regulates the City's ability to impose, increase and extend taxes, assessments, and fees. Any new, increase, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future years by the voters. Therefore, the City's ability to finance the services for which the taxes, assessments, and fees were imposed may be significantly impaired.

Note 11: 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 \$113.84 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, 75 Iron Point Circle, Suite 200, Folsom, CA 95630, or by phoning (916) 850-7300.

The City is self-insured for the first \$100,000 per occurrence, and excess insurance through CPEIA provides coverage to a maximum of \$15,000,000 per occurrence. The City's self-insured retention (SIR) for workers' compensation is \$300,000. There were no significant reductions in insurance coverage from the prior year. For fiscal years ended June 30, 1995 through 2013, no claims settlements have exceeded insurance coverage.

The City's self-insurance fund is financed through contributions made by the City's general fund and enterprise funds. Third party administration provides data on estimated claims liabilities (paid and reserves). As of June 30, 2013, the estimated outstanding liability was \$4,551,000 for workers' compensation and \$361,000 for general liability. The Insurance Control Fund has total Net Position of \$6,366,835, all of which is available for the known outstanding liabilities and for future catastrophic losses. Estimated liabilities for incurred but not reported (IBNR) claims are

City of Lompoc
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Note 11: Risk Management (Continued)

\$2,763,430 at June 30, 2013. 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 and workers' compensation insurance were as follows:

Estimated unpaid claims liability 6/30/11	\$ 4,275,000
Incurred claims and increase in estimated claims liability at 6/30/12	1,801,652
Claim payments	<u>(610,652)</u>
Estimated unpaid claims liability 6/30/12	5,466,000
Incurred claims and increase in estimated claims liability at 6/30/13	156,302
Claim payments	<u>(710,302)</u>
Estimated unpaid claims liability 6/30/13	<u><u>\$ 4,912,000</u></u>

Note 12: Joint Ventures (Joint Power Agreements)

The City of Lompoc participates in two joint ventures under joint powers agreements, Northern California Power Agency (NCPA) and Transmission Agency of Northern California (TANC).

NCPA is a nonprofit, joint powers agency of the State of California and is comprised of 11 cities, one port authority, a transit authority, and two other associate member entities. The Agency is generally empowered to purchase, generate, transmit, distribute, and sell electrical energy. 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, 651 Commerce Dr., Roseville, California 95678-6411.

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, PO Box 15129, Sacramento, California 95851-0129.

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Note 12: Joint Ventures (Joint Power Agreements) (Continued)

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. The City's participating percentage in each agency is 3.938% and .408% for NCPA and TANC, respectively, and is below that which would be considered a "controlling or significant influence". Therefore, the City's interests in NCPA and TANC are not equity interests.

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, 2012, the most recent information available, for approximately \$60.22 million (TANC principal \$685,684, TANC interest \$189,797; NCPA principal \$33.58 million, NCPA interest \$25.77 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.

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 for 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.

Condensed combined financial information as of and for the year ended June 30, 2012, the most recent information available, of these joint power agencies is as follows (in thousands):

	<u>NCPA</u>	<u>TANC</u>
Assets		
Current assets	\$ 68,042	\$ 51,183
Property, equipment and capital project costs	684,399	312,829
Restricted assets and other assets	434,121	87,023
Total assets	<u>\$ 1,186,562</u>	<u>\$ 451,035</u>
Liabilities and Capitalization		
Current liabilities	\$ 78,323	\$ 38,806
Member advances	2,158	10,131
Long-term debt and other liabilities	1,077,684	390,741
Members' capital	28,397	11,357
Total liabilities and capitalization	<u>\$ 1,186,562</u>	<u>\$ 451,035</u>

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Note 12: Joint Ventures (Joint Power Agreements) (Continued)

	<u>NCPA</u>	<u>TANC</u>
Revenues:		
Interest	\$ 1,229	\$ 216
Operating revenues and other revenues	293,796	64,699
Total revenues	<u>295,025</u>	<u>64,915</u>
Costs and expenses:		
General and other operating costs	241,977	28,419
Interest and other financing costs	46,376	33,910
Total costs and expenses	<u>288,353</u>	<u>62,329</u>
Reserve additions and refunds	<u>(6,274)</u>	<u>(2,500)</u>
Net income	398	86
Accumulated net revenues:		
Beginning of year	27,999	11,271
End of year	<u>\$ 28,397</u>	<u>\$ 11,357</u>

Note 13: Excess of Expenditures over Appropriations

At June 30, 2013, expenditures exceeded appropriations in the general fund as follows:

	<u>Excess Expenditures</u>
General Fund:	
Administration	\$ 2,428
City Attorney	101,576
Non-departmental	753,237
Police	1,194,302
Fire	280,569
Recreation	50,445

Note 14: Net Position Deficiencies

At June 30, 2013, the City had negative net position in the following enterprise funds:

	<u>Ending Net Position</u>
Solid Waste	\$ (186,999)
Recreation	(43,949)
Broadband	(4,053,241)

Note 15: Airport Operating Leases

The City acquired the airport in 1991. As of June 30, 2013, there were 18 long-term lease agreements with the City. The leases include rental of airport hangars, a land lease with the City’s wastewater fund, a land and mineral lease, two land lease with private parties and tie down revenues. Each lease is set with terms specific to the rates set at the time of the lease and the size of the hanger or land. A majority of the leases have a consumer price index (CPI) inflator in the lease. The most common inflator has a 1% above the CPI with minimum of a 3% increase. Leases range from 5 years to 40 years.

Amounts collected for rentals and leases for the year ended 2013 were \$175,176.

At June 30, 2013, the future minimum long-term leases were as follows:

<u>For the Year Ending June 30,</u>	
2014	\$ 113,008
2015	114,909
2016	116,424
2017	106,053
2018	87,585
Thereafter	<u>1,758,251</u>
Total	<u>\$ 2,296,230</u>

Note 16: Contingencies and Commitments

Contingent Liabilities

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are adequately covered by insurance and not expected to result in a material adverse financial impact on the City.

Grant Commitments

The City had received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Note 16: Contingencies and Commitments (Continued)

Construction Commitments

Construction and other significant commitments were \$2,040,434 as of June 30, 2013. Long-term construction contracts are billed and paid on a percentage of completion basis by construction phase.

Note 17: Cumulative Effect from Change in Accounting Principle

The City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year ended June 30, 2013. Previously, under GASB Statement No. 7, the costs of bond issuance were capitalized and amortized over the repayment period in the financial statements. Under GASB Statement No. 65, these costs are to be expensed in the period incurred. At June 30, 2012, the remaining unamortized portion of the bond issuance costs was \$749,591. Net position at June 30, 2012, was adjusted in the accompanying financial statements for the cumulative effect of this new accounting principle which resulted in a decrease to beginning net position of \$749,591.

Note 18: Prior Year Restatements

In the prior year, the City recorded revenue related to the Transportation Improvement Fund in the Measure A Transportation Improvement Fund. A prior year restatement was recorded in both funds to increase and decrease beginning fund balance by \$226,094 in the Transportation Improvement Fund and the Measure A Transportation Improvement Fund, respectively, as of June 30, 2013.

In the prior year, the City recorded an adjusting journal entry to the general ledger that was not recorded in the financial statements as of June 30, 2012. A prior year restatement was recorded to increase accounts payable and decrease beginning fund balance by \$205,164 in the Street Improvement Fund as of June 30, 2013.

In the current year, management determined that the terms of the interfund borrowings between the Electric Fund and the Broadband Fund should have been at a lower interest rate. A prior year restatement was recorded to reduce the interfund balance between the funds by \$546,136. Beginning net position was decreased in the Electric Fund and increased in the Broadband Fund as of June 30, 2013.

In the prior year, the wastewater treatment plant was completed and the assets were transferred out of construction in progress and into capital assets. An error was made on the capitalization date that resulted in depreciation expense being understated during the year ended June 30, 2012. A prior year restatement was recorded to increase accumulated depreciation and decrease beginning net position by \$614,966 as of June 30, 2013.

Note 19: Successor Agency Trust for Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (the Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Lompoc that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On February 1, 2011, the City of Lompoc became the Successor Agency for the Lompoc

Redevelopment Agency and assumed the assets and liabilities of the Lompoc Redevelopment Agency. This assumption is by operation of law pursuant to California Health and Safety Code subsections 34171(j) and 34173(d)(1).

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure of encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is a considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of

City of Lompoc

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Note 19: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund, the Trust Fund) in the financial statements of the City.

Local Agency Investment Fund (LAIF)

The Trust Fund had \$2,146,011, in cash and investments as of June 30, 2013, that was held in LAIF which represented 97% of total cash and investments. The City manages the Trust Fund's cash and investments in a consistent manner as the rest of its cash and investment pool. Refer to Note 3 for additional information regarding LAIF.

A separate designated account through LAIF is held for the benefit of the bond proceeds for the 2010 Tax Allocation Bonds. This account is an eligible investment tool identified in the bond agreement to keep the bond proceeds separate and not commingled with other funds. This account has the inability to withdraw funds more than once every 30 days. The balance in the separate designated account through LAIF was \$924,762 as of June 30, 2013 and is included in cash and investments in the Trust Fund.

