



COMPREHENSIVE
ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2004



**CITY OF RANCHO PALOS VERDES,
CALIFORNIA**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2004

Prepared By:

Finance Department

Dennis McLean, Director of Finance & Information Technology
Kathryn Downs, Accounting Manager

INTRODUCTORY SECTION

CITY OF RANCHO PALOS VERDES
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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September 23, 2004

Honorable Mayor and City Council
City of Rancho Palos Verdes
Rancho Palos Verdes, California

The Comprehensive Annual Financial Report (CAFR) of the City of Rancho Palos Verdes for the fiscal year ended June 30, 2004, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the City of Rancho Palos Verdes issue annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Rancho Palos Verdes. In addition, to the best of our knowledge, there are no untrue statements of material fact within the financial statements or omissions of material fact to cause the financial statements to be misleading. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section, which is unaudited, includes this Letter of Transmittal, an organizational chart and a directory of the City's principal elected and appointed officials. The financial section includes management's discussion and analysis (MD&A) the government-wide statements, notes to the financial statements, combining and individual fund financial statements, as well as the independent auditor's report on these financial statements and schedules. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year historical basis.

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of Rancho Palos Verdes as legally defined), as well as its component units, the Rancho Palos Verdes Redevelopment Agency and the Joint Powers Improvement Authority. A component unit is a legally separate entity for which the primary government is financially accountable. The City provides a broad range of services, including police protection, solid waste collection, construction and maintenance of highways, streets, and infrastructure, planning and zoning activities, recreational activities, cultural events, and general administrative services. The City of Rancho Palos Verdes is a contract city, meaning that some of these services are provided by contract with other agencies (both public and private) and some services are delivered by the City's own employees.

Special districts of the County of Los Angeles provide library services, fire protection services, and sewer services. The City has excluded the County of Los Angeles, as well as the State of California and various school districts, from the financial reporting entity because they do not meet the established criteria for inclusion.

GOVERNMENTAL STRUCTURE, ECONOMIC CONDITION AND OUTLOOK

The City of Rancho Palos Verdes is located on a coastal peninsula overlooking the Pacific Ocean in Los Angeles County, 20 miles south of the City of Los Angeles. The City was incorporated September 7, 1973. The City currently

has a land area of 13.6 square miles and a population of 42,810. The City is primarily a "bedroom" community with relatively little commercial activity.

The City has operated under the council-manager form of government since incorporation. Policy-making and legislative authority are vested in the governing council, which consists of five council members, including the mayor and mayor pro-tem. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the city manager and the city attorney. The city manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the government's departments. The council is elected on a non-partisan, at-large basis. Council members are elected to four-year staggered terms with two or three council members elected every two years. The council designates the mayor and mayor pro-tem for a one-year term.

Though the General fund reserves of the City increased during the fiscal year ended June 30, 2004, it is important to continue to measure the City's financial strength over time, not just on the basis of the most recent three or four years experience. The budget adopted by the City Council for the fiscal year ending June 30, 2005 presents the expectation of a decrease of General fund reserves. Potential economic downturn and the need to establish an infrastructure renewal and maintenance program will require continued conservative fiscal policies.

MAJOR INITIATIVES

The City's staff, following specific directives of the City Council and the City Manager, has been involved in a variety of projects throughout the year. These projects reflect the government's commitment to ensuring that its citizens are able to live and work in an enviable environment.

Planning, Building, and Code Enforcement

- The City, in cooperation with the Palos Verdes Peninsula Land Conservancy, continued to oversee the implementation of the Forrestral Management Plan and the Forrestral Steering Committee.
- The City implemented the recently adopted Neighborhood Compatibility Requirements and distributed a Neighborhood Compatibility Handbook based on recommendations provided by the Neighborhood Compatibility Steering Committee. Additionally, the City Council formed the Residential Development Standards Committee to review the existing residential development standards and determine if any modifications are necessary.
- The Equestrian Committee and City Council reviewed and approved the continued operation of a Conditional Large Domestic Animal Permit to allow a non-profit organization to conduct equestrian activities in the Portuguese Bend Equestrian Overlay District.
- The City continued the process of updating the General Plan by holding monthly meetings of the General Plan Update Steering Committee. The Committee is charged with the task of reviewing and commenting on all of the existing goals and policies of the General Plan.
- The City continued to implement its State approved Housing Element and efforts to work with the Southern California Association of Governments in preparing the Regional Transportation Plan.
- The City continued work on Phase II of the Natural Communities Conservation Plan (NCCP) as part of its continuing effort to finalize the habitat preserve design.
- The City continued to provide review and inspection services for repair and rehabilitation of the Ocean Trails golf course damaged by a landslide in 1999. The City approved plans to improve the golf course and expand the existing Clubhouse.
- The City initiated the Environmental Impact Report (EIR) for the proposed Point View project, a proposed new residential tract partially located in the City's landslide moratorium area.
- The City continued to formally monitor development projects in surrounding jurisdictions (referred to as "border issues") to assess their potential impacts upon the City and its residents.

- The City issued building permits for 19 additional homes within the Oceanfront Estates residential project located along Palos Verdes Drive West.
- The City continued to oversee renovation of the Golden Cove Shopping Center.
- The City oversaw the development of 13 new residential lots on property located at 3200 Palos Verdes Drive West.
- The City continued to oversee and inspect construction of Belmont Village, a 122-unit assisted living facility on Crestridge Road.
- The City continued to approve the installation of various commercial antenna facilities for cellular telephones and personal communication systems on private property throughout the City.

Public Works

- The City took steps to assess the condition of infrastructure by completing the Storm Drain Master Plan update and Sewer Master Plan.
- The annual sidewalk program and an update of the City's Pavement Management Program were successfully completed.
- The Point Vicente Interpretive Center (PVIC) construction site was rehabilitated and prepared for the expansion project approved on July 6, 2004.
- Two bus shelters were reconstructed and swing sets were added to Hesse Park.
- The City approved a new residential waste hauler, Universal Waste Systems, Inc. (UWS). UWS provides new services including green waste recycling.
- Recycling cans were purchased and installed in multi-family complex common areas.

Recreation and Parks

- The City continued to offer the use of park facilities to the Peninsula Seniors, a local non-profit organization.
- Recreation and parks staff and the Los Serenos de Point Vicente docents hosted the annual Whale of a Day event on the Point Vicente Interpretive Center grounds.
- The Los Serenos de Pointe Vicente docents continued their successful docent-led hike programs at several sites throughout the City.
- Recreation and parks staff coordinated the City's annual July 4th Independence Day celebration.
- The City hosted the fourth annual Shakespeare By the Sea drama production at Upper Point Vicente Park.
- Recreation and parks staff continued to coordinate several annual community events including the Abalone Cove Beach Clean-Up Day and Breakfast with Santa.
- Once again, the City has qualified for the use of Community Development Block grant funds for the REACH program for the developmentally challenged.

Administration

- The City celebrated its 30th Anniversary of incorporation with two special community events. A family-friendly Community Barbecue and Picnic was held in September 2003 at Upper Point Vicente Park and a formal dinner dance was hosted at the Los Verdes Country Club in November 2003. A thirteen-member resident volunteer committee assisted the City in planning both events.
- The City Council sponsored a Community Leaders' Breakfast meeting in March 2004 that featured a discussion of municipal finance problems and possible solutions. Representatives from City committees and

commissions, adjoining cities and local districts, homeowners associations, community volunteer organizations and the local business community attended the Breakfast.

- The City continued to publish the widely read and much acclaimed quarterly City Newsletter. In FY 03-04, the newsletter featured articles on Marine training exercises at Long Point, the City's new Neighborhood Compatibility Ordinance, the Update of the City's General Plan, the City Council's Goal Setting Workshop and the acquisition of the Lower Point Vicente Park and the Point Vicente Fishing Access properties from Los Angeles County.
- The City Council continued to provide financial assistance to a variety of non-profit organizations that provide service to the community.
- The City completed a Girls' Softball Feasibility Study, which studied five park sites to determine where new softball fields could be located in the community.
- The City entered into an Agreement with Cox Communications to install a fiber optic cable connection from the City Studio to the Cox network to enable live and taped cable broadcasts directly from the City studio.
- The City continued to expand its presence on the local cable television network by moving production and editing of its monthly cable television show "RPV CityTalk" and other original programming to the Multi-Media Studio located at City Hall.
- The City changed medical insurance carriers, thereby cutting the City's cost for medical insurance premiums by 30%, while still providing City employees and their dependents with equivalent or better coverage levels.
- The City prepared a Joint Natural Hazards Mitigation Plan in cooperation with the City of Rolling Hills Estates. The two cities were the only ones in Los Angeles County to prepare a joint plan to comply with the federal Disaster Mitigation Act of 2000.
- The voters of the City approved the adoption of term limits for City Council members at the General Municipal Election held in November 2003.
- The Supreme Court agreed to hear the City's appeal involving an amateur radio operator who says the city of Rancho Palos Verdes unjustly denied him a permit to use a radio antenna for commercial purposes. At issue is whether the Federal Telecommunications Act of 1996 provides for money damages from city officials in cases of violations, or simply a court order requiring the city's compliance.
- The City Council adopted a Tactical Plan that included the following four goals:
 - A Infrastructure Renewal and Maintenance: By July 1, 2005 formulate and present comprehensive plan to renew infrastructure.
 - B Citywide Traffic and Parking: Formulate and Implement an action plan on/or before September 30, 2004.
 - C Purchase the Portuguese Bend Open Space Properties: Continue to aggressively pursue Federal, State and local funds for the purchase of the Portuguese Bend Nature Preserve.
 - D Complete the Open Space, Park and Recreation Master Plan: Publish Council adopted Open Space Parks & Recreation Master Plan including a Civic Center Plan.

FINANCIAL INFORMATION

The Finance department of the City is responsible for establishing and maintaining an appropriate internal control structure. The internal control system is designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgements by management.

Single Audit. As a recipient of federal, state, and county financial assistance, the City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. In years when over \$500,000 is expended on Federal financial assistance programs, the City is required to undergo an annual single

audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. For the year ended June 30, 2004, less than \$500,000 was expended on Federal financial assistance programs; and therefore, a single audit was not required.

Budgeting Controls. The City of Rancho Palos Verdes maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions contained in the annual appropriated budgets approved by the City Council, Redevelopment Agency Board, and Improvement Authority Commission. Activities of the General fund, Special Revenue funds, Capital Projects funds, Debt Service fund and Permanent fund are included in the annual appropriated budgets of the government units. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department/function level within each fund. Formal budgetary integration is employed as a management control device. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbrances lapse at year-end, and any unexpended balance is eligible to be carried over to the following year's budget appropriations with Council approval.

General Government Functions. The following schedule presents a summary of all Governmental fund revenues for the fiscal year ended June 30, 2004 with the amount and percentage of increases or decreases in relation to prior year revenue:

	Amount	Increase/ (Decrease) from FY02-03	Percent of Increase/ (Decrease)
Taxes	\$ 12,081,242	\$ 1,035,014	9.4%
Licenses and permits	1,309,732	(153,403)	-10.5%
Fines and forfeitures	101,788	(13,660)	-11.8%
Use of money and property	732,971	(70,539)	-8.8%
Charges for services	378,995	174,197	85.1%
Revenues from other agencies	3,453,070	(865,008)	-20.0%
Other revenues	2,363,433	1,809,398	326.6%
TOTAL REVENUES	\$ 20,421,231	\$ 1,915,999	10.4%

With overall revenues increasing by over \$1.9 million for the year, the City recognized large fluctuations in several of the different revenue categories. These increases and decreases are discussed below.

Tax revenue increased by over \$1 million when compared to FY02-03. The strength of local property values provided a property tax increase of more than \$320,000. An increase in the occupancy rate within the City's commercial district contributed to a Sales tax increase of about \$200,000. The City began collecting a storm water franchise tax from waste haulers in excess of \$100,000. Cable franchise tax increased by about \$70,000 due to increased cable rates and usage. Finally, golf tax revenue of about \$130,000 was added to the Tax revenue category for FY03-04. Previously, it was reported in the Licenses and Permits revenue category.

The increase in Charges for Services was attributable to the City collecting Quimby fees of more than \$110,000 and Environmental Excise Tax of more than \$60,000 from residential tract developments.

The decrease of revenues from other agencies was primarily the result of the State's temporary increase of the Vehicle License Fee rate during Fall 2003. During the temporary increase, the State did not remit Vehicle License Fee backfill for three months. The City's loss of revenue is characterized by the State as a loan; however, Staff has conservatively elected not to record the revenue and a corresponding receivable from the State.

Other revenues increased by more than \$1.8 million due to the receipt of insurance proceeds for the emergency San Ramon drainage project completed in FY02-03.

The following schedule presents a summary of all Governmental fund expenditures for the fiscal year ended June 30, 2004, and the amount and percentage of increases and decreases in relation to prior year amounts:

	Amount	Increase/ (Decrease) from FY02-03	Percent of Increase/ (Decrease)
Administration	\$ 3,328,272	\$ 235,673	7.6%
Public safety	3,038,650	(55,355)	-1.8%
Public works	4,800,709	(490,941)	-9.3%
Parks and recreation	945,547	159,759	20.3%
Planning, building and code enforcement	2,362,503	168,238	7.7%
Pass through to other agencies	156,064	19,160	14.0%
Capital outlay	368,018	(3,524,622)	-90.5%
Debt service	805,035	(31,200)	-3.7%
TOTAL EXPENDITURES	\$ 15,804,798	\$ (3,519,288)	-18.2%

The overall \$3.5 million decrease in expenditures is due to large fluctuations in several expenditure categories. These increases and decreases are discussed below.

The Administration expenditures increase was primarily due to an \$84,000 increase in legal fees resulting from litigation, and a \$125,000 increase in information technology expenditures resulting from several large projects, including the purchase of ortho-photographic maps for the City's Graphic Information System.

The net decrease in Public works expenditures is almost entirely due to the continuance of FY03-04 street slurry seal projects to FY04-05.

Parks and recreation expenditures increased due to consulting costs associated with activities of the Open Space, Planning and Park Recreation Task Force.

Total capital outlay expenditures decreased by a net amount of more than \$3.5 million. The City Council cut proposed capital outlay expenditures from the FY03-04 budget due to the State budget crisis. In addition, capital project budgets vary each year, due to the City's needs and funding availability. The annual residential overlay project was postponed to FY04-05 and there were no large storm drain construction projects.

Budget to Actual Comparison. Once again, the City experienced a favorable budget variance in the General fund for the fiscal year ended June 30, 2004. Actual General fund revenues were approximately \$1,979,000 greater than the amount budgeted, while expenditures were approximately \$755,000 less than the amount budgeted. The positive variance resulted from unexpected receipt of Vehicle License Fee revenue during the State budget crisis, the continued careful management of resources, and the continued strength of property values during FY03-04.

Governmental Fund Balances. The combined fund balances of all Governmental Funds increased by approximately \$4,616,000 from the prior year. The net increase is primarily attributable to reduced spending on infrastructure renewal and maintenance, as well as the receipt of insurance proceeds related to the emergency San Ramon drainage project completed in FY02-03.

Debt Administration. At June 30, 2004, the City had no general obligation debt. The City's debt consists of one tax increment bond issued during FY97-98 and related deferred interest payable. The schedule for repayment of this bond is included in the notes to the financial statements.

Cash Management. To obtain increased flexibility in cash management, the City employs a pooled cash system. The goals of the City's investment policy are safety, liquidity, and yield, in that order. Investments are currently maintained with the State Treasurer's Local Agency Investment Fund (LAIF); however, the City's investment policy permits investments legally allowable under state law. LAIF provides high safety and liquidity and is operated specifically for local governments. The City's invested balance with LAIF as of June 30, 2004 was \$33,314,937. The average return on invested funds was 1.535%. Earnings are allocated to the various funds based on average cash balances.

Risk Management. The City of Rancho Palos Verdes is a member of the California Joint Powers Insurance Authority (CJPIA). With 106 members, it is the largest joint powers insurance authority in California. Through the CJPIA, the City is self-insured against liability and workers' compensation claims. As protection against catastrophic loss, members fund a pool to finance large settlements. During the fiscal year ended June 30, 2004, Rancho Palos Verdes continued its proactive liability risk management role through careful monitoring of losses, working closely with the CJPIA's third-party claims adjuster, and designing and implementing programs to minimize risks and reduce losses. In addition, the City Manager's staff analyzes workers compensation issues by monitoring work conditions, and organizing and implementing safety-training programs to reduce employee exposure to hazards.

Fiduciary Operations. The City of Rancho Palos Verdes has a fiduciary fund that is used to account for assets (cash) held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals. The trust and agency fund is restricted as to its use and is not available to fund the operating activities of the City and, as such, are offset by a liability equal to the carrying amount of the asset.

OTHER INFORMATION

Independent Audit. The City requires an annual audit by independent certified public accountants. The accounting firm of Vavrinek, Trine, Day & Company, LLP conducted this year's audit. The auditors' report on the government-wide financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

GFOA Certificate of Achievement Award. The Government Finance Officer's Association of the United States and Canada (GFOA) oversees a prestigious national award program to recognize conformance with the highest standards of report preparation. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rancho Palos Verdes for its CAFR for the fiscal year ended June 30, 2003. This was the eleventh consecutive year that the City of Rancho Palos Verdes has achieved this prestigious award. A copy of the GFOA Certificate of Achievement is included later in the introductory section of this year's CAFR. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

CSMFO Certificate of Award for Outstanding Financial Reporting. The California Society of Municipal Finance Officers (CSMFO) awarded a Certificate of Award for Outstanding Financial Reporting to the City of Rancho Palos Verdes for its CAFR for the fiscal year ended June 30, 2003. A copy of this Certificate of Award has also been included later in the CAFR's introductory section. The certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements.

