

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2003

[Click here for Table of Contents](#)
To return to Table of Contents while viewing
document, please click on Bookmarks tab to
reveal Table of Contents link.

**CITY OF RANCHO PALOS VERDES,
CALIFORNIA**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2003

Prepared By:

Finance Department

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

INTRODUCTORY SECTION



Photo courtesy of Kent Tolley, 2003 Palos Verdes Peninsula Land Conservancy Photo Contest

CITY OF RANCHO PALOS VERDES
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2003

TABLE OF CONTENTS

INTRODUCTORY SECTION:

Table of Contents	i-iii
Letter of Transmittal	iv-x
Directory of City Officials	xi
Organization Chart	xii
GFOA Certificate of Achievement for Excellence in Financial Reporting	xiii
CSMFO Certificate of Award for Outstanding Financial Reporting	xiv

FINANCIAL SECTION:

Independent Auditor's Report	1
 Management Discussion and Analysis	 3
 Government-Wide Financial Statements	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds	
Balance Sheet	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
General Fund	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	19
Street Maintenance Special Revenue Fund	
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual	20
Proprietary Funds	
Statement of Net Assets	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets	22
Statement of Cash Flows	23
 Notes to the Financial Statements	 24

CITY OF RANCHO PALOS VERDES
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2003

TABLE OF CONTENTS

Supplementary Schedules

Major Fund Budgetary Comparison Schedules

Schedule of Revenues, Expenditures, and Changes in Fund Balances	
- Budget and Actual	
Capital Improvement Projects Capital Projects Fund	43
RDA Debt Service Fund	44

Non-Major Governmental Funds

Combining Balance Sheet	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	53
Schedule of Revenues, Expenditures, and Changes in Fund Balances	
- Budget and Actual – Special Revenue Funds	
Air Quality Management Fund	59
Community Development Block Grant Fund	60
El Prado Fund	61
RDA Housing Set-Aside Fund	62
Proposition A Fund	63
Proposition C Fund	64
Recycling Fund	65
Solid Waste Fund	66
LLESS/COPS/CLEEP Fund	67
1972 Act Fund	68
1911 Act Fund	69
JPIA – Portuguese Bend Fund	70
Habitat Restoration Fund	71
Subregion One Maintenance Fund	72
Measure A Fund	73
Abalone Cove Sewer Assessment District	74
Schedule of Revenues, Expenditures, and Changes in Fund Balances	
- Budget and Actual – Capital Projects Funds	
Bikeways Fund	75
RDA Abalone Cove Fund	76
Environmental Excise Tax Fund	77
Quimby Fund	78
Affordable Housing Fund	79
RDA Portuguese Bend Fund	80
Utility Undergrounding Fund	81
Roadway Beautification Fund	82
Schedule of Revenues, Expenditures, and Changes in Fund Balance	
- Budget and Actual – Permanent Fund	
Joint Powers Improvement Authority – Abalone Cove Fund	83

CITY OF RANCHO PALOS VERDES
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2003

TABLE OF CONTENTS

Internal Service Funds	
Combining Statement of Net Assets	85
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	86
Combining Statement of Cash Flows	87
STATISTICAL SECTION (Unaudited)	
General Governmental Expenditures by Function – Last Ten Fiscal Years	88
General Governmental Revenues by Source – Last Ten Fiscal Years	89
Property Tax Levies and Collections – Last Ten Fiscal Years	90
Assessed Value of Taxable Property – Last Ten Fiscal Years	91
Property Tax Rates – All Overlapping Governments – Last Ten Fiscal Years	92
Principal Taxpayers	93
Special Assessment Billings and Collections – Last Ten Fiscal Years	94
Computation of Legal Debt Margin	95
Statement of Direct and Overlapping Debt	96
Demographic Statistics – Last Ten Fiscal Years	97
Demographic Statistics – 2000 Census Data	98
Building Permits and Property Value – Last Ten Fiscal Years	99
Miscellaneous Statistics	100



Photo courtesy of Linda Wedemeyer, 2003 Palos Verdes Peninsula Land Conservancy Photo Contest