Cash with Fiscal Agent

The Trust Fund had \$605,911 in cash and investments as of June 30, 2013, held by fiscal agents pledged for the payment or security of certain bonds. The California Government code provides that these monies, in the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the Trust Fund's general investment policy. In no instance have additional types of investments, not permitted by the Trust Fund's general investment policy, been authorized.

Loans Receivable

The former redevelopment agency loaned redevelopment tax increment to organizations to assist in the production of affordable housing and the rehabilitation of commercial properties within the redevelopment area prior to the Agency's dissolution. The loans are collateralized by a Deed of Trust recorded on the property. The loan's principal and interest repayments range from monthly payments, to term deferment, and single payments due at maturity. Some of the loans mature upon the sale or title transfer of the property. Interest rates range from 0% to 5% per annum. At June 30, 2013, outstanding loans receivable was \$843,934.

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Note 19: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

At June 30, 2013, the aggregate maturities of loans receivable were as follows:

<u>For the Year Ending June 30,</u>	
2013	\$ -
2014	-
2015	-
2016	69,084
2017	74,850
Thereafter	<u>700,000</u>
Total	<u>\$ 843,934</u>

Capital Assets

For the year ended June 30, 2013, capital assets activity was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Transfers and</u> <u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 1,201,752	\$	\$	\$ 1,201,752
Construction in progress	<u>6,513,507</u>	<u>94,531</u>	<u>(6,608,038)</u>	<u>-</u>
Total capital assets not being depreciated	<u>7,715,259</u>	<u>94,531</u>	<u>(6,608,038)</u>	<u>1,201,752</u>
Capital assets being depreciated:				
Buildings and improvements	<u>686,870</u>		<u>(70,641)</u>	<u>616,229</u>
Total capital assets being depreciated	<u>686,870</u>		<u>(70,641)</u>	<u>616,229</u>
Less accumulated depreciation for:				
Buildings and improvements	<u>624,874</u>		<u>(8,645)</u>	<u>616,229</u>
Total accumulated depreciation	<u>624,874</u>		<u>(8,645)</u>	<u>616,229</u>
Total capital assets being depreciated, net	<u>61,996</u>		<u>(61,996)</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 7,777,255</u>	<u>\$ 94,531</u>	<u>\$ (6,670,034)</u>	<u>\$ 1,201,752</u>

Included in governmental capital assets was a transfer of \$6,670,034 from the Trust Fund for projects categorized as construction in progress in the Trust Fund that were completed during the year ended June 30, 2013. The balance of construction in progress had been transferred during the year ended June 30, 2012 from the Agency to the Trust Fund, due to the dissolution of the Agency. These construction in progress projects were listed as assets of the Agency and subsequently of the Trust Fund during their construction to allow the Agency and the Trust Fund to track the project's

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Note 19: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

costs and use of Agency bond proceeds until completion. As the projects, listed as assets of the Agency, belonged to the City, they were transferred back upon completion and have been recorded as a special item in the government-wide financial statements.

Long-term Debt

The changes in long-term liabilities for the year ended June 30, 2013 were as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
2004 tax allocation bonds	\$ 6,410,000	\$	\$ 170,000	\$ 6,240,000	\$ 175,000
2010 tax allocation bonds	8,315,000		150,000	8,165,000	155,000
Capital leases payable	68,469		3,196	65,273	3,343
Loans payable	750,000		750,000	-	
Compensated absences	4,219	640		4,859	4,300
Total	<u>\$ 15,547,688</u>	<u>\$ 640</u>	<u>\$ 1,073,196</u>	<u>\$ 14,475,132</u>	<u>\$ 337,643</u>

2004 Tax Allocation Bonds

During the year ended June 30, 2004, the former redevelopment agency issued \$7,350,000 of tax allocation bonds to finance the construction projects relating to the Aquatic Center. The former Agency had pledged its tax increment for the repayment of the bonds. The bonds bear interest rates from 2.75 to 4.85%. Principal and interest payments are due each March 2 and September 2 through September 2, 2034. At June 30, 2013, the principal balance outstanding was \$6,240,000.

At June 30, 2013, the aggregate maturities of the 2004 tax allocation bonds were as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 175,000	\$ 380,484	\$ 555,484
2015	185,000	371,603	556,603
2016	190,000	362,034	552,034
2017	195,000	351,862	546,862
2018	205,000	341,128	546,128
2019-2023	1,155,000	1,520,284	2,675,284
2024-2028	1,445,000	1,126,641	2,571,641
2029-2033	1,830,000	597,401	2,427,401
2034-2035	860,000	57,594	917,594
Total	<u>\$ 6,240,000</u>	<u>\$ 5,109,031</u>	<u>\$ 11,349,031</u>

City of Lompoc
Notes to Financial Statements
June 30, 2013
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Note 19: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

2010 Tax Allocation Bonds

During 2010, the former redevelopment agency issued \$8,385,000 of tax allocation bonds to finance the construction projects relating to the Community and Senior Center and the dehumidifier for the Aquatic Center. The former Agency had pledged its tax increment for the repayment of the bonds. The bonds bear interest rates from 2.00 to 5.75%. Principal and interest payments are due each March 1 and September 1 through September 1, 2039. At June 30, 2013, the principal balance outstanding was \$8,165,000.

At June 30, 2013, the aggregate maturities of the 2010 tax allocation bonds were as follows:

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 155,000	\$ 446,719	\$ 601,719
2015	155,000	442,069	597,069
2016	165,000	436,559	601,559
2017	170,000	430,168	600,168
2018	175,000	422,941	597,941
2017-2021	1,010,000	2,070,375	3,080,375
2022-2026	1,285,000	1,812,463	3,097,463
2027-2031	1,685,000	1,449,453	3,134,453
2032-2036	2,260,000	941,706	3,201,706
2037-2040	1,105,000	148,800	1,253,800
Total	<u>\$ 8,165,000</u>	<u>\$ 8,601,253</u>	<u>\$ 16,766,253</u>

The Trust adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year ended June 30, 2013. Previously, under GASB Statement No. 7, the costs of bond issuance were capitalized and amortized over the repayment period in the financial statements. Under GASB Statement No. 65, these costs are to be expensed in the period incurred. At June 30, 2012, the remaining unamortized portion of the bond issuance costs was \$518,105. Net position at June 30, 2012, was adjusted in the statement of changes in fiduciary net position for the cumulative effect of this new accounting principle which resulted in a decrease to beginning net position of \$518,105.

Capital Leases Payable

The Trust Fund has a capital lease obligation with Chevron Energy Solutions Company for a fire alarm system in the City's museum. At June 30, 2013, the semi-annual lease payment was \$3,102 and the capital leases payable outstanding was \$65,273.

Note 19: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

At June 30, 2013, future minimum payments on capital leases were as follows:

<u>For the Year Ending June 30,</u>	
2014	\$ 6,205
2015	6,205
2016	6,205
2017	6,205
2018	6,205
Thereafter	55,840
Total minimum lease payments	<u>86,865</u>
Less amounts representing interest	<u>(21,592)</u>
Principal portion of capital lease obligation	65,273
Less current principal portion	<u>(3,343)</u>
Capital lease obligation, net of current portion	<u><u>\$ 61,930</u></u>

Note 20: Subsequent Events

Events subsequent to June 30, 2013 have been evaluated through December 19, 2013, which is the date the financial statements were available to be issued. Management has identified the following subsequent events.

In September 2013, the City refinanced \$5,303,256 of capital leases. Terms varied from two years to 14 years and the interest rates varied from 1.1806% to 2.845%.

In November 2013, the City obtained approval for a loan from the State of California's Department of Resources, Recycling, and Recovery (CalRecycle) in the amount of \$1,000,000 for the purpose of constructing a gas collection system at the Solid Waste landfill. The term of the loan is for ten years at 0.249% interest with annual payments. Repayment of the loan is anticipated to begin within one year of the completion of the project. The loan proceeds will be paid out on a reimbursement basis during the course of construction.