Acknowledgments. Completion of this report was the accomplishment by combined efforts of many individuals, especially Kathryn Downs, Accounting Manager, who prepared the report. I wish to acknowledge the assistance of our auditors, Vavrinek, Trine, Day & Company, LLP and the contributions of other Finance Department staff: Gary Gyves, Jane Lin, Teresa Takaoka, Gayle Vanoverbeck, Selena Wright, and Nancy Vitez.

I would also like to recognize the City Council for their continued leadership directing the City to achieve a sound fiscal position over the last several years. We look forward to maintaining this success in the future under the leadership of the City Council and our City Manager, Les Evans.

Respectfully submitted,

Dennis McLean
Director of Finance & Information Technology

CITY OF RANCHO PALOS VERDES

DIRECTORY OF CITY OFFICIALS

JUNE 30, 2004

CITY COUNCIL

Peter Gardiner, Mayor

Larry Clark, Mayor Pro-Tem

Tom Long, Councilman

Douglas Stern, Councilman

Steve Wolowicz, Councilman

ADMINISTRATION AND DEPARTMENT HEADS

City Manager Les Evans

Assistant City Manager..... Carolynn Petru

Director of Administrative Services/City Clerk Jo Purcell

Director of Finance & Information Technology..... Dennis McLean

Director of Planning, Building and Code Enforcement Joel Rojas

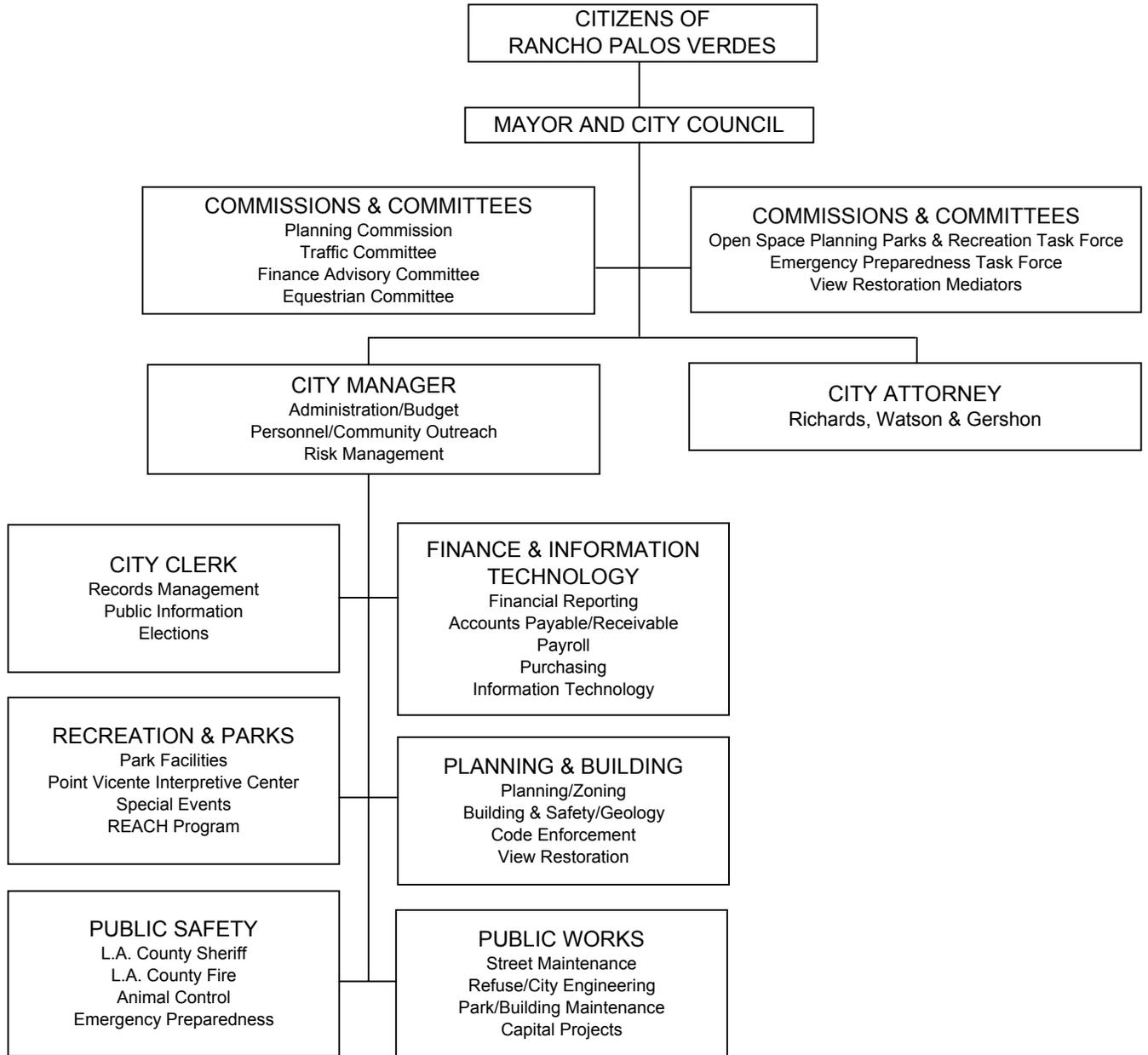
Director of Public Works Dean Allison

Director of Recreation and Parks Ron Rosenfeld

City AttorneyRichards, Watson & Gershon

CITY OF RANCHO PALOS VERDES

ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rancho Palos Verdes,
California

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

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



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2002-2003

Presented to the

City of Rancho Palos Verdes

*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

March 1, 2004

Bret M. Shulze

Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of City Council
The City of Rancho Palos Verdes, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rancho Palos Verdes, as of and for the year ended June 30, 2004, which collectively comprise the City of Rancho Palos Verdes's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rancho Palos Verdes's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rancho Palos Verdes, California, as of June 30, 2004, and the respective changes in financial positions, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2004, 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 reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information listed in the table of contents, including combining schedules and additional budgetary comparison schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavonek, Tami, Day & Co, LLP

Rancho Cucamonga, California
September 23, 2004

MANAGEMENT'S DISCUSSION & ANALYSIS

CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis
June 30, 2004

As management of the City of Rancho Palos Verdes, we offer readers of the City of Rancho Palos Verdes' financial statements this narrative overview and analysis of the financial activities of the City of Rancho Palos Verdes for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv-x of this report.

Financial Highlights

- The assets of the City of Rancho Palos Verdes exceed its liabilities, at the close of the fiscal year ended June 30, 2004, by \$118,355,813 (*net assets*). Of this amount, \$14,271,456 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,907,037. This increase is primarily attributable to the excess of General fund revenues over General fund expenditures.
- As of June 30, 2004, the City's governmental funds reported combined ending fund balances of \$23,752,320, an increase of \$4,616,433 in comparison with the prior year. The increase in combined ending fund balances is primarily attributable to reduced spending on infrastructure renewal and maintenance projects and receipt of insurance proceeds from the emergency San Ramon drainage project completed in FY02-03. Approximately \$9,884,560 (*unreserved fund balance*) is available for spending at the government's discretion. The combined unreserved fund balance includes the RDA Debt Service negative fund balance of \$12,070,150.
- As of June 30, 2004, unreserved fund balance for the General fund was \$14,066,002 or 117% of total General fund expenditures and transfers out.
- The City's total debt increased by \$3,120 (0.06%) during the current fiscal year. The total increase was entirely attributable to an increase in the accumulation of employee compensated absences.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Rancho Palos Verdes is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 RANCHO PALOS VERDES

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Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, planning, building and safety, and recreation. The City does not have business-type activities.

The government-wide financial statements include not only the City of Rancho Palos Verdes itself (known as the *primary government*), but also a legally separate Redevelopment Agency and a legally separate Improvement Authority for which the City of Rancho Palos Verdes is financially accountable. Financial information for these *component units* has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 11-12 of this report.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Rancho Palos Verdes maintains 29 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Street Maintenance fund, the Capital Improvements fund and the RDA Debt-Service fund, all of which are considered to be major funds. Data from the other 25 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Rancho Palos Verdes adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-20 of this report.

CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis
June 30, 2004

Proprietary funds. The City of Rancho Palos Verdes maintains one type of *proprietary fund*. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles, computer systems, furniture and equipment, employee benefits, and Civic Center building improvements. Because these services predominantly benefit the governmental function, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. All three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-43 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 50-89 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Rancho Palos Verdes, assets exceeded liabilities by \$118,355,813 at June 30, 2004. By far the largest portion of the City's net assets (78 percent) reflects its investment in capital assets (e.g. land, infrastructure, buildings, equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

City of Rancho Palos Verdes Net Assets

	Governmental Activities June 30, 2004	Governmental Activities June 30, 2003 (As Restated)
Current and other assets	\$ 37,360,800	\$ 31,363,993
Capital assets	92,499,373	94,894,816
Total assets	129,860,173	126,258,809
Long-term liabilities outstanding	8,613,681	8,757,218
Other liabilities	2,890,679	2,052,815
Total liabilities	11,504,360	10,810,033
Invested in capital assets	92,499,373	94,894,816
Restricted	11,584,984	10,660,970
Unrestricted	14,271,456	9,892,990
Total net assets	\$ 118,355,813	\$ 115,448,776

CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis
June 30, 2004

An additional portion of the City's net assets (\$11,584,984 or 10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$14,271,456 or 12 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities increased the City's net assets by \$2,907,037, thereby accounting for 100 percent of the total growth in the net assets of the City.

City of Rancho Palos Verdes Changes in Net Assets

	Governmental Activities June 30, 2004	Governmental Activities June 30, 2003
Program revenues:		
Charges for services	\$ 1,819,832	\$ 1,783,853
Operating contributions and grants	2,836,293	2,970,984
Capital contributions and grants	36,878	130,988
General revenues:		
Property taxes	5,706,042	5,334,977
Other taxes	7,198,548	7,417,676
Other	2,810,966	887,160
Total revenues	20,408,559	18,525,638
Expenses:		
Administration	3,499,385	3,293,469
Public safety	3,024,081	3,094,005
Public works	7,461,918	7,954,034
Parks and recreation	947,485	809,454
Planning, building and code enforcement	2,295,903	2,170,348
Interest on long-term debt	272,750	272,750
Total expenses	17,501,522	17,594,060
Increase in net assets	2,907,037	931,578
Net assets - beginning of fiscal year (as restated)	115,448,776	114,517,198
Net assets - end of fiscal year (as restated)	\$ 118,355,813	\$ 115,448,776

Key elements of this increase are as follows:

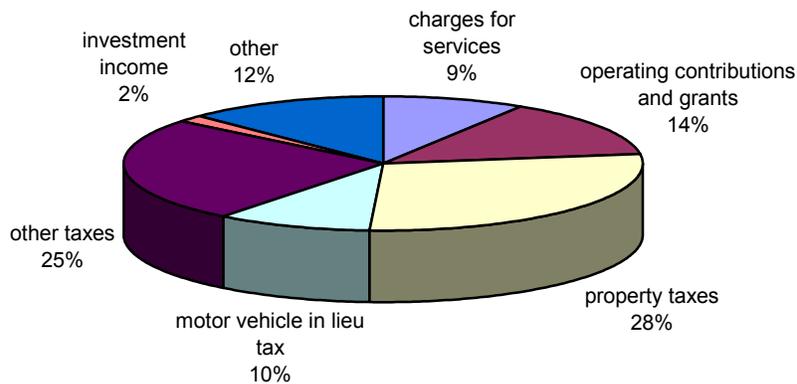
- General fund revenues exceed General fund expenses and net transfers by \$4.2 million.
- The difference in the method of accounting for capital assets in the governmental funds versus the statement of activities accounts for a decrease in excess of \$2.4 million in net assets. Governmental funds do not depreciate infrastructure assets. However, in the statement of activities, the cost of infrastructure assets is allocated over their estimated useful lives.

CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis
June 30, 2004

- The difference in the method of accounting for interest income in the governmental funds versus the Statement of Activities accounts for an increase in excess of approximately \$532,000 in net assets. Unpaid accrued interest income is deferred in the governmental funds since it is not available.
- The Proposition C fund did not fund any major construction projects during FY03-04. The fund balance increased by \$404,000 as it continued to accumulate transportation sales tax.
- The excess of Internal Service fund revenues over expenses of approximately \$268,000. The net revenues and expenses of Internal Service funds are reported with governmental activities in the Statement of Activities.

Revenues by Source – Governmental Activities



As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,752,320, an increase of \$4,616,433 in comparison with the prior year. Approximately 42 percent of the combined ending fund balances (\$9,884,560) constitutes unreserved fund balance, which is available for spending at the City's discretion. The combined unreserved fund balance includes the RDA Debt Service negative fund balance of \$12,070,150. The remainder of the combined ending fund balances is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$4,262,400), 2) to reserve the principal balance of loans made to the City's Redevelopment Agency (\$5,917,907), and 3) for a variety of other restricted purposes (\$3,687,453).

The General fund is the chief operating fund of the City of Rancho Palos Verdes. At the end of the current fiscal year, unreserved fund balance of the General fund was \$14,066,002, while total fund balance reached \$20,704,911. As a measure of the General fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 117 percent of total General fund expenditures, while total fund balance represents 172 percent of that same amount.

CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis
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During the current fiscal year, the fund balance of the City's General fund increased by \$4,244,062. The key factor in this growth follows:

- Revenues exceeded expenditures by approximately \$4.6 million; however, almost \$370,000 was transferred to other funds primarily for capital projects.

The debt service fund has a negative fund balance of \$11,305,005. The Redevelopment Agency's debt to the City is recorded in the debt service fund; however, because there are currently no assets to extinguish that debt, the fund carries a negative fund balance. The net decrease in the debt service fund balance during the current year was \$389,913, which represents accumulated interest on the advance from the City to the Redevelopment Agency. *Proprietary funds.* The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Internal Service funds at the end of the year amounted to \$4,175,990. The total growth in net assets was \$268,015.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget for expenditures was an increase of \$958,474; and can be briefly summarized as follows:

- A decrease of \$685,600 was attributable to appropriations continued to FY04-05.
- An increase of approximately \$839,680 was attributable to appropriations continued from FY02-03.
- Additional funds of \$344,007 for legal fees were required to support the Indian Ridge Crest Gardens lawsuit, proposed cable franchise modifications, and additional litigation services.
- Additional funds of \$77,222 were approved for construction of the elevator at City Hall.
- Additional funds of \$69,000 were required to purchase ortho-photographic maps.
- Additional funds of \$64,000 were approved for a temporary full-time engineering position.
- Additional funds of \$61,500 were required to support the CORE deputy program.
- Additional funds of \$57,719 were required to support consulting services for the Building & Safety program.
- Other immaterial increases totaled approximately \$130,946.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2004, amounts to \$92,499,373 (net of accumulated depreciation). This investment in capital assets includes land, buildings, park improvements, roadways, sewer, storm drains, vehicles, computer equipment, furniture, other equipment, and construction in progress. During the current fiscal year, the City's investment in capital assets decreased by 2.5 percent.

Major capital asset events during the current fiscal year included the following:

- Depreciation of \$2.9 million was recorded for the City's capital assets.

CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis
June 30, 2004

City of Rancho Palos Verdes Capital Assets (net of depreciation)

	Governmental Activities June 30, 2004	Governmental Activities June 30, 2003
Land	\$ 15,058,724	\$ 15,058,724
Buildings	2,114,999	2,178,959
Park improvements	1,972,353	2,007,591
Roadways	49,201,523	51,268,840
Sewer system	11,635,062	12,165,526
Storm drain system	10,667,702	10,461,116
Vehicles	28,828	42,082
Computer equipment	136,964	96,320
Furniture and other equipment	218,056	184,317
Construction in Progress	1,465,162	1,431,341
Total	\$ 92,499,373	\$ 94,894,816

Additional information on the City's capital assets can be found in note 4 on pages 34-35 of this report.

Long-term debt. At the end of the current fiscal year, the City of Rancho Palos Verdes had total debt outstanding of \$8,760,338. Of this amount, \$8,566,400 is a liability of the Redevelopment Agency.

City of Rancho Palos Verdes Outstanding Debt

	Governmental Activities June 30, 2004	Governmental Activities June 30, 2003 (As Restated)
RDA Tax Increment Bond	\$ 5,455,000	\$ 5,455,000
RDA Deferred Interest Payable	3,111,400	3,111,400
Employee compensated absences	193,938	190,818
Total	\$ 8,760,338	\$ 8,757,218

The City's total debt increased by \$3,120 (0.06 percent) during the current fiscal year, due to the accumulation of additional employee compensated absences.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total assessed valuation. The current debt limitation for the City of Rancho Palos Verdes is \$962,539,428. Additional information on the City's long-term debt can be found in note 5 on pages 36-37 of this report.

CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis
June 30, 2004

Economic Factors and Next Year's Budgets and Rates

- Local property values remain strong; therefore, property tax revenue (approximately 28 percent of City-wide revenues) remains unaffected by the downturn in the economy.
- State shared revenues (i.e. Motor Vehicle In Lieu Tax) have substantially remained intact for FY03-04.