September 11, 2003

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, 2003, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the City of Rancho Palos Verdes issue annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Rancho Palos Verdes. In addition, to the best of our knowledge, there are no untrue statements of material fact within the financial statements or omissions of material fact to cause the financial statements to be misleading. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

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

GOVERNMENTAL STRUCTURE, ECONOMIC CONDITION AND OUTLOOK

The City of Rancho Palos Verdes is located on a coastal peninsula overlooking the Pacific Ocean in Los Angeles County, 20 miles south of the City of Los Angeles. The City was incorporated September 7, 1973. The City currently has a land area of 13.6 square miles and a population of 42,322. 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 moderately during the fiscal year ended June 30, 2003, 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, 2004 presents the expectation of a decrease of General fund reserves. The economic downturn and management's concern about the possible decrease of state shared revenues 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 Council conditionally approved the Long Point Resort Hotel project allowing the construction of a 582-room resort hotel and a 3-hole golf practice facility with driving range on property located at 6610 Palos Verdes Drive South (former Marineland site).
- The City, in cooperation with the Palos Verdes Peninsula Land Conservancy, continued to oversee the implementation of the Forrestral Management Plan and the Forrestral Steering Committee.
- The City adopted new Neighborhood Compatibility Requirements, along with a Neighborhood Compatibility Handbook based on recommendations provided by the Neighborhood Compatibility Steering Committee. The City will monitor the effectiveness of the new rules and report back to the Council in one year's time.
- The Equestrian Committee and City Council reviewed and approved the continued operation of two Conditional Large Domestic Animal Permits to allow non-profit organizations to conduct equestrian activities in the Portuguese Bend Equestrian Overlay District.
- The City continued the process of updating the City's General Plan by holding monthly meetings of the General Plan Update Steering Committee. The Committee is charged with the task of reviewing and commenting on all of the existing goals and policies of the General Plan.
- The City continued to implement its state approved Housing Element and efforts to work with the Southern California Association of Governments in preparing the Regional Transportation Plan related to the next Regional Housing Needs Assessment/Housing Element Update.
- The City continued work on Phase II of the Natural Communities Conservation Plan (NCCP) as a part of its continuing effort to finalize the habitat preserve design.
- The City continued to provide review and inspection services for repair of the 18th hole at Ocean Trails, which was damaged by a landslide in June 1999 prior to the opening of the golf course. The City met with Ocean Trails' staff on a regular basis to assist them in the development of the project, as well as to point out issues important to the community. The City issued Special Use Permits to allow the continued temporary operation of the 15-hole golf course during the landslide repair efforts, issued permits for the reconstruction of Palos Verdes Drive South (one of the City's major arterials), and approved plans to expand the existing Clubhouse as well as for improvements to the golf course.
- The City initiated the Environmental Impact Report (EIR) for the proposed Marymount College facilities expansion.

- The City continued to formally monitor development projects in surrounding jurisdictions (referred to as “border issues”) to assess their potential impacts upon the City and its residents.
- The City issued Building Permits for 12 additional homes within the Oceanfront Estates residential project located along Palos Verdes Drive West.
- The City oversaw the renovation and construction of the Golden Cove Shopping Center.
- The City approved the recordation of Final Tract Map No. 52666 to allow the land division of a 3.92-acre lot into 13 residential lots on property located at 3200 Palos Verdes Drive West.
- The City issued building permits and oversaw/inspected the construction of the Belmont Village 122-unit assisted living facility on Crestridge Road.
- The City continued to approve the installation of various commercial antenna facilities for cellular telephones and personal communication systems on private property throughout the City.
- The City continued to implement a permit tracking system for the Planning, Code Enforcement and Building & Safety divisions.