Required Supplementary Information
(Unaudited)

City of Lompoc
Schedule of Funding Progress for Public Employees Retirement System
Miscellaneous Employee Plan
Year Ended June 30, 2013

(Amounts in thousands)

Valuation Date	(A) Entry Age Normal Accrued Liability	(B) Actuarial Value of Assets	(C) Unfunded Liability (Excess Assets)	(D) Funded Status	(E) Annual Covered Payroll	(F) UAAL As a % of Payroll
Miscellaneous Employees:						
6/30/10	\$ 128,744	\$ 104,112	\$ 24,632	80.9%	\$ 16,480,600	0.1%
6/30/11	\$ 137,347	\$ 109,075	\$ 28,272	79.4%	\$ 15,930,200	0.2%
6/30/12	\$ 141,786	\$ 118,777	\$ 23,009	83.8%	\$ 15,149,000	0.2%

City of Lompoc
Schedule of Funding Progress for OPEB Obligation
Year Ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Projected Unit Credit Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/09	\$ 913,000	\$ 9,451,000	\$ 8,538,000	9.7%	\$ 21,257,000	40.2%
6/30/11	\$ 2,136,000	\$ 13,285,000	\$ 11,149,000	16.1%	\$ 19,568,000	57.0%

City of Lompoc
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2013

	General Fund			Variance with Budget Positive (Negative)
	Original Budget	Final Budget	Actual (GAAP Basis)	
Revenues:				
Taxes	\$ 12,666,001	\$ 12,666,001	\$ 12,426,432	\$ (239,569)
Licenses and permits	109,267	198,771	313,569	114,798
Fines and penalties	117,556	117,556	99,076	(18,480)
Revenues from other agencies	906,060	1,156,060	1,342,474	186,414
Charges for current services	7,361,547	7,448,810	7,646,723	197,913
Interest	181,320	159,439	2,891	(156,548)
Other revenues	814,806	836,130	1,095,041	258,911
Total revenues	<u>22,156,557</u>	<u>22,582,767</u>	<u>22,926,206</u>	<u>343,439</u>
Expenditures:				
City council	118,425	151,825	121,300	30,525
Administration	451,549	437,959	440,387	(2,428)
City attorney	437,185	396,705	498,281	(101,576)
City clerk	175,330	230,203	184,282	45,921
Finance and city treasurer	2,427,557	2,477,678	2,277,634	200,044
Personnel	404,736	456,850	385,479	71,371
Planning	292,546	571,385	466,760	104,625
Non-departmental	598,405	12,311	765,548	(753,237)
Building and building inspections	315,350	527,021	457,900	69,121
Information systems	1,006,134	1,055,612	901,668	153,944
Police	8,761,909	8,619,819	9,814,121	(1,194,302)
Fire	3,679,535	3,533,174	3,813,743	(280,569)
Recreation	400,558	384,193	434,638	(50,445)
Parks	1,685,282	1,736,010	1,637,573	98,437
City engineer and streets	3,641,397	3,672,788	3,197,157	475,631
Library	1,106,022	1,407,653	1,113,478	294,175
Other	899,300	925,355	861,432	63,923
Total expenditures	<u>26,401,220</u>	<u>26,596,541</u>	<u>27,371,381</u>	<u>(774,840)</u>
Deficiency of revenues under expenditures	<u>(4,244,663)</u>	<u>(4,013,774)</u>	<u>(4,445,175)</u>	<u>(431,401)</u>

City of Lompoc
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2013
Page 2

	General Fund			Variance with Budget Positive (Negative)
	Original Budget	Final Budget	Actual (GAAP Basis)	
Other financing sources (uses):				
Operating transfers in	\$ 4,644,965	\$ 4,644,965	\$ 4,247,558	\$ (397,407)
Operating transfers out	(338,079)	(338,079)	(408,052)	(69,973)
Total other financing sources (uses)	<u>4,306,886</u>	<u>4,306,886</u>	<u>3,839,506</u>	<u>(467,380)</u>
Net change in fund balance	62,223	293,112	(605,669)	(898,781)
Fund balance - beginning of year	<u>5,953,178</u>	<u>5,953,178</u>	<u>5,953,178</u>	<u>-</u>
Fund balance - end of year	<u>\$ 6,015,401</u>	<u>\$ 6,246,290</u>	<u>\$ 5,347,509</u>	<u>\$ (898,781)</u>

Supplementary Information

**City of Lompoc
Combining Balance Sheet
Other Governmental Funds
Year Ended June 30, 2013**

	<u>Special Revenue</u>			
	<u>Transportation Improvement</u>	<u>Special Gas Tax</u>	<u>Local Transportation</u>	<u>Jailer-Dispatcher Training</u>
Assets				
Cash and investments	\$ 504,435	\$ 989,207	\$ 22,846	\$ 4,252
Accounts receivable		159,302	97,739	
Interest receivable	550	685		
Due from other funds		70,000		
Inventories		8,185		
Land held for resale				
Loans receivable				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 504,985</u>	<u>\$ 1,227,379</u>	<u>\$ 120,585</u>	<u>\$ 4,252</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 1,089	\$ 22,464	\$ 13,085	\$
Due to other funds			70,000	
Deposits payable				
Accrued wages and benefits				
Total liabilities	<u>1,089</u>	<u>22,464</u>	<u>83,085</u>	
Fund balance:				
Nonspendable:				
Inventories		8,185		
Long-term loans receivable				
Restricted for:				
Low income housing				
Road surface repairs	503,896	1,196,730	37,500	
Debt service				
Law enforcement				4,252
Other capital projects				
Other purposes				
Committed to:				
Library acquisitions				
Health and welfare				
Total fund balance	<u>503,896</u>	<u>1,204,915</u>	<u>37,500</u>	<u>4,252</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 504,985</u>	<u>\$ 1,227,379</u>	<u>\$ 120,585</u>	<u>\$ 4,252</u>

Special Revenue

Community Development	PEG / TAP Cable Access	Human Services	Beautification	SLTPP	Federal Road
\$ 1,243,431	\$ 177,599	\$ 63,046	\$ 21,570	\$ 193,006	\$ 71,266
45,532		1,523	78		170,605
804	115	41	14		
<u>2,691,432</u>					
<u>\$ 3,981,199</u>	<u>\$ 177,714</u>	<u>\$ 64,610</u>	<u>\$ 21,662</u>	<u>\$ 193,006</u>	<u>\$ 241,871</u>
\$ 19,100	\$ 2,041	\$ 8,482	\$	\$	\$ 39,125
	4,284				
<u>19,100</u>	<u>6,325</u>	<u>8,482</u>			<u>39,125</u>
2,669,003					
1,293,096				193,006	202,746
	171,389		21,662		
		56,128			
<u>3,962,099</u>	<u>171,389</u>	<u>56,128</u>	<u>21,662</u>	<u>193,006</u>	<u>202,746</u>
<u>\$ 3,981,199</u>	<u>\$ 177,714</u>	<u>\$ 64,610</u>	<u>\$ 21,662</u>	<u>\$ 193,006</u>	<u>\$ 241,871</u>

City of Lompoc
Combining Balance Sheet
Other Governmental Funds
Year Ended June 30, 2013
Page 2

	Special Revenue			
	Local STP	Traffic Congestion	Measure A Transportation Improvement	Housing In-Lieu
Assets				
Cash and investments	\$ 431	\$	\$ 2,006,026	\$ 1,091,194
Accounts receivable	179,637		318,315	
Interest receivable		13	875	707
Due from other funds				
Inventories				
Land held for resale				
Loans receivable				1,654,979
	<u>180,068</u>	<u>13</u>	<u>2,325,216</u>	<u>2,746,880</u>
Total assets	<u>\$ 180,068</u>	<u>\$ 13</u>	<u>\$ 2,325,216</u>	<u>\$ 2,746,880</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$	\$	\$ 8,346	\$
Due to other funds	20,000			
Deposits payable				
Accrued wages and benefits				
Total liabilities	<u>20,000</u>		<u>8,346</u>	
Fund balance:				
Nonspendable:				
Inventories				
Long-term loans receivable				1,654,979
Restricted for:				
Low income housing				
Road surface repairs	160,068	13	2,316,870	
Debt service				
Law enforcement				
Other capital projects				
Other purposes				1,091,901
Committed to:				
Library acquisitions				
Health and welfare				
Total fund balance	<u>160,068</u>	<u>13</u>	<u>2,316,870</u>	<u>2,746,880</u>
Total liabilities and fund balance	<u>\$ 180,068</u>	<u>\$ 13</u>	<u>\$ 2,325,216</u>	<u>\$ 2,746,880</u>

<u>Special Revenue</u>	<u>Capital Projects</u>					
<u>Housing Successor Agency</u>	<u>Civic Center</u>	<u>Capital Development</u>	<u>Street Development</u>	<u>Park Assessment District</u>	<u>Library Impact Fees</u>	<u>Children's Library</u>
\$ 328,770	\$ 272,298	\$ 2,851,345	\$ 4,397,348	\$ 1,455	\$ 245,625	\$ 140,267
213	176	1,851	2,825 20,000	1	159	91
200,000 2,845,396						
<u>\$ 3,374,379</u>	<u>\$ 272,474</u>	<u>2,853,196</u>	<u>\$ 4,420,173</u>	<u>\$ 1,456</u>	<u>\$ 245,784</u>	<u>\$ 140,358</u>
\$ 43	\$	\$	\$	\$ 6	\$	\$
1,639			919,879	1,449		
<u>1,682</u>			<u>919,879</u>	<u>1,455</u>		
2,483,002						
889,695			3,500,294			
	272,474	2,853,196		1		
					245,784	140,358
<u>3,372,697</u>	<u>272,474</u>	<u>2,853,196</u>	<u>3,500,294</u>	<u>1</u>	<u>245,784</u>	<u>140,358</u>
<u>\$ 3,374,379</u>	<u>\$ 272,474</u>	<u>2,853,196</u>	<u>\$ 4,420,173</u>	<u>\$ 1,456</u>	<u>\$ 245,784</u>	<u>\$ 140,358</u>