These factors were considered in preparing the City's budget for FY04-05. Due to the continued uncertainty of the state budget, the FY04-05 city budget was conservatively prepared assuming that only one-third of the Motor Vehicle In Lieu Tax would be received.

Requests for Information

This financial report is designed to provide a general overview of the financial position of the City of Rancho Palos Verdes 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 Finance Department, 30940 Hawthorne Boulevard, Rancho Palos Verdes, CA 90275.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE STATEMENTS

CITY OF RANCHO PALOS VERDES

STATEMENT OF NET ASSETS

JUNE 30, 2004

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 33,747,422
Receivables:	
Taxes	519,824
Interest	116,476
Notes	604,982
Other	597,045
Prepaid costs	1,067,659
Deposits	5,000
Land held for development	702,392
Capital assets	
Non-depreciable:	
Land	15,058,724
Construction in progress	1,465,162
Depreciable, net of accumulated depreciation:	
Property and equipment	383,848
Buildings and improvements	2,114,999
Infrastructure	73,476,640
Total Assets	<u>129,860,173</u>
LIABILITIES	
Accounts payable and accrued liabilities	2,252,937
Interest payable	22,729
Deferred revenue	36,011
Deposits	432,345
Noncurrent liabilities:	
Due within one year	146,657
Due in more than one year	8,613,681
Total Liabilities	<u>11,504,360</u>
NET ASSETS	
Invested in capital assets	92,499,373
Restricted	
Community development	
Expendable	7,080,308
Non-expendable	1,000,000
Public safety	62,631
Public works	2,874,500
Recreation services	567,545
Unrestricted	14,271,456
Total Net Assets	<u>\$ 118,355,813</u>

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues		Net Governmental Activities
		Charges for Services	Operating Contributions and Grants	
Governmental Activities:				
Administration	\$ 3,499,385	\$ 69,158	\$ 96,484	\$ (3,333,743)
Public safety	3,024,081	164,558	113,794	(2,745,729)
Public works	7,461,918	216,979	2,626,015	\$ 36,878
Parks and recreation	947,485	5,785		(941,700)
Planning, building and code enforcement	2,295,903	1,363,352		(932,551)
Interest on long-term debt	272,750			(272,750)
Total Governmental Activities	\$ 17,501,522	\$ 1,819,832	\$ 2,836,293	\$ 36,878
				\$ (12,808,519)

General Revenues:

Taxes:

Property tax, levied for general purpose	5,706,042
Transient occupancy tax	31,286
Franchise tax	1,275,030
Sales tax	1,205,347
Motor vehicle in lieu tax	2,029,877
Utility user tax	1,850,877
Other taxes	806,131
Investment income	331,401
Loss on asset disposal	(22,558)
Other	2,502,123
Total General Revenues	15,715,556
Change in Net Assets	2,907,037
Net Assets at Beginning of Year (As Restated)	115,448,776
Net Assets at End of Year	\$ 118,355,813

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF RANCHO PALOS VERDES

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2004**

	General	Special Revenue Street Maintenance	Capital Projects Capital Improvements
ASSETS			
Cash and cash equivalents	\$ 15,820,782	\$ 1,130,789	\$ 1,816,651
Receivable			
Taxes	498,848		
Interest	53,927	3,527	6,389
Other	409,299	809	
Due from other funds	46,027		37,444
Prepaid items	35,402		
Advances to other funds	12,024,123		
Deposits	5,000		
Land held for development			
Total Assets	<u>\$ 28,893,408</u>	<u>\$ 1,135,125</u>	<u>\$ 1,860,484</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 1,613,926	\$ 216,389	\$ 191,614
Due to other funds			
Deferred revenue	6,142,226		
Advances to Redevelopment Agency			
Deposits	432,345		
Total Liabilities	<u>8,188,497</u>	<u>216,389</u>	<u>191,614</u>
FUND BALANCES			
Reserved for:			
Continuing appropriations	685,600	635,900	2,487,300
Reimbursement settlement agreement			
Prepaid costs	35,402		
Advances to other funds	5,917,907		
Land development			
Housing set-aside			
Unreserved, reported in:			
General fund	14,066,002		
Special revenue funds		282,836	
Capital projects funds			(818,430)
Permanent funds			
Debt service fund			
Total Fund Balances	<u>20,704,911</u>	<u>918,736</u>	<u>1,668,870</u>
Total Liabilities and Fund Balances	<u>\$ 28,893,408</u>	<u>\$ 1,135,125</u>	<u>\$ 1,860,484</u>

See accompanying notes to financial statements.

Debt Service	Other Governmental Funds	Totals
RDA		
	\$ 10,729,536	\$ 29,497,758
	20,976	519,824
	38,031	101,874
	186,120	596,228
		83,471
\$ 765,145	240,677	1,041,224
		12,024,123
		5,000
	702,392	702,392
<u>\$ 765,145</u>	<u>\$ 11,917,732</u>	<u>\$ 44,571,894</u>
\$ 46,027	\$ 115,480	\$ 2,137,409
	37,444	83,471
		6,142,226
12,024,123		12,024,123
		432,345
<u>12,070,150</u>	<u>152,924</u>	<u>20,819,574</u>
	453,600	4,262,400
	1,000,000	1,000,000
765,145	240,677	1,041,224
		5,917,907
	702,392	702,392
	943,837	943,837
		14,066,002
	4,757,721	5,040,557
	3,248,310	2,429,880
	418,271	418,271
(12,070,150)		(12,070,150)
<u>(11,305,005)</u>	<u>11,764,808</u>	<u>23,752,320</u>
<u>\$ 765,145</u>	<u>\$ 11,917,732</u>	<u>\$ 44,571,894</u>

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004**

Fund Balances of Governmental Funds	\$ 23,752,320
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	92,115,525
Interest accrued on the advance receivable in the General Fund is not paid by the owing funds and, therefore, is recorded as deferred revenue and added to the balance of the advance. The statement of net assets reports on the full accrual basis and does not defer currently unavailable revenues.	6,106,215
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds.	(22,729)
Long-term notes receivable are not current available resources and, therefore, are not reported in the governmental funds.	604,982
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(8,760,338)
Internal service funds are used by management to charge the costs of certain activities, including equipment and building replacement and employee benefits, to individual funds. The assets and liabilities of the internal service funds are included in the statement of net assets.	<u>4,559,838</u>
Net Assets of Governmental Activities	<u><u>\$ 118,355,813</u></u>

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004**

	General	Special Revenue Street Maintenance	Capital Projects Capital Improvements
REVENUES			
Taxes	\$ 9,543,495		
Licenses and permits	1,309,732		
Fines and forfeitures	101,788		
Use of money and property	482,745	\$ 15,398	\$ 26,903
Charges for services	110,071	15,980	9,975
Revenue from other agencies	2,126,361	790,769	
Other revenues	2,116,961	6,261	
Total Revenues	<u>15,791,153</u>	<u>828,408</u>	<u>36,878</u>
EXPENDITURES			
Current:			
Administration	3,294,392		
Public safety	3,032,887		
Public works	1,542,627	1,292,355	325,908
Parks and recreation	945,547		
Planning, building and code enforcement	2,362,503		
Pass through to other agencies			
Capital outlay			363,564
Debt service:			
Principal and interest			
Total Expenditures	<u>11,177,956</u>	<u>1,292,355</u>	<u>689,472</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,613,197</u>	<u>(463,947)</u>	<u>(652,594)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	463,583	504,320	689,472
Transfers out	<u>(832,718)</u>		
Total Other Financing Sources (Uses)	<u>(369,135)</u>	<u>504,320</u>	<u>689,472</u>
Net Change in Fund Balances	4,244,062	40,373	36,878
Fund Balances, Beginning of Year	<u>16,460,849</u>	<u>878,363</u>	<u>1,631,992</u>
Fund Balances, End of Year	<u>\$ 20,704,911</u>	<u>\$ 918,736</u>	<u>\$ 1,668,870</u>

See accompanying notes to financial statements.

Debt Service	Other Governmental Funds	Totals
RDA		
\$ 584,335	\$ 1,953,412	\$ 12,081,242
		1,309,732
		101,788
	207,925	732,971
	242,969	378,995
	535,940	3,453,070
	240,211	2,363,433
<u>584,335</u>	<u>3,180,457</u>	<u>20,421,231</u>
		3,328,272
13,149	20,731	3,038,650
	5,763	4,800,709
	1,639,819	945,547
		2,362,503
156,064		156,064
	4,454	368,018
<u>805,035</u>		<u>805,035</u>
<u>974,248</u>	<u>1,670,767</u>	<u>15,804,798</u>
<u>(389,913)</u>	<u>1,509,690</u>	<u>4,616,433</u>
	186,370	1,843,745
	(1,011,027)	(1,843,745)
<u>-</u>	<u>(824,657)</u>	<u>-</u>
(389,913)	685,033	4,616,433
<u>(10,915,092)</u>	<u>11,079,775</u>	<u>19,135,887</u>
<u>\$ (11,305,005)</u>	<u>\$ 11,764,808</u>	<u>\$ 23,752,320</u>

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Net Change in Fund Balances - Total Governmental Funds \$ 4,616,433

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense, or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. Gains and losses on asset disposals are also not recognized in the governmental funds. This activity is reconciled as follows:

Cost of assets capitalized	379,087
Depreciation expense	(2,813,101)
Loss on asset disposals	(22,558)

Unpaid accrued interest income is deferred in the governmental funds since it is not available. This income is accrued in the Statement of Activities. 532,285

Increases in long-term notes receivable use current financial resources and are included in the expenditures, of governmental funds. Repayments of long-term notes receivable provide current financial resources and are included in the revenues of governmental funds. These changes in notes receivable are not reflected in the revenues or expenses of the Statement of Activities. This amount represents the net change in the long-term notes receivable. (50,004)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (3,120)

Internal service funds are used by management to charge the costs of certain activities, including equipment and building replacement and employee benefits, to individual funds. The net revenues/(expenses) of the internal service funds (excluding transfers and interest income) are reported with governmental activities. 268,015

Change in Net Assets of Governmental Activities \$ 2,907,037

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 9,038,214	\$ 9,038,214	\$ 9,543,495	\$ 505,281
Licenses and permits	1,146,039	1,146,039	1,309,732	163,693
Fines and forfeitures	78,500	78,500	101,788	23,288
Use of money and property	416,065	416,065	482,745	66,680
Charges for services	113,000	113,000	110,071	(2,929)
Revenue from other agencies	837,638	906,638	2,126,361	1,219,723
Other revenues	89,950	2,113,700	2,116,961	3,261
Total Revenues	11,719,406	13,812,156	15,791,153	1,978,997
EXPENDITURES				
Current:				
Administration	3,183,703	3,585,156	3,294,392	290,764
Public safety	2,995,691	3,056,897	3,032,887	24,010
Public works	1,736,494	1,867,064	1,542,627	324,437
Parks and recreation	910,271	975,471	945,547	29,924
Planning, building and code enforcement	2,137,972	2,438,017	2,362,503	75,514
Capital outlay	10,000	10,000		10,000
Total Expenditures	10,974,131	11,932,605	11,177,956	754,649
Excess of Revenues Over Expenditures	745,275	1,879,551	4,613,197	2,733,646
OTHER FINANCING SOURCES (USES)				
Transfers in	470,810	470,810	463,583	(7,227)
Transfers out	(1,132,575)	(1,209,797)	(832,718)	377,079
Total Other Financing Sources (Uses)	(661,765)	(738,987)	(369,135)	369,852
Net Change in Fund Balances	83,510	1,140,564	4,244,062	3,103,498
Fund Balance, Beginning of Year	16,460,849	16,460,849	16,460,849	
Fund Balance, End of Year	\$16,544,359	\$ 17,601,413	\$ 20,704,911	\$ 3,103,498

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STREET MAINTENANCE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 5,900	\$ 5,900	\$ 15,398	\$ 9,498
Charges for services	20,000	20,000	15,980	(4,020)
Revenue from other agencies	799,000	799,000	790,769	(8,231)
Other revenues	20,000	20,000	6,261	(13,739)
Total Revenues	844,900	844,900	828,408	(16,492)
EXPENDITURES				
Current:				
Public works	1,645,158	1,447,858	1,292,355	155,503
Excess (Deficiency) of Revenues Over Expenditures	(800,258)	(602,958)	(463,947)	139,011
OTHER FINANCING SOURCES (USES)				
Transfers in	777,190	777,190	504,320	(272,870)
Total Other Financing Sources (Uses)	777,190	777,190	504,320	(272,870)
Net Change in Fund Balances	(23,068)	174,232	40,373	(133,859)
Fund Balance, Beginning of Year	878,363	878,363	878,363	
Fund Balance, End of Year	\$ 855,295	\$ 1,052,595	\$ 918,736	\$ (133,859)

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2004**

	<u>Governmental Activities - Internal Service Funds</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 4,249,664
Receivables	
Interest	14,602
Other	817
Prepaid items	<u>26,435</u>
Total Current Assets	<u>4,291,518</u>
Noncurrent Assets	
Capital assets	
Property and equipment	857,622
Accumulated depreciation	<u>(473,774)</u>
Total Noncurrent Assets	<u>383,848</u>
Total Assets	<u>4,675,366</u>
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	<u>115,528</u>
Total Liabilities	<u>115,528</u>
NET ASSETS	
Invested in capital assets	383,848
Unrestricted	<u>4,175,990</u>
Total Net Assets	<u>\$ 4,559,838</u>

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Governmental Activities - Internal Service Funds</u>
OPERATING REVENUES	
Charges for services	<u>\$ 1,223,506</u>
Total Operating Revenues	<u>1,223,506</u>
OPERATING EXPENSES	
Personnel services	716,862
Material and supplies	121,631
Maintenance	49,484
Depreciation	<u>127,404</u>
Total Operating Expenses	<u>1,015,381</u>
Operating Income	<u>208,125</u>
NONOPERATING REVENUES	
Interest income	<u>59,890</u>
Change in Net Assets	268,015
Net Assets, Beginning of Year	<u>4,291,823</u>
Net Assets, End of Year	<u><u>\$ 4,559,838</u></u>

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004**

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,222,689
Payments to suppliers	<u>(734,763)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>487,926</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(188,533)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>61,670</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	361,063
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>3,888,601</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 4,249,664</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 208,125
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	127,404
Decrease in other receivables	(817)
Decrease in prepaid items	55,767
Decrease in accrued liabilities	<u>97,447</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 487,926</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Rancho Palos Verdes conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the significant policies.

A. Reporting Entity:

The reporting entity "City of Rancho Palos Verdes" includes the accounts of the City, the Rancho Palos Verdes Redevelopment Agency (the RDA) and the Joint Powers Improvement Authority (the Authority).

The City was incorporated on September 7, 1973 as a general law city and operates under a Council/Manager form of government.

The RDA was formed in 1984 pursuant to the State of California Health and Safety Code, Section 33000 entitled "Community Redevelopment Law". Its purpose is to finance long-term capital improvements designed to eliminate physical and economic blight in a project area through stabilization of hazardous landslides.

The Authority was formed on September 4, 1990 in accordance with the provisions of the Reimbursement and Settlement Agreement, dated October 27, 1987, entered into by the City, the RDA and the County of Los Angeles (the County) in connection with the Horan lawsuit. The Agreement requires funds to be set aside and expended by the Authority to maintain landslide abatement improvements installed and constructed by the RDA.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14. The City of Rancho Palos Verdes is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's Board, or because the component unit will provide a financial benefit or impose a financial burden on the City. The City has accounted for both the RDA and the Authority as "blended" component units. Despite being legally separate, the RDA and the Authority are so intertwined with the City, it is in substance, part of the City's operations. Accordingly, the balances and transactions of the RDA are reported as separate funds in the Special Revenue, Debt Service, and Capital Projects Funds. The balances and transactions of the Authority are reported as separate funds in a Permanent Fund and a Special Revenue Fund. The following specific criteria were used in determining that the RDA and the Authority are "blended" component units:

- 1) The members of the City Council also act as the governing body of both the RDA and the Authority.
- 2) The City, the RDA and the Authority are financially interdependent. The City makes loans to the RDA for use on redevelopment projects. Available property tax revenues of the RDA will be used to repay the loans from the City. It is not anticipated that tax increment revenues will be available to repay the loans any time in the immediate future.
- 3) Employees of the City manage both the RDA and the Authority.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The financial statements for both the RDA and the Authority may be obtained at the City's administrative offices.

Participation In Public Entity Joint Powers Authority:

The City is a member of the Palos Verdes Peninsula Transit Joint Powers Authority. The Transit Authority is comprised of four member cities and is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of the Authority is to study, implement, and provide a public transit system within and around the Palos Verdes Peninsula. These transit services include Palos Verdes Transit, Dial-A-Ride, and a fixed route shuttle service. Periodic deposits are paid by member cities and are adjusted retrospectively to cover costs. Costs are prorated among all participating cities based on population.

The City does not have an equity interest in the Transit Authority; therefore, no amount has been reported in the Statement of Net Assets. However, the City does have an ongoing financial interest because the City is able to influence the operations of the Authority so that the Authority uses its resources on behalf of the City. Also, an ongoing financial responsibility exists because the Authority is dependent on continued funding from the City. The condensed financial information of the Authority has not been reproduced in this report, but is available from the Authority.

