



COMPREHENSIVE
ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2007

**CITY OF RANCHO PALOS VERDES,
CALIFORNIA**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2007

Prepared By:

Finance Department

Dennis McLean, Director of Finance & Information Technology
Kathryn Downs, Deputy Director of Finance & Information Technology

Cover photo provides a view of the Rancho Palos Verdes shoreline from the Frank A. Vanderlip, Sr. Park. Photo provided courtesy of Ed Shea.

INTRODUCTORY SECTION



*Del Cerro Park
Photo by Ed Shea*

CITY OF RANCHO PALOS VERDES
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*Ladera Linda Community Park
Photo by Ed Shea*



CITY OF RANCHO PALOS VERDES

December 14, 2007

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, 2007, 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 financial section of the CAFR includes management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

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 43,092. 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, 2007, 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, 2008 presents the expectation of a decrease of General fund reserves. A potential economic downturn affecting revenue sources such as property tax and building permits, as well as the need to fund additional infrastructure renewal and maintenance 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 together with the Palos Verdes Peninsula Land Conservancy completed its first year of management of the City's Natural Communities Conservation Plan (NCCP) Preserve and continued its effort for acquiring open space for inclusion into the habitat preserve.
- 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 continued to approve the installation of various commercial antenna facilities for cellular telephones and personal communication systems on private property throughout the City.
- The City took the next step in updating its General Plan by entering into contracts with a consulting team to work with Staff in preparing the General Plan Update. Staff is currently working with the consulting team and expects that the General Plan Update will be presented to the Planning Commission and City Council in 2008.
- The City continued to implement its State approved Housing Element and worked with the Southern California Association of Governments (SCAG) in preparing the Regional Housing Needs Assessment. The City was successful in working with SCAG to reduce its RHNA housing construction need from 311 units to 60 units. The reduced number more accurately reflects the housing need of the City and will be used in the preparation of the City's updated Housing Element, which according to State Law must be completed by July 1, 2008. The City has entered into a contract with a consultant to assist the City in the preparation of the updated Housing Element. This work is currently underway and it is anticipated that the updated Housing Element will be brought to the Planning Commission for review in early 2008.
- The City oversaw the completion of the repair and rehabilitation of the Trump National golf course, which was damaged by a landslide in 1999. The City continued to work with the developer to permanently open the 18-hole golf course, which occurred during the summer of 2007. This is an important milestone for the project, which began construction in 1998, as it is the final certificate of occupancy for the golf course, showing that the developer has met all of his obligations pertaining to the opening of the golf course and has permanently completed the landslide repair.

Public Works

- Phase II of the Water Quality Flood Protection (WQFP) storm drain lining program was completed, which repaired the storm drain system on Monero Drive. In addition, a 2007 Storm Drain Lining project was completed, which lined various pipes throughout the City.
- Numerous catch basins and storm drain lines were cleaned throughout the City as part of the WQFP program.
- Catch basin screens were installed at eighty-nine catch basin locations throughout the City to prohibit litter from being conveyed to the Santa Monica Bay. The project was completed using a \$320,000 grant from the County.
- Public Works Staff and its engineering consultants completed design of a storm drain system to service

the McCarrell Canyon drainage area. The new system is expected to be constructed in 2008, and has been designed accommodate a 100-year storm.

- The City completed improvements to the Hesse Park public restrooms to comply with the Americans with Disabilities Act. The City was able to utilize Community Development Block Grant funding to complete the improvements.
- A waterproofing and moisture remediation project was completed at the Hesse Park Community Center building.
- Roofing and painting improvements were completed at the Ladera Linda Community Center.
- Modular buildings were installed at Upper Point Vicente Park for the newly established Disaster Communications Center and the Palos Verdes on the Net Annex.
- A sewer lateral was reconstructed for the City Hall building at Upper Point Vicente Park.
- Construction of a trail linking Point Vicente Interpretive Center (PVIC) and the Oceanfront Estates neighborhood was completed, along with the installation of a new water fountain at the PVIC.
- Bluff-top safety fencing was installed at both Abalone Cove Shoreline Park and the PVIC.
- The arterial slurry seal project on Palos Verdes Drive South (PVDS) was completed between Schooner Drive and Narcissa.
- Emergency repairs were completed to stabilize a section of roadway on PVDS that was dipping toward the ocean.
- Residential streets overlay and slurry improvements were completed in Area 2 of the City.
- A school safety pavement striping program was completed as part of the City's ongoing Traffic Management Program.

Recreation and Parks

- Recreation and Parks Staff completed the fabrication and installation of the Point Vicente Interpretive Center exhibits.
- Recreation and Parks Staff hosted the grand opening and dedication ceremony for the expanded Point Vicente Interpretive Center.
- Recreation and Parks Staff oversaw the first year of operation at the expanded Point Vicente Interpretive Center, attracting approximately 40,000 visitors to the museum.
- Recreation and Parks Staff coordinated the fabrication and installation of a new exhibit dedicated to the memory of Marineland (opened to the public in July 2007).
- 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 staff assisted the Peninsula Seniors, a local non-profit organization, with their operation of temporary offices and a classroom using modular trailers at Upper Point Vicente Park. The City also continued to offer the Peninsula Seniors the use of other park facilities for various events.
- Recreation and Parks Staff coordinated the City's annual July 4th Independence Day celebration.
- The City hosted two drama productions performed by *Shakespeare by the Sea* at Hesse Park.

- Recreation and Parks Staff continued to coordinate several annual community events including the Abalone Cove Beach Clean-Up Day and Breakfast with Santa.
- Through the City's Gifts for Parks program, Recreation Staff and Los Serenos de Point Vicente docents continue to pursue donations for PVIC exhibits, Fourth of July Celebration, Breakfast with Santa and other special events and programs.
- Once again, the City has qualified for the use of Community Development Block grant funds for the REACH program for youth and young adults with developmental disabilities.

Administration

- The City prevailed in the Los Angeles County Superior Court in the Monks v. City of Rancho Palos Verdes lawsuit wherein a group of property owners in the Portuguese Bend Landslide area sought to overturn the City's Moratorium Ordinance to allow residential development on vacant lots.
- On August 29, 2006, the City Council conducted a Joint Workshop with the Emergency Preparedness Committee and received a briefing from various agencies and organizations concerning their role, responsibilities and plan for emergency preparedness and response.
- In September 2006, the City amended its contract with the Los Angeles County Sheriff's Department to add a third regional traffic control deputy during the p.m. and weekend shift.
- On October 7, 2006, the City Council conducted a Landslide Workshop at Miraleste Intermediate School which included presentations and discussion of the history, land use controls, significant observations and existing data related to the Portuguese Bend Landslide Complex.
- On April 4, 2007, the City Council adopted the Uniform Public Construction Cost Accounting Act And An Ordinance Establishing Procedures For Bidding Procedures For Public Projects Under The Uniform Public Construction Cost Accounting Act. The adoption Uniform bidding procedures for public projects is expected to streamline the delivery of public construction projects while maintaining accountability.
- On April 17, 2007, the City Council appointed five residents to serve as an Oversight Committee for the Water Quality and Flood Protection program. The Committee met 4 times with Staff during the months of April and May 2007 to review the City's storm drain program that is partially funded via a user fee paid by property owners that use the system. Upon completing its review, the Committee issued its independent report to the City Council, dated June 12, 2007. On June 19, 2007, based upon the Committee's report and Staff's recommendation, the City Council voted to increase the storm drain user fee rate 2% for FY07-08.,
- On June 5, 2007, the City Council approved the 10% increase of cost-based fees and increases of facility rental rates ranging from 50-75% to improve the City's recovery of costs for certain services provided to the public..
- The City continued to operate its educational cable access channel – RPV Channel 33, which was first launched in August 2005. On January 27, 2007, the City Council conducted a public workshop regarding the channel, at which time the Council decided to continue the operation of the channel and to appropriate funds to purchase equipment to improve the broadcast quality and to further automate the operation of the station.
- The City Council conducted a Tactical Planning Workshop on March 24, 2007 to review and update the City Council's goals, which were initially created in 2004. The Council refined its previous goals to include: 1) Continue the Water Quality and Flood Protection program; 2) Complete the Natural Communities Conservation Plan and acquiring additional acreage for the Nature Preserve from willing sellers; 3) Reducing speeding and controlling parking in residential neighborhoods; 4) Prepare a Civic Center Master Plan and Facilitate Active Recreation at Upper Hesse Park; 5) Improving emergency services and preparedness; and 6) Bringing the Eastview area into the Palos Verdes Unified School District.
- In February 2007, Ronene Anda was appointed as the new Captain of the Lomita Sheriff's Station, which provides law enforcement services to the City of Rancho Palos Verdes, as well as the Cities of Rolling Hills, Rolling Hills Estates and Lomita.

- In March 2007, the City Council hired Carolyn Lehr as the new City Manager. She is the City's sixth City Manager and the first woman to fill the position.
- In May 2007, the City Council approved the new City Manager's 6-month Management Achievement Plan (MAP) to identify and track progress on completing the Council's tactical goals and other significant work projects.
- The City joined the U.S. Mayors Climate Protection Agreement's "Cool Cities" pledge with the goal of reducing City-wide carbon dioxide (CO₂) pollution to 7% below 1990 levels by 2012.
- The City Council adopted ordinances to further strengthen the City's Municipal Code to regulate solicitation in compliance with current case law, address targeting picketing in residential areas, and prohibit the establishment of marijuana dispensaries.
- On June 30, 2007, the City celebrated the grand opening of a new facility and radio antenna on the Civic Center site for the Sheriff's Disaster Communications Service (DCS) and the Palos Verdes Volunteer Alert Network (PVAN), which provides critical ham radio communications during natural disasters and other emergencies.
- The City continued to publish a newsletter that was distributed to all residents. The Fall 2006 newsletter featured articles on proposed major development projects and the preparation of a Vision Plan for public parklands within the City's coastal area, while the Winter 2007 highlighted the results of a biological survey of the City's open space areas and two significant public trail improvements at Ocean Front Estates and on Palos Verdes Drive East.
- The Council continued to host two Community Leaders' Breakfasts. The Fall 2006 breakfast featured a presentation on the Vision Plan and the Spring 2007 meeting provided an update on the progress of the City's Water Quality and Flood Protection program.
- The City Council continued to provide financial assistance to a variety of non-profit organizations that provide service to the community. Notably, the City provided a first-time grant to the Palos Verdes Peninsula Library District for the operation of "The Annex," a youth drop-in center located adjacent to the main library in the Peninsula Center.

FINANCIAL INFORMATION

The Finance and Information Technology 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, 2007, approximately \$330,000 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.

Budget to Actual Comparison. Once again, the City experienced a favorable budget variance in the General fund for the fiscal year ended June 30, 2007. Actual General fund revenues were approximately \$1.2 million greater than the amount budgeted, while expenditures and transfers out were approximately \$0.9 million less than the amount budgeted. The positive variances resulted from receipt of property taxes and interest earnings in excess of estimates and the continued careful management of resources during FY06-07.

Debt Administration. At June 30, 2007, the City had no general obligation debt and one tax increment bond issued during FY97-98. 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. The majority of investments are currently maintained with the State Treasurer's Local Agency Investment Fund (LAIF). LAIF provides high safety and liquidity and is operated specifically for local governments. The City's invested balance with LAIF as of June 30, 2007 was \$21,031,095. The average return on LAIF invested funds was 5.12%. As of June 30, 2007, the City had also invested \$5,000,000 with a commercial bank certificate of deposit bearing a 4.45% interest rate and \$9,754,047 with U.S. Treasury Securities bearing various interest rates ranging from 4.81% to 4.92%. 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, 2007, 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, 2006. This was the fourteenth 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.

Acknowledgments. Completion of this report was the accomplishment by combined efforts of many individuals, especially Kathryn Downs, Deputy Director of Finance and Information Technology, who coordinated preparation of the report. I wish to acknowledge the assistance of our auditors, Vavrinek, Trine, Day & Company, LLP and the contributions of other Finance and Information Technology Department staff: Gary Gyves, Jane Lin, Selena Wright, Gayle Vanoverbeck, 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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dennis McLean". The signature is stylized and somewhat cursive.

Dennis McLean
Director of Finance & Information Technology



*Fred Hesse, Jr. Park Community Center
Photo by Ed Shea*

CITY OF RANCHO PALOS VERDES

DIRECTORY OF CITY OFFICIALS

JUNE 30, 2007

CITY COUNCIL

Thomas D. Long, Mayor

Douglas W. Stern, Mayor Pro-Tem

Larry Clark, Councilman

Peter Gardiner, Councilman

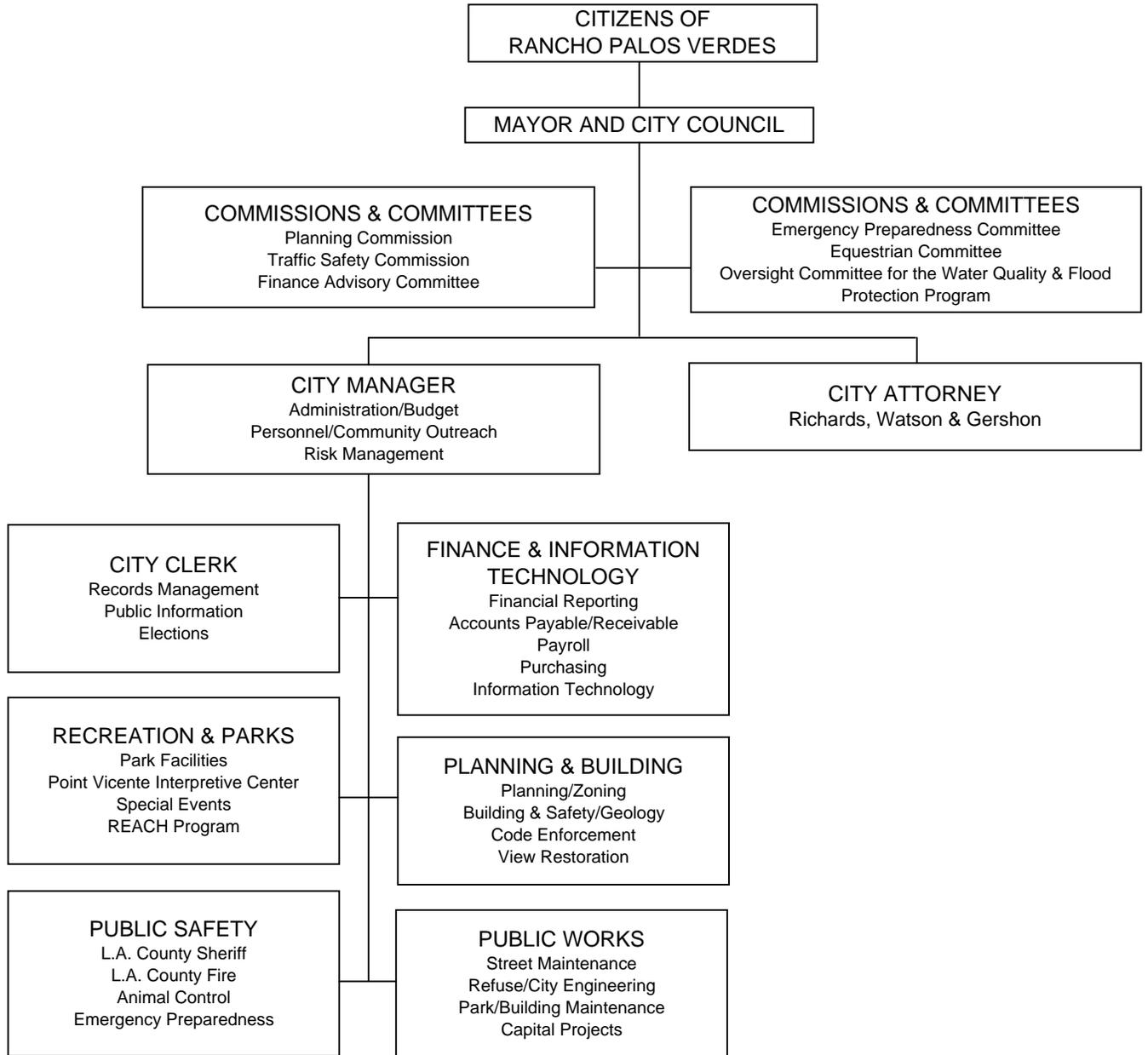
Steve Wolowicz, Councilman

ADMINISTRATION AND DEPARTMENT HEADS

City Manager Carolyn Lehr
Deputy City Manager Carolynn Petru
City Clerk Carla Morreale
Director of Finance and Information Technology Dennis McLean
Director of Planning, Building and Code Enforcement Joel Rojas
Director of Public Works Jim Bell
Director of Recreation and Parks Ron Rosenfeld
City Attorney Richards, 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, 2006

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



President

Executive Director



Los Verdes Golf Course
Photo by Ed Shea

FINANCIAL SECTION



*Bluff Trails at Point Vicente Interpretive Center
Photo by Ed Shea*



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type 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, 2007, which collectively comprise the City of Rancho Palos Verdes' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rancho Palos Verdes' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Rancho Palos Verdes, California, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Street Maintenance Special Revenue Fund 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 December 14, 2007 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 on pages 3 through 10, 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 the introductory section, combining schedules and additional budgetary comparison schedules, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining schedules and additional budgetary comparison 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. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vannich, True, Day & Co., LLP

Rancho Cucamonga, California
December 14, 2007

MANAGEMENT'S DISCUSSION & ANALYSIS

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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, 2007. 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 i-vii 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, 2007, by \$147,147,774 (*net assets*). Of this amount, \$23,081,381 (*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 \$4,465,839. This increase is primarily attributable to the acquisition of the Portuguese Bend Open Space.
- As of June 30, 2007, the City's governmental funds reported combined ending fund balances of \$22,962,633, an increase of \$60,149 in comparison with the prior year. The increase in combined ending fund balances is primarily attributable to additional deposits of restricted revenue to the Special Revenue funds. Approximately \$8,122,695 (*unreserved fund balance*) is available for spending at the government's discretion. The combined unreserved fund balance includes the RDA Debt Service negative unreserved fund balance of \$14,872,974.
- As of June 30, 2007, unreserved undesignated fund balance for the General fund was \$14,376,151 or 76% of total General fund expenditures and transfers out.
- The City's total debt decreased by \$238,529 (3%) during the current fiscal year. The decrease was primarily attributable to partial payment of the RDA deferred interest payable.