City of Lompoc
Combining Balance Sheet
Other Governmental Funds
Year Ended June 30, 2013
Page 3

	<u>Debt Service</u>		<u>Total Other Governmental Funds</u>
	<u>Lease Purchase</u>	<u>Assessment District</u>	
Assets			
Cash and investments	\$	\$ 116,246	14,741,663
Accounts receivable			972,731
Interest receivable		76	9,196
Due from other funds			90,000
Inventories			8,185
Land held for resale			200,000
Loans receivable			7,191,807
			<u>7,191,807</u>
Total assets	<u>\$ -</u>	<u>\$ 116,322</u>	<u>\$ 23,213,582</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$	\$	113,781
Due to other funds			90,000
Deposits payable			919,879
Accrued wages and benefits			7,372
Total liabilities			<u>1,131,032</u>
Fund balance:			
Nonspendable:			
Inventories			8,185
Long-term loans receivable			6,806,984
Restricted for:			
Low income housing			2,182,791
Road surface repairs			8,111,123
Debt service		116,322	116,322
Law enforcement			4,252
Other capital projects			3,125,671
Other purposes			1,284,952
Committed to:			
Library acquisitions			386,142
Health and welfare			56,128
Total fund balance		<u>116,322</u>	<u>22,082,550</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 116,322</u>	<u>\$ 23,213,582</u>

City of Lompoc
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Other Governmental Funds
Year Ended June 30, 2013

	<u>Special Revenue</u>			
	<u>Transportation Improvement</u>	<u>Special Gas Tax</u>	<u>Local Transportation</u>	<u>Jailer-Dispatcher Training</u>
Revenues:				
Taxes	\$	\$ 954,202	\$ 887,099	\$
Revenues from other agencies				6,050
Charges for current services				
Interest	33		78	
Other revenues				
Total revenues	<u>33</u>	<u>954,202</u>	<u>887,177</u>	<u>6,050</u>
Expenditures:				
Personnel services				
Maintenance and operations		293,419		2,827
Capital outlay	67,079	34,341	961,303	
Debt service:				
Principal				
Interest and fiscal charges				
Total expenditures	<u>67,079</u>	<u>327,760</u>	<u>961,303</u>	<u>2,827</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(67,046)</u>	<u>626,442</u>	<u>(74,126)</u>	3,223
Other financing sources (uses):				
Operating transfers in				
Operating transfers out	<u>(938,475)</u>	<u>(776,707)</u>	<u>(85,000)</u>	
Total other financing sources (uses)	<u>(938,475)</u>	<u>(776,707)</u>	<u>(85,000)</u>	
Net change in fund balance	<u>(1,005,521)</u>	<u>(150,265)</u>	<u>(159,126)</u>	3,223
Fund balance - beginning of year	1,283,323	1,355,180	196,626	1,029
Prior year restatements	226,094			
Fund balance - beginning of year, restated	<u>1,509,417</u>	<u>1,355,180</u>	<u>196,626</u>	<u>1,029</u>
Fund balance - end of year	<u>\$ 503,896</u>	<u>\$ 1,204,915</u>	<u>\$ 37,500</u>	<u>\$ 4,252</u>

Special Revenue

Community Development	PEG / TAP Cable Access	Human Services	Beautification	SLTPP	Federal Road
\$	\$	\$	\$	\$	\$
420,712				80,200	436,645
115	242,674				
57,219	28				
392		43,477	932		
<u>478,438</u>	<u>242,702</u>	<u>43,477</u>	<u>932</u>	<u>80,200</u>	<u>436,645</u>
304,990	173,543	781			5,042
80,292	73,461	58,887	1,342	23	79,208
255,944				410	362,961
<u>641,226</u>	<u>247,004</u>	<u>59,668</u>	<u>1,342</u>	<u>433</u>	<u>447,211</u>
(162,788)	(4,302)	(16,191)	(410)	79,767	(10,566)
<u>(162,788)</u>	<u>(4,302)</u>	<u>(16,191)</u>	<u>(410)</u>	<u>79,767</u>	<u>(10,566)</u>
4,124,887	175,691	72,319	22,072	113,239	213,312
<u>4,124,887</u>	<u>175,691</u>	<u>72,319</u>	<u>22,072</u>	<u>113,239</u>	<u>213,312</u>
<u>\$ 3,962,099</u>	<u>\$ 171,389</u>	<u>\$ 56,128</u>	<u>\$ 21,662</u>	<u>\$ 193,006</u>	<u>\$ 202,746</u>

City of Lompoc
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Other Governmental Funds
Year Ended June 30, 2013
Page 2

	Special Revenue			
	Local STP	Traffic Congestion	Measure A Transportation Improvement	
Revenues:				
Taxes	\$	\$	1,810,902	\$
Revenues from other agencies	179,637			
Charges for current services				336,456
Interest			39	78
Other revenues				
Total revenues	<u>179,637</u>		<u>1,810,941</u>	<u>336,534</u>
Expenditures:				
Personnel services				
Maintenance and operations		2	569,592	5,638
Capital outlay		19,914	6,533	
Debt service:				
Principal				
Interest and fiscal charges				
Total expenditures		<u>19,916</u>	<u>576,125</u>	<u>5,638</u>
Excess (deficiency) of revenues over (under) expenditures	<u>179,637</u>	(19,916)	<u>1,234,816</u>	330,896
Other financing sources (uses):				
Operating transfers in				
Operating transfers out	(172,000)		(372,670)	
Total other financing sources (uses)	<u>(172,000)</u>		<u>(372,670)</u>	
Net change in fund balance	<u>7,637</u>	(19,916)	<u>862,146</u>	<u>330,896</u>
Fund balance - beginning of year	152,431	19,929	1,680,818	2,415,984
Prior year restatements			(226,094)	
Fund balance - beginning of year, restated	<u>152,431</u>	<u>19,929</u>	<u>1,454,724</u>	<u>2,415,984</u>
Fund balance - end of year	<u>\$ 160,068</u>	<u>\$ 13</u>	<u>\$ 2,316,870</u>	<u>\$ 2,746,880</u>

<u>Special Revenue</u>	<u>Capital Projects</u>					
<u>Housing Successor Agency</u>	<u>Civic Center</u>	<u>Capital Development</u>	<u>Street Development</u>	<u>Park Assessment District</u>	<u>Library Impact Fees</u>	<u>Children's Library</u>
\$	\$	\$	\$	\$	\$	\$
	33,162	173,680	21,196		19,321	
13,159				53		
2,000						
<u>15,159</u>	<u>33,162</u>	<u>173,680</u>	<u>21,196</u>	<u>53</u>	<u>19,321</u>	
35,026				59,166		
414,143	7,740	73,955		22,023		12
		13,677	52,024			
<u>449,169</u>	<u>7,740</u>	<u>87,632</u>	<u>52,024</u>	<u>81,189</u>		<u>12</u>
(434,010)	25,422	<u>86,048</u>	(30,828)	<u>(81,136)</u>	19,321	(12)
				119,599		
		(36,516)		(38,530)		
		<u>(36,516)</u>		<u>81,069</u>		
<u>(434,010)</u>	<u>25,422</u>	<u>49,532</u>	<u>(30,828)</u>	<u>(67)</u>	<u>19,321</u>	<u>(12)</u>
3,806,707	247,052	2,803,664	3,736,286	68	226,463	140,370
			(205,164)			
<u>3,806,707</u>	<u>247,052</u>	<u>2,803,664</u>	<u>3,531,122</u>	<u>68</u>	<u>226,463</u>	<u>140,370</u>
<u>\$ 3,372,697</u>	<u>\$ 272,474</u>	<u>\$ 2,853,196</u>	<u>\$ 3,500,294</u>	<u>\$ 1</u>	<u>\$ 245,784</u>	<u>\$ 140,358</u>

City of Lompoc
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance
Other Governmental Funds
Year Ended June 30, 2013
Page 3

	<u>Debt Service</u>		<u>Total Other Governmental Funds</u>
	<u>Lease Purchase</u>	<u>Assessment District</u>	
Revenues:			
Taxes	\$	\$ 286,495	\$ 3,938,698
Revenues from other agencies			1,123,244
Charges for current services			826,604
Interest		14	70,701
Other revenues			46,801
Total revenues		<u>286,509</u>	<u>6,006,048</u>
Expenditures:			
Personnel services			578,548
Maintenance and operations		9,804	1,692,368
Capital outlay			1,774,186
Debt service:			
Principal	45,471	60,000	105,471
Interest and fiscal charges	42,818	103,965	146,783
Total expenditures	<u>88,289</u>	<u>173,769</u>	<u>4,297,356</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(88,289)</u>	<u>112,740</u>	<u>1,708,692</u>
Other financing sources (uses):			
Operating transfers in	88,289		207,888
Operating transfers out		(119,599)	(2,539,497)
Total other financing sources (uses)	<u>88,289</u>	<u>(119,599)</u>	<u>(2,331,609)</u>
Net change in fund balance		<u>(6,859)</u>	<u>(622,917)</u>
Fund balance - beginning of year		123,181	22,910,631
Prior year restatements			(205,164)
Fund balance - beginning of year, restated		<u>123,181</u>	<u>22,705,467</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ 116,322</u>	<u>\$ 22,082,550</u>