B. Accounting and Reporting Policies:

The City has conformed to the pronouncements of the GASB, which are the primary authoritative statements of accounting principles generally accepted in the United States of America applicable to state and local governments. In accordance with GASB Statement No. 20, the City applies all applicable Financial Accounting Standards Board (FASB) pronouncements, as well as those of its predecessors, issued on or before November 30, 1989, unless any such pronouncements contradict GASB pronouncements. The City also applies all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

C. Description of Funds:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The following are types of funds used:

Governmental Fund Types:

- *General Fund* – Used to account for all financial resources except those that are required to be accounted for in another fund.
- *Special Revenue Funds* – Used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for specified purposes.
- *Debt Service Fund* – The debt service fund of the RDA is used to account for property tax increment revenue and related interest income. Disbursements from this fund consist mainly of principal and interest on RDA indebtedness.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

- *Capital Projects Funds* – Used to account for financial resources used for the construction of specific capital projects.
- *Permanent Fund* – Used to account for resources legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Proprietary Fund Type:

- *Internal Service Funds* – Used to account for the financing of goods or services provided by one department of the City to other departments on a cost-reimbursement basis.

D. Basis of Accounting/Measurement Focus

Government – Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental Activities for the City.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and infrastructure as well as long-term debt, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Operating grants and contributions include revenues restricted to meeting the requirements of a particular operating function and may include state shared revenues and grants. Capital grants and contributions include revenues restricted to meeting the requirements of a particular capital function and may include grants and developer fees. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Internal balances in the Governmental-wide statements have been eliminated as prescribed by GASB Statement No. 34.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and Statement of Revenue, Expenditures, and Changes in Fund Balances for all major governmental funds and aggregated non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the Government-Wide Financial Statements. The City has presented all major funds that met qualifications of GASB Statement No. 34. In addition, the City has presented the Street Maintenance Special Revenue Fund and the Capital Improvements Capital Projects Fund, as major funds because the City believes the financial position and activities of these funds are significant to the City as a whole.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. “Measurable” means that the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Accrued revenues include property taxes received within 60 days after year-end (see Note #11), taxpayer-assessed taxes such as sales taxes, and earnings on investments. Grant funds earned but not received are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as deferred revenues. Expenditures are recorded when the fund liability is incurred, if measurable, except for immature interest on general long-term debt, which is recognized when due.

The City reports the following major governmental funds:

The General Fund is the government’s primary operating fund. It accounts for all financial resources of the City, except those that are required to be accounted for in another fund.

The Street Maintenance Special Revenue Fund is used to account for State highway users tax used for street maintenance, right-of-way acquisition and street construction.

The Capital Improvement Capital Projects Fund is used to account for the funds used for the City’s capital improvement projects.

The RDA Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on the RDA’s debt and other long-term obligations.

Proprietary Fund Financial Statements

Proprietary fund types are accounted for using the “economic resources” measurement focus and accrual basis of accounting. This means that all assets and liabilities (whether current or non-current) associated with the activity are included on the balance sheet. Their reported fund equity presents total net assets. The operating statement of the proprietary funds present increases (revenues) and decreases (expenses) in total net assets. Revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s internal service funds are charges to other funds for services. Operating expenses for the internal service funds include the costs of employee benefits, maintenance of capital assets, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City’s internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City’s governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (administration, public safety, public works, etc.).

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The City uses the internal service funds to finance and account for goods and services provided by one City department to other City department including the purchase and maintenance of equipment, replacement of buildings and employee benefits.

E. Budgetary Accounting:

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds. All annual appropriations lapse at fiscal year-end. Throughout the year, the City Council made several supplementing budgetary adjustments to the General fund, Special Revenue funds, Capital Projects funds, Proprietary funds and the Permanent fund. These adjustments resulted in a net appropriation increase in the amount of \$4,161,937. This increase resulted primarily from amounts carried over from FY02-03 as continuing appropriations.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2004, based on calculations by City Management, proceeds of taxes did not exceed related appropriations.

F. Advances to Other Funds

Long-term inter-fund advances are recorded as a receivable in the advancing governmental fund and as a liability in the fund receiving the advance. Accrued unpaid interest is deferred in the advancing governmental fund and the principal portion of the advance is reported as a reservation of fund balance.

G. Capital Assets

Capital assets, which include land, machinery and equipment (vehicles, computers, etc.), buildings and improvements, and infrastructure assets (street systems, storm drains, sewer systems, etc.), are reported in Governmental Activities column of the Government-Wide Financial Statements. Capital assets are defined by the City as all land and buildings, vehicles, computers and equipment with an initial individual cost of more than \$5,000; and improvements and infrastructure assets with costs of more than \$100,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is recorded in the Government-Wide Financial Statements on a straight-line basis over the useful life of the assets as follows:

Buildings and improvements	25 to 50 years
Vehicles, computers, and equipment	3 to 10 years
Infrastructure Assets	
Roadway Network	10 to 100 years
Sewer Network	25 to 50 years
Storm Drain Network	30 to 100 years
Parks and Recreation Network	25 years

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Employee Compensated Absences:

City employees may receive from 10 to 20 days vacation time each year, depending upon length of service. An employee may accumulate earned vacation time up to a maximum of two years' worth of accrued vacation leave. Upon termination, employees are paid the full value of their unused vacation time at their existing salary. There is no fixed payment schedule for employee compensated absences.

At June 30, 2004, vested accrued vacation and compensatory time amounted to \$193,938.

I. Investments:

The City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No 31, "Accounting and Financial Reporting for Certain Investments and External Pools", which require governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the City has adjusted certain investments to fair value (when material).

Investments are included within the Financial Statement classifications of "Cash and Cash Equivalents" and are stated at fair value, (see Note #2).

J. Cash and Cash Equivalents:

For purposes of the statement of cash flows of the proprietary funds, all cash and investments with an original maturity of 90 days or less are considered to be cash and cash equivalents. As explained in Note #2, the City pools investment funds for maximum return. A substantial portion of these investments is held in the State Treasurer's Local Agency Investment Pool, which is highly liquid. The City has no non-cash investing, capital, or financing activities to be reported on the statement of cash flows.

K. Claims and Judgments:

When it is probable that a claim liability has been incurred, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2004, in the opinion of the City Attorney, the City had no material claims, which require loss provisions in the financial statements. Small claims and judgments are recorded as expenditures when paid.

The City's self-insurance program is administered through the California Joint Powers Authority (the CJPIA), which is described at Note #8. The CJPIA is a public entity risk pool, which is accounted for under the provisions of GASB Statement 10. Claim losses recorded in the CJPIA include both current claims and Incurred But Not Reported claims (IBNR). The City records amounts deposited with CJPIA as insurance expenditures in the General Fund when paid. These deposits are subject to retrospective adjustment. Favorable claims experience result in a refund of deposits from the CJPIA and such refunds, if any, are recorded as a reduction of insurance expenditures in the year received. Adverse claims experience result in the payment of additional deposits and such deposits, if any, are recorded as insurance expenditures when paid.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. Use of Restricted Resources:

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

N. New Pronouncements

GASB Statement No. 39 - In May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement provides additional guidance to determine whether certain organizations should be reported as component units based on the nature and the significance of the relationship with the primary government. This statement does not have a significant impact on the financial statements of the City.

GASB Statement No. 40 - In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB No. 3. This statement modifies the Deposit and Investment Risk Categorization Disclosures and requires additional information on an entity's portfolio. This statement is not effective until June 30, 2005. The City has not determined its effect on the financial statements.

GASB Statement No. 41 - In May 2003, the GASB issued Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences, an amendment of GASB 34*. This statement establishes guidance for governments with significant budgetary perspective differences to report budgetary comparison schedules within the GASB 34 reporting model. This statement does not have a significant impact on the financial statements of the City.

GASB Statement No. 42 - In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement requires governments to measure, recognize, and disclose the effects of capital asset impairments in their financial statements when it occurs. This statement also clarifies and establishes accounting requirements for insurance recoveries, including those associated with capital asset impairment. This statement is not effective until June 30, 2006. The City has not determined its effect on the financial statements.

GASB Statement No. 43 - In April 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement establishes accounting and financial reporting standards for plans that provide postemployment benefits other than pension benefits (known as other postemployment benefits or OPEB). This statement is not effective until June 30, 2007. This statement does is not expected to have a significant impact on the financial statements of the City.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

GASB Statement No. 44 - In May 2004, the GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section-an amendment of NCGA Statement No. 1*. This Statement amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. This statement is not effective until June 30, 2006. The City has not determined its effect on the financial statements.

GASB Statement No. 45 - In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This statement is not effective until June 30, 2008. The City has not determined its effect on the financial statements.

NOTE #2 – CASH AND INVESTMENTS

The City maintains a cash and investments pool, which is available for use by all funds. Each fund's portion of the pool is displayed on the Financial Statements as "Cash and Cash Equivalents".

Interest income earned on pooled cash and investments is allocated quarterly to the funds based on average monthly cash and investment balances. Interest income from restricted cash is allocated directly to the fund earning the income.

Authorized Investments:

Under provisions of the City's Investment Policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of instruments, subject to certain restrictions as to maturity and percentage of portfolio:

- Demand Deposits and Money Market Accounts
- Insured Certificates of Deposit
- Repurchase Agreements
- Obligations of the U.S. Treasury and U.S. Agencies
- Assessment Bonds of the City of Rancho Palos Verdes
- California Local Agency Investment Fund (LAIF)
- Shares of "Money Market Funds"

Throughout the year ended June 30, 2004, the City did not utilize overnight Repurchase Agreements.

Classification of Deposits and Investments by Credit Risk

Statement No. 3 of the Governmental Accounting Standards Board requires that deposits and investments be classified into three categories of credit risk. These categories are as follows:

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE #2 – CASH AND INVESTMENTS, Continued

Deposits:

- Category 1: Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3: Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the City's name.

Investments:

- Category 1: Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2: Uninsured and unregistered, with securities held by the pledging financial institutions or counterparty's trust department or agent in the City's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the City's name.

Deposits and investments were categorized as follows at June 30, 2004:

Categorized:	BANK BALANCE - CATEGORY			BANK BALANCES	CARRYING AMOUNTS	FAIR VALUE
	1	2	3			
Demand Deposits	\$ 100,000		\$ 337,922	\$ 437,922	\$ 431,485	

Investments at June 30, 2004, by risk category are as follows:

Investments:	CATEGORY				
	1	2	3		
Local Agency					
Investment Fund ⁽¹⁾	\$ -	\$ -	\$ -	33,314,937	\$ 33,261,106 ⁽²⁾
Petty cash on hand at June 30, 2004				1,000	
Total Cash and Investments				\$ 33,747,422	

Cash and investments are reported in the accompanying financial statements as follows:

Governmental Funds	\$ 29,497,758
Proprietary Funds	4,249,664
	<u>\$ 33,747,422</u>

⁽¹⁾ Not subject to categorization.

⁽²⁾ The management of the State of California Pooled Money Investment Account (generally referred to as LAIF) has indicated to the City that as of June 30, 2004, the carrying amount of the pool was \$57,600,699,158 and the estimated market value of the pool (including accrued interest) was \$57,637,500,817. The City's proportionate share of the carrying amount is \$33,314,937. Certain asset-backed securities are included in the LAIF investment portfolio, totaling \$923,460,000. The LAIF (and the City's) exposure to risk (credit, market, or legal) is not currently available.

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE #2 – CASH AND INVESTMENTS, Continued

Fair Value of Investments

GASB Statement No. 31 generally applies to investments in external investment pools (State of California LAIF), investments purchased with maturities greater than one year, mutual funds, and certain investment pools agreements. Generally, governmental entities need to report the “fair value” changes for these investments at year-end and record these gains or losses on their income statement.

The City holds an investment in LAIF that is subject to being adjusted to “fair value”. The City is required to disclose its methods and assumptions used to estimate the fair value of its holdings in LAIF. The City relied upon information provided by the State Treasurer when estimating the City’s fair value position of investments held in LAIF. The City had a contractual withdrawal value of \$33,314,937 whose pro-rata share of fair value was estimated by the state Treasurer to be \$33,261,106. The fair value change in this investment for the year came to an amount that was not material for presentation in the financial statements.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State officials and various participants, provide the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer’s office. The City is a voluntary participant in the investment pool.

NOTE #3 – INTERFUND TRANSACTIONS

Inter-fund Balances

Inter-fund balances consisted of the following at June 30, 2004:

Due to the General fund from:
 RDA Debt Service \$46,027

General fund monies were used to cover an RDA Debt Service fund negative cash balance for the ERAF shift and property tax administrative fee.

Due to the Capital Improvement Projects fund from:
 CDBG \$37,444

The CIP fund covered a CDBG fund negative cash balance for grants and interest receivable.

Inter-fund Advances

The General Fund has advanced the RDA Debt Service Fund amounts as described below:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Advances to the Redevelopment Agency	<u>\$ 11,451,482</u>	<u>\$ 572,641</u>	<u> </u>	<u>\$ 12,024,123</u>

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE #3 – INTERFUND TRANSACTIONS, Continued

The City has entered into an agreement to provide the RDA operating funds and staff assistance, supplies, technical and other services and facilities of the City as the RDA requires in carrying out its function under the community redevelopment law. The RDA will repay the resulting indebtedness, plus interest, from incremental property tax revenues arising from the project area, as such revenue becomes available. As of June 30, 2004, no revenue was available to the RDA to repay the advances due to the City, nor are sufficient revenues expected to be available to repay advances in the immediate future. Variable interest was accrued at a rate of 5.18 percent and 4.54 percent respectively during the fiscal years ended June 30, 2003 and 2004. Of the \$12,024,123 remaining indebtedness, \$9,527,888 relates to the Portuguese Bend portion of the RDA, while \$2,496,235 relates to the Abalone Cove portion. During the year ended June 30, 2004, accrued interest of \$422,393 was added to the balance of the advance to the Portuguese Bend Fund, while principal of \$40,355 and accrued interest of \$109,893 was advanced to the Abalone Cove Fund. No interest has ever been paid by the RDA on these advances; therefore, the interest component of the advance has been recorded as deferred revenue in the General Fund of the City.

Inter-fund Transfers

Inter-fund transfers for the year ended June 30, 2004 consisted of the following:

		Transfer From		
		General Fund	Other Governmental	Total
Transfer To	General Fund		\$ 463,583	\$ 463,583
	Street Maintenance	\$ 20,911	483,409	504,320
	Capital Improvement Project	628,555	60,917	689,472
	Other Governmental	183,252	3,118	186,370
	Total	<u>\$ 832,718</u>	<u>\$ 1,011,027</u>	<u>\$ 1,843,745</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations or grant matching requirements.

NOTE #4 – CAPITAL ASSETS AND DEPRECIATION

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the basic reporting approach as defined by GASB Statement No. 34 for all infrastructure, whereby depreciation expense and accumulated depreciation has been recorded. The following table presents the capital assets activity for the year ended June 30, 2004.

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE #4 – CAPITAL ASSETS AND DEPRECIATION, Continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,058,724			\$ 15,058,724
Construction in progress	1,431,340	\$ 379,087	\$ (345,265)	1,465,162
Total capital assets not being depreciated	<u>16,490,064</u>	<u>379,087</u>	<u>(345,265)</u>	<u>16,523,886</u>
Capital assets being depreciated:				
Buildings and improvements	3,197,989			3,197,989
Vehicles	177,069			177,069
Computer equipment	196,417	101,905	(14,945)	283,377
Furniture, fixtures and equipment	440,582	86,628	(130,034)	397,176
Infrastructure				
Roadway system	77,261,598		(659,089)	76,602,509
Sewer system	25,755,463			25,755,463
Storm drain system	11,487,179	333,693		11,820,872
Parks system	5,575,075			5,575,075
Total capital assets being depreciated	<u>124,091,372</u>	<u>522,226</u>	<u>(804,068)</u>	<u>123,809,530</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,019,030)	(63,960)		(1,082,990)
Vehicles	(134,987)	(13,254)		(148,241)
Computer equipment	(100,097)	(61,261)	14,945	(146,413)
Furniture, fixtures and equipment	(256,265)	(52,889)	130,034	(179,120)
Infrastructure				
Roadway system	(25,992,758)	(2,056,331)	648,103	(27,400,986)
Sewer system	(13,589,937)	(530,464)		(14,120,401)
Storm drain system	(1,026,062)	(127,108)		(1,153,170)
Parks system	(3,567,484)	(35,238)		(3,602,722)
Total accumulated depreciation	<u>(45,686,620)</u>	<u>(2,940,505)</u>	<u>793,082</u>	<u>(47,834,043)</u>
Total capital assets being depreciated, net	<u>78,404,752</u>	<u>(2,418,279)</u>	<u>(10,986)</u>	<u>75,975,487</u>
Governmental activities capital assets, net	<u>\$ 94,894,816</u>	<u>\$ (2,039,192)</u>	<u>\$ (356,251)</u>	<u>\$ 92,499,373</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Administration	\$ 63,960
Public works, including depreciation of general infrastructure assets	2,713,903
Recreation services	35,238
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>127,404</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,940,505</u></u>

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE #5 – LONG-TERM DEBT

	Balance July 1, 2003 <u>As Restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2004	Amount Due in 2005
RDA Tax Increment Bond	\$ 5,455,000			\$ 5,455,000	\$ 5,000
RDA Deferred Interest Payable	3,111,400			3,111,400	
Employee compensated absences	190,818	\$ 142,498	\$ (139,378)	193,938	141,657
Totals	<u>\$ 8,757,218</u>	<u>\$ 142,498</u>	<u>\$ (139,378)</u>	<u>\$ 8,760,338</u>	<u>\$ 146,657</u>

A. RDA Tax Increment Bond and Deferred interest Payable

In July 1991, the RDA received \$10,000,000 in loan proceeds (the Loan) from the County of Los Angeles (the County) upon the County's issue of Abalone Cove Improvement Bonds 2651-M pursuant to a Reimbursement and Settlement Agreement (the Agreement), dated October 27, 1987 in connection with the Horan Lawsuit. The Loan was made for the purpose of abating the Abalone Cove landslide. The settlement Loan was secured by property assessment liens in the Abalone Cove project area.