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.

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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).

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's business-type activities include only the newly established Water Quality and Flood Protection program for renewal and maintenance of the City's storm drain facilities.

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 12-14 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 four categories: governmental funds, enterprise 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.

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

The City of Rancho Palos Verdes maintains 30 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 26 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 15-20 of this report.

Proprietary funds. The City of Rancho Palos Verdes maintains two types of *proprietary funds*. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Rancho Palos Verdes uses an enterprise fund to account for its Water Quality and Flood Protection program. *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. The proprietary fund financial statements provide separate information for the enterprise fund, which is considered a major fund of the City of Rancho Palos Verdes. Conversely, 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 26-52 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 58-98 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 \$147,147,774 at June 30, 2007. By far the largest portion of the City's net assets (76 percent) reflects its investment in capital assets (e.g. land, infrastructure, buildings, and 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

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2007

City of Rancho Palos Verdes Net Assets

	Governmental Activities		Business-type Activities		Total	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Current and other assets	\$ 42,104,403	\$ 40,452,194	\$ 5,490,107	\$ 3,086,278	\$ 47,594,510	\$ 43,538,472
Capital assets	109,745,987	109,990,753	2,157,916	1,311,395	111,903,903	111,302,148
Total assets	151,850,390	150,442,947	7,648,023	4,397,673	159,498,413	154,840,620
Long-term liabilities outstanding	7,711,785	7,950,314	-	-	7,711,785	7,950,314
Other liabilities	4,406,960	4,060,625	231,894	287,464	4,638,854	4,348,089
Total liabilities	12,118,745	12,010,939	231,894	287,464	12,350,639	12,298,403
Invested in capital assets	109,745,987	109,990,753	2,157,916	1,311,395	111,903,903	111,302,148
Restricted	12,162,490	12,417,159	-	-	12,162,490	12,417,159
Unrestricted	17,823,168	16,024,096	5,258,213	2,798,814	23,081,381	18,822,910
Total net assets	\$ 139,731,645	\$ 138,432,008	\$ 7,416,129	\$ 4,110,209	\$ 147,147,774	\$ 142,542,217

An additional portion of the City’s net assets (\$12,162,490 or 8.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$23,081,381 or 15.7 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 \$1,159,919, thereby accounting for 26 percent of the total growth in the net assets of the City.

CITY OF RANCHO PALOS VERDES

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2007

City of Rancho Palos Verdes Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Program revenues:						
Charges for services	\$ 2,195,987	\$ 1,659,787	\$ -	\$ -	\$ 2,195,987	\$ 1,659,787
Operating contributions and grants	4,200,344	3,893,921	-	-	4,200,344	3,893,921
Capital contributions and grants	317,115	17,299,613	-	-	317,115	17,299,613
General revenues:						
Property taxes	10,235,025	9,621,452	-	-	10,235,025	9,621,452
Other taxes	5,782,270	5,725,737	-	-	5,782,270	5,725,737
Other	3,460,001	1,790,166	1,559,986	47,255	5,019,987	1,837,421
Total revenues	26,190,742	39,990,676	1,559,986	47,255	27,750,728	40,037,931
Expenses:						
Administration	4,953,440	4,350,356	-	-	4,953,440	4,350,356
Public safety	3,751,377	3,436,993	-	-	3,751,377	3,436,993
Public works	9,968,791	9,289,599	-	-	9,968,791	9,289,599
Parks and recreation	1,438,803	1,659,262	-	-	1,438,803	1,659,262
Planning, building and code enforcement	2,630,897	2,060,148	-	-	2,630,897	2,060,148
Interest on long-term debt	271,000	270,216	-	-	271,000	270,216
Water Quality Flood Protection	-	-	270,581	46,624	270,581	46,624
Total expenses	23,014,308	21,066,574	270,581	46,624	23,284,889	21,113,198
Increase in net assets before transfers	3,176,434	18,924,102	1,289,405	631	4,465,839	18,924,733
Transfers	(2,016,515)	(2,109,492)	2,016,515	2,109,492	-	-
Increase in net assets	1,159,919	16,814,610	3,305,920	2,110,123	4,465,839	18,924,733
Net assets - beginning of fiscal year	138,571,726	121,757,116	4,110,209	2,000,086	142,681,935	123,757,202
Net assets - end of fiscal year	\$ 139,731,645	\$ 138,571,726	\$ 7,416,129	\$ 4,110,209	\$ 147,147,774	\$ 142,681,935

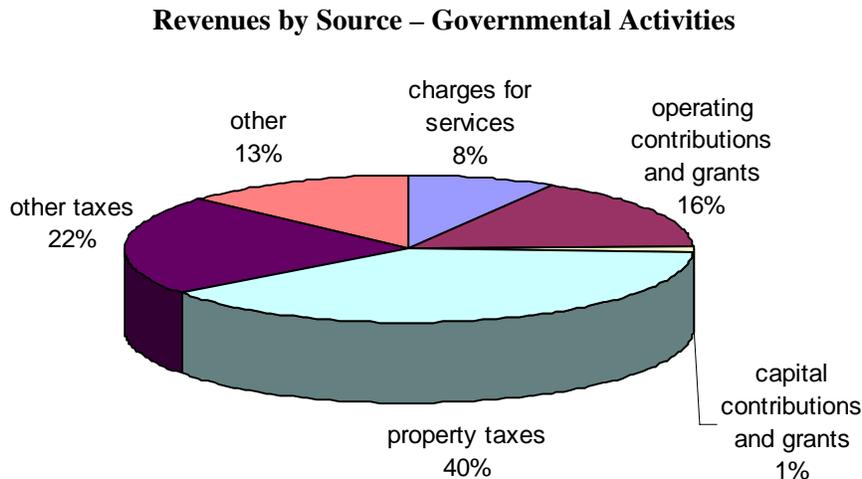
Key elements of this increase are as follows:

- The difference in the method of accounting for capital assets in the governmental funds versus the statement of activities accounts for a decrease of \$245,000 in net assets. The decrease in capital assets is primarily attributable to annual depreciation.
- 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 \$1,118,000 in net assets. Unpaid accrued interest income is deferred in the governmental funds since it is not available.
- The excess of Internal Service fund revenues over expenses of about \$270,000. The net revenues and expenses of Internal Service funds are reported with governmental activities in the Statement of Activities.

CITY OF RANCHO PALOS VERDES

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2007



As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$22,962,633, an increase of \$60,149 in comparison with the prior year. Approximately 61 percent of the combined ending fund balances (\$13,979,674) constitute unreserved fund balance, which is available for spending at the City’s discretion. The combined unreserved fund balance includes the RDA Debt Service negative unreserved fund balance of \$14,872,974. 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 reserve the principal balance of loans made to the City’s Redevelopment Agency (\$6,152,853), and 2) for a variety of other restricted purposes (\$2,830,106).

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 \$14,376,151, while total fund balance reached \$21,747,929. 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 99 percent of total General fund uses, while total fund balance represents 151 percent of that same amount.

During the current fiscal year, the fund balance of the City’s General fund increased by \$1,057,958. The key factor in this increase is attributable to the continued careful management of resources during FY06-07.

The debt service fund has a net negative fund balance of \$14,455,486. 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 \$1,085,513, which primarily 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 Enterprise fund at the end of the year amounted to \$5,258,213. Unrestricted net assets of the Internal Service funds at the end of the year amounted to \$5,141,042. The total growth in proprietary fund type net assets was \$3,576,205.

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was an increase of \$847,799; and can be briefly summarized as follows:

- A decrease of \$785,536 was attributable to appropriations continued to FY07-08.
- An increase of approximately \$876,105 was attributable to appropriations continued from FY05-06.
- Additional funds of \$300,000 were approved for general liability insurance, which was affected by actual prior years' claims.
- Additional funds of \$300,000 were approved for legal services, primarily attributable to litigation.
- Other immaterial increases totaled approximately \$160,000.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$109,745,988 (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 less than 1 percent.

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

- Depreciation of \$3.25 million was recorded for the City's capital assets.
- The residential overlay program was completed at a cost of about \$1.9 million.
- The Forrestal drainage swale improvement was completed at a cost of about \$400,000.
- Eighty-nine catch basin filtration devices were installed at a cost of \$320,000.
- The McCarrell Canyon drainage gabion wall and debris basin were completed at a cost of about \$260,000.
- The City Hall roof improvement was completed at a cost of about \$200,000.
- The bluff-top safety fences for Point Vicente Interpretive Center and Abalone Cove Shoreline Park were completed at a cost of about \$130,000.

CITY OF RANCHO PALOS VERDES

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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

	Governmental Activities	
	June 30, 2007	June 30, 2006
Land	\$ 32,132,781	\$ 32,132,781
Buildings	7,354,680	7,336,611
Park improvements	2,216,116	1,735,870
Roadways	46,138,492	46,273,578
Sewer system	10,267,911	10,723,020
Storm drain system	11,182,857	10,919,853
Vehicles	101,452	48,137
Computer equipment	151,385	186,881
Furniture and other equipment	111,058	113,883
Construction in Progress	89,256	520,139
Total	\$ 109,745,988	\$ 109,990,753

Additional information on the City’s capital assets can be found in note 4 on pages 38-39 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 \$7,711,785. Of this amount, \$7,471,329 is a liability of the Redevelopment Agency.

City of Rancho Palos Verdes Outstanding Debt

	Governmental Activities	
	June 30, 2007	June 30, 2006
RDA Tax Increment Bond	\$ 5,410,000	\$ 5,435,000
RDA Deferred Interest Payable	2,061,329	2,284,211
Employee compensated absences	240,456	231,103
Total	\$ 7,711,785	\$ 7,950,314

The City’s total debt decreased by \$238,529 (3 percent) during the current fiscal year, due to partial payment of the RDA deferred interest payable.

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 \$1,195,664,700. Additional information on the City’s long-term debt can be found in note 5 on pages 39-41 of this report.

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

Economic Factors and Next Year's Budgets and Rates

- Local property values remain strong; therefore, property tax revenue (approximately 37 percent of City-wide revenues) remains unaffected by the downturn in the economy. This factor was considered in preparing the City's budget for FY07-08.

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 and Information Technology Department at 30940 Hawthorne Boulevard, Rancho Palos Verdes, CA 90275 or finance@rpv.com.

BASIC FINANCIAL STATEMENTS



Martingale Trailhead
Photo by Ed Shea

GOVERNMENT-WIDE STATEMENTS



Ryan Park
Photo by Ed Shea

CITY OF RANCHO PALOS VERDES

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 37,555,940	\$ 4,045,432	\$ 41,601,372
Receivables:			
Taxes	731,269		731,269
Interest	369,885	23,255	393,140
Notes	777,524		777,524
Other	960,849	21,420	982,269
Prepaid costs	1,006,544	1,400,000	2,406,544
Land held for development	702,392		702,392
Non-depreciable:			
Land	32,132,781		32,132,781
Construction in progress	89,256	403,119	492,375
Depreciable, net of accumulated depreciation:			
Property and equipment	363,894	10,632	374,526
Buildings and improvements	7,354,680		7,354,680
Infrastructure	69,805,376	1,744,165	71,549,541
Total Assets	<u>151,850,390</u>	<u>7,648,023</u>	<u>159,498,413</u>
LIABILITIES			
Accounts payable and accrued liabilities	2,969,712	215,501	3,185,213
Interest payable	20,674		20,674
Retentions payable	14,717	16,393	31,110
Unearned revenue	110,065		110,065
Deposits	1,291,792		1,291,792
Noncurrent liabilities:			
Due within one year	220,404		220,404
Due in more than one year	7,491,381		7,491,381
Total Liabilities	<u>12,118,745</u>	<u>231,894</u>	<u>12,350,639</u>
NET ASSETS			
Invested in capital assets	109,745,987	2,157,916	111,903,903
Restricted for:			
Community development:			
Expendable	8,219,348		8,219,348
Non-expendable	1,000,000		1,000,000
Public safety	73,453		73,453
Public works	2,777,967		2,777,967
Recreation services	91,722		91,722
Unrestricted	17,823,168	5,258,213	23,081,381
Total Net Assets	<u>\$ 139,731,645</u>	<u>\$ 7,416,129</u>	<u>\$ 147,147,774</u>

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
Administration	\$ 4,953,440	\$ 29,360	\$ 3,959	
Public safety	3,751,377	331,636	166,197	
Public works	9,968,791	184,938	4,030,188	\$ 317,115
Parks and recreation	1,438,803	50,681		
Planning, building and code enforcement	2,630,897	1,599,372		
Interest on long-term debt	271,000			
Total Governmental Activities	23,014,308	2,195,987	4,200,344	317,115
Business-type Activities:				
Water Protection Flood Control	270,581			
Total Primary Government	\$ 23,284,889	\$ 2,195,987	\$ 4,200,344	\$ 317,115

General Revenues:

Taxes:

- Property tax, levied for general purpose
- Property tax, Redevelopment Agency tax increment
- Storm Drain User Fees Levied for Water Quality and Flood Protection
- Transient occupancy tax
- Franchise tax
- Sales tax
- In lieu sales tax (unrestricted)
- Motor vehicle in lieu tax (unrestricted)
- Utility user tax
- Other taxes
- Investment income
- Other

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

Net Revenue (Expense) and Change in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (4,920,121)		\$ (4,920,121)
(3,253,544)		(3,253,544)
(5,436,550)		(5,436,550)
(1,388,122)		(1,388,122)
(1,031,525)		(1,031,525)
(271,000)		(271,000)
(16,300,862)		(16,300,862)
	\$ (270,581)	(270,581)
(16,300,862)	(270,581)	(16,571,443)
9,336,425		9,336,425
898,600		898,600
	1,188,439	1,188,439
31,803		31,803
1,511,637		1,511,637
1,122,691		1,122,691
258,094		258,094
255,562		255,562
2,271,383		2,271,383
331,100		331,100
1,614,876	51,294	1,666,170
1,845,125	320,253	2,165,378
(2,016,515)	2,016,515	
17,460,781	3,576,501	21,037,282
1,159,919	3,305,920	4,465,839
138,571,726	4,110,209	142,681,935
\$ 139,731,645	\$ 7,416,129	\$ 147,147,774



*View from Del Cerro Park
Photo by Ed Shea*

FUND FINANCIAL STATEMENTS

CITY OF RANCHO PALOS VERDES

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007**

	General	Special Revenue Street Maintenance	Capital Projects Capital Improvements
ASSETS			
Cash and cash equivalents	\$ 17,152,624	\$ 1,049,368	\$ 2,802,952
Receivable			
Taxes	701,726		
Interest	175,307	8,622	2,479
Other	392,006	3,687	
Due from other funds	392,675		
Prepaid items	433,389		
Advances to other funds	14,887,466		
Land held for development			
Total Assets	<u>\$ 34,135,193</u>	<u>\$ 1,061,677</u>	<u>\$ 2,805,431</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 2,140,257	\$ 308,413	\$ 13,485
Due to other funds			
Retentions payable	8,232		
Deferred revenue	8,946,983		
Advances to Redevelopment Agency			
Deposits	1,291,792		
Total Liabilities	<u>12,387,264</u>	<u>308,413</u>	<u>13,485</u>
FUND BALANCES			
Reserved for:			
Reimbursement settlement agreement			
Prepaid costs	433,389		
Advances to other funds	6,152,853		
Land development			
Housing set-aside			
Unreserved:			
Designated for continuing appropriations:			
General fund	785,536		
Special revenue funds		225,654	
Capital projects funds			2,157,752
Permanent funds			
Unreserved, undesignated and reported in:			
General fund	14,376,151		
Special revenue funds		527,610	
Capital projects funds			634,194
Permanent funds			
Debt service fund			
Total Fund Balances	<u>21,747,929</u>	<u>753,264</u>	<u>2,791,946</u>
Total Liabilities and Fund Balances	<u>\$ 34,135,193</u>	<u>\$ 1,061,677</u>	<u>\$ 2,805,431</u>

See accompanying notes to financial statements.