City of Lompoc
Combining Statement of Net Position
Other Enterprise Funds
Year Ended June 30, 2013

	<u>Lompoc Airport</u>	<u>Lompoc Transit</u>	<u>Recreation</u>
Assets			
Current assets:			
Cash and investments	\$ 244,677	\$ 2,768,265	\$ 8,627
Accounts receivable, net	5,198	1,627,642	
Interest receivable	158	1,800	20
Inventories	41,023	10,263	
Total current assets	<u>291,056</u>	<u>4,407,970</u>	<u>8,647</u>
Noncurrent assets:			
Land	5,401,514		
Construction in progress		264,875	
Structures and improvements	4,116,022	789,670	
Vehicles and equipment	793,667	2,928,536	22,082
Less accumulated depreciation	<u>(1,627,902)</u>	<u>(2,136,812)</u>	<u>(22,082)</u>
Total noncurrent assets	<u>8,683,301</u>	<u>1,846,269</u>	<u>-</u>
Total assets	<u>8,974,357</u>	<u>6,254,239</u>	<u>8,647</u>
Liabilities			
Current liabilities:			
Accounts payable	7,030	157,671	10,806
Due to other funds	265,949		25,000
Accrued wages and benefits	11,709	33,818	6,547
Unearned revenue	4,243		9,722
Trust deposits	5,150		
Interest payable	4,056		
Current portion of capital leases payable		2,776	
Total current liabilities	<u>298,137</u>	<u>194,265</u>	<u>52,075</u>
Noncurrent liabilities:			
Capital leases payable, net of current portion		50,157	
Compensated absences	1,891	5,624	521
Total noncurrent liabilities	<u>1,891</u>	<u>55,781</u>	<u>521</u>
Total liabilities	<u>300,028</u>	<u>250,046</u>	<u>52,596</u>
Net position			
Net investment in capital assets	8,683,301	1,793,336	
Restricted for other purposes		2,667,114	
Unrestricted	<u>(8,972)</u>	<u>1,543,743</u>	<u>(43,949)</u>
Total net position	<u>\$ 8,674,329</u>	<u>\$ 6,004,193</u>	<u>\$ (43,949)</u>

<u>River Park Campground</u>	<u>Aquatic Center</u>	<u>Lompoc Valley Community Center</u>	<u>Broadband</u>	<u>Total Other Enterprise Funds</u>
\$ 96,108	\$ 161,453	\$ 21,808	\$ 5,209	\$ 3,306,147
62	103	14	24,713	1,657,553
<u>96,170</u>	<u>161,556</u>	<u>21,822</u>	<u>29,922</u>	<u>5,017,143</u>
380,511				5,782,025
188,371			14,171	264,875
40,147	17,330		2,223,163	5,108,234
(194,506)	(14,442)		(1,356,209)	6,024,925
<u>414,523</u>	<u>2,888</u>		<u>881,125</u>	<u>(5,351,953)</u>
<u>510,693</u>	<u>164,444</u>	<u>21,822</u>	<u>911,047</u>	<u>16,845,249</u>
113	32,031	6,564	4,480	218,695
367,262			4,792,366	5,450,577
5,883	14,563	10,390	21,307	104,217
				13,965
				5,150
			896	4,952
			93,801	96,577
<u>373,258</u>	<u>46,594</u>	<u>16,954</u>	<u>4,912,850</u>	<u>5,894,133</u>
			48,382	98,539
<u>607</u>	<u>821</u>	<u>1,524</u>	<u>3,056</u>	<u>14,044</u>
<u>607</u>	<u>821</u>	<u>1,524</u>	<u>51,438</u>	<u>112,583</u>
<u>373,865</u>	<u>47,415</u>	<u>18,478</u>	<u>4,964,288</u>	<u>6,006,716</u>
414,523	2,888		738,942	11,632,990
(277,695)	114,141	3,344	(4,792,183)	2,667,114
<u>\$ 136,828</u>	<u>\$ 117,029</u>	<u>\$ 3,344</u>	<u>\$ (4,053,241)</u>	<u>\$ 10,838,533</u>

City of Lompoc
Combining Statement of Revenues, Expenses and
Changes in Fund Net Position
Other Enterprise Funds
Year Ended June 30, 2013

	<u>Lompoc Airport</u>	<u>Lompoc Transit</u>	<u>Recreation</u>
Operating revenues:			
User fees and charges for services	\$ 266,127	\$ 855,986	\$ 221,113
Revenue from other agencies	17,605	1,780,541	32,046
Other operating revenues	200		38,518
Facilities rental	175,176	1,950	97,243
Total operating revenues	<u>459,108</u>	<u>2,638,477</u>	<u>388,920</u>
Operating expenses:			
Personnel services	78,368	194,266	171,901
Maintenance and operations	348,409	1,948,179	172,441
Depreciation and amortization	151,061	518,955	
Total operating expenses	<u>577,838</u>	<u>2,661,400</u>	<u>344,342</u>
Operating income (loss)	<u>(118,730)</u>	<u>(22,923)</u>	<u>44,578</u>
Nonoperating revenues and expenses:			
Interest earnings	108		9
Other revenue (expense)	960	8,512	
Interest expense	(16,742)	(2,499)	
Capital grants and contributions		55,905	
Loss on disposal of equipment		(13,097)	
Operating transfers in		51,832	
Total nonoperating revenues and expenses	<u>(15,674)</u>	<u>100,653</u>	<u>9</u>
Net income (loss)	<u>(134,404)</u>	<u>77,730</u>	<u>44,587</u>
Net position - beginning of year	8,808,733	5,926,463	(88,536)
Prior period restatement			
Net position - beginning of year, restated	<u>8,808,733</u>	<u>5,926,463</u>	<u>(88,536)</u>
Net position - end of year	<u>\$ 8,674,329</u>	<u>\$ 6,004,193</u>	<u>\$ (43,949)</u>

<u>River Park Campground</u>	<u>Aquatic Center</u>	<u>Lompoc Valley Community Center</u>	<u>Broadband</u>	<u>Total Other Enterprise Funds</u>
\$ 176,466	\$ 402,641	\$ 4,534	\$ 465,329	\$ 2,392,196
	25	14,056	349	1,830,192
12,000	2,593	69,893		53,148
<u>188,466</u>	<u>405,259</u>	<u>88,483</u>	<u>465,678</u>	<u>4,634,391</u>
109,198	333,712	100,019	199,496	1,186,960
35,130	330,347	86,029	186,166	3,106,701
6,279	3,466		261,272	941,033
<u>150,607</u>	<u>667,525</u>	<u>186,048</u>	<u>646,934</u>	<u>5,234,694</u>
<u>37,859</u>	<u>(262,266)</u>	<u>(97,565)</u>	<u>(181,256)</u>	<u>(600,303)</u>
8	13			138
		(21)		9,451
(16,820)			(26,153)	(62,214)
				55,905
				(13,097)
	248,530	65,000		365,362
<u>(16,812)</u>	<u>248,543</u>	<u>64,979</u>	<u>(26,153)</u>	<u>355,545</u>
<u>21,047</u>	<u>(13,723)</u>	<u>(32,586)</u>	<u>(207,409)</u>	<u>(244,758)</u>
115,781	130,752	35,930	(4,391,968)	10,537,155
			546,136	546,136
<u>115,781</u>	<u>130,752</u>	<u>35,930</u>	<u>(3,845,832)</u>	<u>11,083,291</u>
<u>\$ 136,828</u>	<u>\$ 117,029</u>	<u>\$ 3,344</u>	<u>\$ (4,053,241)</u>	<u>\$ 10,838,533</u>

City of Lompoc
Combining Statement of Cash Flows
Other Enterprise Funds
Year Ended June 30, 2013

	<u>Lompoc Airport</u>	<u>Lompoc Transit</u>	<u>Recreation</u>
Cash flows from operating activities:			
Cash received from customers	\$ 765,532	\$ 4,270	\$ 357,538
Cash received from other agencies	17,605	1,780,541	32,046
Internal activity - cash paid from (to) other funds	(104,069)		(25,000)
Cash paid to suppliers for goods and services	(352,712)	(2,324,697)	(187,833)
Cash paid to employees	(75,498)	(181,968)	(173,712)
	<u>250,858</u>	<u>(721,854)</u>	<u>3,039</u>
Cash flows from noncapital financing activities:			
Cash received from other agencies	960	8,512	
Net operating transfers		51,832	
	<u>960</u>	<u>60,344</u>	
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(172,992)	
Gain (loss) on disposal of equipment		(13,097)	
Principal payments on long-term debt		(2,654)	
Interest payments on long-term debt	(17,041)	(2,499)	
Cash received from capital grants and contributions		55,905	
Net cash used by capital and related financial activities	<u>(17,041)</u>	<u>(135,337)</u>	
Cash flows from investing activities:			
Interest on investments		1,493	
		<u>1,493</u>	
Net cash provided by investing activities		<u>1,493</u>	
Net increase (decrease) in cash and investments	234,777	(795,354)	3,039
Cash and investments - beginning of year	<u>9,900</u>	<u>3,563,619</u>	<u>5,588</u>
Cash and investments - end of year	<u>\$ 244,677</u>	<u>\$ 2,768,265</u>	<u>\$ 8,627</u>