As stipulated by the parties to the Agreement, a portion of the Loan proceeds was used to repay a tax allocation and revenue anticipation promissory note issued to the County in the principal amount of \$1,450,000, plus accrued interest equal to \$179,244. A second portion of the proceeds was used to repay expenses advanced by the County in the amount of \$135,614. A third portion was used to repay certain loans from the City to the RDA in the amount of \$787,340.

Per the terms of the Agreement, \$1,000,000 of the proceeds was deposited in the Abalone Cove Maintenance Nonexpendable Trust Fund of the Joint Powers Improvement Authority. The remainder of the proceeds was accounted for in the RDA's Abalone Cove Fund. Concurrent with the execution of the Agreement, the County deeded its title in the Abalone Cove Beach Park to the RDA.

As part of the Agreement, the RDA is required to transfer 17 percent of tax increment revenue to the Consolidated Fire Protection District of the County and 50.9 percent of tax increment revenue for debt repayment to the County. In accordance with the Agreement, the RDA was to pay the Loan principal plus interest at 7.7654 percent over a 30-year period that began in 1992. However, these debt payments were to be deferred 10 years until the fiscal year ended June 30, 2002.

As part of the deferral arrangement, the accrued interest from the inception of the Loan through June 30, 2002, in the amount of \$7,314,944, was scheduled for payment over a 20-year period beginning in the fiscal year ending June 30, 2002, with no additional interest. The remaining balance of \$10,274,119 was scheduled for payment to the County over a 20-year period beginning in the fiscal year ending June 30, 2002, with interest at 7.7654 percent.

On November 1, 1997, the City, RDA and County of Los Angeles entered into a Memorandum of Understanding (MOU) agreeing to restructure the repayment schedule of the debt owed the County by the RDA. In accordance with the terms of the MOU, the \$10,000,000 loan principal owed the County was cancelled. As consideration for the loan cancellation, the RDA made a lump sum payment to the County in the amount of \$4,545,000 and issued a \$5,455,000 tax increment bond to the County (the RDA bond). Of the \$4,545,000 lump sum payment, \$2,000,000 was paid from tax increment revenue and interest earnings accumulated in the Debt Service Fund. The remaining \$2,545,000 was funded by a combination of a loan from the General Fund of the City to the Agency for \$1,545,000 and a net operating transfer from the Agency's Abalone Cove Capital Projects Fund to the Debt Service Fund of \$1,000,000. The private property liens resulting from the formation of the bond assessment district in connection with the Reimbursement and Settlement Agreement in 1987 were discharged in accordance with the terms of the MOU.

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE #5 – LONG-TERM DEBT, Continued

The RDA bond was issued as a conduit through the Improvement Authority to the County. No issuance costs were incurred. One hundred percent of net future tax increment revenue will fund the payment of the RDA bond debt and the deferred interest from the original Loan until paid in full. In December 1997, the County began withholding payment of the Agency's net tax increment revenue (net of the 17 percent payment to the County Fire Protection District and the 20 percent housing set-aside amount) to offset the annual principal and interest charges. The principal of the RDA bond will mature in installments each December 2nd, commencing December 2, 2004. Interest accrues at a rate of 5 percent per annum and is payable in arrears each June 2nd and December 2nd. Additionally,

both the accrued interest and deferred interest on the \$10,000,000 Loan previously owed the County was retroactively recalculated from the Loan origination date at a rate of approximately 5 percent compared to 7.7654 percent per the original Agreement. The recalculated deferred interest is \$3,111,400. In accordance with the MOU, the recalculated deferred interest does not accrue additional interest. The accumulated amount of tax increment withheld over the scheduled principal and interest payment made during the life of the RDA bond is recorded in the Debt Service Fund as a prepaid item at June 30, 2004.

After payment of the deferred interest, the RDA may elect to further defer payment to the County of the 50.9 percent of tax increment revenue in order to extinguish any other indebtedness of the RDA. This deferral would allow the tax increment to be available for the repayment of loans made to the RDA by the City (Note #3). In the event the deferral is elected, the debt owed the City is fully extinguished and no other RDA indebtedness exists, the RDA will transfer all subsequent tax increment revenue to the County to fund prior deferrals of, and current payments of, the 50.9 percent of tax increment revenue required to be paid per the Settlement Agreement.

The debt service schedule below summarizes all fixed principal and interest payments for the term of the RDA bond. Because the payback period for the deferred interest amount will fluctuate depending on the availability of excess tax increment revenues, no amounts have been included in the following schedule for repayment of the deferred interest.

Year Ended	Tax Allocation Bond		Total
	Principal	Interest	
June 30			
2005	\$ 5,000	272,625	277,625
2006	15,000	272,125	287,125
2007	25,000	271,125	296,125
2008	40,000	269,500	309,500
2009	55,000	268,125	323,125
2010-2014	505,000	1,275,375	1,780,375
2015-2019	1,020,000	1,087,500	2,107,500
2020-2024	1,730,000	748,250	2,478,250
2025-2028	2,060,000	216,750	2,276,750
	<u>\$ 5,455,000</u>	<u>\$ 4,681,375</u>	<u>\$ 10,136,375</u>

B. Employee Compensated Absences

There is no fixed payment schedule for employee compensated absences. Based on historical trends, \$141,657 is estimated to be the amount that will be used and/or paid out during FY04-05.

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE #6 – CLASSIFICATIONS OF NET ASSETS AND FUND BALANCE

In the Government-Wide financial statements net assets are classified in the following categories:

Invested in Capital Assets

This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation on these assets reduces this category.

Restricted Net Assets

This category presents external restrictions imposed by creditors, grantors, contributions or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

This category represents the net assets of the City that are not externally restricted for any project or other purpose.

In the Fund Financial Statements the City has established “reserves” to segregate portions of fund balance which are not appropriable for expenditure in future periods, or which are legally set aside for a specific future use. In addition, fund balance may be designated to indicate tentative plans for financial resource utilization of unreserved fund balance in a future period.

The City’s governmental funds reserves and designations at June 30, 2004 are presented below, followed by explanations of the nature and purpose of each reserve and designation.

	General Fund	Steet Maintenance Fund	Capital Improvement Fund	RDA Debt Service Fund	Other Governmental Funds
Reserved:					
Continuing appropriations	\$ 685,600	\$ 635,900	\$ 2,487,300		\$ 453,600
Reimbursement settlement agreement					1,000,000
Advances to other funds	5,917,907				
Prepaid costs	35,402			\$ 765,145	240,677
Land held for development					702,392
Housing set-aside					943,837
Total Reserved	\$ 6,638,909	\$ 635,900	\$ 2,487,300	\$ 765,145	\$ 3,340,506

A. Reserves for Encumbrances and Continuing Appropriations

These reserves are maintained for purchase orders and other commitments outstanding at year-end.

B. Reserved for Reimbursement Settlement Agreement

This reserve has been established under the legal requirements of the Reimbursement Settlement Agreement (see Note #5).

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE #6 – CLASSIFICATIONS OF NET ASSETS AND FUND BALANCE, Continued

C. Reserved for Advances to Other Funds

This reserve represents the long-term portion of loans from the City's General Fund to the RDA less \$6,106,216 recorded as deferred revenue (see Note #12).

D. Reserved for Prepaid Items

This reserve is provided to indicate that the asset carrying value is not available to spend to meet expenditures of the current year.

E. Reserved for Land Held for Development

These funds are reserved for land purchased by the City to be sold or otherwise used for the development of low and moderate-income housing.

F. Reserved for Housing Set-Aside

These funds are reserved for low and moderate-income housing as restricted by law or administrative action.

NOTE #7 – PENSION PLAN

Plan Description

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. State statutes, within the Public Employees' Retirement Law, establish benefit provisions and other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. The CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, California, 95814.

Funding Policy

A contribution of 7 percent of annual covered salary is required for each active plan member. For local miscellaneous members, the City pays the full 7 percent contribution for all the full-time positions, while part-time employees must contribute the 7 percent from earnings. Additionally, the City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for FY03-04 was 2.455 percent for local miscellaneous members. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE #7 – PENSION PLAN, Continued

Annual Pension Cost

For FY03-04, the City's actual and contributed pension cost was \$267,684. The required contribution for FY03-04 was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25 percent investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75 percent to 14.20 percent; and (c) payroll growth of 3.75 percent. Both (a) and (b) include an inflation component of 3.5 percent. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. The Plan's un-funded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll expenditures on a closed basis. The remaining amortization period at June 30, 2004, was one year.

Three-Year Trend Information for Plan:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2002	144,783	100%	\$ 0
6/30/2003	167,423	100%	\$ 0
6/30/2004	267,684	100%	\$ 0

Schedule of Funding Status of Plan:

Valuation Date	Actuarial Value of Assets	Entry Age Normal Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
6/30/2000	\$ 7,227,658	\$ 5,690,826	\$ (1,536,832)	127.0%	\$ 2,102,848	-73.1%
6/30/2001	7,445,220	6,515,182	(930,038)	114.3%	2,086,935	-44.6%
6/30/2002	7,178,677	7,477,012	298,335	96.0%	2,455,956	12.1%

NOTE #8 – INSURANCE

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (CJPIA). The CJPIA is comprised of 106 California public entities and is organized under a joint powers agreement pursuant to California Government Code section 6500 et seq. The purpose of the CJPIA is to arrange and administer programs for the pooling of self-insured losses and to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverage. The CJPIA pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee. The accounting methods used by the CJPIA are more fully described at Note #1-K.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE #8 – INSURANCE, Continued

Self-Insurance Programs of the CJPIA

- General Liability

Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member; costs from \$30,001 to \$750,000 are pooled based on a member's share of costs under \$30,000; costs from \$750,001 to \$15,000,000 are pooled based on payroll. Costs of covered claims above \$15,000,000 are currently paid by reinsurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate.

- Workers' Compensation

The City also participates in the workers compensation pool administered by the Authority. Pool deposits and retrospective adjustments are valued in a manner similar to the General Liability pool. The City is charged for the first \$25,000 of each claim. Costs are pooled above that level to \$50,000. Costs from \$50,001 to \$100,000 per claim are pooled based on the member's losses under its retention level. Costs between \$100,001 and \$2,000,000 per claim are pooled based on payroll. Costs between \$2,000,000 and \$50,000,000 are paid by excess insurance purchased by CJPIA. Costs in excess of \$50,000,000 are pooled based on payroll.

Purchased Insurance

- Environmental Insurance

The City participates in the pollution legal liability and remediation legal liability insurance, which is available through the CJPIA. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The CJPIA has a limit of \$120,000,000 for the 3-year period from July 1, 2002 through June 30, 2005. Each member of the CJPIA has a \$10,000,000 limit during the 3-year term of the policy.

- Property Insurance

The City participates in the all-risk property protection program of the CJPIA. Several insurance companies underwrite this insurance protection. The City's property is currently insured according to a schedule of covered property submitted by the City to the CJPIA. Total all-risk property insurance coverage is \$9,408,365. There is a \$5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

- Earthquake and Flood Insurance

The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the CJPIA. The City's property currently has earthquake protection in the amount of \$8,763,365. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE #8 – INSURANCE, Continued

Adequacy of Protection

During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage in the year ended June 30, 2004. As previously described in Note #1-K, the City has no material claims, which would require loss provisions in the financial statements.

NOTE #9 – ASSESSMENT DISTRICTS BOND ISSUES

Assessment District No. 9 issued special assessment bonds for the purpose of public improvements under the Municipal Improvement acts of 1911 and 1913. Neither the faith, credit, nor taxing power of the City is pledged to the repayment of the bonds. The City is only acting as an agent for the property owners and bondholders in collecting and forwarding the special assessment. Accordingly, the un-retired principal at June 30, 2004 of \$1,247 has not been recorded as a long-term liability in the Statement of Net Assets.

NOTE #10 – CONTINGENCIES AND COMMITMENTS

In the normal course of operations, the City has been named as a defendant in various claims and legal actions. In the opinion of management and legal counsel, the ultimate liability for these legal actions and claims will not have a material adverse effect on the City's general-purpose financial statements.

NOTE #11 – PROPERTY TAXES

Under California law, property taxes are assessed and collected by the counties up to 1 percent of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. Accordingly, the City accrues only those taxes, which are received from the county within sixty days after year-end.

Lien date	March 1
Levy date	June 30
Due date	November 1 and February 1
Collection dates	December 10 and April 10

NOTE #12 – DEFERRED REVENUES

The deferred revenues in the fund financial statements of the City of Rancho Palos Verdes as of June 30, 2003 consisted of the following:

<u>Source</u>	<u>General Fund</u>
Accrued Interest from Long-Term Advances to the Redevelopment Agency	\$ 6,106,215
Advance on Federal Grant	36,011
Total Deferred Revenues	<u>\$ 6,142,226</u>

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE #13 – LAND HELD FOR DEVELOPMENT

On March 21, 2000, the City purchased approximately 20 acres of land to be used for an affordable housing project. The total cost of the land was \$702,392. The City has recorded the cost of the land as an asset in the special revenue fund that purchased the property (Housing Set-Aside fund).

The City expects one or more developers to file an application for a multiple unit housing project, with an affordable housing element, during the fiscal year ending June 30, 2005. If approved, the City anticipates transferring the land to a developer for construction of the housing project. The City will recognize a gain or loss on the disposal of the land at the time a disposition and development agreement is finalized. The fund balance in the Housing Set-Aside fund has been reserved for an amount equal to the purchase price of the land.

In the event the Crestridge property is not used for low or moderate income housing, or in the event the property is used for a purpose that may not be charged against the Housing Set-Aside fund in the full amount of \$702,392, then all, or a portion of the \$702,392 purchase price must be reimbursed to the Housing Set-Aside fund. Following such reimbursement, the fund balance will likely exceed \$1 million. The amount exceeding \$1 million is defined as “excess surplus.” In the event of the occurrence of excess surplus, the RDA may be required to either transfer the excess surplus to the County Housing Authority within one year, or spend such excess within an additional two years after such occurrence. The Community Redevelopment Law sets forth substantial penalties if the RDA fails to properly dispose of excess surplus funds.

NOTE #14 – OTHER REQUIRED FUND DISCLOSURES

The following fund had a deficit fund balance as of June 30, 2004:

RDA Debt Service Fund	<u>\$ 11,305,005</u>
-----------------------	----------------------

The City plans to finance this deficit through future revenues to the fund.

The expenditures of the Capital Improvements Capital Projects Fund exceeded the budget by \$28,652.

NOTE #15 – RESTATEMENT OF NET ASSETS

During the 2003-04 fiscal year the City reevaluated the accounting treatment of the deferred interest payable in connection with the City’s Memorandum of Understanding (MOU) with the County of Los Angeles (see Note 5A). As a result, the City restated beginning net assets to recognize the deferred interest as a long-term liability.

The following is a summary of the effect of the restatement:

Net Assets at June 30, 2003, as previously reported	\$ 118,560,176
Recognition of deferred interest payable	<u>(3,111,400)</u>
Net Assts at June 30, 2003, as restated	<u>\$ 115,448,776</u>

SUPPLEMENTARY INFORMATION

CITY OF RANCHO PALOS VERDES

JUNE 30, 2004

MAJOR FUND BUDGETARY COMPARISON SCHEDULES

Budgetary comparison statements are presented as part of the basic financial statements for the General fund and the major Special Revenue fund as provided for by GASB Statement No. 34. The budgetary comparison schedules for the remaining major funds are presented to aid in additional analysis and are not a required part of the basic financial statements.