Debt Service	Other Governmental Funds	Totals
RDA		
\$ 14,492	\$ 11,197,953	\$ 32,217,389
	29,543	731,269
	137,174	323,582
	565,156	960,849
		392,675
417,488	32,533	883,410
		14,887,466
	702,392	702,392
<u>\$ 431,980</u>	<u>\$ 12,664,751</u>	<u>\$ 51,099,032</u>
	\$ 140,611	\$ 2,602,766
	392,675	392,675
	6,485	14,717
		8,946,983
\$ 14,887,466		14,887,466
		1,291,792
<u>14,887,466</u>	<u>539,771</u>	<u>28,136,399</u>
	1,000,000	1,000,000
417,488	32,533	883,410
		6,152,853
	702,392	702,392
	244,304	244,304
		785,536
	1,623,037	1,848,691
	1,000,000	3,157,752
	65,000	65,000
		14,376,151
	5,898,437	6,426,047
	1,234,470	1,868,664
	324,807	324,807
(14,872,974)		(14,872,974)
<u>(14,455,486)</u>	<u>12,124,980</u>	<u>22,962,633</u>
<u>\$ 431,980</u>	<u>\$ 12,664,751</u>	<u>\$ 51,099,032</u>

See accompanying notes to financial statements.



*Fred Hesse, Jr. Park
Photo by Ed Shea*

CITY OF RANCHO PALOS VERDES

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

Fund Balances of Governmental Funds	\$ 22,962,633
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.	109,382,093
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.	8,734,614
Intergovernmental revenues earned, but not available are deferred in the fund financial statements. The revenue is not deferred on the Statement of Activities.	102,304
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds.	(20,674)
Long-term notes receivable are not current available resources and, therefore, are not reported in the governmental funds.	777,524
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(7,711,785)
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>5,504,936</u>
Net Assets of Governmental Activities	<u><u>\$ 139,731,645</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, 2007**

	General	Special Revenue Street Maintenance	Capital Projects Capital Improvements
REVENUES			
Taxes	\$ 14,804,862		
Licenses and permits	1,763,125		
Fines and forfeitures	236,702		
Use of money and property	2,570,582	\$ 25,630	\$ 46,253
Charges for services	57,150	3,668	
Revenue from other agencies	346,884	1,100,660	25,496
Other revenues	135,338	18,278	
Total Revenues	<u>19,914,643</u>	<u>1,148,236</u>	<u>71,749</u>
EXPENDITURES			
Current:			
Administration	4,536,824		
Public safety	3,751,132		
Public works	2,100,413	1,819,740	
Parks and recreation	1,318,860		
Planning, building and code enforcement	2,676,767		
Pass through to other agencies			
Capital outlay			2,886,693
Debt service:			
Principal			
Interest and fiscal charges			
Total Expenditures	<u>14,383,996</u>	<u>1,819,740</u>	<u>2,886,693</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,530,647</u>	<u>(671,504)</u>	<u>(2,814,944)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	150,471	1,138,517	2,807,697
Transfers out	(4,623,160)	(512,375)	
Total Other Financing Sources (Uses)	<u>(4,472,689)</u>	<u>626,142</u>	<u>2,807,697</u>
Net Change in Fund Balances	1,057,958	(45,362)	(7,247)
Fund Balances, Beginning of Year	<u>20,689,971</u>	<u>798,626</u>	<u>2,799,193</u>
Fund Balances, End of Year	<u>\$ 21,747,929</u>	<u>\$ 753,264</u>	<u>\$ 2,791,946</u>

See accompanying notes to financial statements.

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
RDA		
\$ 716,870	\$ 931,457	\$ 16,453,189
		1,763,125
		236,702
	834,732	3,477,197
		60,818
	2,644,820	4,117,860
	50,004	203,620
<u>716,870</u>	<u>4,461,013</u>	<u>26,312,511</u>
13,377	56,810	4,607,011
		3,751,132
	2,944,238	6,864,391
		1,318,860
	4,175	2,680,942
151,510		151,510
	237,812	3,124,505
247,882		247,882
1,389,614		1,389,614
<u>1,802,383</u>	<u>3,243,035</u>	<u>24,135,847</u>
<u>(1,085,513)</u>	<u>1,217,978</u>	<u>2,176,664</u>
	392,454	4,489,139
	(1,470,119)	(6,605,654)
	<u>(1,077,665)</u>	<u>(2,116,515)</u>
(1,085,513)	140,313	60,149
<u>(13,369,973)</u>	<u>11,984,667</u>	<u>22,902,484</u>
<u>\$ (14,455,486)</u>	<u>\$ 12,124,980</u>	<u>\$ 22,962,633</u>

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, 2007**

Net Change in Fund Balances - Total Governmental Funds	\$ 60,149
<p>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:</p>	
<p>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. Asset disposals are also not recognized in the governmental funds. This activity is reconciled as follows:</p>	
Cost of assets capitalized	2,799,941
Depreciation expense	(3,059,700)
Unpaid accrued interest income is deferred in the governmental funds since it is not available. This income is accrued in the Statement of Activities.	1,118,489
Intergovernmental revenues earned, but not available are deferred in the fund financial statements.	(276,765)
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds. This amount represents the net change in interest payable.	125
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.	8,866
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.	(9,353)
Principal payments on debt are recorded as expenditures in the funds. The expenditure is not recognized in the Statement of Activities since it reduces the liability reported on the Statement of Net Assets. Principal payments consisted of the following:	
RDA Tax Increment Bond	25,000
RDA Deferred Interest Payable	222,882
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.	<u>270,285</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,159,919</u></u>

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 13,535,100	\$ 14,143,200	\$ 14,804,862	\$ 661,662
Licenses and permits	1,492,128	1,582,128	1,763,125	180,997
Fines and forfeitures	170,000	170,000	236,702	66,702
Use of money and property	1,613,850	2,193,850	2,570,582	376,732
Charges for services	57,500	57,500	57,150	(350)
Revenue from other agencies	406,582	406,582	346,884	(59,698)
Other revenues	135,340	135,340	135,338	(2)
Total Revenues	17,410,500	18,688,600	19,914,643	1,226,043
EXPENDITURES				
Current:				
Administration	3,844,120	4,618,742	4,536,824	81,918
Public safety	3,920,496	3,886,847	3,751,132	135,715
Public works	2,400,959	2,389,655	2,100,413	289,242
Parks and recreation	1,262,300	1,389,848	1,318,860	70,988
Planning, building and code enforcement	2,942,252	2,932,834	2,676,767	256,067
Total Expenditures	14,370,127	15,217,926	14,383,996	833,930
Excess of Revenues Over Expenditures	3,040,373	3,470,674	5,530,647	2,059,973
OTHER FINANCING SOURCES (USES)				
Transfers in	186,600	201,600	150,471	(51,129)
Transfers out	(5,069,653)	(4,691,363)	(4,623,160)	68,203
Total Other Financing Sources (Uses)	(4,883,053)	(4,489,763)	(4,472,689)	17,074
Net Change in Fund Balance	(1,842,680)	(1,019,089)	1,057,958	2,077,047
Fund Balance, Beginning of Year	20,689,971	20,689,971	20,689,971	
Fund Balance, End of Year	\$ 18,847,291	\$ 19,670,882	\$ 21,747,929	\$ 2,077,047

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 8,500	\$ 8,500	\$ 25,630	\$ 17,130
Charges for services	15,000	15,000	3,668	(11,332)
Revenue from other agencies	796,000	1,114,325	1,100,660	(13,665)
Other revenues			18,278	18,278
Total Revenues	819,500	1,137,825	1,148,236	10,411
EXPENDITURES				
Current:				
Public works	1,966,500	2,007,072	1,819,740	187,332
Excess (Deficiency) of Revenues Over Expenditures	(1,147,000)	(869,247)	(671,504)	197,743
OTHER FINANCING SOURCES (USES)				
Transfers in	1,133,456	1,183,456	1,138,517	(44,939)
Transfers out		(512,375)	(512,375)	
Total Other Financing Sources (Uses)	1,133,456	671,081	626,142	(44,939)
Net Change in Fund Balance	(13,544)	(198,166)	(45,362)	152,804
Fund Balance, Beginning of Year	798,686	798,686	798,686	
Fund Balance, End of Year	\$ 785,142	\$ 600,520	\$ 753,324	\$ 152,804

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Water Quality Flood Protection Enterprise Fund	Governmental Activities - Internal Service Funds
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,045,432	\$ 5,338,551
Receivables:		
Interest	23,255	46,303
Other	21,420	
Prepaid items	1,400,000	123,134
Total Current Assets	<u>5,490,107</u>	<u>5,507,988</u>
Noncurrent Assets		
Capital assets:		
Construction in progress	403,119	
Property and equipment	11,813	1,262,556
Infrastructure	1,813,423	
Accumulated depreciation	(70,439)	(898,662)
Total Noncurrent Assets	<u>2,157,916</u>	<u>363,894</u>
Total Assets	<u>7,648,023</u>	<u>5,871,882</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	215,501	366,946
Retainage payable	16,393	
Total Liabilities	<u>231,894</u>	<u>366,946</u>
NET ASSETS		
Invested in capital assets	2,157,916	363,894
Unrestricted	5,258,213	5,141,042
Total Net Assets	<u>\$ 7,416,129</u>	<u>\$ 5,504,936</u>

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

**PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES, AND CHANGES
IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007**

	Water Quality Flood Protection Enterprise Fund	Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Charges for services		\$ 1,913,893
Total Operating Revenues		1,913,893
OPERATING EXPENSES		
Personnel services		1,269,938
Material and supplies		105,683
Maintenance	226,731	383,409
Depreciation	43,850	189,578
Total Operating Expenses	270,581	1,948,608
Operating Income (Loss)	(270,581)	(34,715)
NONOPERATING REVENUES		
Interest income	51,294	145,735
Other income	253	
Storm Drain User Fees	1,188,439	
Revenue from other agencies	320,000	59,265
Total Non Operating Revenues	1,559,986	205,000
Income Before Transfers	1,289,405	170,285
TRANSFERS IN	2,016,515	100,000
Change in Net Assets	3,305,920	270,285
Net Assets, Beginning of Year	4,110,209	5,234,651
Net Assets, End of Year	\$ 7,416,129	\$ 5,504,936

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007**

	Water Quality Flood Protection Enterprise Fund	Governmental Activities - Internal Service Funds
	<u>Fund</u>	<u>Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Internal activity - payments from other funds		\$ 1,913,893
Payments to suppliers	\$ (226,731)	<u>(1,660,957)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(226,731)</u>	<u>252,936</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment to escrow deposit (prepaid)	(1,400,000)	
Acquisition of capital assets	(967,361)	<u>(204,571)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,367,361)</u>	<u>(204,571)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental Revenue	320,253	59,265
Receipts from storm drain user fees	1,188,439	
Transfers in	2,016,515	<u>100,000</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>3,525,207</u>	<u>159,265</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	43,336	<u>151,417</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	974,451	359,047
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>3,070,981</u>	<u>4,979,504</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 4,045,432</u>	<u>\$ 5,338,551</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ (270,581)	\$ (34,715)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	43,850	189,578
Increase in prepaid items		(123,134)
Increase (decrease) in accrued liabilities		<u>221,207</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (226,731)</u>	<u>\$ 252,936</u>

See accompanying notes to financial statements.



NOTES TO FINANCIAL STATEMENTS

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Rancho Palos Verdes (the City) 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 the Permanent Fund and 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, 2007

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 Governmental Accounting Standards Board (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.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

- *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.
- *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

- *Enterprise Funds* – Used to finance and account for the acquisition, operation, and maintenance of the City’s facilities and services, which are supported primarily by user charges.
- *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.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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 as a major fund because the City believes the financial position and activities of this fund are significant to the City as a whole.

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 #10), 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 and for the payment of principal and interest on the RDA’s debt and other long-term obligations.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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 enterprise and internal service funds are charges to customers for sales and services. Operating expenses for the enterprise and internal service funds include the costs of sales and services, 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.).

The City reports the following major enterprise fund

The Water Quality Flood Protection Fund is used to account for voter approved storm drain user fees used to repair and replace the City’s storm drain facilities.

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

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 decrease in the amount of \$853,195. This decrease resulted primarily from amounts carried over to FY07-08.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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, 2007, 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, 2007

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, 2007, vested accrued vacation and compensatory time amounted to \$240,456.

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, 2007, 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, 2007

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

L. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. In governmental funds, the prepaid assets recorded do not reflect current appropriable resources and thus, an equivalent portion of fund balance is reserved.

The City had a total of \$2,406,544 of prepaid items as of June 30, 2007. Of the total, the Water Quality Flood Protection enterprise fund recorded \$1,400,000 of prepaid items relating to an escrow deposit for the acquisition of land under an eminent domain proceeding. See Note #14 for additional information.

M. 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.

N. 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.

O. New Pronouncements

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, 2009. The City has not determined its effect on the financial statements.

GASB Statement No. 48 – In September 2006, the GASB issued Statement No. 49, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement addresses accounting and financial reporting standards for transactions where governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. This statement establishes criteria and reporting standards regarding the exchange as either a sale or collateralized borrowing, resulting in a liability. This statement is not effective until June 30, 2008. The City has not determined its effect on the financial statements.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

GASB Statement No. 49 – In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement is not effective until June 30, 2009. The City has not determined its effect on the financial statements.

GASB Statement No. 50 – In May 2007, the GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This statement is not effective until June 30, 2008. The City has not determined its effect on the financial statements.

GASB Statement No. 51 – In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is not effective until June 30, 2010. The City has not determined its effect on the financial statements.