<u>River Park Campground</u>	<u>Aquatic Center</u>	<u>Lompoc Valley Community Center</u>	<u>Broadband</u>	<u>Total Other Enterprise Funds</u>
\$ 188,466	\$ 405,259	\$ 94,715	\$ 471,657	\$ 2,287,437
(6,509)			105,107	1,830,192
(36,019)	(330,758)	(93,377)	(190,743)	(30,471)
(109,214)	(332,710)	(98,864)	(193,614)	(3,516,139)
<u>36,724</u>	<u>(258,209)</u>	<u>(97,526)</u>	<u>192,407</u>	<u>(1,165,580)</u>
				9,472
	<u>248,530</u>	<u>65,000</u>		<u>365,362</u>
	<u>248,530</u>	<u>65,000</u>		<u>374,834</u>
			(75,615)	(248,607)
			(89,982)	(13,097)
(16,820)			(26,720)	(92,636)
				(63,080)
				<u>55,905</u>
<u>(16,820)</u>			<u>(192,317)</u>	<u>(361,515)</u>
<u>14</u>	<u>38</u>	<u>7</u>		<u>1,552</u>
<u>14</u>	<u>38</u>	<u>7</u>		<u>1,552</u>
19,918	(9,641)	(32,519)	90	(579,690)
<u>76,190</u>	<u>171,094</u>	<u>54,327</u>	<u>5,119</u>	<u>3,885,837</u>
<u>\$ 96,108</u>	<u>\$ 161,453</u>	<u>\$ 21,808</u>	<u>\$ 5,209</u>	<u>\$ 3,306,147</u>

City of Lompoc
Combining Statement of Cash Flows
Other Enterprise Funds
Year Ended June 30, 2013
Page 2

	<u>Lompoc Airport</u>	<u>Lompoc Transit</u>	<u>Recreation</u>
Operating income (loss)	\$ (118,730)	\$ (22,923)	\$ 44,578
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	151,061	518,955	
Gain (loss) on disposal of equipment		13,097	
Change in assets and liabilities:			
Accounts receivable, net	323,929	(853,666)	664
Prepaid expenses			1,500
Inventories	20,265	(5,032)	
Accounts payable	(28,812)	(384,583)	2,384
Due to other funds	(104,069)		(25,000)
Accrued wages and benefits	2,747	11,245	(1,667)
Unearned revenue	4,243		(19,277)
Trust deposits	100		
Compensated absences	124	1,053	(143)
Total adjustments	<u>369,588</u>	<u>(698,931)</u>	<u>(41,539)</u>
Net cash provided (used) by operating activities	<u>\$ 250,858</u>	<u>\$ (721,854)</u>	<u>\$ 3,039</u>

<u>River Park Campground</u>	<u>Aquatic Center</u>	<u>Lompoc Valley Community Center</u>	<u>Broadband</u>	<u>Total Other Enterprise Funds</u>
<u>\$ 37,859</u>	<u>\$ (262,266)</u>	<u>\$ (97,565)</u>	<u>\$ (181,256)</u>	<u>\$ (600,303)</u>
6,279	3,466		261,272	941,033 13,097
		6,232	5,980	(516,861) 1,500 15,233
(889)	(411)	(7,348)	(4,578)	(424,237)
(6,509)			105,107	(30,471)
177	1,104	1,304	5,803	20,713 (15,034)
				100
<u>(193)</u>	<u>(102)</u>	<u>(149)</u>	<u>79</u>	<u>669</u>
<u>(1,135)</u>	<u>4,057</u>	<u>39</u>	<u>373,663</u>	<u>5,742</u>
<u>\$ 36,724</u>	<u>\$ (258,209)</u>	<u>\$ (97,526)</u>	<u>\$ 192,407</u>	<u>\$ (594,561)</u>

City of Lompoc
Combining Statement of Net Position
Internal Service Funds
Year Ended June 30, 2013

	<u>Insurance Control</u>	<u>Vehicle</u>	<u>Communication</u>
Assets			
Current assets:			
Cash and investments	\$ 10,333,262	\$ 516,151	\$ 170,003
Accounts receivable, net			3,801
Interest receivable	6,733	330	
Inventories		243,133	
Due from other funds	993,448		
Total current assets	<u>11,333,443</u>	<u>759,614</u>	<u>173,804</u>
Noncurrent assets:			
Structures and improvements		32,159	
Vehicles and equipment		18,311,729	214,491
Less accumulated depreciation		(13,083,207)	(214,491)
Total noncurrent assets		<u>5,260,681</u>	<u>-</u>
Total assets	<u>11,333,443</u>	<u>6,020,295</u>	<u>173,804</u>
Liabilities			
Current liabilities:			
Accounts payable	54,608	124,888	1,657
Due to other funds			
Accrued wages and benefits		64,024	7,400
Unearned revenue		1,573	
Interest payable		24,181	
Current portion of claims payable	1,013,000		
Current portion of capital leases payable		528,697	
Total current liabilities	<u>1,067,608</u>	<u>743,363</u>	<u>9,057</u>
Noncurrent liabilities:			
Claims payable, net of current portion	3,899,000		
Compensated absences		7,598	1,221
Capital leases payable, net of current portion		1,728,700	
Total noncurrent liabilities	<u>3,899,000</u>	<u>1,736,298</u>	<u>1,221</u>
Total liabilities	<u>4,966,608</u>	<u>2,479,661</u>	<u>10,278</u>
Net position			
Net investment in capital assets		3,003,284	
Restricted for other purposes	6,366,835		
Unrestricted		537,350	163,526
Total net position	<u>\$ 6,366,835</u>	<u>\$ 3,540,634</u>	<u>\$ 163,526</u>

<u>Stores</u>	<u>Total</u>
\$ 15,861	\$ 11,035,277
	3,801
10	7,073
104,825	347,958
	993,448
120,696	12,387,557
145,987	178,146
	18,526,220
(126,972)	(13,424,670)
19,015	5,279,696
139,711	17,667,253
7,407	188,560
18,532	18,532
	71,424
	1,573
62	24,243
	1,013,000
	528,697
26,001	1,846,029
	3,899,000
	8,819
	1,728,700
	5,636,519
26,001	7,482,548
19,015	3,022,299
	6,366,835
94,695	795,571
\$ 113,710	\$ 10,184,705

City of Lompoc
Combining Statement of Revenues, Expenses and
Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2013

	<u>Insurance Control</u>	<u>Vehicle</u>	<u>Communication</u>
Operating revenues:			
Charge for services	\$ 16,030,940	\$ 2,256	\$ 142,018
Facilities rental		3,666,345	
Total operating revenues	<u>16,030,940</u>	<u>3,668,601</u>	<u>142,018</u>
Operating expenses:			
Personnel services	5,537,912	963,326	41,727
Maintenance and operations	8,172,537	2,006,707	69,665
Depreciation and amortization		1,313,373	533
Total operating expenses	<u>13,710,449</u>	<u>4,283,406</u>	<u>111,925</u>
Operating income (loss)	<u>2,320,491</u>	<u>(614,805)</u>	30,093
Nonoperating revenues and expenses:			
Interest earnings	42,730		
Interest expense		(116,779)	
Other revenue		10,625	
Operating transfers out	(347,620)		
Total nonoperating revenues and expenses	<u>(304,890)</u>	<u>(106,154)</u>	
Net income (loss)	2,015,601	(720,959)	30,093
Net position - beginning of year	<u>4,351,234</u>	<u>4,261,593</u>	<u>133,433</u>
Net position - end of year	<u>\$ 6,366,835</u>	<u>\$ 3,540,634</u>	<u>\$ 163,526</u>

<u>Stores</u>	<u>Total</u>
\$ 386,881	\$ 16,562,095
	3,666,345
386,881	20,228,440
	6,542,965
349,895	10,598,804
14,958	1,328,864
364,853	18,470,633
	1,757,807
22,028	1,757,807
	42,753
23	(117,997)
(1,218)	10,625
	(347,620)
(1,195)	(412,239)
	1,345,568
20,833	
	8,839,137
92,877	8,839,137
	\$ 10,184,705
\$ 113,710	\$ 10,184,705