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 5,700	\$ 5,700	\$ 26,903	\$ 21,203
Charges for services			9,975	9,975
Revenue from other agencies	<u>1,525,747</u>	<u>1,525,747</u>		<u>(1,525,747)</u>
Total Revenues	<u>1,531,447</u>	<u>1,531,447</u>	<u>36,878</u>	<u>(1,494,569)</u>
EXPENDITURES				
Current:				
Public works	330,723	334,123	325,908	8,215
Capital outlay	<u>1,203,843</u>	<u>326,697</u>	<u>363,564</u>	<u>(36,867)</u>
Total Expenditures	<u>1,534,566</u>	<u>660,820</u>	<u>689,472</u>	<u>(28,652)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,119)</u>	<u>870,627</u>	<u>(652,594)</u>	<u>(1,523,221)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfer in	<u>1,096,319</u>	<u>4,869,673</u>	<u>689,472</u>	<u>(4,180,201)</u>
Net Change in Fund Balances	1,093,200	5,740,300	36,878	(5,703,422)
Fund Balance, Beginning of Year	<u>1,631,992</u>	<u>1,631,992</u>	<u>1,631,992</u>	
Fund Balance, End of Year	<u>\$ 2,725,192</u>	<u>\$ 7,372,292</u>	<u>\$ 1,668,870</u>	<u>\$ (5,703,422)</u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RDA DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	<u>\$ 469,200</u>	<u>\$ 469,200</u>	<u>\$ 584,335</u>	<u>\$ 115,135</u>
EXPENDITURES				
Current:				
Administration	12,900	12,900	13,149	(249)
Pass through to other agencies	98,740	128,100	156,064	(27,964)
Debt Service-interest	<u>845,947</u>	<u>845,947</u>	<u>805,035</u>	<u>40,912</u>
Total Expenditures	<u>957,587</u>	<u>986,947</u>	<u>974,248</u>	<u>12,699</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(488,387)</u>	<u>(517,747)</u>	<u>(389,913)</u>	<u>127,834</u>
OTHER FINANCING SOURCES (USES)				
Advances to Redevelopment Agency	<u>573,197</u>	<u>573,197</u>		<u>(573,197)</u>
Total Other Financing Sources (Uses)	<u>573,197</u>	<u>573,197</u>		<u>(573,197)</u>
Net Change in Fund Balances	84,810	55,450	(389,913)	(445,363)
Fund Balance, Beginning of Year	<u>(10,915,092)</u>	<u>(10,915,092)</u>	<u>(10,915,092)</u>	
Fund Balance, End of Year	<u><u>\$ (10,830,282)</u></u>	<u><u>\$ (10,859,642)</u></u>	<u><u>\$ (11,305,005)</u></u>	<u><u>\$ (445,363)</u></u>

CITY OF RANCHO PALOS VERDES

JUNE 30, 2004

NONMAJOR GOVERNMENTAL FUNDS

Special Revenues Fund Descriptions

Special Revenue Funds are used to account for taxes and other revenues set aside in accordance with law or administrative regulation for a specific purpose.

Air Quality Management – to account for AB2766 fees received to fund programs to reduce air pollution from motor vehicles.

Community Development Block Grant (CDBG) – to account for Federal Grants received from the Department of Housing and Urban Development (HUD).

El Prado – to account for taxes collected to maintain and service existing and proposed improvements.

Redevelopment Agency (RDA) – Housing Set-Aside – to account for the portion of Redevelopment tax increment monies which is a requirement under California Redevelopment Law, Section 33334, to be set-aside for the development of low and moderate income housing.

Proposition A – to account for the City's share of an additional one-half percent sales tax designated to fund certain public transportation orientated projects.

Proposition C – to account for sales taxes received from the County and used to support public transit and related services.

Recycling – to account for monies received for the City's recycling program used for community improvement, grants and promotion of recycling.

Solid Waste – to account for AB939 fees received for state mandated waste reduction and recycling plans and programs.

Public Safety Grants – to account for federal grant funds for local law enforcement supplemental services, AB3229 funds used for additional law enforcement services and public safety technology equipment.

1972 Act Landscaping and Lighting District – to account for revenues and costs associated with the City's landscaping and lighting district.

1911 Act Lighting District – to account for revenue and costs associated with a lighting district transferred to the "city-wide" landscape and lighting district from the County in 1995.

Joint Powers Improvement Authority (JPIA) – Portuguese Bend – to account for maintenance and repairs of landslide abatement improvements in the Portuguese Bend Project area.

Habitat Restoration – to account for fees paid by developers for conservation easements to be used exclusively for future habitat restoration efforts on City owned property.

CITY OF RANCHO PALOS VERDES

JUNE 30, 2004

NONMAJOR GOVERNMENTAL FUNDS

Special Revenues Fund Descriptions, Continued

Subregion One Maintenance – to account for monies used to maintain public improvements and habitat areas dedicated to the City upon completion of the Subregion One residential development project.

Measure A – to account for the voter approved 1992 and 1996 Measure A funds and other state and county grants used for the acquisition of open space and park improvements.

Abalone Cove Sewer Assessment District – to account for property assessments used to partially pay for operation and maintenance of the Abalone Cove sewer system.

Capital Projects Funds Descriptions

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

Bikeways – to account for State funds used for the construction of bikeways and/or pedestrian facilities.

Redevelopment Agency (RDA) – Abalone Cove – to account for landslide abatement in the Abalone Cove Project Area.

Environmental Excise Tax – to account for taxes received in connection with new construction within the City.

Quimby – to account for funds from the payment of fees or the dedication of land for park and recreation purposes.

Affordable Housing – to account for in-lieu fees by developers for the City to construct low and moderate income housing.

Redevelopment Agency (RDA) – Portuguese Bend – to account for monies used for landslide abatement in the Portuguese Bend Project Area.

Utility Undergrounding – to account for the accumulation of monies transferred from the General fund, to be used for relocating utility poles and lines on arterial roadways underground, and provide residents assistance with utility undergrounding in residential areas of the City.

Roadway Beautification – to account for the accumulation of monies transferred from the General and Recycling funds to be used for landscape improvements along the City's roadways.

CITY OF RANCHO PALOS VERDES

JUNE 30, 2004

NONMAJOR GOVERNMENTAL FUNDS

Permanent Fund Description

Permanent Funds are used to account for resources legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

Joint Powers Improvement Authority (JPIA) – Abalone Cove – to account for monies received as part of a July 1991 Reimbursement and Settlement Agreement with the County of Los Angeles. As a part of this agreement the Authority received a \$1,000,000 deposit of nonexpendable principal. The interest earnings are used to pay for maintenance and repair of Abalone Cove landslide abatement improvements.

CITY OF RANCHO PALOS VERDES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004**

	<u>Special Revenue Funds</u>		
ASSETS	<u>Air Quality Management</u>	<u>CDBG</u>	<u>El Prado</u>
Cash and cash equivalents	\$ 11,170		\$ 12,156
Receivable			
Taxes			46
Interest	37		41
Other	13,483	\$ 64,379	
Prepaid items	21,000	16,094	
Land held for development			
Total Assets	<u>\$ 45,690</u>	<u>\$ 80,473</u>	<u>\$ 12,243</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities		\$ 42,492	\$ 12
Due to other funds		37,444	
Total Liabilities		<u>79,936</u>	<u>12</u>
FUND BALANCES			
Reserved for:			
Continuing appropriations			
Reimbursement settlement agreement			
Prepaid items	\$ 21,000	16,094	
Land development			
Housing set-aside			
Unreserved, reported in:			
Special revenue funds	24,690	(15,557)	12,231
Capital projects funds			
Permanent funds			
Total Fund Balances	<u>45,690</u>	<u>537</u>	<u>12,231</u>
Total Liabilities and Fund Balances	<u>\$ 45,690</u>	<u>\$ 80,473</u>	<u>\$ 12,243</u>

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Special Revenue Funds

Redevelopment Agency - Housing Set-Aside	Proposition A	Proposition C	Recycling	Solid Waste
\$ 938,538	\$ 358,335	\$ 744,816	\$ 697,087	\$ 553,180
1,897				
3,402	1,438	2,664	2,324	1,911
	188,086		61,077	7,545
702,392				
<u>\$ 1,646,229</u>	<u>\$ 547,859</u>	<u>\$ 747,480</u>	<u>\$ 760,488</u>	<u>\$ 562,636</u>
	\$ 577		\$ 5,414	\$ 14,662
	577		5,414	14,662
			215,900	
\$ 702,392	188,086			
943,837				
	359,196	\$ 747,480	539,174	547,974
1,646,229	547,282	747,480	755,074	547,974
<u>\$ 1,646,229</u>	<u>\$ 547,859</u>	<u>\$ 747,480</u>	<u>\$ 760,488</u>	<u>\$ 562,636</u>

CITY OF RANCHO PALOS VERDES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2004**

	<u>Special Revenue Funds</u>		
	<u>Public Safety Grants</u>	<u>1972 Act</u>	<u>1911 Act</u>
ASSETS			
Cash and cash equivalents	\$ 45,814	\$ 144,579	\$ 1,156,344
Receivable			
Taxes		6,758	12,275
Interest	201	581	3,981
Other	16,616		
Prepaid items			
Land held for development			
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 62,631</u>	<u>\$ 151,918</u>	<u>\$ 1,172,600</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities		\$ 1,008	\$ 19,488
Due to other funds			
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities		<u>1,008</u>	<u>19,488</u>
FUND BALANCES			
Reserved for:			
Continuing appropriations	\$ 48,700		
Reimbursement settlement agreement			
Prepaid items			
Land development			
Housing set-aside			
Unreserved, reported in:			
Special revenue funds	13,931	150,910	1,153,112
Capital projects funds			
Permanent funds			
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>62,631</u>	<u>150,910</u>	<u>1,153,112</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 62,631</u>	<u>\$ 151,918</u>	<u>\$ 1,172,600</u>

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Special Revenue Funds				
Joint Powers Improvement Authority - Portuguese Bend	Habitat Restoration	Subregion One Maintenance	Measure A	Abalone Cove Sewer Assessment District
\$ 242,234	\$ 272,254	\$ 814,518	\$ 45,167	\$ 41,548
858	942	2,823	168 22,116	141 904
<u>\$ 243,092</u>	<u>\$ 273,196</u>	<u>\$ 817,341</u>	<u>\$ 67,451</u>	<u>\$ 42,593</u>
\$ 10,751	\$ 4,537	\$ 2,323		\$ 12,482
<u>10,751</u>	<u>4,537</u>	<u>2,323</u>		<u>12,482</u>
	171,000			18,000
232,341	97,659	815,018	\$ 67,451	12,111
<u>232,341</u>	<u>268,659</u>	<u>815,018</u>	<u>67,451</u>	<u>30,111</u>
<u>\$ 243,092</u>	<u>\$ 273,196</u>	<u>\$ 817,341</u>	<u>\$ 67,451</u>	<u>\$ 42,593</u>

CITY OF RANCHO PALOS VERDES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2004**

ASSETS	Capital Projects Funds			
	Bikeways	Redevelopment Agency - Abalone Cove	Environmental Excise Tax	Quimby
Cash and cash equivalents		\$ 53,816	\$ 724,708	\$ 498,375
Receivable				
Taxes				
Interest		199	2,490	1,719
Other				
Prepaid items				
Land held for development				
Total Assets	\$ -	\$ 54,015	\$ 727,198	\$ 500,094
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities				
Due to other funds				
Total Liabilities	-			
FUND BALANCES				
Reserved for:				
Continuing appropriations				
Reimbursement settlement agreement				
Prepaid items				
Land development				
Housing set-aside				
Unreserved, reported in:				
Special revenue funds				
Capital projects funds		\$ 54,015	\$ 727,198	\$ 500,094
Permanent funds				
Total Fund Balances		54,015	727,198	500,094
Total Liabilities and Fund Balances	\$ -	\$ 54,015	\$ 727,198	\$ 500,094

Capital Projects Funds				Permanent Fund	
Affordable Housing	Redevelopment Agency - Portuguese Bend	Utility Undergrounding	Roadway Beautification	Joint Powers Improvement Authority - Abalone Cove	Total Non-major Governmental Funds
\$ 1,012,883	\$ 300,728	\$ 235,820	\$ 410,718	\$ 1,414,748	\$ 10,729,536
					20,976
3,499	1,122	815	1,418	5,257	38,031
	15,497				186,120
					240,677
					702,392
<u>\$ 1,016,382</u>	<u>\$ 317,347</u>	<u>\$ 236,635</u>	<u>\$ 412,136</u>	<u>\$ 1,420,005</u>	<u>\$ 11,917,732</u>
				\$ 1,734	\$ 115,480
					37,444
				1,734	152,924
					453,600
	\$ 15,497			1,000,000	1,000,000
					240,677
					702,392
					943,837
\$ 1,016,382	301,850	\$ 236,635	\$ 412,136		4,757,721
				418,271	3,248,310
<u>1,016,382</u>	<u>317,347</u>	<u>236,635</u>	<u>412,136</u>	<u>1,418,271</u>	<u>11,764,808</u>
<u>\$ 1,016,382</u>	<u>\$ 317,347</u>	<u>\$ 236,635</u>	<u>\$ 412,136</u>	<u>\$ 1,420,005</u>	<u>\$ 11,917,732</u>

CITY OF RANCHO PALOS VERDES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004**

	<u>Special Revenue Funds</u>		
	<u>Air Quality Management</u>	<u>CDBG</u>	<u>El Prado</u>
REVENUES			
Taxes			\$ 1,396
Use of money and property	\$ 209		166
Charges for services			
Revenue from other agencies	50,125	\$ 273,203	
Other revenues			
Total Revenues	<u>50,334</u>	<u>273,203</u>	<u>1,562</u>
EXPENDITURES			
Current:			
Administration			
Public safety			
Public works	42,000	243,836	169
Capital outlay			
Total Expenditures	<u>42,000</u>	<u>243,836</u>	<u>169</u>
Excess (Deficiency) of Revenues Over Over Expenditures	<u>8,334</u>	<u>29,367</u>	<u>1,393</u>
Other Financing Sources (Uses):			
Transfers in			
Transfers out		(34,410)	
Total Other Financing Sources (Uses)		<u>(34,410)</u>	
Net Change in Fund Balances	8,334	(5,043)	1,393
FUND BALANCES, Beginning of Year	<u>37,356</u>	<u>5,580</u>	<u>10,838</u>
FUND BALANCES, End of Year	<u>\$ 45,690</u>	<u>\$ 537</u>	<u>\$ 12,231</u>

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Special Revenue Funds

Redevelopment Agency - Housing Set-Aside	Proposition A	Proposition C	Recycling	Solid Waste
\$ 143,979	\$ 586,738	\$ 488,511		
13,658	5,790	8,693	\$ 9,693	\$ 8,906
			11,931	24,909
			240,211	3,140
157,637	592,528	497,204	261,835	36,955
	440,928		139,405	92,321
	440,928		139,405	92,321
157,637	151,600	497,204	122,430	(55,366)
	(20,563)	(93,659)		(52,118)
	(20,563)	(93,659)		(52,118)
157,637	131,037	403,545	122,430	(107,484)
1,488,592	416,245	343,935	632,644	655,458
\$ 1,646,229	\$ 547,282	\$ 747,480	\$ 755,074	\$ 547,974

CITY OF RANCHO PALOS VERDES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
YEAR ENDED JUNE 30, 2004**

	Special Revenue Funds		
	Public Safety Grants	1972 Act	1911 Act
REVENUES			
Taxes		\$ 326,105	\$ 372,695
Use of money and property	\$ 1,021	2,404	15,739
Charges for services			
Revenue from other agencies	112,773		
Other revenues			
Total Revenues	113,794	328,509	388,434
EXPENDITURES			
Current:			
Administration			
Public safety	5,763		
Public works		55,264	261,976
Capital outlay			
Total Expenditures	5,763	55,264	261,976
Excess (Deficiency) of Revenues Over Over Expenditures	108,031	273,245	126,458
Other Financing Sources (Uses):			
Transfers in			
Transfers out	(112,773)	(371,190)	
Total Other Financing Sources (Uses)	(112,773)	(371,190)	
Net Change in Fund Balances	(4,742)	(97,945)	126,458
FUND BALANCES, Beginning of Year	67,373	248,855	1,026,654
FUND BALANCES, End of Year	\$ 62,631	\$ 150,910	\$ 1,153,112

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Special Revenue Funds				
Joint Powers Improvement Authority - Portuguese Bend	Habitat Restoration	Subregion One Maintenance	Parks/ Measure A	Abalone Cove Sewer Assessment District
\$ 3,398	\$ 3,955	\$ 12,116	\$ 673	\$ 33,988
			56,382	545
<u>3,398</u>	<u>3,955</u>	<u>12,116</u>	<u>57,055</u>	<u>34,533</u>
32,229	56,190	26,958		53,214
<u>32,229</u>	<u>56,190</u>	<u>26,958</u>		<u>53,214</u>
(28,831)	(52,235)	(14,842)	57,055	(18,681)
91,500	76,752			15,000
(75,000)			(47,914)	
<u>16,500</u>	<u>76,752</u>		<u>(47,914)</u>	<u>15,000</u>
(12,331)	24,517	(14,842)	9,141	(3,681)
<u>244,672</u>	<u>244,142</u>	<u>829,860</u>	<u>58,310</u>	<u>33,792</u>
<u>\$ 232,341</u>	<u>\$ 268,659</u>	<u>\$ 815,018</u>	<u>\$ 67,451</u>	<u>\$ 30,111</u>

CITY OF RANCHO PALOS VERDES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
YEAR ENDED JUNE 30, 2004**

	Capital Projects			
	Bikeways	Redevelopment Agency - Abalone Cove	Environmental Excise Tax	Quimby
REVENUES				
Taxes				
Use of money and property	\$ 14	\$ 870	\$ 11,125	\$ 6,129
Charges for services			60,120	157,940
Revenue from other agencies	28,386			
Other revenues				
Total Revenues	<u>28,400</u>	<u>870</u>	<u>71,245</u>	<u>164,069</u>
EXPENDITURES				
Current:				
Administration				
Public safety				
Public works			129,854	
Capital outlay				4,454
Total Expenditures			<u>129,854</u>	<u>4,454</u>
Excess (Deficiency) of Revenues Over Over Expenditures	<u>28,400</u>	<u>870</u>	<u>(58,609)</u>	<u>159,615</u>
Other Financing Sources (Uses):				
Transfers in				3,118
Transfers out	(28,400)			
Total Other Financing Sources (Uses)	<u>(28,400)</u>			<u>3,118</u>
Net Change in Fund Balances		870	(58,609)	162,733
FUND BALANCES, Beginning of Year		<u>53,145</u>	<u>785,807</u>	<u>337,361</u>
FUND BALANCES, End of Year	<u>\$ -</u>	<u>\$ 54,015</u>	<u>\$ 727,198</u>	<u>\$ 500,094</u>