NOTE #2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2007, are classified in the accompanying financial statements as follows:

Governmental Funds	\$ 32,217,389
Proprietary Funds:	
Enterprise Fund	4,045,432
Internal Service Funds	5,338,551
	<u>\$ 41,601,372</u>

Cash and investments as of June 30, 2007 consist of the following:

Petty Cash	\$ 2,500
Deposits with Financial Institutions	5,813,730
Investments	35,785,142
	<u>\$ 41,601,372</u>

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #2 – CASH AND INVESTMENTS, (Continued)

Investments Authorized by the California Government Code and the City of Rancho Palos Verdes’ Investment Policy

The table below identifies the investment types that are authorized for the City of Rancho Palos Verdes by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Amount or Percent of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	7 days	15%	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	15%	5%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None
Money Market Savings/Demand Deposits	N/A	\$1 Million	15%

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #2 – CASH AND INVESTMENTS, (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City manages its exposure to interest rate risk by purchasing a combination of securities and investing with the Local Agency Investment Fund (LAIF) such that the portfolio provides cash flows and liquidity need for operations. The City’s investment is represented by shares in the pool, which can be withdrawn in one business day. The average maturity of the pool is less than one year.

Investment Type		Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State Investment Pool	\$ 21,031,095	\$ 21,031,095			-
Certificate of Deposit	5,000,000	5,000,000			
U.S. Treasury Securities	9,754,047	9,754,047			-
Total	<u>\$ 35,785,142</u>	<u>\$ 35,785,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City’s LAIF investment is not rated, where as, US Treasury Securities are exempt from disclosure.

Concentration of Credit Risk

The investment policy of the City of Rancho Palos Verdes contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2007, the City’s investments in LAIF and US Treasury were exempt from concentration of credit risk disclosure.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City of Rancho Palos Verdes’ investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #2 – CASH AND INVESTMENTS, (Continued)

allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

The amount of the City of Rancho Palos Verdes' deposits with financial institutions in excess of federal depository insurance limits that was held in collateralized accounts where the collateral is not held specifically in the name of the City, as described above, was \$5,544,400 at June 30, 2007.

Investment in State Investment Pool

The City of Rancho Palos Verdes is a voluntary participant in LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City of Rancho Palos Verdes' investment in this pool is reported in the accompanying financial statements at amounts based upon the City of Rancho Palos Verdes' pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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 oversight to 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, 2007:

Due to the General Fund from:

Nonmajor Governmental Funds:

CDBG Special Revenue Fund	\$ 29,338
Measure A Special Revenue Fund	363,337

Total Non-major Governmental Funds	<u>392,675</u>
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Total Due to the General Fund	<u><u>\$ 392,675</u></u>
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General fund monies were used to cover non-major fund grant expenditures until reimbursement is received from the grant agency.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #3 – INTERFUND TRANSACTIONS, (Continued)

Inter-fund Advances

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

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Advances to the Redevelopment Agency	<u>\$ 13,688,479</u>	<u>\$ 1,198,987</u>	<u> </u>	<u>\$ 14,887,466</u>

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, 2007, 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 8.12 percent during the fiscal year ended June 30, 2007. Of the \$14,887,466 remaining, \$11,583,181 relates to the Portuguese Bend portion of the RDA, while \$3,304,285 relates to the Abalone Cove portion. During the year ended June 30, 2007, accrued interest of \$869,925 was added to the balance of the advance to the Portuguese Bend Fund, while principal of \$80,498 and accrued interest of \$248,564 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.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #3 – INTERFUND TRANSACTIONS, (Continued)

Interfund Transfers

Inter-fund transfers for the year ended June 30, 2007 consisted of the following:

		Transfer From			Total
		General Fund	Street Maintenance	Nonmajor Governmental Funds	
Transfer To	General Fund			\$ 150,471	\$ 150,471
	Street Maintenance	\$ 417,775		720,742	1,138,517
	Capital Improvement Projects	1,747,171	\$ 512,375	548,151	2,807,697
	Nonmajor Governmental Funds	341,699		50,755	392,454
	WQ Flood Enterprise	2,016,515			2,016,515
	Internal Service Funds	100,000			100,000
	Total	\$ 4,623,160	\$ 512,375	\$ 1,470,119	\$ 6,605,654

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.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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 infrastructures, whereby depreciation expense and accumulated depreciation has been recorded. The following tables present the capital assets activity for the year ended June 30, 2007.

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	\$ 32,132,781			\$ 32,132,781
Construction in progress	520,139	\$ 46,600	\$ (477,483)	89,256
Total capital assets not being depreciated	<u>32,652,920</u>	<u>46,600</u>	<u>(477,483)</u>	<u>32,222,037</u>
Capital assets being depreciated:				
Buildings and improvements	8,600,564	198,000		8,798,564
Vehicles	225,584	74,990	(71,170)	229,404
Computer equipment	528,805	75,957	(31,915)	572,847
Furniture, fixtures and equipment	406,685	53,622		460,307
Infrastructure				
Roadway system	77,079,026	1,925,049		79,004,075
Sewer system	25,755,463			25,755,463
Storm drain system	12,634,933	513,483		13,148,416
Parks system	5,575,075	594,292		6,169,367
Total capital assets being depreciated	<u>130,806,135</u>	<u>3,435,393</u>	<u>(103,085)</u>	<u>134,138,443</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,263,953)	(179,931)		(1,443,884)
Vehicles	(177,447)	(21,675)	71,170	(127,952)
Computer equipment	(341,924)	(111,453)	31,915	(421,462)
Furniture, fixtures and equipment	(292,802)	(56,447)		(349,249)
Infrastructure				
Roadway system	(30,805,448)	(2,060,135)		(32,865,583)
Sewer system	(15,032,443)	(455,109)		(15,487,552)
Storm drain system	(1,715,080)	(250,479)		(1,965,559)
Parks system	(3,839,205)	(114,046)		(3,953,251)
Total accumulated depreciation	<u>(53,468,302)</u>	<u>(3,249,275)</u>	<u>103,085</u>	<u>(56,614,492)</u>
Total capital assets being depreciated, net	<u>77,337,833</u>	<u>186,118</u>		<u>77,523,951</u>
Governmental activities capital assets, net	<u>\$ 109,990,753</u>	<u>\$ 232,718</u>	<u>\$ (477,483)</u>	<u>\$ 109,745,988</u>

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

Administration	\$ 179,931
Public works, including depreciation of general infrastructure assets	2,765,720
Recreation services	114,046
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	189,578
Total Depreciation Expense - Governmental Activities	<u>\$ 3,249,275</u>

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #4 – CAPITAL ASSETS AND DEPRECIATION, (Continued)

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 8,493	\$ 394,626	\$	\$ 403,119
Total capital assets not being depreciated	<u>8,493</u>	<u>394,626</u>		<u>403,119</u>
Capital assets being depreciated:				
Computer equipment		11,813		11,813
Storm drain system	1,329,492	483,931		1,813,423
Total capital assets being depreciated	<u>1,329,492</u>	<u>495,744</u>		<u>1,825,236</u>
Less accumulated depreciation for:				
Computer equipment		(1,181)		(1,181)
Storm drain system	(26,590)	(42,668)		(69,258)
Total accumulated depreciation	<u>(26,590)</u>	<u>(43,849)</u>		<u>(70,439)</u>
Total capital assets being depreciated, net	<u>1,302,902</u>	<u>451,895</u>		<u>1,754,797</u>
Business-type activities capital assets, net	<u>\$ 1,311,395</u>	<u>\$ 846,521</u>	<u>\$</u>	<u>\$ 2,157,916</u>

Depreciation expense of \$43,850 is included in the Water Quality Flood Protection enterprise fund.

NOTE #5 – LONG-TERM DEBT

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Amount Due in 2007
RDA Tax Increment Bond	\$ 5,435,000		\$ 25,000	\$ 5,410,000	\$ 40,000
RDA Deferred Interest Payable	2,284,211		222,882	2,061,329	
Employee compensated absences	231,103	\$ 182,740	173,387	240,456	180,404
Totals	<u>\$ 7,950,314</u>	<u>\$ 182,740</u>	<u>\$ 421,269</u>	<u>\$ 7,711,785</u>	<u>\$ 220,404</u>

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.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #5 – LONG-TERM DEBT, (Continued)

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, the RDA and the County of Los Angeles entered into a Memorandum of Understanding (MOU) agreeing to restructure the repayment schedule of the debt owed to the County by the RDA. In accordance with the terms of the MOU, the \$10,000,000 loan principal owed to 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.

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.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #5 – LONG-TERM DEBT, (Continued)

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. As of June 30, 2007, a total of \$1,050,071 in accumulated tax increment has been applied against this balance, including \$222,882 applied during fiscal year 2006-07. The remaining balance at June 30, 2007, was \$2,061,329. 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, 2007.

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, and 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 June 30	Tax Allocation Bond		Total
	Principal	Interest	
2008	\$ 40,000	\$ 269,500	\$ 309,500
2009	55,000	268,125	323,125
2010	65,000	265,125	330,125
2011	85,000	260,375	345,375
2012	100,000	255,750	355,750
2013-2017	790,000	1,177,750	1,967,750
2018-2022	1,420,000	905,500	2,325,500
2023-2027	2,275,000	448,875	2,723,875
2028	580,000	14,500	594,500
Total	<u>\$ 5,410,000</u>	<u>\$ 3,865,500</u>	<u>\$ 9,275,500</u>

B. Employee Compensated Absences

There is no fixed payment schedule for employee compensated absences. Based on historical trends, \$180,404 is estimated to be the amount that will be used and/or paid out during FY 07-08.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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, 2007 are presented below, followed by explanations of the nature and purpose of each reserve and designation.

	General Fund	Street Maintenance Fund	Capital Improvement Fund	RDA Debt Service Fund	Other Governmental Funds
Reserved:					
Reimbursement settlement agreement					\$ 1,000,000
Advances to other funds	\$ 6,152,853				
Prepaid costs	433,389			\$ 417,488	32,533
Land held for development					702,392
Housing set-aside					244,304
Total Reserved	<u>\$ 6,586,242</u>	<u>\$</u>	<u>\$</u>	<u>\$ 417,488</u>	<u>\$ 1,979,229</u>
Designated:					
Continuing appropriations:					
General funds	\$ 785,536				
Special revenue funds		\$ 225,654			\$ 1,623,037
Capital projects funds			\$ 2,157,752		1,000,000
Permanent funds					65,000
Total Designated	<u>\$ 785,536</u>	<u>\$ 225,654</u>	<u>\$ 2,157,752</u>	<u>\$</u>	<u>\$ 2,688,037</u>

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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

A. Designated for Encumbrances and Continuing Appropriations

These designations are maintained for current year budget appropriations that are formally carried over into the subsequent fiscal year.

B. Reserved for Reimbursement Settlement Agreement

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

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 \$8,734,614 recorded as deferred revenue (see Note #11).

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.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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), a cost-sharing multiple-employer plan administrated 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 8 percent of annual covered salary is required for each active plan member. For local miscellaneous members, the City pays the full 6.5 percent contribution for all the full-time positions, while part-time employees must contribute the 8 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 FY 06-07 was 12.906 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.

Annual Pension Cost

For Fiscal Year 06-07, the City’s annual and contributed pension cost was \$631,220.

Three-Year Trend Information for Plan:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2005	\$ 411,412	100%	\$ 0
6/30/2006	590,591	100%	0
6/30/2007	631,220	100%	0

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #7 – PENSION PLAN, (Continued)

As a result of having less than 100 active members as of June 30, 2003, the City was required to participate in a risk pool. Mandated pooling is effective with the June 30, 2003 valuation which determines the contribution rate for 2005-2006. The 2005-2006 is the first year under pooling, and therefore, the City's pooled employer contribution rate is the same as the stand-alone employer contribution rate. This is because the difference between the pool's normal cost and the stand-alone normal cost will be phased out over five years, beginning with 2006-2007. For 2005-2006, 100 percent of the difference between the pool's normal costs and the stand-alone normal cost is reflected in the development of the City's pooled employer contribution rate. For 2006-2007, only 80 percent of the difference will be reflected; for 2007-2008, 60 percent will be reflected, and so on, until it is fully subject to the pool's normal costs for 2010-2011 and beyond.

At the time of joining the mandatory pooled plan, CalPERS established an employer side fund to account for the difference between the funded status of the pooled plan and the funded status of the City's plan. The amortization of the side fund is included in the determination of the City's annual required contribution.

The funded status of the pooled plan may be obtained from CalPERS.

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 112 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.

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 transferred to an excess insurance policy. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #8 – INSURANCE, (Continued)

- Workers' Compensation

Workers' Compensation. The City also participates in the workers' compensation pool administered by the Authority. Members retain the first \$50,000 of each claim. Claims are pooled separately between public safety and non-public safety. Loss development reserves are allocated by pool and by loss layer (\$0 to \$100,000 allocated by retained amount and \$100,000 to \$2,000,000 by payroll). Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2,000,000 and loss development reserves associated with losses from \$100,000 to \$2,000,000 are pooled based on payroll. Costs from \$2,000,000 to \$150,000,000 are transferred to an excess insurance policy. Costs in excess of \$150,000,000 are pooled among the Members based on payroll. Administrative expenses are paid from the Authority's investment earnings.

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 drain outfalls owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The CJPIA has a limit of \$50,000,000 for the 3-year period from July 1, 2005 through June 30, 2008. 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 \$11,319,800. 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 \$9,304,688. There is a deductible of 5 percent 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, 2007

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, 2007. As previously described in Note #1-K, the City has no material claims, which would require loss provisions in the financial statements.

NOTE #9 – CONTINGENCIES AND COMMITMENTS

Litigation

In the normal course of operations, the City has been named as a defendant in various claims and legal actions. Generally, unfavorable results of these claims and legal actions are funded through the City's participation in California Joint Powers Insurance Authority (CJPIA, see Note #8) and, as such, the City believes that the ultimate liability for these legal actions and claims will not have a material adverse effect on the City's financial statements. The City is also a defendant in legal actions for which the potential losses would not be covered through participation in CJPIA. The likelihood of an unfavorable outcome or the amount of potential losses cannot be reasonably estimated by the City for these claims at this time. In the event of an unfavorable outcome the losses would likely be material to the City's financial statements.

Storm Drain Failures

During the winter storms of fiscal year 2004-05 emergency repairs were required to fix sinkholes along the City's border with the City of Los Angeles. The sink holes were created as a result of failures in the storm drain system. One sinkhole was repaired by the City at a cost of approximately \$650,000. The City received reimbursement from the Federal Emergency Management Agency in the amount of approximately \$634,000 which is currently reserved in the Construction in Progress Fund, related to the repairs; however, it is unclear whether the final costs will be allowable under FEMA guidelines. If the costs are not allowed, the funding would have to be returned.

Other sinkholes were repaired by Caltrans at a cost estimated to be as high as \$10 million. It is unclear whether Caltrans will seek reimbursement from the City, or in what amount, in connection with these repairs.

The City is working with FEMA, the Federal Highway Administration (FHWA), Caltrans, and the City and County of Los Angeles to resolve the issues of responsibility for repair and funding sources. The repairs of the sinkholes also brought to light issues with other storm drains in the area. The City's share of costs for preventative and/or emergency repairs, if required, is unknown. The CJPIA is defending the City in a lawsuit regarding one of the storm drains that is underneath Western Avenue, and if that case is not settled, the judgment could determine many of these issues.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #9 – CONTINGENCIES AND COMMITMENTS, (Continued)

Excess Surplus

The Redevelopment Agency’s Low/Moderate Income Housing Fund has accumulated excess surplus fund balance as defined by the California Health and Safety Code. The Agency is required to develop a plan to eliminate the excess surplus within the time frame allowed by the Health and Safety Code. If the Agency does not eliminate the excess surplus in the required time frame significant penalties could be assessed, including transferring such excess surplus to the County Housing Authority and/or the California Department of Housing and Community Development.