City of Lompoc
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2013

	<u>Insurance Control</u>	<u>Vehicle</u>	<u>Communication</u>
Cash flows from operating activities:			
Cash received from interfund services provided	\$ 16,234,120	\$ 3,670,174	\$ 138,218
Internal activity - cash paid from (to) other funds	179,348		
Cash paid to suppliers for goods and services	(8,749,385)	(2,250,831)	(68,050)
Cash paid to employees	(5,549,489)	(968,569)	(41,460)
	<u>2,114,594</u>	<u>450,774</u>	<u>28,708</u>
Net cash provided by operating activities			
Cash flows from noncapital financing activities:			
Cash received from other agencies		10,625	
Net operating transfers	(347,620)		
	<u>(347,620)</u>	<u>10,625</u>	
Net cash provided (used) by non-capital financial activities			
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(155,924)	
Principal payments on long term debt		(610,224)	
Interest payments on long term debt		(122,560)	
		<u>(888,708)</u>	
Net cash used by capital and related financing activities			
Cash flows from investing activities:			
Interest on investments	44,149	522	
	<u>44,149</u>	<u>522</u>	
Net cash provided by investing activities			
	<u>1,811,123</u>	<u>(426,787)</u>	<u>28,708</u>
Net increase (decrease) in cash and cash equivalents			
Cash and investments - beginning of year	<u>8,522,139</u>	<u>942,938</u>	<u>141,295</u>
Cash and investments - end of year	<u>\$ 10,333,262</u>	<u>\$ 516,151</u>	<u>\$ 170,003</u>

<u>Stores</u>	<u>Total</u>
\$ 383,763	\$ 20,426,275
(17,812)	161,536
(357,194)	(11,425,460)
	(6,559,518)
<u>8,757</u>	<u>2,602,833</u>
	10,625
	<u>(347,620)</u>
	(336,995)
	(155,924)
	(610,224)
<u>(1,277)</u>	<u>(123,837)</u>
<u>(1,277)</u>	<u>(889,985)</u>
<u>19</u>	<u>44,690</u>
<u>19</u>	<u>44,690</u>
7,499	1,420,543
<u>8,362</u>	<u>9,614,734</u>
<u>\$ 15,861</u>	<u>\$ 11,035,277</u>

City of Lompoc
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2013
Page 2

	<u>Insurance Control</u>	<u>Vehicle</u>	<u>Communication</u>
Operating income (loss)	\$ 2,320,491	\$ (614,805)	\$ 30,093
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization		1,313,373	533
Change in assets and liabilities:			
Accounts receivable, net	203,179		(3,801)
Inventories		(14,228)	
Due from other funds	179,348		
Accounts payable	(22,847)	(229,897)	1,615
Accrued wages and benefits	(11,577)	(1,990)	490
Unearned revenue		1,573	
Compensated absences		(3,252)	(222)
Claim liabilities	(554,000)		
Total adjustments	(205,897)	1,065,579	(1,385)
Net cash provided by operating activities	<u>\$ 2,114,594</u>	<u>\$ 450,774</u>	<u>\$ 28,708</u>

<u>Stores</u>	<u>Total</u>
<u>\$ 22,028</u>	<u>\$ 1,757,807</u>
14,958	1,328,864
	199,378
(3,117)	(17,345)
(17,812)	161,536
(7,300)	(258,429)
	(13,077)
	1,573
	(3,474)
	<u>(554,000)</u>
<u>(13,271)</u>	<u>845,026</u>
<u>\$ 8,757</u>	<u>\$ 2,602,833</u>

**City of Lompoc
Municipal Officers
June 30, 2013**

City Council

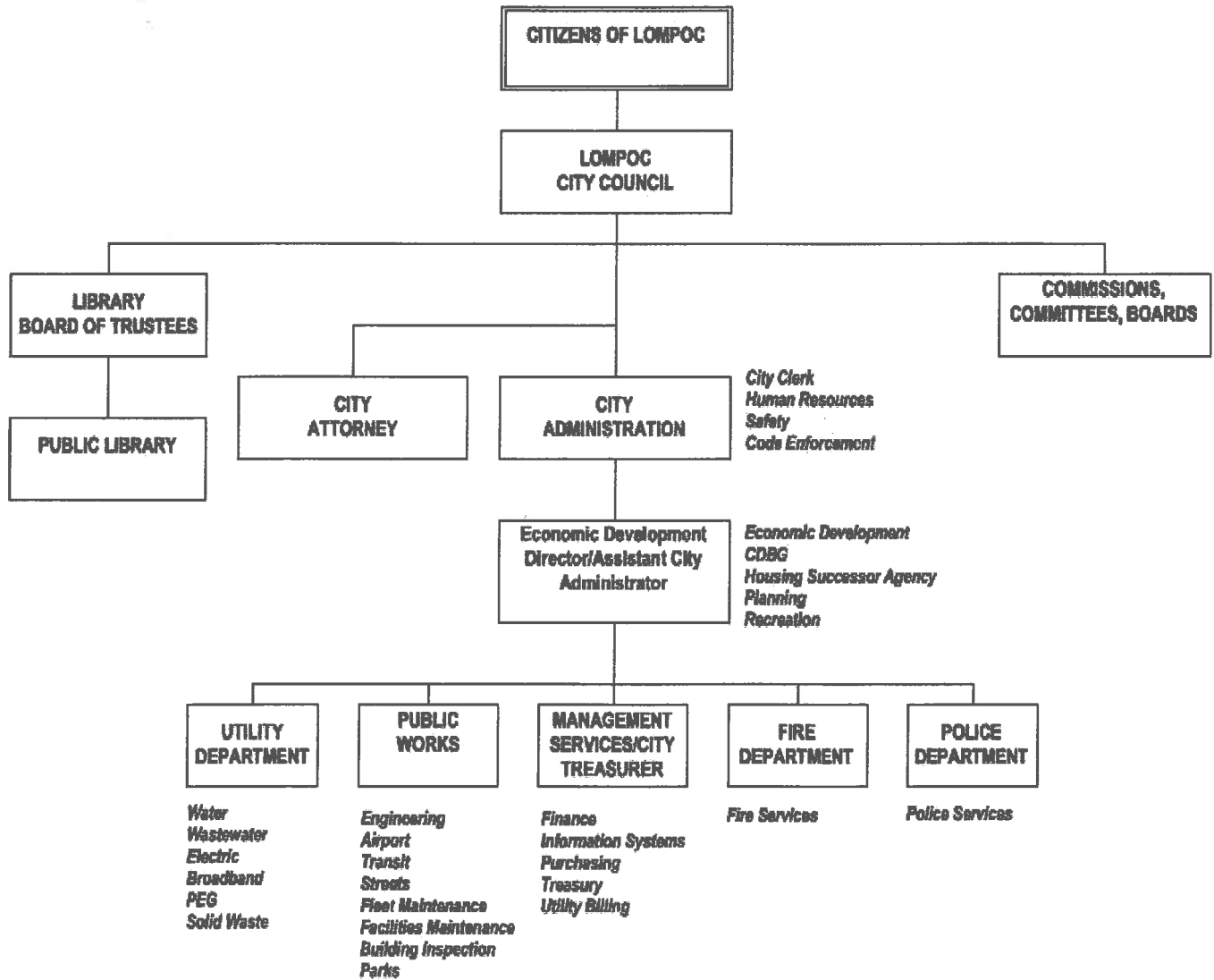
Mayor..... John Linn
Councilmember..... Ashley Costa
Councilmember..... Bob Lingl
Councilmember..... DeWayne Holmdahl
Councilmember..... Dirk Starbuck

Administrative Personnel

City Administrator..... Laurel M. Barcelona
City Attorney..... Joseph W. Pannone
City Clerk..... Stacey Alvarez
Utility Director..... Larry Bean
Public Works Director..... Kevin McCune
Management Services Director / City Treasurer..... Brad Wilkie
Fire Chief (Acting)..... Kurt Latipow
Police Chief..... Larry Ralston

City of LompoC
 Organization Chart
 June 30, 2013

CITY OF LOMPOC ORGANIZATION CHART



City of Lompoc
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
US Department of Transportation			
Highway Planning and Construction			
Passed-thru CalTrans	20.205*	SRTSL-5080 (020)	\$ 157,549
Passed-thru CalTrans	20.205*	HSIPL-5080 (018)	156,322
Passed-thru CalTrans	20.205*	ER-P-DO (001)	61,375
Passed-thru CalTrans	20.205*	HSIPL-5080 (025)	10,925
Passed-thru CalTrans	20.205*	SRTSL-5080 (029)	61,040
Federal Transit Administration Formula Grants	20.507*	N/A	895,906
Total US Department of Transportation			<u>1,343,117</u>
US Department of Housing and Urban Development			
Community Development Block Grant			
Passed-thru Santa Barbara County	14.218	Entitlement #35	78,363
Passed-thru Santa Barbara County	14.218	Entitlement #36	69,988
Passed-thru Santa Barbara County	14.218	Entitlement #37	43,174
Passed-thru Santa Barbara County	14.218	Entitlement #38	229,186
Program Income	14.218	N/A	301,434
Total US Department of Housing and Urban Development			<u>722,145</u>
US Department of Justice			
Edward Byrne Memorial Grant	16.579	N/A	63,000
Bulletproof Vest Grant	16.579	N/A	5,620
Law Enforcement Technology - Hiring Grant	16.710*	2011UMWX0031	233,418
Law Enforcement Technology	16.710*	2009CKWX0323	64,363
Total US Department of Justice			<u>366,401</u>
US Department of Homeland Security			
FEMA SAFER Grant	97.044	N/A	94,920
Total US Department of Homeland Security			<u>94,920</u>
Total expenditures of federal awards			<u>\$ 2,526,583</u>

* Major Federal Award Program.