Capital Projects					Permanent Fund	Total Non-major Governmental Funds
Affordable Housing	Redevelopment Agency - Portuguese Bend	Utility Undergrounding	Roadway Beautification	Joint Powers Improvement Authority - Abalone Cove		
\$ 14,813	\$ 54,862	\$ 3,449	\$ 6,005	\$ 23,692	\$ 1,953,412	
					207,925	
					242,969	
					535,940	
					240,211	
14,813	54,862	3,449	6,005	23,692	3,180,457	
	20,731				20,731	
					5,763	
				65,475	1,639,819	
					4,454	
	20,731			65,475	1,670,767	
14,813	34,131	3,449	6,005	(41,783)	1,509,690	
	(175,000)				186,370	
					(1,011,027)	
	(175,000)				(824,657)	
14,813	(140,869)	3,449	6,005	(41,783)	685,033	
1,001,569	458,216	233,186	406,131	1,460,054	11,079,775	
\$ 1,016,382	\$ 317,347	\$ 236,635	\$ 412,136	\$ 1,418,271	\$ 11,764,808	

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AIR QUALITY MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 800	\$ 800	\$ 209	\$ (591)
Charges for services	48,000	48,000	50,125	2,125
Total Revenues	48,800	48,800	50,334	1,534
EXPENDITURES				
Current:				
Public works	42,000	42,000	42,000	
Net Change in Fund Balance	6,800	6,800	8,334	1,534
Fund Balance, Beginning of Year	37,356	37,356	37,356	
Fund Balance, End of Year	\$ 44,156	\$ 44,156	\$ 45,690	\$ 1,534

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from other agencies	\$ 1,207,863	\$ 1,378,863	\$ 273,203	\$ (1,105,660)
EXPENDITURES				
Current:				
Public works	293,840	964,640	243,836	720,804
Capital outlay	879,613	1,187,335		1,187,335
Total Expenditures	1,173,453	2,151,975	243,836	1,908,139
Excess (Deficiency) of Revenues Over Expenditures	34,410	(773,112)	29,367	802,479
OTHER FINANCING SOURCES (USES)				
Transfers in		77,222		(77,222)
Transfers out	(34,410)	(34,410)	(34,410)	
Total Other Financing Sources (Uses)	(34,410)	42,812	(34,410)	(77,222)
Net Change in Fund Balance		(730,300)	(5,043)	725,257
Fund Balance, Beginning of Year	5,580	5,580	5,580	
Fund Balance, End of Year	\$ 5,580	\$ (724,720)	\$ 537	\$ 725,257

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
EL PRADO SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,200	\$ 1,200	\$ 1,396	\$ 196
Use of money and property	200	200	166	(34)
Total Revenues	1,400	1,400	1,562	162
EXPENDITURES				
Current:				
Public works	900	900	169	731
Net Change in Fund Balance	500	500	1,393	893
Fund Balance, Beginning of Year	10,838	10,838	10,838	
Fund Balance, End of Year	\$ 11,338	\$ 11,338	\$ 12,231	\$ 893

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RDA HOUSING SET-ASIDE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 119,600	\$ 119,600	\$ 143,979	\$ 24,379
Use of money and property	15,500	15,500	13,658	(1,842)
Total Revenues	135,100	135,100	157,637	22,537
Net Change in Fund Balance	135,100	135,100	157,637	22,537
Fund Balance, Beginning of Year	1,488,592	1,488,592	1,488,592	
Fund Balance, End of Year	\$ 1,623,692	\$ 1,623,692	\$ 1,646,229	\$ 22,537

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PROPOSITION A SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 584,723	\$ 584,723	\$ 586,738	\$ 2,015
Use of money and property	9,400	9,400	5,790	(3,610)
Total Revenues	594,123	594,123	592,528	(1,595)
EXPENDITURES				
Current:				
Public works	441,295	441,295	440,928	367
Excess of Revenues Over Expenditures	140,828	152,828	151,600	(1,228)
OTHER FINANCING SOURCES (USES)				
Transfers out	(15,000)	(27,000)	(20,563)	6,437
Net Change in Fund Balance	125,828	125,828	131,037	5,209
Fund Balance, Beginning of Year	416,245	416,245	416,245	
Fund Balance, End of Year	\$ 542,073	\$ 542,073	\$ 547,282	\$ 5,209

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PROPOSITION C SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 479,798	\$ 479,798	\$ 488,511	\$ 8,713
Use of money and property	7,000	7,000	8,693	1,693
Revenue from other agencies	45,500	45,500		(45,500)
Total Revenues	532,298	532,298	497,204	(35,094)
OTHER FINANCING USES				
Transfers out	(337,583)	(598,937)	(93,659)	505,278
Net Change in Fund Balance	194,715	(66,639)	403,545	470,184
Fund Balance, Beginning of Year	343,935	343,935	343,935	
Fund Balance, End of Year	\$ 538,650	\$ 277,296	\$ 747,480	\$ 470,184

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RECYCLING SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 9,400	\$ 9,400	\$ 9,693	\$ 293
Revenue from other agencies			11,931	11,931
Other revenues	204,000	204,000	240,211	36,211
Total Revenues	213,400	213,400	261,835	48,435
EXPENDITURES				
Current:				
Public works	233,996	139,996	139,405	591
Net Change in Fund Balance	(20,596)	73,404	122,430	49,026
Fund Balance, Beginning of Year	632,644	632,644	632,644	
Fund Balance, End of Year	\$ 612,048	\$ 706,048	\$ 755,074	\$ 49,026

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 13,100	\$ 13,100	\$ 8,906	\$ (4,194)
Charges for services	75,600	75,600	24,909	(50,691)
Revenue from other agencies	55,039	55,039	3,140	(51,899)
Total Revenues	143,739	143,739	36,955	(106,784)
EXPENDITURES				
Current:				
Public works	133,663	133,663	92,321	41,342
Excess (Deficiency) of Revenues Over Expenditures	10,076	10,076	(55,366)	(65,442)
OTHER FINANCING USES				
Transfers out	(74,000)	(74,000)	(52,118)	21,882
Net Change in Fund Balance	(63,924)	(63,924)	(107,484)	(43,560)
Fund Balance, Beginning of Year	655,458	655,458	655,458	
Fund Balance, End of Year	\$ 591,534	\$ 591,534	\$ 547,974	\$ (43,560)

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC SAFETY GRANTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 480	\$ 480	\$ 1,021	\$ 541
Revenue from other agencies	115,000	115,000	112,773	(2,227)
Total Revenues	115,480	115,480	113,794	(1,686)
EXPENDITURES				
Current:				
Public safety	43,479	5,779	5,763	16
Excess (Deficiency) of Revenues Over Expenditures	72,001	109,701	108,031	(1,670)
OTHER FINANCING USES				
Transfers out	(115,000)	(115,000)	(112,773)	2,227
Net Change in Fund Balance	(42,999)	(5,299)	(4,742)	557
Fund Balance, Beginning of Year	67,373	67,373	67,373	
Fund Balance, End of Year	\$ 24,374	\$ 62,074	\$ 62,631	\$ 557

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
1972 ACT SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 327,860	\$ 327,860	\$ 326,105	\$ (1,755)
Use of money and property	1,350	1,350	2,404	1,054
Total Revenues	329,210	329,210	328,509	(701)
EXPENDITURES				
Current:				
Public works	55,678	55,678	55,264	414
Excess of Revenues Over Expenditures	273,532	273,532	273,245	(287)
OTHER FINANCING USES				
Transfers out	(371,190)	(371,190)	(371,190)	
Net Change in Fund Balance	(97,658)	(97,658)	(97,945)	(287)
Fund Balance, Beginning of Year	248,855	248,855	248,855	
Fund Balance, End of Year	\$ 151,197	\$ 151,197	\$ 150,910	\$ (287)

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
1911 ACT SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 312,000	\$ 312,000	\$ 372,695	\$ 60,695
Use of money and property	18,800	18,800	15,739	(3,061)
Total Revenues	330,800	330,800	388,434	57,634
EXPENDITURES				
Current:				
Public works	361,800	361,800	261,976	99,824
Net Change in Fund Balance	(31,000)	(31,000)	126,458	157,458
Fund Balance, Beginning of Year	1,026,654	1,026,654	1,026,654	
Fund Balance, End of Year	\$ 995,654	\$ 995,654	\$ 1,153,112	\$ 157,458

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
JPIA - PORTUGUESE BEND SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	<u>\$ 2,800</u>	<u>\$ 2,800</u>	<u>\$ 3,398</u>	<u>\$ 598</u>
EXPENDITURES				
Current:				
Public works	<u>91,500</u>	<u>91,500</u>	<u>32,229</u>	<u>59,271</u>
Deficiency of Revenues Over Expenditures	<u>(88,700)</u>	<u>(88,700)</u>	<u>(28,831)</u>	<u>59,869</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>91,500</u>	<u>91,500</u>	<u>91,500</u>	
Transfers out	<u>(75,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	
Total Other Financing Sources	<u>16,500</u>	<u>16,500</u>	<u>16,500</u>	
Net Change in Fund Balance	<u>(72,200)</u>	<u>(72,200)</u>	<u>(12,331)</u>	<u>59,869</u>
Fund Balance, Beginning of Year	<u>244,672</u>	<u>244,672</u>	<u>244,672</u>	
Fund Balance, End of Year	<u><u>\$ 172,472</u></u>	<u><u>\$ 172,472</u></u>	<u><u>\$ 232,341</u></u>	<u><u>\$ 59,869</u></u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HABITAT RESTORATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	<u>\$ 2,100</u>	<u>\$ 2,100</u>	<u>\$ 3,955</u>	<u>\$ 1,855</u>
EXPENDITURES				
Capital outlay	<u>100,000</u>	<u>56,500</u>	<u>56,190</u>	<u>310</u>
Deficiency of Revenues Over Expenditures	<u>(97,900)</u>	<u>(54,400)</u>	<u>(52,235)</u>	<u>2,165</u>
OTHER FINANCING SOURCES				
Transfers in	<u>76,752</u>	<u>76,752</u>	<u>76,752</u>	
Net Change in Fund Balance	<u>(21,148)</u>	<u>22,352</u>	<u>24,517</u>	<u>2,165</u>
Fund Balance, Beginning of Year	<u>244,142</u>	<u>244,142</u>	<u>244,142</u>	
Fund Balance, End of Year	<u><u>\$ 222,994</u></u>	<u><u>\$ 266,494</u></u>	<u><u>\$ 268,659</u></u>	<u><u>\$ 2,165</u></u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SUBREGION ONE MAINTENANCE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 16,100	\$ 16,100	\$ 12,116	\$ (3,984)
EXPENDITURES				
Current:				
Public works	24,000	26,958	26,958	
Net Change in Fund Balance	(7,900)	(10,858)	(14,842)	(3,984)
Fund Balance, Beginning of Year	829,860	829,860	829,860	
Fund Balance, End of Year	\$ 821,960	\$ 819,002	\$ 815,018	\$ (3,984)

CITY OF RANCHO PALOS VERDES

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MEASURE A SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property			\$ 673	\$ 673
Revenue from other agencies	<u>\$ 197,813</u>	<u>\$ 3,022,598</u>	<u>56,382</u>	<u>(2,966,216)</u>
Total Revenues	<u>197,813</u>	<u>3,022,598</u>	<u>57,055</u>	<u>(2,965,543)</u>
OTHER FINANCING USES				
Transfers out	<u>(197,813)</u>	<u>(3,022,598)</u>	<u>(47,914)</u>	<u>2,974,684</u>
Net Change in Fund Balance			9,141	9,141
Fund Balance, Beginning of Year	<u>58,310</u>	<u>58,310</u>	<u>58,310</u>	
Fund Balance, End of Year	<u>\$ 58,310</u>	<u>\$ 58,310</u>	<u>\$ 67,451</u>	<u>\$ 9,141</u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ABALONE COVE SEWER ASSESSMENT DISTRICT SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 35,000	\$ 35,000	\$ 33,988	\$ (1,012)
Use of money and property			545	545
Total Revenues	35,000	35,000	34,533	(467)
EXPENDITURES				
Current:				
Public works	45,000	45,000	53,214	(8,214)
Capital outlay	5,000	8,300		8,300
Total Expenditures	50,000	53,300	53,214	86
Deficiency of Revenues Over Expenditures	(15,000)	(18,300)	(18,681)	(381)
OTHER FINANCING SOURCES				
Transfers in	15,000	15,000	15,000	
Net Change in Fund Balance		(3,300)	(3,681)	(381)
Fund Balance, Beginning of Year	33,792	33,792	33,792	
Fund Balance, End of Year	\$ 33,792	\$ 30,492	\$ 30,111	\$ (381)

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BIKEWAYS CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property			\$ 14	\$ 14
Revenue from other agencies			28,386	28,386
Total Revenues			28,400	28,400
OTHER FINANCING USES				
Transfers out			(28,400)	(28,400)
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year				
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RDA ABALONE COVE CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property			\$ 870	\$ 870
Fund Balance, Beginning of Year	\$ 53,145	\$ 53,145	53,145	
Fund Balance, End of Year	\$ 53,145	\$ 53,145	\$ 54,015	\$ 870

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ENVIRONMENTAL EXCISE TAX CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 3,800	\$ 3,800	\$ 11,125	\$ 7,325
Charges for services			60,120	60,120
Other revenues	221,720	221,720		(221,720)
Total Revenues	225,520	225,520	71,245	(154,275)
EXPENDITURES				
Current:				
Public works		129,854	129,854	
Excess (Deficiency) of Revenues Over Expenditures	225,520	95,666	(58,609)	(154,275)
OTHER FINANCING USES				
Transfers out		(310,024)		310,024
Net Change in Fund Balance	225,520	(214,358)	(58,609)	155,749
Fund Balance, Beginning of Year	785,807	785,807	785,807	
Fund Balance, End of Year	\$ 1,011,327	\$ 571,449	\$ 727,198	\$ 155,749

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
QUIMBY CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 630	\$ 630	\$ 6,129	\$ 5,499
Charges for services			157,940	157,940
Revenue from other agencies	24,000	24,000		(24,000)
Total Revenues	24,630	24,630	164,069	139,439
EXPENDITURES				
Current:				
Public works	7,500	7,500		7,500
Capital outlay	30,000	30,000	4,454	25,546
Total Expenditures	37,500	37,500	4,454	33,046
Excess (Deficiency) of Revenues Over Expenditures	(12,870)	(12,870)	159,615	172,485
OTHER FINANCING SOURCES (USES)				
Transfers in			3,118	3,118
Transfers out		(337,900)		337,900
Total Other Financing Sources (Uses)		(337,900)	3,118	341,018
Net Change in Fund Balance	(12,870)	(350,770)	162,733	513,503
Fund Balance, Beginning of Year	337,361	337,361	337,361	
Fund Balance, End of Year	\$ 324,491	\$ (13,409)	\$ 500,094	\$ 513,503

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AFFORDABLE HOUSING CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 20,100	\$ 20,100	\$ 14,813	\$ (5,287)
Fund Balance, Beginning of Year	1,001,569	1,001,569	1,001,569	
Fund Balance, End of Year	<u>\$ 1,021,669</u>	<u>\$ 1,021,669</u>	<u>\$ 1,016,382</u>	<u>\$ (5,287)</u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RDA PORTUGUESE BEND CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 3,700	\$ 3,700	\$ 54,862	\$ 51,162
EXPENDITURES				
Current:				
Administration	23,810	32,125	20,731	11,394
Capital outlay		20,000		20,000
Total Expenditures	23,810	52,125	20,731	31,394
Excess (Deficiency) of Revenues Over Expenditures	(20,110)	(48,425)	34,131	82,556
OTHER FINANCING USES				
Transfers out	(175,000)	(175,000)	(175,000)	
Net Change in Fund Balance	(195,110)	(223,425)	(140,869)	82,556
Fund Balance, Beginning of Year	458,216	458,216	458,216	
Fund Balance, End of Year	\$ 263,106	\$ 234,791	\$ 317,347	\$ 82,556

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
UTILITY UNDERGROUNDING CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 4,300	\$ 4,300	\$ 3,449	\$ (851)
Fund Balance, Beginning of Year	233,186	233,186	233,186	
Fund Balance, End of Year	\$ 237,486	\$ 237,486	\$ 236,635	\$ (851)

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROADWAY BEAUTIFICATION CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 8,100	\$ 8,100	\$ 6,005	\$ (2,095)
Fund Balance, Beginning of Year	406,131	406,131	406,131	
Fund Balance, End of Year	<u>\$ 414,231</u>	<u>\$ 414,231</u>	<u>\$ 412,136</u>	<u>\$ (2,095)</u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
JPIA - ABALONE COVE PERMANENT FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 26,400	\$ 26,400	\$ 23,692	\$ (2,708)
EXPENDITURES				
Current:				
Public works	107,700	107,700	65,475	42,225
Net Change in Fund Balance	(81,300)	(81,300)	(41,783)	39,517
Fund Balance, Beginning of Year	1,460,054	1,460,054	1,460,054	
Fund Balance, End of Year	\$ 1,378,754	\$ 1,378,754	\$ 1,418,271	\$ 39,517