NOTE #10 – PROPERTY TAXES

Under California law, property taxes are assessed and collected by the counties up to one 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 #11 – DEFERRED REVENUES

The deferred revenues in the fund financial statements of the City of Rancho Palos Verdes as of June 30, 2007 consisted of the following:

<u>Source</u>	<u>General Fund</u>
Accrued Interest from Long-Term Advances to the Redevelopment Agency	\$ 8,734,614
Advance on Federal Grant	109,108
Revenue earned but not available	102,304
Cash on deposit for the Del Cerro Lighting District	957
Total Deferred Revenues	<u>\$ 8,946,983</u>

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #12 – LAND HELD FOR DEVELOPMENT

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

A developer submitted an application for a senior condominium housing project with an affordable housing component. The project was planned to utilize a parcel owned by the Agency and a neighboring private parcel. Although the developer withdrew from this application, the property owner has indicated a desire to move forward with a similar project using another developer. The Agency will continue to evaluate development of the Crestridge property either in combination with a development of the neighboring property or as a stand-alone project. In the latter case, the Agency would seek proposals from developers who would be willing to enter into a Disposition and Development Agreement to the Agency’s satisfaction in which the developer would purchase the Agency’s property and develop it with a project that would include providing an acceptable affordable housing component. In either case, if approved, the Agency anticipates transferring the Agency’s land to the developer for construction of a housing project with an affordable component. The Agency 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 RDA Housing Set-Aside fund has been reserved for an amount equal to the purchase price of the land.

NOTE #13 – OTHER REQUIRED FUND DISCLOSURES

The following fund had deficit fund balance as of June 30, 2007:

RDA Debt Service Fund	\$ 14,455,486
CDBG	19

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

The following fund had expenditures in excess of the budget for the year ended June 30, 2007, as follows:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
1972 Act Fund	\$ 64,500	\$ 65,936	\$ (1,436)

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE #14 – SUBSEQUENT EVENTS

Prepayment of Escrow Deposit

In June 2007, the City issued a payment of \$1,400,000 as an escrow deposit for the acquisition of land pursuant to an eminent domain proceeding. At June 30, 2007, the escrow deposit was included in the statement of net assets as “prepaid items”. Title of the land transferred and liquidation of the prepaid items occurred in July 2007.

Pension Obligation Bonds

On November 20, 2007, the City Council authorized the issuance of one or more Pension Obligation Bonds to restructure the City’s approximate \$2,400,000 Side Fund Pension Unfunded Liability related to the mandatory pooled CalPERS plan.

SUPPLEMENTARY INFORMATION

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 10,800	\$ 10,800	\$ 46,253	\$ 35,453
Revenue from other agencies	673,531	673,531	25,496	(648,035)
Total Revenues	684,331	684,331	71,749	(612,582)
EXPENDITURES				
Capital outlay	3,248,146	3,203,652	2,886,693	316,959
Excess (Deficiency) of Revenues Over Expenditures	(2,563,815)	(2,519,321)	(2,814,944)	(295,623)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,528,273	2,667,148	2,807,697	140,549
Net Change in Fund Balance	(35,542)	147,827	(7,247)	(155,074)
Fund Balance, Beginning of Year	2,799,193	2,799,193	2,799,193	
Fund Balance, End of Year	\$ 2,763,651	\$ 2,947,020	\$ 2,791,946	\$ (155,074)

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 634,300	\$ 756,800	\$ 716,870	\$ (39,930)
EXPENDITURES				
Current:				
Administration	15,500	15,500	13,377	2,123
Pass through to other agencies	134,800	161,000	151,510	9,490
Debt Service				
Principal	220,000	220,000	247,882	(27,882)
Interest and fiscal charges	1,090,000	1,440,000	1,389,614	50,386
Total Expenditures	1,460,300	1,836,500	1,802,383	34,117
Excess (Deficiency) of Revenues Over Expenditures	(826,000)	(1,079,700)	(1,085,513)	(5,813)
OTHER FINANCING SOURCES (USES)				
Net Change in Fund Balance	(826,000)	(1,079,700)	(1,085,513)	(5,813)
Fund Balance, Beginning of Year	(13,369,973)	(13,369,973)	(13,369,973)	
Fund Balance, End of Year	\$ (14,195,973)	\$ (14,449,673)	\$ (14,455,486)	\$ (5,813)



CITY OF RANCHO PALOS VERDES

JUNE 30, 2007

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.

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

Waste Reduction – 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, 2007

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.

RPV TV Channel 33 – to account for donations and General Fund subsidies used to operate the City’s cable television channel.

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, 2007

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, 2007**

	<u>Special Revenue Funds</u>		
ASSETS	<u>Air Quality Management</u>	<u>CDBG</u>	<u>El Prado</u>
Cash and cash equivalents	\$ 43,599	\$ 34,600	\$ 7,658
Receivable			
Taxes			73
Interest	300		67
Other	13,421		
Prepaid items		8,192	
Land held for development			
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 57,320</u>	<u>\$ 42,792</u>	<u>\$ 7,798</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities		\$ 6,988	\$ 47
Due to other funds		29,338	
Retentions payable		6,485	
Deferred revenue			
		<hr/>	<hr/>
Total Liabilities		<u>42,811</u>	<u>47</u>
FUND BALANCES			
Reserved for:			
Reimbursement settlement agreement			
Prepaid items		8,192	
Land development			
Housing set-aside			
Unreserved:			
Designated for continuing appropriations			
Special revenue funds			
Capital projects funds			
Permanent funds			
Unreserved, undesignated and reported in:			
Special revenue funds	57,320	(8,211)	7,751
Capital projects funds			
Permanent funds			
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>57,320</u>	<u>(19)</u>	<u>7,751</u>
Total Liabilities and Fund Balances	<u>\$ 57,320</u>	<u>\$ 42,792</u>	<u>\$ 7,798</u>

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Special Revenue Funds

Redevelopment Agency - Housing Set-Aside	Proposition A	Proposition C	Beautification	Waste Reduction
\$ 1,550,067	\$ 46,119	\$ 1,547,403	\$ 1,082,076	\$ 331,250
3,796				
23,557	7,472	16,669	10,038	3,416
			76,086	18,802
702,392				
<u>\$ 2,279,812</u>	<u>\$ 53,591</u>	<u>\$ 1,564,072</u>	<u>\$ 1,168,200</u>	<u>\$ 353,468</u>
\$ 132	\$ 652	\$ 48	\$ 5,500	\$ 18,460
132	652	48	5,500	18,460
702,392				
244,304				
1,332,984			134,095	
	52,939	1,564,024	1,028,605	335,008
2,279,680	52,939	1,564,024	1,162,700	335,008
<u>\$ 2,279,812</u>	<u>\$ 53,591</u>	<u>\$ 1,564,072</u>	<u>\$ 1,168,200</u>	<u>\$ 353,468</u>

CITY OF RANCHO PALOS VERDES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2007**

ASSETS	Special Revenue Funds		
	Public Safety Grants	1972 Act	1911 Act
Cash and cash equivalents	\$ 71,915	\$ 24,571	\$ 1,509,883
Receivable			
Taxes		6,369	18,793
Interest	1,538	2,237	14,547
Other			
Prepaid items			
Land held for development			
Total Assets	\$ 73,453	\$ 33,177	\$ 1,543,223
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities		\$ 4,052	\$ 48,629
Due to other funds			
Retentions payable			
Deferred revenue			
Total Liabilities		4,052	48,629
FUND BALANCES			
Reserved for:			
Reimbursement settlement agreement			
Prepaid items			
Land development			
Housing set-aside			
Unreserved:			
Designated for continuing appropriations			
Special revenue funds	45,816		
Capital projects funds			
Permanent funds			
Unreserved, undesignated and reported in:			
Special revenue funds	27,637	29,125	1,494,594
Capital projects funds			
Permanent funds			
Total Fund Balances	73,453	29,125	1,494,594
Total Liabilities and Fund Balances	\$ 73,453	\$ 33,177	\$ 1,543,223

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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	RPV TV Channel 33	
\$ 280,825	\$ 207,391	\$ 749,846	\$ 8,012	\$ 64,486	\$ 54,200	
4,357	2,090	6,260		512		
	31,441		423,281	589	60	
					9,007	
<u>\$ 285,182</u>	<u>\$ 240,922</u>	<u>\$ 756,106</u>	<u>\$ 431,293</u>	<u>\$ 65,587</u>	<u>\$ 63,267</u>	
\$ 3,986	\$ 4,369	\$ 1,537	\$ 363,337	\$ 11,392	28,942	
3,986	4,369	1,537	363,337	11,392	28,942	
					9,007	
5,000	50,000			26,600	28,542	
276,196	186,553	754,569	67,956	27,595	(3,224)	
281,196	236,553	754,569	67,956	54,195	34,325	
<u>\$ 285,182</u>	<u>\$ 240,922</u>	<u>\$ 756,106</u>	<u>\$ 431,293</u>	<u>\$ 65,587</u>	<u>\$ 63,267</u>	

CITY OF RANCHO PALOS VERDES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2007**

ASSETS	Capital Projects Funds			
	Bikeways	Redevelopment Agency - Abalone Cove	Environmental Excise Tax	Quimby
Cash and cash equivalents	\$ 42,910	\$ 5,608	\$ 264,341	\$ 23,556
Receivable				
Taxes				
Interest	568	87	2,336	210
Other	2,125			
Prepaid items				
Land held for development				
Total Assets	\$ 45,603	\$ 5,695	\$ 266,677	\$ 23,766
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities				
Due to other funds				
Retentions payable				
Deferred revenue				
Total Liabilities				
FUND BALANCES				
Reserved for:				
Reimbursement settlement agreement				
Prepaid items				
Land development				
Housing set-aside				
Unreserved:				
Designated for continuing appropriations				
Special revenue funds				
Capital projects funds				
Permanent funds				
Unreserved, undesignated and reported in:				
Special revenue funds				
Capital projects funds	45,603	5,695	266,677	23,766
Permanent funds				
Total Fund Balances	45,603	5,695	266,677	23,766
Total Liabilities and Fund Balances	\$ 45,603	\$ 5,695	\$ 266,677	\$ 23,766

Capital Projects Funds				Permanent Fund	Total Non-major Governmental Funds
Affordable Housing	Redevelopment Agency - Portuguese Bend	Utility Undergrounding	Roadway Beautification	Joint Powers Improvement Authority - Abalone Cove	
\$ 1,100,454	\$ 421,622	\$ 256,206	\$ 95,040	\$ 1,374,315	\$ 11,197,953
9,841	6,591	2,291	849	21,204	29,543
	15,334				137,174
					565,156
					32,533
					702,392
<u>\$ 1,110,295</u>	<u>\$ 443,547</u>	<u>\$ 258,497</u>	<u>\$ 95,889</u>	<u>\$ 1,395,519</u>	<u>\$ 12,664,751</u>
	\$ 165			\$ 5,712	\$ 140,611
					392,675
					6,485
	165			5,712	539,771
	15,334			1,000,000	1,000,000
					32,533
					702,392
					244,304
1,000,000					1,623,037
				65,000	1,000,000
					65,000
110,295	428,048	258,497	95,889		5,898,437
				324,807	1,234,470
					324,807
<u>1,110,295</u>	<u>443,382</u>	<u>258,497</u>	<u>95,889</u>	<u>1,389,807</u>	<u>12,124,980</u>
<u>\$ 1,110,295</u>	<u>\$ 443,547</u>	<u>\$ 258,497</u>	<u>\$ 95,889</u>	<u>\$ 1,395,519</u>	<u>\$ 12,664,751</u>

CITY OF RANCHO PALOS VERDES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds		
	Air Quality Management	CDBG	El Prado
REVENUES			
Taxes			\$ 1,749
Use of money and property	\$ 1,275		201
Revenue from other agencies	51,721	\$ 245,366	
Other revenues			
Total Revenues	<u>52,996</u>	<u>245,366</u>	<u>1,950</u>
EXPENDITURES			
Current:			
Administration			
Public works	41,818		327
Planning, building and code enforcement			
Capital outlay		<u>237,812</u>	
Total Expenditures	<u>41,818</u>	<u>237,812</u>	<u>327</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,178</u>	<u>7,554</u>	<u>1,623</u>
Other Financing Sources (Uses):			
Transfers in		21,022	
Transfers out		<u>(28,600)</u>	
Total Other Financing Sources (Uses)		<u>(7,578)</u>	
Net Change in Fund Balances	11,178	(24)	1,623
FUND BALANCES, Beginning of Year	<u>46,142</u>	<u>5</u>	<u>6,128</u>
FUND BALANCES, End of Year	<u>\$ 57,320</u>	<u>\$ (19)</u>	<u>\$ 7,751</u>

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Special Revenue Funds				
Redevelopment Agency - Housing Set-Aside	Proposition A	Proposition C	Beautification	Waste Reduction
\$ 181,730				
73,631	\$ 27,026	\$ 50,708	\$ 340,924	\$ 42,094
	704,171	571,699		65,155
255,361	731,197	622,407	340,924	107,249
	1,595,558	2,980	192,837	178,932
4,175				
4,175	1,595,558	2,980	192,837	178,932
251,186	(864,361)	619,427	148,087	(71,683)
	(16,860)	(386,288)	(12,000)	(40,308)
	(16,860)	(386,288)	(12,000)	(40,308)
251,186	(881,221)	233,139	136,087	(111,991)
2,028,494	934,160	1,330,885	1,026,613	446,999
\$ 2,279,680	\$ 52,939	\$ 1,564,024	\$ 1,162,700	\$ 335,008

CITY OF RANCHO PALOS VERDES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds		
	Public Safety Grants	1972 Act	1911 Act
REVENUES			
Taxes		\$ 254,330	\$ 450,639
Use of money and property	\$ 4,919	7,047	46,159
Revenue from other agencies	100,000		
Other revenues			
Total Revenues	<u>104,919</u>	<u>261,377</u>	<u>496,798</u>
EXPENDITURES			
Current:			
Administration			
Public works		65,936	348,708
Planning, building and code enforcement			
Capital outlay			
Total Expenditures		<u>65,936</u>	<u>348,708</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>104,919</u>	<u>195,441</u>	<u>148,090</u>
Other Financing Sources (Uses):			
Transfers in		50,755	
Transfers out	(100,000)	(289,821)	(113,194)
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(239,066)</u>	<u>(113,194)</u>
Net Change in Fund Balances	4,919	(43,625)	34,896
FUND BALANCES, Beginning of Year	<u>68,534</u>	<u>72,750</u>	<u>1,459,698</u>
FUND BALANCES, End of Year	<u>\$ 73,453</u>	<u>\$ 29,125</u>	<u>\$ 1,494,594</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	RPV TV Channel 33
\$ 15,070	\$ 8,233 83,162	\$ 21,675	\$ 1,743 754,345	\$ 43,009 1,758	\$ 3,959
15,070	91,395	21,675	756,088	44,767	3,959
81,202	229,956	51,285		50,091	56,810
81,202	229,956	51,285		50,091	56,810
(66,132)	(138,561)	(29,610)	756,088	(5,324)	(52,851)
91,500	76,752	57,000	(432,494)	10,700	84,725
91,500	76,752	57,000	(432,494)	10,700	84,725
25,368	(61,809)	27,390	323,594	5,376	31,874
255,828	298,362	727,179	(255,638)	48,819	2,451
\$ 281,196	\$ 236,553	\$ 754,569	\$ 67,956	\$ 54,195	\$ 34,325

CITY OF RANCHO PALOS VERDES

**NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES (CONTINUED)
 YEAR ENDED JUNE 30, 2007**

	Capital Projects			
	Bikeways	Redevelopment Agency - Abalone Cove	Environmental Excise Tax	Quimby
		Bikeways	Cove	Excise Tax
REVENUES				
Taxes				
Use of money and property	\$ 1,123	\$ 286	\$ 41,488	\$ 5,925
Revenue from other agencies	69,201			
Other revenues				
Total Revenues	<u>70,324</u>	<u>286</u>	<u>41,488</u>	<u>5,925</u>
EXPENDITURES				
Current:				
Administration				
Public works				
Planning, building and code enforcement				
Capital outlay				
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>70,324</u>	<u>286</u>	<u>41,488</u>	<u>5,925</u>
Other Financing Sources (Uses):				
Transfers in				
Transfers out	<u>(50,554)</u>			
Total Other Financing Sources (Uses)	<u>(50,554)</u>			
Net Change in Fund Balances	19,770	286	41,488	5,925
FUND BALANCES, Beginning of Year	<u>25,833</u>	<u>5,409</u>	<u>225,189</u>	<u>17,841</u>
FUND BALANCES, End of Year	<u>\$ 45,603</u>	<u>\$ 5,695</u>	<u>\$ 266,677</u>	<u>\$ 23,766</u>