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and City Council
City of Lompoc
Lompoc, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lompoc (the City) as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 19, 2013.

Internal Control Over Financial Reporting

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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Honorable Mayor and City Council

City of Lompoc

Page 2

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Recommendations as findings 2013-01 and 2013-02 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Audit Findings and Recommendations as finding 2013-03 to be a significant deficiency.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Lompoc in a separate letter dated December 19, 2013.

City of Lompoc's Responses to Findings

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Glenn Burdette Attest Corporation

Glenn Burdette Attest Corporation
San Luis Obispo, California

December 19, 2013



**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

Honorable Mayor and City Council
City of Lompoc
Lompoc, California

Report on Compliance for Each Major Federal Program

We have audited the City of Lompoc, California's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of audit findings and recommendations.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Honorable Mayor and City Council

City of Lompoc

Page 2

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Glenn Burdette Attest Corporation

Glenn Burdette Attest Corporation

San Luis Obispo, California

December 19, 2013

Findings and Recommendations Section

City of Lompoc
Schedule of Audit Findings and Recommendations
Year Ended June 30, 2013

Section I: Summary of Auditors' Results

Financial Statements

- (a) Type of auditors' report issued on financial statements: **Unqualified.**
- (b) Internal control over financial reporting:
- Material weaknesses identified: **Yes. See findings 2013.01 and 2013.02.**
 - Significant deficiencies identified not considered to be material weaknesses: **Yes. See finding 2013.03.**
- (c) Noncompliance material to financial statements noted: **No.**

Federal Awards

- (d) Internal control over major programs:
- Material weakness(es) identified: **No.**
 - Significant deficiencies identified not considered to be material weaknesses: **No.**
- (e) Type of auditors' report issued on compliance for major programs: **Unqualified.**
- (f) Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a):
No.
- (g) Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000.**
- (h) Major Programs:
- Highway Planning and Construction (CFDA Number 20.205)
 - Federal Transit Administration (CFDA Number 20.507)
 - Law Enforcement Technology (CFDA Number 16.710)
- (i) Auditee qualified as low-risk auditee: **No.**

City of Lompoc
Schedule of Audit Findings and Recommendations
Year Ended June 30, 2013
Page 2

Section II: Financial Statement Findings

2013.01 – Capital Assets (Material Weakness)

Criteria: Generally accepted accounting principles for state and local governments require governments to report capital assets, related depreciation and depreciation expense at the fund-financial statement level for proprietary funds.

Condition: The City has established basic procedures to ensure that capital asset additions are properly capitalized, capital asset disposals are properly released, and current year depreciation expense for capital assets are recorded at the fund-financial statement level for proprietary funds. However, the capital asset software system utilized by the City is not actively maintained and was over a year behind during audit fieldwork. In addition, there were errors made on the data input related to asset capitalization dates and asset lives.

Effect: Due to these errors, the capital asset system overstated current year depreciation expense for the Wastewater Utility Fund by approximately \$727,000 and understated both the Water Fund and Electric Utility Fund by approximately \$241,000 and \$243,000, respectively.

Recommendation: We recommend that the capital asset reports be reviewed by management to correct all errors in asset capitalization dates and asset lives to ensure accurate capital asset and depreciation accounting and reporting.

City Response: The City agrees with this finding. The capitalization of certain fixed asset was not correctly accounted for in the permanent fixed asset system as compared with the physical completion time and assigned depreciation life of some assets. As a result, adjustments were required to reconcile depreciation for some assets based on differences in beginning dates for depreciation, assigned depreciation lives or both.

For historical reference, the City's Finance Division has historically recorded fixed assets into the capital asset tracking system on an annual basis due to the limitations of the tracking system. One of the limitations encountered is the age of the tracking system, as it has been in place for well over 30 years. Another limitation is the limited features available for reporting information from the system which limits the ability to identify errors in inputted data. City Finance Division staff is continuing to evaluate enhancements to the tracking system as well as improving the reconciliation process to improve the accuracy of reported capital assets and related accumulated depreciation.

The recommendations identified by the auditor will be seriously considered in the evaluation and implementation of a replacement financial reporting system. Until the acquisition of a replacement financial reporting system is complete, the City's Finance Division's management team will continue to evaluate improvements in the review and reconciliation process such that the financial reporting agrees with the underlying activity related to capital assets.

Section II: Financial Statement Findings (Continued)

2013.02 – Capital Assets (Material Weakness)

Criteria: Generally accepted accounting principles for state and local governments require governments to report capital assets, related depreciation and depreciation expense at the fund-financial statement level for proprietary funds.

Condition: The City has established basic procedures to ensure that capital asset additions are properly capitalized, capital asset disposals are properly released, and current year depreciation expense for capital assets are recorded at the fund-financial statement level for proprietary funds. However, the capital asset software system utilized by the City is not actively maintained and was over a year behind during audit fieldwork. As a result, the City resorts to manual excel spreadsheets to track all current year additions, disposals, and depreciation. In addition, depreciation expense for the current year is estimated based upon data obtained from the capital asset software system for the previous year.

Effect: Due to errors in the estimated depreciation for the year ended June 30, 2013, a prior year restatement was recorded to properly reflect the additional depreciation expense by increasing accumulated depreciation and decreasing beginning net position by \$614,996 in the Wastewater Utility Fund.

Recommendation: We recommend the City take efforts to bring the capital asset software system up to date so that depreciation expense is accurately calculated on a timely basis.

City Response: The City agrees with this finding. The depreciation expense of certain fixed asset was not correctly accounted for in the permanent fixed asset system as compared with the depreciation expense determined by the physical completion date and assigned depreciation life of those certain assets. As a result, adjustments were required to reconcile depreciation expense and/or accumulated depreciation for some assets based on differences in beginning dates for depreciation, assigned depreciation lives or both.

For historical reference, the City's Finance Division has historically recorded fixed assets into the capital asset tracking system on an annual basis due to the limitations of the tracking system. One of the limitations encountered is the age of the tracking system, as it has been in place for well over 30 years. Another limitation is the limited features available for reporting information from the system which limits the ability to identify errors in inputted data. City Finance Division staff is continuing to evaluate enhancements to the tracking system as well as improving the reconciliation process to improve the accuracy of reported capital assets and related accumulated depreciation. The recommendations identified by the auditor will be seriously considered in the evaluation and implementation of a replacement financial reporting system. Until the acquisition of a replacement financial reporting system is complete, the City's Finance Division's management team will continue to evaluate improvements in the review and reconciliation process such that the financial reporting agrees with the underlying activity related to capital assets.

Section II: Financial Statement Findings (Continued)

2013.03 – Physical Inventory Adjustments (Significant Deficiency)

Criteria: Inventories are reported in the Proprietary Funds when purchased, and as expenditure when consumed. Additionally, inventories are physically counted at the end of the fiscal year to properly expend all uses during the year.

Condition: The City has established physical inventory observation and accounting policies and procedures at the end of the fiscal year. However, the inventory accounts per the general ledger were not properly adjusted to reflect all changes noted during the physical inventory observation counts.

Effect: Adjustments were required to the accounting records during the audit to properly reflect the changes in inventory based on the observation counts as of June 30, 2013.

Recommendation: We recommend that during the year-end reconciliation process, management verify all inventory accounts per the general ledger are appropriately adjusted to the physical inventory counts.

City Response: The City agrees with this finding. The City has implemented steps and controls in the year-end reconciliation process to insure inventory costs are appropriately adjusted during the year-end process such that the reported balances agree with the values based on physical inventory counts as of June 30, 2014 and for future annual reporting periods.

Section III: Federal Award Findings and Questioned Costs

None.

City of Lompoc
Summary Schedule of Prior Year Audit Findings and Recommendations – June 30, 2012
Year Ended June 30, 2013

<u>Findings/Recommendation</u>	<u>Current Year</u>	<u>City Explanation if Not Implemented</u>
We recommended that the City update their capital asset tracking system on a monthly basis and utilize this system to track all capital asset additions, disposals and depreciation. This would allow the City to print reports to support their adjustments to the financial statements and would result in more accurate accounting of capital assets.	Paritally Implemented	See current year findings.
We recommended that the City review their policies regarding criteria for capitalization of assets, making sure that appropriate guidance is included for the accumulation of costs related to a constructed asset. In addition, we recommended that on an annual basis that all balances in CIP be reviewed against these guidelines and that any balances that should not be capitalized are expensed before year end.	Implemented	
We recommended that the City should continue to ensure that the Solid Waste, Recreation, and Broadband Funds remain solvent by requiring balancing of their operating budgets. This most likely will be through increased revenues through rate changes, reduced costs through operating efficiencies, supplemental funding from the City's General Fund, or some combination.	Implemented	
We recommended that the City should review their reconciliation policies and continue reconciling accounts receivable on a timely basis to ensure that all balances are properly relieved when the cash is received.	Implemented	