CITY OF RANCHO PALOS VERDES

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2004**

	Equipment Replacement	Building Replacement	Employee Benefits	Totals
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 2,476,557	\$ 1,547,210	\$ 225,897	\$ 4,249,664
Receivables				
Interest	8,523	5,351	728	14,602
Other			817	817
Prepaid items			26,435	26,435
Total Current Assets	<u>2,485,080</u>	<u>1,552,561</u>	<u>253,877</u>	<u>4,291,518</u>
Noncurrent Assets				
Capital assets				
Property and equipment	857,622			857,622
Accumulated depreciation	<u>(473,774)</u>			<u>(473,774)</u>
Total Noncurrent Assets	<u>383,848</u>			<u>383,848</u>
Total Assets	<u>2,868,928</u>	<u>1,552,561</u>	<u>253,877</u>	<u>4,675,366</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	<u>42,936</u>	<u>7,250</u>	<u>65,342</u>	<u>115,528</u>
NET ASSETS				
Invested in capital assets	383,848			383,848
Unrestricted	<u>2,442,144</u>	<u>1,545,311</u>	<u>188,535</u>	<u>4,175,990</u>
Total Net Assets	<u>\$ 2,825,992</u>	<u>\$ 1,545,311</u>	<u>\$ 188,535</u>	<u>\$ 4,559,838</u>

CITY OF RANCHO PALOS VERDES

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Equipment Replacement</u>	<u>Building Replacement</u>	<u>Employee Benefits</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services	<u>\$ 446,617</u>		<u>\$ 776,889</u>	<u>\$ 1,223,506</u>
Total Operating Revenues	<u>446,617</u>		<u>776,889</u>	<u>1,223,506</u>
OPERATING EXPENSES				
Personnel services			716,862	716,862
Material and supplies	98,455	\$ 23,176		121,631
Maintenance	44,369	5,115		49,484
Depreciation	<u>127,404</u>			<u>127,404</u>
Total Operating Expenses	<u>270,228</u>	<u>28,291</u>	<u>716,862</u>	<u>1,015,381</u>
Operating Income (Loss)	<u>176,389</u>	<u>(28,291)</u>	<u>60,027</u>	<u>208,125</u>
NONOPERATING REVENUES				
Interest income	<u>35,269</u>	<u>22,693</u>	<u>1,928</u>	<u>59,890</u>
Change in Net Assets	211,658	(5,598)	61,955	268,015
Net Assets, Beginning of Year	<u>2,614,334</u>	<u>1,550,909</u>	<u>126,580</u>	<u>4,291,823</u>
Net Assets, Ending of Year	<u>\$ 2,825,992</u>	<u>\$ 1,545,311</u>	<u>\$ 188,535</u>	<u>\$ 4,559,838</u>

CITY OF RANCHO PALOS VERDES

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004**

	Equipment Replacement	Building Replacement	Employee Benefits	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 446,617		\$ 776,072	\$ 1,222,689
Payments to suppliers	(116,776)	\$ (21,896)	(596,091)	(734,763)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	329,841	(21,896)	179,981	487,926
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(188,533)			(188,533)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	36,380	23,528	1,762	61,670
NET INCREASE IN CASH AND CASH EQUIVALENTS	177,688	1,632	181,743	361,063
CASH AND CASH EQUIVALENTS, Beginning of Year	2,298,869	1,545,578	44,154	3,888,601
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 2,476,557</u>	<u>\$ 1,547,210</u>	<u>\$ 225,897</u>	<u>\$ 4,249,664</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 176,389	\$ (28,291)	\$ 60,027	\$ 208,125
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	127,404			127,404
Decrease in other receivables			(817)	(817)
Decrease in prepaid items			55,767	55,767
Decrease in accrued liabilities	26,048	6,395	65,004	97,447
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 329,841	\$ (21,896)	\$ 179,981	\$ 487,926

STATISTICAL SECTION

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION*
 LAST TEN FISCAL YEARS

Fiscal Year	Administration	Public Safety	Public Works	Parks and Recreation	Planning, Code Enforcement & Building	Capital Outlay	Debt Service	Totals
1995	\$ 1,497,317	\$ 2,539,329	\$ 3,166,876	\$ 489,834	\$ 1,031,028	\$ 1,623,833	---	\$ 10,348,217
1996	1,545,955	2,609,804	3,638,583	543,602	1,148,340	1,129,275	---	10,615,559
1997	1,588,565	2,637,280	3,856,324	550,722	1,360,468	8,885,989	---	18,879,348
1998	1,659,753	2,533,309	4,079,842	710,477	1,558,511	3,974,928	---	14,516,820
1999	1,679,549	2,658,145	3,942,290	633,292	1,882,051	3,116,632	---	13,911,959
2000	1,836,468	2,662,096	5,864,072	597,045	1,646,824	2,110,309	---	14,716,814
2001	2,388,727	2,732,579	3,616,253	596,185	1,778,319	4,227,852	---	15,339,915
2002	2,939,097	2,898,265	3,855,747	668,938	1,950,504	9,441,273	---	21,753,825
2003	3,084,614	3,094,005	4,306,768	785,786	2,194,265	4,767,678	---	18,233,116
2004	3,294,392	3,038,650	4,703,005	945,547	2,362,503	368,018	---	14,712,115

* Includes all governmental fund types, excluding activity of the Redevelopment Agency and Improvement Authority.

GENERAL GOVERNMENTAL REVENUES BY SOURCE *
 LAST TEN FISCAL YEARS

Fiscal Year	Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Revenues From Other Agencies	Other Revenues	Totals
1995	\$ 7,310,905	\$ 825,680	\$ 89,494	\$ 819,185	\$ 285,235	\$ 2,754,149	\$ 326,863	\$ 12,411,511
1996	8,321,970	689,077	85,790	960,071	297,124	2,558,842	359,737	13,272,611
1997	8,432,900	798,168	93,076	1,145,664	336,634	10,673,669	513,625	21,993,736
1998	8,449,951	890,269	114,409	1,239,537	175,418	4,899,646	640,609	16,409,839
1999	8,539,047	1,292,498	140,089	1,177,539	217,699	4,340,676	518,009	16,225,557
2000	9,022,637	1,089,720	156,730	1,314,901	203,691	3,654,695	1,875,671	17,318,045
2001	9,391,699	1,530,425	139,694	1,602,638	196,730	4,816,266	866,621	18,544,073
2002	9,723,259	1,589,701	116,598	987,793	217,387	8,170,513	513,512	21,318,763
2003	10,002,224	1,855,746	115,448	735,526	204,798	4,223,490	554,035	17,691,267
2004	11,352,928	1,309,732	101,788	636,491	378,995	3,453,070	2,363,433	19,596,437

* Includes all governmental fund types, excluding activity of the Redevelopment Agency and Improvement Authority.

PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Current Levy</u>	<u>Current Collection</u>	<u>Percent Collected</u>
1994-1995	\$ 2,218,369	\$ 2,147,249	96.79%
1995-1996	2,700,133	2,571,526	95.24%
1996-1997	2,708,114	2,651,513	97.91%
1997-1998	2,731,834	2,664,833	97.55%
1998-1999	2,877,987	2,770,246	96.26%
1999-2000	3,123,218	3,048,626	97.61%
2000-2001	3,352,310	3,233,833	96.47%
2001-2002	3,567,276	3,451,599	96.76%
2002-2003	3,768,471	3,688,465	97.88%
2003-2004	4,021,832	3,901,862	97.02%

ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Secured Value	Public Utility	Unsecured Value	Subtotal	Homeowners Exemption	Net Assessed Value	Percent Increase
1995	\$ 4,277,717,064	\$ 210,000	\$ 12,448,590	\$ 4,290,375,654	\$ 79,193,508	\$ 4,211,182,146	3.26%
1996	4,316,092,536	210,000	15,334,559	4,331,637,095	79,614,908	4,252,022,187	0.97%
1997	4,354,282,854	210,000	14,956,195	4,369,449,049	79,417,508	4,290,031,541	0.89%
1998	4,414,137,301	975,785	14,526,105	4,429,639,191	79,074,508	4,350,564,683	1.41%
1999	4,666,924,997	975,785	22,058,574	4,689,959,356	78,654,508	4,611,304,848	5.99%
2000	5,121,424,832	975,785	16,961,594	5,139,362,211	78,055,228	5,061,306,983	9.76%
2001	5,420,734,560	1,023,567	18,422,700	5,440,180,827	77,799,028	5,362,381,799	5.95%
2002	5,758,506,586	947,258	19,641,491	5,779,095,335	77,157,828	5,701,937,507	6.33%
2003	6,069,010,412	449,498	21,740,910	6,091,200,820	76,980,028	6,014,220,792	5.48%
2004	6,469,818,726	495,782	22,889,439	6,493,203,947	76,274,428	6,416,929,519	6.70%

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
 (PER \$100 OF ASSESSED VALUATION)
 LAST TEN FISCAL YEARS

Fiscal Year	Basic County Levy	PVP School & LA Community College Districts	Flood Control	Metropolitan Water District	Library District	County	Totals
1995	1.0000%	---	0.0060%	0.0089%	0.0042%	0.0020%	1.0211%
1996	1.0000%	---	0.0010%	0.0089%	0.0150%	0.0018%	1.0267%
1997	1.0000%	---	0.0020%	0.0089%	0.0150%	0.0016%	1.0275%
1998	1.0000%	---	0.0022%	0.0089%	0.0148%	0.0016%	1.0275%
1999	1.0000%	---	0.0020%	0.0089%	0.0114%	0.0015%	1.0237%
2000	1.0000%	---	0.0018%	0.0089%	0.0113%	0.0014%	1.0234%
2001	1.0000%	---	0.0016%	0.0088%	0.0114%	0.0013%	1.0230%
2002	1.0000%	---	0.0005%	0.0077%	0.0096%	0.0011%	1.0189%
2003	1.0000%	0.0294%	0.0009%	0.0067%	0.0097%	0.0010%	1.0477%
2004	1.0000%	0.0346%	0.0005%	0.0061%	0.0090%	0.0010%	1.0511%

Note: The state constitutional amendment Proposition 13 provided that the tax rate be limited to 1% of assessed value, levied only by the County and shared with all other jurisdictions. All other jurisdictions and the County can levy a tax rate for voter approved debt.

PRINCIPAL PROPERTY TAXPAYERS

JUNE 30, 2004

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2003 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Ocean Trails Limited Partnership	Golf Course/Residential	\$ 63,807,638	1.06%
VRPV LLC	Apartments	50,189,800	0.83%
P.V. Victoria Apartments	Apartments	41,629,842	0.69%
Riviera Investors Western	Apartments	25,348,216	0.42%
York Long Point Associates	Commercial/Residential	22,450,709	0.37%
Top Terraces Inc.	Commercial/Retail	12,692,880	0.21%
Palos Verdes Land Holdings Company Inc.	Open Space	3,512,581	0.06%
Eric C. Johnson Family Trust	Residential	2,304,633	0.04%
Charles E. Jr. & Sandra J. Parks	Residential/Vacant	1,385,737	0.02%
John D. & Michelle Parks	Residential	1,282,187	0.02%
TOTAL TOP TEN		<u>\$ 224,604,223</u>	<u>3.72%</u>

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
 LAST TEN FISCAL YEARS

Fiscal Year	Special Assessment Billings	Special Assessments Collected	Percent of Levy Collected
1995	\$ 811,651	\$ 796,924	98.2%
1996	809,208	788,919	97.5%
1997	756,438	741,261	98.0%
1998	374,483	368,652	98.4%
1999	325,130	333,455	102.6%
2000	326,425	327,423	100.3%
2001	326,396	325,337	99.7%
2002	327,460	324,016	98.9%
2003	327,384	332,806	101.7%
2004	327,737	326,106	99.5%

COMPUTATION OF LEGAL DEBT MARGIN
AS OF JUNE 30, 2004

Net Assessed Value	\$ 6,416,929,519
Debt limit - 15% of assessed value	\$ 962,539,428
Amount of debt applicable to debt limit	---
Legal debt margin	\$ 962,539,428

Note: Section 43605 of the Government Code of the State of California limits the amount of indebtedness for public improvements to 15% of the assessed valuation of all real personal property in the City.

The City of Rancho Palos Verdes has no general bonded indebtedness.

STATEMENT OF DIRECT AND OVERLAPPING DEBT

AS OF JUNE 30, 2004

	Percent Applicable	Bonded Debt June 30, 2004
DIRECT AND OVERLAPPING BONDED DEBT:		
Los Angeles County Detention Facilities 1987	1.015%	\$ 238,276
Los Angeles County Flood Control Storm Drain Bonds No. 4	1.030%	57,670
Los Angeles County Flood Control Refunding Bonds 1993	1.030%	5,716
Palos Verdes Library District Refunding Bonds 1998	49.295%	5,885,834
West Basin Metropolitan Water District *	0.979%	4,380,721
Los Angeles City Community College 2003 Series A	1.808%	1,770,975
Los Angeles City Community College 2003 Series B & C	1.788%	1,640,276
Los Angeles City Community College 2001 Series A	1.808%	8,748,307
Los Angeles Unified School District 2002 Refunding Bonds	0.220%	558,720
Los Angeles Unified School District 2002 Series A	0.220%	1,115,626
Los Angeles Unified School District 1997 Series A	0.220%	675,451
Los Angeles Unified School District 1997 Series B	0.220%	475,149
Los Angeles Unified School District 1997 Series C	0.220%	440,461
Los Angeles Unified School District 1997 Series D	0.220%	566,032
Los Angeles Unified School District 1997 Series E	0.220%	1,068,283
Los Angeles Unified School District 1997 Series F	0.220%	4,617,794
Palos Verdes Peninsula USD Series 2000 A	46.700%	9,052,767
Palos Verdes Peninsula USD Series 2000 B	46.700%	6,991,014
Palos Verdes Peninsula USD Series 2000 C	46.700%	4,869,563
TOTAL DIRECT AND OVERLAPPING BONDED DEBT		\$ 53,158,635 (1)

(1) Excludes revenue, mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation.

Debt to Assessed Valuation Ratios:

Direct Debt	0.00%
Overlapping Debt	0.92%
Total Debt	0.92%

* This debt is a portion of a larger agency, which is responsible for debt in areas outside the City.

DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population</u>	<u>Housing Units</u>
1995	42,089	15,588
1996	42,670	15,610
1997	43,155	15,623
1998	43,657	15,652
1999	44,345	15,683
2000	44,933	15,706
2001	41,145	15,753
2002	42,002	15,762
2003	42,322	15,772
2004	42,810	15,781

Source: CA Department of Finance and the City Planning, Building and Code Enforcement Department

DEMOGRAPHIC STATISTICS

2000 CENSUS DATA

Population distribution by ethnic group:		Individuals	Percent
White		27,660	67.23%
Asian		10,676	25.95%
Black or African American		815	1.98%
American Indian/Alaska Native		62	0.15%
Other		1,932	4.70%
	Total	41,145	100.00%

Population distribution by age:		Individuals	Percent
0-9 years		4,732	11.50%
10-19 years		5,436	13.21%
20-34 years		4,067	9.88%
35-44 years		6,584	16.00%
45-54 years		6,789	16.50%
55-64 years		5,837	14.19%
65-74 years		4,574	11.12%
75+ years		3,126	7.60%
	Total	41,145	100.00%

Household by type:		Number of households	Percent
Family - Married Couple		6,423	42.10%
Family - Married Couple with children under 18		4,375	28.68%
Family - Single Parent		830	5.44%
Family - Single Parent with children under 18		595	3.90%
Non Family		464	3.04%
Householder living alone		2,569	16.84%
	Total	15,256	100.00%

Housing Tenure:		Units	Percent
Owner-occupied		12,456	81.65%
Renter-occupied		2,800	18.35%
	Total	15,256	100.00%

Source: U.S. Bureau of the Census

BUILDING PERMITS AND PROPERTY VALUE
LAST TEN FISCAL YEARS

Fiscal Year	Total Construction		New Residential Construction		Bank Deposits
	Number of Permits	Property Value	Number of Units	Property Value	
1995	1,269	\$ 24,004,600	25	\$ 10,805,000	\$ 113,023,000
1996	1,356	19,993,784	19	8,572,000	193,339,000
1997	1,389	20,897,000	23	9,766,000	139,282,000
1998	2,373	25,799,345	31	11,948,000	170,584,000
1999	3,129	65,373,000	96	43,200,000	198,802,000
2000	2,544	41,403,218	39	24,949,630	202,839,000
2001	2,468	22,685,411	9	4,677,000	207,807,000
2002	1,319	20,363,386	10	4,387,828	208,627,000
2003	1,405	37,526,472	16	9,931,300	111,787,000
2004	1,492	35,955,300	34	17,682,700	**

** Data regarding bank deposits within the City of Rancho Palos Verdes for the fiscal year ended June 30, 2004 is not currently available.

MISCELLANEOUS STATISTICS

AS OF JUNE 30, 2004

Date of Incorporation	September 7, 1973
Form of Government	Council/Manager
Area	13.6 square miles
Coastline	7.5 miles
Contract Services:	
Police Protection	Los Angeles County Sheriff
Fire Protection	Los Angeles County Fire Protection District
Sewers	Los Angeles County Sanitation District #5
Utilities:	
Water	California Water Service Company
Gas	Southern California Gas Company
Electricity	Southern California Edison
Telephone	Verizon, Pacific Bell
City Facilities:	
Streets	143 miles
Parks	14 with 514 acres
Employees (Full-Time)	45