Capital Projects				Permanent Fund	
Affordable Housing	Redevelopment Agency - Portuguese Bend	Utility Undergrounding	Roadway Beautification	Joint Powers Improvement Authority - Abalone Cove	Total Non-major Governmental Funds
\$ 32,912	\$ 21,099	\$ 7,661	\$ 6,246	\$ 71,570	\$ 931,457
	50,004				834,732
32,912	71,103	7,661	6,246	71,570	2,644,820
					50,004
	18,895			85,713	56,810
					2,944,238
					4,175
					237,812
	18,895			85,713	3,243,035
32,912	52,208	7,661	6,246	(14,143)	1,217,978
					392,454
					(1,470,119)
					(1,077,665)
32,912	52,208	7,661	6,246	(14,143)	140,313
1,077,383	391,174	250,836	89,643	1,403,950	11,984,667
\$ 1,110,295	\$ 443,382	\$ 258,497	\$ 95,889	\$ 1,389,807	\$ 12,124,980

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 1,700	\$ 1,700	\$ 1,275	\$ (425)
Revenue from other agencies	52,000	52,000	51,721	(279)
Total Revenues	53,700	53,700	52,996	(704)
EXPENDITURES				
Current:				
Public works	42,000	42,000	41,818	182
Net Change in Fund Balance	11,700	11,700	11,178	(522)
Fund Balance, Beginning of Year	46,142	46,142	46,142	
Fund Balance, End of Year	<u>\$ 57,842</u>	<u>\$ 57,842</u>	<u>\$ 57,320</u>	<u>\$ (522)</u>

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from other agencies	\$ 307,438	\$ 307,438	\$ 245,366	\$ (62,072)
EXPENDITURES				
Capital outlay	298,838	240,064	237,812	2,252
Total Expenditures	298,838	240,064	237,812	2,252
Excess (Deficiency) of Revenues Over Expenditures	8,600	67,374	7,554	(59,820)
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	25,000	21,022	(3,978)
Transfers out	(28,600)	(28,600)	(28,600)	
Total Other Financing Sources (Uses)	(8,600)	(3,600)	(7,578)	(3,978)
Net Change in Fund Balance		63,774	(24)	(63,798)
Fund Balance, Beginning of Year	5	5	5	
Fund Balance, End of Year	\$ 5	\$ 63,779	\$ (19)	\$ (63,798)

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,200	\$ 1,200	\$ 1,749	\$ 549
Use of money and property	100	100	201	101
Total Revenues	<u>1,300</u>	<u>1,300</u>	<u>1,950</u>	<u>650</u>
EXPENDITURES				
Current:				
Public works	<u>900</u>	<u>900</u>	<u>327</u>	<u>573</u>
Net Change in Fund Balance	400	400	1,623	1,223
Fund Balance, Beginning of Year	<u>6,128</u>	<u>6,128</u>	<u>6,128</u>	
Fund Balance, End of Year	<u>\$ 6,528</u>	<u>\$ 6,528</u>	<u>\$ 7,751</u>	<u>\$ 1,223</u>

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 158,500	\$ 189,000	\$ 181,730	\$ (7,270)
Use of money and property	35,000	35,000	73,631	38,631
Total Revenues	193,500	224,000	255,361	31,361
EXPENDITURES				
Current:				
Planning, building and code enforcement	1,237,637	4,175	4,175	
Total Expenditures	1,237,637	4,175	4,175	
Net Change in Fund Balance	(1,044,137)	219,825	251,186	31,361
Fund Balance, Beginning of Year	2,028,494	2,028,494	2,028,494	
Fund Balance, End of Year	<u>\$ 984,357</u>	<u>\$ 2,248,319</u>	<u>\$ 2,279,680</u>	<u>\$ 31,361</u>

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 21,900	\$ 21,900	\$ 27,026	\$ 5,126
Revenue from other agencies	673,000	673,000	704,171	31,171
Total Revenues	694,900	694,900	731,197	36,297
EXPENDITURES				
Current:				
Public works	1,351,904	1,604,804	1,595,558	9,246
Excess of Revenues Over Expenditures	(657,004)	(909,904)	(864,361)	45,543
OTHER FINANCING SOURCES (USES)				
Transfers out	15,500	17,000	(16,860)	(33,860)
Net Change in Fund Balance	(641,504)	(892,904)	(881,221)	11,683
Fund Balance, Beginning of Year	934,160	934,160	934,160	
Fund Balance, End of Year	\$ 292,656	\$ 41,256	\$ 52,939	\$ 11,683

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 16,800	\$ 16,800	\$ 50,708	\$ 33,908
Revenue from other agencies	559,000	559,000	571,699	12,699
Total Revenues	575,800	575,800	622,407	46,607
EXPENDITURES				
Current:				
Public works	3,200	3,200	2,980	220
Excess (Deficiency) of Revenues Over Expenditures	572,600	572,600	619,427	46,827
OTHER FINANCING SOURCES (USES)				
Transfers out	(650,000)	(1,384,031)	(386,288)	997,743
Net Change in Fund Balance	(77,400)	(811,431)	233,139	1,044,570
Fund Balance, Beginning of Year	1,330,885	1,330,885	1,330,885	
Fund Balance, End of Year	\$ 1,253,485	\$ 519,454	\$ 1,564,024	\$ 1,044,570

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BEAUTIFICATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 256,500	\$ 256,500	\$ 340,924	\$ 84,424
EXPENDITURES				
Current:				
Public works	231,300	194,826	192,837	1,989
Excess (Deficiency) of Revenues Over Expenditures	25,200	61,674	148,087	86,413
OTHER FINANCING SOURCES (USES)				
Transfers out	(270,000)	(270,000)	(12,000)	
Net Change in Fund Balance	(244,800)	(208,326)	136,087	344,413
Fund Balance, Beginning of Year	1,026,613	1,026,613	1,026,613	
Fund Balance, End of Year	\$ 781,813	\$ 818,287	\$ 1,162,700	\$ 344,413

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
WASTE REDUCTION SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 35,200	\$ 35,200	\$ 42,094	\$ 6,894
Revenue from other agencies	65,000	65,000	65,155	155
Total Revenues	100,200	100,200	107,249	7,049
EXPENDITURES				
Current:				
Public works	192,800	263,052	178,932	84,120
Excess (Deficiency) of Revenues Over Expenditures	(92,600)	(162,852)	(71,683)	91,169
OTHER FINANCING USES				
Transfers out	(50,000)	(65,000)	(40,308)	24,692
Net Change in Fund Balance	(142,600)	(227,852)	(111,991)	115,861
Fund Balance, Beginning of Year	446,999	446,999	446,999	
Fund Balance, End of Year	\$ 304,399	\$ 219,147	\$ 335,008	\$ 115,861

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 400	\$ 400	\$ 4,919	\$ 4,519
Revenue from other agencies	100,000	100,000	100,000	
Total Revenues	100,400	100,400	104,919	4,519
OTHER FINANCING SOURCES (USES)				
Transfers out	(100,000)	(100,000)	(100,000)	
Net Change in Fund Balance	400	400	4,919	4,519
Fund Balance, Beginning of Year	68,534	68,534	68,534	
Fund Balance, End of Year	\$ 68,934	\$ 68,934	\$ 73,453	\$ 4,519

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 246,631	\$ 246,631	\$ 254,330	\$ 7,699
Use of money and property	3,600	3,600	7,047	3,447
Total Revenues	250,231	250,231	261,377	11,146
EXPENDITURES				
Current:				
Public works	64,500	64,500	65,936	(1,436)
Excess of Revenues Over Expenditures	185,731	185,731	195,441	9,710
OTHER FINANCING SOURCES (USES)				
Transfers in		50,755	50,755	
Transfers out	(291,256)	(291,256)	(289,821)	1,435
Total Other Financing Sources (Uses)	(291,256)	(240,501)	(239,066)	1,435
Net Change in Fund Balance	(105,525)	(54,770)	(43,625)	11,145
Fund Balance, Beginning of Year	72,750	72,750	72,750	
Fund Balance, End of Year	\$ (32,775)	\$ 17,980	\$ 29,125	\$ 11,145

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 375,000	\$ 375,000	\$ 450,639	\$ 75,639
Use of money and property	52,300	52,300	46,159	(6,141)
Total Revenues	427,300	427,300	496,798	69,498
EXPENDITURES				
Current:				
Public works	393,240	393,240	348,708	44,532
Excess (Deficiency) of Revenues Over Expenditures	34,060	34,060	148,090	114,030
OTHER FINANCING SOURCES (USES)				
Transfers out	(72,200)	(122,955)	(113,194)	9,761
Net Change in Fund Balance	(38,140)	(88,895)	34,896	123,791
Fund Balance, Beginning of Year	1,459,698	1,459,698	1,459,698	
Fund Balance, End of Year	\$ 1,421,558	\$ 1,370,803	\$ 1,494,594	\$ 123,791

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 7,300	\$ 7,300	\$ 15,070	\$ 7,770
EXPENDITURES				
Current:				
Public works	93,300	141,500	81,202	60,298
Excess (Deficiency) of Revenues Over Expenditures	(86,000)	(134,200)	(66,132)	68,068
OTHER FINANCING SOURCES (USES)				
Transfers in	91,500	91,500	91,500	
Net Change in Fund Balance	5,500	(42,700)	25,368	68,068
Fund Balance, Beginning of Year	255,828	255,828	255,828	
Fund Balance, End of Year	\$ 261,328	\$ 213,128	\$ 281,196	\$ 68,068

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 1,600	\$ 1,600	\$ 8,233	\$ 6,633
Revenue from other agencies		83,162	83,162	
Total Revenues	1,600	84,762	91,395	6,633
EXPENDITURES				
Capital outlay	101,500	322,229	229,956	92,273
Excess (Deficiency) of Revenues Over Expenditures	(99,900)	(237,467)	(138,561)	98,906
OTHER FINANCING SOURCES				
Transfers in	76,752	76,752	76,752	
Net Change in Fund Balance	(23,148)	(160,715)	(61,809)	98,906
Fund Balance, Beginning of Year	298,362	298,362	298,362	
Fund Balance, End of Year	\$ 275,214	\$ 137,647	\$ 236,553	\$ 98,906

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 23,400	\$ 23,400	\$ 21,675	\$ (1,725)
EXPENDITURES				
Current:				
Public works	50,000	52,000	51,285	715
Excess (Deficiency) of Revenues Over Expenditures	(26,600)	(28,600)	(29,610)	(1,010)
OTHER FINANCING SOURCES (USES)				
Transfers in			57,000	
Net Change in Fund Balance	(26,600)	(28,600)	27,390	55,990
Fund Balance, Beginning of Year	727,179	727,179	727,179	
Fund Balance, End of Year	\$ 700,579	\$ 698,579	\$ 754,569	\$ 55,990

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PARKS/MEASURE A SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 1,400	\$ 1,400	\$ 1,743	\$ 343
Revenue from other agencies	65,000	493,009	754,345	261,336
Total Revenues	66,400	494,409	756,088	261,679
OTHER FINANCING SOURCES (USES)				
Transfers out	(43,500)	(476,502)	(432,494)	44,008
Net Change in Fund Balance	22,900	17,907	323,594	305,687
Fund Balance, Beginning of Year	(255,638)	(255,638)	(255,638)	
Fund Balance, End of Year	<u>\$ (232,738)</u>	<u>\$ (237,731)</u>	<u>\$ 67,956</u>	<u>\$ 305,687</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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 40,000	\$ 40,000	\$ 43,009	\$ 3,009
Use of money and property	400	400	1,758	1,358
Total Revenues	40,400	40,400	44,767	4,367
EXPENDITURES				
Current:				
Public works	49,900	50,141	50,091	50
Excess (Deficiency) of Revenues Over Expenditures	(9,500)	(9,741)	(5,324)	4,417
OTHER FINANCING SOURCES (USES)				
Transfers in	10,700	10,700	10,700	
Net Change in Fund Balance	1,200	959	5,376	4,417
Fund Balance, Beginning of Year	48,819	48,819	48,819	
Fund Balance, End of Year	\$ 50,019	\$ 49,778	\$ 54,195	\$ 4,417

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RPV TV CHANNEL 33 SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 5,145	\$ 5,145	\$ 3,959	\$ (1,186)
EXPENDITURES				
Current:				
Administration	35,700	63,558	56,810	6,748
Total Expenditures	35,700	63,558	56,810	6,748
Excess (Deficiency) of Revenues Over Expenditures	(30,555)	(58,413)	(52,851)	5,562
OTHER FINANCING SOURCES (USES)				
Transfers in	30,700	84,725	84,725	
Net Change in Fund Balance	145	26,312	31,874	5,562
Fund Balance, Beginning of Year	2,451	2,451	2,451	
Fund Balance, End of Year	\$ 2,596	\$ 28,763	\$ 34,325	\$ 5,562

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property			\$ 1,123	\$ 1,123
Revenue from other agencies	\$ 25,000	\$ 25,000	69,201	44,201
Total Revenues	25,000	25,000	70,324	45,324
OTHER FINANCING USES				
Transfers out	(25,000)	(50,554)	(50,554)	
Net Change in Fund Balance		(25,554)	19,770	45,324
Fund Balance, Beginning of Year	25,833	25,833	25,833	
Fund Balance, End of Year	\$ 25,833	\$ 279	\$ 45,603	\$ 45,324

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 230	\$ 230	\$ 286	\$ 56
Net Change in Fund Balance	230	230	286	56
Fund Balance, Beginning of Year	5,409	5,409	5,409	
Fund Balance, End of Year	<u>\$ 5,639</u>	<u>\$ 5,639</u>	<u>\$ 5,695</u>	<u>\$ 56</u>

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 103,860	\$ 103,860	\$ 41,488	\$ (62,372)
Net Change in Fund Balance	103,860	103,860	41,488	(62,372)
Fund Balance, Beginning of Year	225,189	225,189	225,189	
Fund Balance, End of Year	\$ 329,049	\$ 329,049	\$ 266,677	\$ (62,372)

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 13,400	\$ 13,400	\$ 5,925	\$ (7,475)
Net Change in Fund Balance	13,400	13,400	5,925	(7,475)
Fund Balance, Beginning of Year	17,841	17,841	17,841	
Fund Balance, End of Year	<u>\$ 31,241</u>	<u>\$ 31,241</u>	<u>\$ 23,766</u>	<u>\$ (7,475)</u>

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 60,900	\$ 60,900	\$ 32,912	\$ (27,988)
EXPENDITURES				
Capital outlay	1,000,000			
Total Expenditures	1,000,000			
Excess (Deficiency) of Revenues Over Expenditures	(939,100)	60,900	32,912	(27,988)
Fund Balance, Beginning of Year	1,077,383	1,077,383	1,077,383	
Fund Balance, End of Year	\$ 138,283	\$ 1,138,283	\$ 1,110,295	\$ (27,988)

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 8,500	\$ 8,500	\$ 21,099	\$ 12,599
Other revenues			50,004	50,004
Total Revenues	8,500	8,500	71,103	62,603
EXPENDITURES				
Current:				
Public works	25,300	25,300	18,895	6,405
Net Change in Fund Balance	(16,800)	(16,800)	52,208	69,008
Fund Balance, Beginning of Year	391,174	391,174	391,174	
Fund Balance, End of Year	<u>\$ 374,374</u>	<u>\$ 374,374</u>	<u>\$ 443,382</u>	<u>\$ 69,008</u>

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 7,400	\$ 7,400	\$ 7,661	\$ 261
Net Change in Fund Balances	7,400	7,400	7,661	261
Fund Balance, Beginning of Year	250,836	250,836	250,836	
Fund Balance, End of Year	<u>\$ 258,236</u>	<u>\$ 258,236</u>	<u>\$ 258,497</u>	<u>\$ 261</u>

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 2,300	\$ 2,300	\$ 6,246	\$ 3,946
Net Change in Fund Balances	2,300	2,300	6,246	3,946
Fund Balance, Beginning of Year	89,643	89,643	89,643	
Fund Balance, End of Year	<u>\$ 91,943</u>	<u>\$ 91,943</u>	<u>\$ 95,889</u>	<u>\$ 3,946</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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 38,100	\$ 38,100	\$ 71,570	\$ 33,470
EXPENDITURES				
Current:				
Public works	111,768	115,737	85,713	30,024
Net Change in Fund Balance	(73,668)	(77,637)	(14,143)	63,494
Fund Balance, Beginning of Year	1,403,950	1,403,950	1,403,950	
Fund Balance, End of Year	\$ 1,330,282	\$ 1,326,313	\$ 1,389,807	\$ 63,494



CITY OF RANCHO PALOS VERDES

JUNE 30, 2007

INTERNAL SERVICE FUNDS DESCRIPTIONS

The Internal Service Funds are used to finance and account for goods and services provided by one City department to other City departments on a cost-reimbursement basis, including depreciation.

Equipment Replacement – to account for purchases, replacement and maintenance of certain equipment items on behalf of all City departments.

Building Replacement – to account for the accumulation of funds transferred from the General Fund for replacement of certain buildings on behalf of the City.

Employee Benefits – to account for employee benefit costs on behalf of all City departments.

CITY OF RANCHO PALOS VERDES

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>Equipment Replacement</u>	<u>Building Replacement</u>	<u>Employee Benefits</u>	<u>Totals</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 3,011,802	\$ 1,645,191	\$ 681,558	\$ 5,338,551
Receivables				
Interest	26,588	14,304	5,411	46,303
Prepaid items			123,134	123,134
Total Current Assets	<u>3,038,390</u>	<u>1,659,495</u>	<u>810,103</u>	<u>5,507,988</u>
Noncurrent Assets				
Capital assets				
Property and equipment	1,262,556			1,262,556
Accumulated depreciation	(898,662)			(898,662)
Total Noncurrent Assets	<u>363,894</u>			<u>363,894</u>
Total Assets	<u>3,402,284</u>	<u>1,659,495</u>	<u>810,103</u>	<u>5,871,882</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	31,950	207,585	127,411	366,946
NET ASSETS				
Invested in capital assets	363,894			363,894
Unrestricted	3,006,440	1,451,910	682,692	5,141,042
Total Net Assets	<u>\$ 3,370,334</u>	<u>\$ 1,451,910</u>	<u>\$ 682,692</u>	<u>\$ 5,504,936</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, 2007**

	<u>Equipment Replacement</u>	<u>Building Replacement</u>	<u>Employee Benefits</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services	\$ 435,513		\$ 1,478,380	\$ 1,913,893
Total Operating Revenues	<u>435,513</u>	<u>-</u>	<u>1,478,380</u>	<u>1,913,893</u>
OPERATING EXPENSES				
Personnel services			1,269,938	1,269,938
Material and supplies	105,683			105,683
Maintenance	47,732	335,677		383,409
Depreciation	189,578			189,578
Total Operating Expenses	<u>342,993</u>	<u>335,677</u>	<u>1,269,938</u>	<u>1,948,608</u>
Operating Income (Loss)	<u>92,520</u>	<u>(335,677)</u>	<u>208,442</u>	<u>(34,715)</u>
NONOPERATING REVENUES				
Interest income	87,680	48,585	9,470	145,735
Revenue from other agencies		59,265		59,265
Gain (Loss) on Asset Disposal				
Total Operating Expenses	<u>87,680</u>	<u>107,850</u>	<u>9,470</u>	<u>205,000</u>
Income (Loss) Before Transfers	<u>180,200</u>	<u>(227,827)</u>	<u>217,912</u>	<u>170,285</u>
Operating Transfers TRANSFERS IN		<u>100,000</u>		<u>100,000</u>
Change in Net Assets	180,200	(127,827)	217,912	270,285
Net Assets, Beginning of Year	<u>3,190,134</u>	<u>1,579,737</u>	<u>464,780</u>	<u>5,234,651</u>
Net Assets, Ending of Year	<u>\$ 3,370,334</u>	<u>\$ 1,451,910</u>	<u>\$ 682,692</u>	<u>\$ 5,504,936</u>

CITY OF RANCHO PALOS VERDES

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007**

	Equipment Replacement	Building Replacement	Employee Benefits	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Internal activity - payments from other funds	\$ 435,513		\$ 1,478,380	\$ 1,913,893
Payments to suppliers	(205,616)	\$ (166,467)	(1,288,874)	(1,660,957)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>229,897</u>	<u>(166,467)</u>	<u>189,506</u>	<u>252,936</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(204,571)			(204,571)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental Revenue		59,265		59,265
Transfers in		100,000		100,000
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		<u>159,265</u>		<u>159,265</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	91,622	51,660	8,135	151,417
NET INCREASE IN CASH AND CASH EQUIVALENTS	116,948	44,458	197,641	359,047
CASH AND CASH EQUIVALENTS, Beginning of Year	2,894,854	1,600,733	483,917	4,979,504
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 3,011,802</u>	<u>\$ 1,645,191</u>	<u>\$ 681,558</u>	<u>\$ 5,338,551</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 92,520	\$ (335,677)	\$ 208,442	\$ (34,715)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	189,578			189,578
Decrease in prepaid items			(123,134)	(123,134)
Increase (decrease) in accrued liabilities	(52,201)	169,210	104,198	221,207
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 229,897</u>	<u>\$ (166,467)</u>	<u>\$ 189,506</u>	<u>\$ 252,936</u>

STATISTICAL SECTION

This part of the City of Rancho Palos Verdes' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	100
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax..</i>	106
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the city's ability to issue additional debt in the future. The City does not have general bond indebtedness or debt issued with pledged revenue.</i>	111
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	114
Operating Information <i>These schedules contain services and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	116

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**City of Rancho Palos Verdes
Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental activities						
Invested in capital assets, net of related debt	\$ 93,636	\$ 94,895	\$ 92,499	\$ 94,023	\$ 109,991	\$ 109,746
Restricted	10,327	10,661	11,586	12,075	12,417	12,163
Unrestricted	13,666	13,004	14,271	15,659	16,024	17,823
Total governmental activities net assets	<u>\$ 117,629</u>	<u>\$ 118,560</u>	<u>\$ 118,356</u>	<u>\$ 121,757</u>	<u>\$ 138,432</u>	<u>\$ 139,732</u>
Business-type activities						
Invested in capital assets, net of related debt					\$ 1,311	\$ 2,158
Restricted						
Unrestricted				\$ 2,000	2,799	5,258
Total business-type activities net assets				<u>\$ 2,000</u>	<u>\$ 4,110</u>	<u>\$ 7,416</u>
Primary government						
Invested in capital assets, net of related debt	\$ 93,636	\$ 94,895	\$ 92,499	\$ 94,023	\$ 111,302	\$ 111,904
Restricted	10,327	10,661	11,586	12,075	12,417	12,163
Unrestricted	13,666	13,004	14,271	17,659	18,823	23,081
Total primary government net assets	<u>\$ 117,629</u>	<u>\$ 118,560</u>	<u>\$ 118,356</u>	<u>\$ 123,757</u>	<u>\$ 142,542</u>	<u>\$ 147,148</u>

The information in this table is not available prior to Fiscal Year 2002, as the City did not implement GASB 34 until Fiscal Year 2002.

City of Rancho Palos Verdes
Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses						
Governmental activities:						
Administration	\$ 3,069	\$ 3,294	\$ 3,499	\$ 4,055	\$ 4,350	\$ 4,953
Public safety	2,898	3,094	3,024	3,079	3,437	3,751
Public works	7,283	7,954	7,462	9,488	9,290	9,969
Parks and recreation	687	809	948	1,065	1,659	1,439
Planning, building and code enforcement	1,916	2,170	2,296	2,223	2,060	2,631
Interest on long-term debt	273	273	273	272	270	271
Total governmental activities expenses	<u>16,126</u>	<u>17,594</u>	<u>17,502</u>	<u>20,182</u>	<u>21,066</u>	<u>23,014</u>
Business-type activities:						
Water Quality Flood Protection					47	271
Total primary government expenses	<u>\$ 16,126</u>	<u>\$ 17,594</u>	<u>\$ 17,502</u>	<u>\$ 20,182</u>	<u>\$ 21,113</u>	<u>\$ 23,285</u>
Program Revenues						
Governmental activities:						
Charges for services:						
Administration	\$ 157	\$ 87	\$ 69	\$ 62	\$ 35	\$ 29
Public safety	433	235	165	163	224	332
Public works	78	252	217	131	37	185
Parks and recreation	10	8	6	41	45	51
Planning, building and code enforcement	979	1,202	1,363	1,188	1,319	1,599
Operating grants and contributions	6,877	2,971	2,836	2,728	3,894	4,200
Capital grants and contributions	706	131	37	4,524	17,299	317
Total governmental activities program revenues	<u>9,240</u>	<u>4,886</u>	<u>4,693</u>	<u>8,837</u>	<u>22,853</u>	<u>6,713</u>
Business-type activities:						
Charges for services:						
Water Quality Flood Protection						
Operating grants and contributions						
Capital grants and contributions						
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government program revenues	<u>\$ 9,240</u>	<u>\$ 4,886</u>	<u>\$ 4,693</u>	<u>\$ 8,837</u>	<u>\$ 22,853</u>	<u>\$ 6,713</u>
Net (expense)/revenue						
Governmental activities	\$ (6,886)	\$(12,708)	\$(12,809)	\$(11,345)	\$ 1,787	\$(16,301)
Business-type activities	-	-	-	-	(47)	(270)
Total primary government net expense	<u>\$ (6,886)</u>	<u>\$ (12,708)</u>	<u>\$ (12,809)</u>	<u>\$ (11,345)</u>	<u>\$ 1,740</u>	<u>\$ (16,571)</u>

**City of Rancho Palos Verdes
Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 5,253	\$ 5,335	\$ 5,706	\$ 5,840	\$ 9,621	\$ 10,235
Franchise taxes	1,139	1,087	1,275	1,307	1,454	1,512
Sales taxes	1,093	1,003	1,205	1,276	1,214	1,381
Utility user taxes	1,812	1,832	1,851	1,901	2,191	2,271
Other taxes	2,744	3,495	2,867	4,545	727	363
Investment income	814	371	331	594	997	1,615
Other	(67)	517	2,481	1,283	793	2,101
Transfers				(2,000)	(2,109)	(2,017)
Total governmental activities	<u>12,788</u>	<u>13,640</u>	<u>15,716</u>	<u>14,746</u>	<u>14,888</u>	<u>17,461</u>
Business-type activities:						
Investment income					48	51
User Fees					-	1,188
Other					-	320
Transfers				2,000	2,109	2,017
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,157</u>	<u>3,576</u>
Total primary government	<u>\$ 12,788</u>	<u>\$ 13,640</u>	<u>\$ 15,716</u>	<u>\$ 16,746</u>	<u>\$ 17,045</u>	<u>\$ 21,037</u>
Change in Net Assets						
Governmental activities	\$ 5,902	\$ 932	\$ 2,907	\$ 3,401	\$ 16,675	\$ 1,160
Business-type activities	-	-	-	2,000	2,110	3,306
Total primary government net expense	<u>\$ 5,902</u>	<u>\$ 932</u>	<u>\$ 2,907</u>	<u>\$ 5,401</u>	<u>\$ 18,785</u>	<u>\$ 4,466</u>

The information in this table is not available prior to Fiscal Year 2002, as the City did not implement GASB 34 until Fiscal Year 2002.

**City of Rancho Palos Verdes
 Governmental Activities Tax Revenues By Source
 Last Six Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)**

Fiscal Year	Property Tax	Franchise Tax	Sales Tax	Utility Users Tax	Other Taxes	Total
2002	\$ 5,253	\$ 1,139	\$ 1,093	\$ 1,812	\$ 2,744	\$ 12,041
2003	5,335	1,087	1,003	1,832	3,495	12,752
2004	5,706	1,275	1,205	1,851	2,867	12,904
2005	5,840	1,307	1,276	1,901	4,545	14,869
2006	9,621 ¹	1,454	1,214	2,191	727 ¹	15,207
2007	10,235	1,512	1,381	2,271	363	15,762

1: Most of the Motor Vehicle In Lieu tax is received as property tax beginning in 2006.

The information in this table is not available prior to Fiscal Year 2002, as the City did not implement GASB 34 until Fiscal Year 2002.

**City of Rancho Palos Verdes
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)**

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General fund										
Reserved	\$ 5,231	\$ 6,050	\$ 6,367	\$ 6,317	\$ 6,571	\$ 6,854	\$ 6,639	\$ 6,021	\$ 6,165	\$ 6,586
Designated								675	876	786
Unreserved, undesignated	3,918	5,701	6,791	7,043	7,234	9,607	14,066	14,209	13,649	14,376
Total general fund	<u>\$ 9,149</u>	<u>\$ 11,751</u>	<u>\$ 13,158</u>	<u>\$ 13,360</u>	<u>\$ 13,805</u>	<u>\$ 16,461</u>	<u>\$ 20,705</u>	<u>\$ 20,905</u>	<u>\$ 20,690</u>	<u>\$ 21,748</u>
All other governmental funds										
Reserved	\$ 1,966	\$ 2,019	\$ 3,922	\$ 3,406	\$ 11,256	\$ 7,584	\$ 7,229	\$ 3,147	\$ 3,315	\$ 2,396
Designated										
Special revenue funds								615	744	1,849
Capital projects funds	12,079	12,175	12,163	10,472				2,416	2,799	3,158
Permanent fund									75	65
Debt service fund										
Unreserved, undesignated, reported in:										
Special revenue funds	4,629	4,768	4,283	4,697	4,753	5,012	5,040	5,902	6,615	6,426
Capital projects funds					332 ¹	534	2,430	3,320	2,077	1,869
Permanent fund					443 ²	460	418	426	329	325
Debt service fund					(10,477) ³	(10,915)	(12,070)	(12,793)	(13,741)	(14,873)
Total all other governmental funds	<u>\$ 18,674</u>	<u>\$ 18,962</u>	<u>\$ 20,368</u>	<u>\$ 18,575</u>	<u>\$ 6,307</u>	<u>\$ 2,675</u>	<u>\$ 3,047</u>	<u>\$ 3,033</u>	<u>\$ 2,213</u>	<u>\$ 1,215</u>

1: Prior to 2002, all Capital Projects fund balances were designated for future projects.

2: Prior to 2002, the Permanent fund was reported as a Fiduciary fund.

3: Prior to 2002, the balance of long-term debt was recorded in an account group instead of the Debt Service fund.

City of Rancho Palos Verdes
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$ 8,922	\$ 9,002	\$ 9,530	\$ 10,309	\$ 10,677	\$ 11,046	\$ 12,081	\$ 13,573	\$ 15,238	\$ 16,453
Licenses and permits	890	1,292	1,090	1,164	1,245	1,463	1,310	1,326	1,440	1,763
Fines and forfeitures	115	140	157	139	117	115	102	108	171	237
Use of money and property	1,701	1,555	1,704	1,971	1,153	804	733	1,306	7,038	3,480
Charges for services	176	218	203	197	217	205	379	152	49	61
Revenues from other agencies	4,900	4,341	3,655	4,816	8,170	4,318	3,453	7,848	15,511	4,118
Other revenues	649	687	2,137	882	563	554	2,363	1,038	155	201
Total Revenues	17,353	17,235	18,476	19,478	22,142	18,505	20,421	25,351	39,602	26,313
Expenditures										
Administration	1,669	1,689	1,846	3,052	2,915	3,092	3,328	3,852	4,041	4,607
Public Safety	2,533	2,658	2,662	2,733	2,898	3,094	3,039	3,092	3,438	3,751
Public Works	4,143	4,156	5,552	4,972	7,449	5,292	4,801	6,302	5,277	6,864
Parks and recreation	711	633	597	596	669	786	946	965	1,593	1,319
Planning, building and code enforcement	1,559	1,882	1,647	1,778	1,950	2,194	2,362	2,302	2,361	2,681
Pass through to other agencies	79	78	85	91	102	137	156	188	200	152
Capital outlay	4,333	3,504	2,157	7,015	8,246	3,893	368	4,912	20,202	3,124
Debt service										
Principal	10,000							184	200	248
Interest	638	893	985	1,128	930	836	805	905	1,150	1,390
Total expenditures	25,665	15,493	15,531	21,365	25,159	19,324	15,805	22,702	38,462	24,136
Excess of revenues over (under) expenditures	(8,312)	1,742	2,945	(1,887)	(3,017)	(819)	4,616	2,649	1,140	2,177
Other financing sources (uses)										
Transfers in	10,358	2,593	3,687	5,013	4,294	1,676	1,844	6,180	4,989	4,489
Transfers out	(10,463)	(2,593)	(4,469)	(5,165)	(4,877)	(1,833)	(1,844)	(8,180)	(7,247)	(6,606)
Bond Proceeds	5,455									
Advances to the Redevelopment Agency	2,246	1,301	982	855						
Total other financing sources (uses)	7,596	1,301	200	703	(583)	(157)	-	(2,000)	(2,258)	(2,117)
Net change in fund balances	\$ (716)	\$ 3,043	\$ 3,145	\$ (1,184)	\$ (3,600)	\$ (976)	\$ 4,616	\$ 649	\$ (1,118)	\$ 60
Cost of assets capitalized	-	1	-	1	-	1	11,047	4,184	379	4,623
Debt services as a percentage of noncapital expenditures	-	1	-	1	-	1	6.6%	5.5%	5.2%	6.0%

1: The cost of assets capitalized from Governmental Fund expenditures is not available prior to Fiscal Year 2002, as the City did not implement GASB 34 until Fiscal Year 2002.

City of Rancho Palos Verdes
General Governmental Tax Revenues By Source
Last Eight Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Franchise Tax	Sales Tax	Utility Users Tax	Other Taxes	Total
2000	\$ 4,357	\$ 972	\$ 1,024	\$ 1,550	\$ 1,627	\$ 9,530
2001	4,629	1,087	1,101	1,764	1,728	10,309
2002	4,972	1,139	1,093	1,812	1,661	10,677
2003	5,335	1,087	1,003	1,832	1,789	11,046
2004	5,706	1,275	1,205	1,851	2,044	12,081
2005	8,494 ¹	1,307	1,009	1,901	862	13,573
2006	9,576	1,299	995	2,191	1,177	15,238
2007	10,385	1,511	1,020	2,272	1,265	16,453

Source: City general ledger

1: Most of the Motor Vehicle In Lieu fees are received as property tax beginning in 2006.

The information in this table is not available prior to Fiscal Year 2000, as the City has not retained detailed general ledger information sufficient to provide tax revenue by type prior to Fiscal Year 2000.

City of Rancho Palos Verdes
Assessed Value and Estimated Actual Value of Taxable Property
Last Three Fiscal Years
(in thousands of dollars)

Fiscal Year End	Residential Property	Commercial Property	Industrial Property	Other Property	Unsecured Property	Less Tax-Exempt Property	Taxable Assessed Value	Total Direct Tax Rate (1)	Estimated Actual Taxable Value (2)	Factor of Taxable Assessed Value (3)
2005 *	\$ 6,530,448	\$ 76,445	\$ 1,691	\$ 317,463	\$ 22,222	\$ 218,193	\$ 6,730,076	\$ 0.064	\$ 8,956,722	1.33085
2006 *	7,034,406	88,691	3,086	365,175	21,561	218,916	7,294,003	0.064	\$ 9,707,224	1.33085
2007	7,548,956	111,338	3,148	513,876	20,378	226,598	7,971,098	0.064	\$ 10,608,336	1.33085

Source: County Assessor data, MuniServices, LLC

2006-07 County Auditor/Controller data, MuniServices, LLC

*Prior Year assessed values have been revised from prior CAFR publications to comply with GASB No. 44 standards and on-going consistency in reporting methodologies.

(1) Total Direct Tax Rate is represented by Tax Rare Area 001-224

(2) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices.

Based on these calculations a factor was extrapolated and applied to current assessed values.

(3) The Factor used to calculate Estimated Actual Value was calculated for 2006-07 and applied to prior years for historical purposes.

This value will change in future years depending on market trends.

The detailed information presented in this table was not obtained by the City for fiscal years prior to 2005, and is therefore unavailable.

**City of Rancho Palos Verdes
Property Tax Rates
Direct and Overlapping Governments
Last Three Fiscal Years**

Fiscal Year	General Levy	Los Angeles County	Flood Control District	Metropolitan Water District	Library District	Community College District	School Districts	Total Direct & Overlapping Rates
2005	\$ 1.00000	\$ 0.00092	\$ 0.00025	\$ 0.00580	\$ 0.00852	\$ 0.01810	\$ 0.10366	\$ 1.13724
2006	1.00000	0.00080	0.00005	0.00520	0.00781	0.01429	0.10370	1.13184
2007	1.00000	0.00066	0.00005	0.00470	0.00731	0.02146	0.10681	1.14100

Source: HdL Coren & Cone, Los Angeles County Assessor Combined Tax Rolls, MuniServices LLC

Note: Tax rates are per \$100 of assessed value.

Tax Rate Area 001-224

The detailed information presented in this table was not obtained by the City for fiscal years prior to 2005, and is therefore unavailable.

**City of Rancho Palos Verdes
Principal Property Taxpayers
Current Year
(amounts expressed in thousands)**

Taxpayer	2007			1998		
	Assessed Value	Rank	Percentage of Total Assessed Value	Assessed Value	Rank	Percentage of Total Assessed Value
Long Point Development LLC	\$ 96,914	1	1.22%	\$ 22,524	2	0.49%
VRPV LLC	53,181	2	0.67%			
V H Property Corp	50,747	3	0.64%			
P V Victoria Apartments LLC	44,117	4	0.55%	34,637	1	0.76%
Rahn Patricia J Et Al	33,200	5	0.42%			
Western Riviera Investors Et A	26,858	6	0.34%	22,474	3	0.49%
Ppc Palos Verdes LLC	24,535	7	0.31%			
Belmont Village RPV LP	21,000	8	0.26%			
Johnson Eric C Co Tr	17,977	9	0.23%			
VHPS LLC	15,130	10	0.19%			
RPV Associates				15,470	4	0.34%
American Golf Inc.				12,278	5	0.27%
General Life Connecticut				11,844	6	0.26%
Theodore Gardner				11,811	7	0.26%
Terraces Partners LP				11,480	8	0.25%
Cox Cable Communications				10,928	9	0.24%
CA Water Service Company				10,224	10	0.22%
Totals	\$ 383,659		4.81%	\$ 79,635		3.58%

Source: MuniServices LLC, Los Angeles County Assessor Combined Tax Rolls

**City of Rancho Palos Verdes
Property Tax Levies and Collections
Last Three Fiscal Years
(amounts expressed in thousands)**

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 4,284	\$ 4,001	93.40%	\$ 144	\$ 4,145	96.76%
2006	4,643	4,506	97.06%	36	\$ 4,542	97.83%
2007	5,078	4,799	94.51%	-	\$ 4,799	94.51%

Source: County Assessor Data and City general ledger

The detailed information presented in this table was not obtained by the City for fiscal years prior to 2005, and is therefore unavailable.

City of Rancho Palos Verdes
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	RDA Tax Increment Bond	RDA Deferred Interest Payable	Employee Compensated Absences			
1998	\$ 5,455	\$ 3,111	\$ 125	\$ 8,691	0.29%	\$ 199.07
1999	5,455	3,111	136	8,702	0.29%	196.23
2000	5,455	3,111	135	8,701	0.43%	193.64
2001	5,455	3,111	134	8,700	0.47%	211.45
2002	5,455	3,111	163	8,729	0.46%	207.82
2003	5,455	3,111	191	8,757	0.46%	206.91
2004	5,455	3,111	194	8,760	0.45%	204.63
2005	5,450	2,469	221	8,140	0.41%	187.02
2006	5,435	2,284	231	7,950	0.41%	184.92
2007	5,410	2,061	240	7,711	0.40%	178.94

City of Rancho Palos Verdes
Direct and Overlapping Governmental Activities Debt
Current Year

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt		City's Share of
	<u>6/30/2007</u>	<u>% Applicable (1)</u>	<u>Debt 6/30/07</u>
Los Angeles County Flood Control District	\$113,560,000	1.02%	\$1,158,312
Metropolitan Water District	359,115,000	0.492	1,766,846
Los Angeles Community College District	1,005,200,000	1.762	17,711,624
Los Angeles Unified School District	6,504,880,000	0.22	14,310,736
Palos Verdes Unified School District	70,980,681	46.798	33,217,539
City of Rancho Palos Verdes	0	100	0
Palos Verdes Library District	9,845,000	49.483	4,871,601
Los Angeles County Regional Park and Open Space Assessment District	304,235,000	0.984	<u>2,993,672</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$76,030,330
 <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>			
Los Angeles County General Fund Obligations	\$1,084,851,959	0.98%	\$10,674,943
Los Angeles County Pension Obligations	546,849,147	0.984	5,380,996
Los Angeles County Superintendent of Schools Certificates of Participation	19,817,270	0.984	195,002
Los Angeles County Sanitation District No. 5 Authority	64,943,439	10.87	7,059,352
Los Angeles County South Bay Cities Sanitation District Authority	11,065,017	4.728	523,154
Los Angeles Unified School District Certificates of Participation	395,744,823	0.22	<u>870,639</u>
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$24,704,086
Less: Los Angeles Unified School District self-supporting obligations			<u>27,178</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$24,676,908
 GROSS COMBINED TOTAL DEBT			
			\$100,734,416 (2)
 NET COMBINED TOTAL DEBT			
			\$100,707,238
 (1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.			
(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.			
 2006-07 Assessed Valuation: \$8,065,914,966			
Redevelopment Incremental Valuation: <u>82,951,850</u>			
Adjusted Assessed Valuation: \$7,982,963,116			
 <u>Ratios to 2006-07 Assessed Valuation:</u>			
Direct Debt		0.00%	
Total Direct and Overlapping Tax and Assessment Debt		0.94%	
 <u>Ratios to Adjusted Assessed Valuation:</u>			
Gross Combined Total Debt		1.26%	
Net Combined Total Debt		1.26%	
 <u>STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07:</u>			
	\$1,299		

Source: MuniServices LLC, L.A. Acounty Assessor and Audiotr Combined 2006/07 Lien Date Tax Rolls

**City of Rancho Palos Verdes
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)**

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 652,585	\$ 691,696	\$ 759,196	\$ 804,357	\$ 855,291	\$ 902,133	\$ 962,539	\$ 1,021,177	\$ 1,105,647	\$ 1,195,665
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 652,585</u>	<u>\$ 691,696</u>	<u>\$ 759,196</u>	<u>\$ 804,357</u>	<u>\$ 855,291</u>	<u>\$ 902,133</u>	<u>\$ 962,539</u>	<u>\$ 1,021,177</u>	<u>\$ 1,105,647</u>	<u>\$ 1,195,665</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Total taxable value (see page 105)	\$ 7,971,098
Debt limit (15% of total taxable value)	1,195,665
Debt applicable to limit	-
Legal debt margin	<u>\$ 1,195,665</u>

**City of Rancho Palos Verdes
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population	Personal Income (000's)	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
1998	43,657	\$ 2,948,856	\$ 67,546 ¹	DNA	DNA	DNA	DNA
1999	44,345	2,995,327	67,546	DNA	DNA	DNA	DNA
2000	44,933	2,080,128	46,294 ²	44.7 ²	DNA	DNA	DNA
2001	41,145	1,904,767	46,294	44.7	DNA	DNA	DNA
2002	42,002	1,944,441	46,294	44.7	DNA	DNA	DNA
2003	42,322	1,959,255	46,294	44.7	DNA	DNA	DNA
2004	42,810	1,981,846	46,294	44.7	DNA	DNA	DNA
2005	43,525	2,014,946	46,294	44.7	DNA	DNA	DNA
2006	42,991	1,990,225	46,294	44.7	DNA	DNA	5.7% ⁵
2007	43,092	2,411,687 ³	55,966 ³	44.7	DNA	12,030 ⁴	1.5% ⁵

Source: 2006-07, MuniServices LLC

Population Projections and the Unemployment Rate are provided by California Department of Finance Projections and the California EDD.

1. Data available with the 1990 U.S. Census.

2. Data available with the 2000 U.S. Census. The data will not be updated until 2010

3. Income Data is provided by American Community Survey Data adjusted for inflation.

4. Public School Enrollment provided by the California Dept of Education, and represent the Palos Verdes Peninsula Unified School District.

5. Unemployment rate obtained from Sperling's Best Places (an Internet data service)

DNA: Data not available

Source: 2005-06 and prior, previously published CAFR Report

**City of Rancho Palos Verdes
Principal Employers
Current Year**

Employer	Employees	Rank	Percentage of Total City Employment
Palos Verdes Peninsula Unified School District (1)	2,000	1	9.09%
Marymount College	170	2	0.77%
Keller Williams Realty	112	3	0.51%
Belmontcorp Ltd	97	4	0.44%
American Golf Corp	60	5	0.27%
Bally Total Fitness Corp	50	6	0.23%
Salvation Army	43	7	0.20%
Remax Palo Verdes Realty	37	8	0.17%
Pie Rise Ltd	30	9	0.14%
Remax Execs	29	10	0.13%
	2,628		11.95%
Total City Employment (2)	22,000		

Source: MuniServices LLC, Direct Contact with Local Businesses.

1: The number shown represents the total employee count for the entire district. The district does not track employees by location.

2: Total City Employment provided by EDD Labor Force Data.

City of Rancho Palos Verdes
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government	39	41	41	41	42	45	45	45	47	50
Recreation part-time	10	10	10	10	10	10	10	10	10	10
Total	<u>49</u>	<u>51</u>	<u>51</u>	<u>51</u>	<u>52</u>	<u>55</u>	<u>55</u>	<u>55</u>	<u>57</u>	<u>60</u>

Source: City budget documents and payroll records

**City of Rancho Palos Verdes
Operating Indicators by Function
Last Six Fiscal Years**

Function	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Administration						
Employee Resignations	4	-	5	4	4	4
Workers compensation claims	3	2	2	3	4	2
Liability claims	14	14	14	18	31	14
Budget Adjustments	35	30	27	36	48	32
Business licenses issued	1,600	1,961	2,102	1,909	1,801	1,837
Web site page views	88,888	119,104	133,481	224,777	1.3 mil	1.6 mil
Public Safety						
Part I crime rates (per 10,000 population)	138	122	122	101	120	117
Public Works						
Solid waste diversion rates	51%	57%	61%	59%	55%	DNA
Pavement rating	80	80	89	89	82	DNA
Recreation and Parks						
Park events	1,022	915	825	780	937	770
Class meetings at parks	1,774	2,134	2,935	2,893	2,856	2,647
Docent led nature hikes	54	45	80	65	62	98
Planning, Building and Code Enforcement						
Building permits processed	1,264	1,327	1,399	1,233	1,382	1,244
Plan checks	121	150	186	208	163	164
Municipal code violations closed	138	203	214	180	159	162

Source: City departments

DNA: Data not available

The information presented in this table was not collected by the City prior to Fiscal Year 2002.

**City of Rancho Palos Verdes
Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Administration										
Computer workstations	DNA	DNA	DNA	DNA	DNA	DNA	DNA	81	81	85
Public safety ¹										
Public works										
Street miles	143	143	143	143	143	143	143	143	143	143
Traffic signals	11	12	13	13	14	15	15	15	15	15
Parks and recreation										
Parks	13	13	13	14	15	15	15	15	16	16
Planning, building and code enforcement										
Vehicles used for inspections	DNA	DNA	DNA	3	3	3	3	3	3	3

Source: City capital asset records

DNA: Data not available

1: Public safety services are contracted with other agencies. The city does not own any public safety capital assets.