Public Works

- The City completed the storm drain improvement and landslide stabilization project at San Ramon Canyon.
- The FY02-03 Arterial Overlay Program included the rehabilitation of a portion of 25th Street/Palos Verdes Drive South from the City’s eastern boundary to La Rotunda Drive.
- The FY01-02 Residential Overlay program was completed.
- Soil remediation was completed at Point Vicente Interpretive Center with assistance from the federal government.
- Storm drain improvements were constructed at the Point Vicente Interpretive Center.
- Playground improvements were constructed and new play equipment installed at both Ryan Park and Ladera Linda Park.
- The City awarded 53 neighborhood beautification grants totaling almost \$200,000.
- A traffic signal was constructed at the intersection of Hawthorne Boulevard and Vallon Drive.

Recreation and Parks

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

Administration

- The City Council sponsored two Community Leaders' Breakfast meetings. The first was held at Ocean Trails Golf Course in November 2002. Mr. Donald Trump was the featured speaker and informed the community about his future plans for this high-profile property. The second, held in May 2003, was attended by state Senator Betty Karnette and U.S. Congressman Dana Rohrabacher, and focused on state and local budget issues.
- The City hosted the California Contract Cities annual meeting in April 2003, which was attended by approximately 150 people representing the member cities.
- The City successfully prepared and processed a resolution promoting the undergrounding of utilities through the League of California Cities' committees. The resolution was approved at the League's General Assembly in October 2002.
- The City Council created an 8-member Emergency Preparedness Committee to pursue the goals identified by the previous Emergency Preparedness Task Force to assist the City Council and staff in improving and maintaining a high state of readiness to respond to a wide variety of emergencies and disasters.
- The City continued to publish the widely read and much acclaimed quarterly City Newsletter. In FY 02-03, the newsletter featured articles on how citizens can participate more effectively in their local government, how property tax dollars are allocated, the City's new neighborhood compatibility ordinance, the history of the Portuguese Bend Beach Club and how to incorporate native plants into residential gardens. The spring 2003 edition also included a removable pamphlet on emergency preparedness.
- The City Council continued to provide financial assistance to a variety of non-profit organizations that provide service to the community.
- The City revised the format of the Two-Year City Budget document from a fund-based budget to a program-based budget, thereby greatly improving the organization and functionality of this important City document for the City Council, City staff members and the public at large. In addition, the City modified the Budget In Brief from a booklet into a brochure, which has made it more attractive, informative and simpler to distribute to the public.
- The City expanded its presence on the local cable television network by producing a new monthly cable television show called "RPV CityTalk" that highlights issues of interest to the community. The City launched a new governmental/educational channel on Channel 33 through the City's cable television franchise agreement with Cox Communications. The City opened a Multi-Media Studio, operated by Palos Verdes on the Net, to produce additional original local cable programming of benefit to the community.

FINANCIAL INFORMATION

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

Single Audit. As a recipient of federal, state, and county financial assistance, the City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. In years when over \$300,000 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, 2003, less than \$300,000 was expended on Federal financial assistance programs; and therefore, a single audit was not required.

Budgeting Controls. The City of Rancho Palos Verdes maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions contained in the annual appropriated budgets approved by the City Council, Redevelopment Agency Board, and Improvement Authority Commission. Activities of the General fund, Special Revenue funds, Capital Projects funds, Debt Service fund and Permanent fund are included in the annual appropriated

budgets of the government units. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department/function level within each fund. Formal budgetary integration is employed as a management control device. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbrances lapse at year-end, and any unexpended balance is eligible to be carried over to the following year's budget appropriations with Council approval.

General Government Functions. The following schedule presents a summary of all Governmental fund revenues for the fiscal year ended June 30, 2003 with the amount and percentage of increases or decreases in relation to prior year revenue:

	Amount	Increase/ (Decrease) from FY01-02	Percent of Increase/ (Decrease)
Taxes	\$ 11,046,228	\$ 369,099	3.5%
Licenses and permits	1,463,135	218,264	17.5%
Fines and forfeitures	115,448	(1,150)	-1.0%
Use of money and property	803,510	(349,373)	-30.3%
Charges for services	204,798	(12,589)	-5.8%
Revenues from other agencies	4,318,078	(3,852,436)	-47.2%
Other revenues	554,035	(8,653)	-1.5%
TOTAL REVENUES	\$ 18,505,232	\$ (3,636,838)	-16.4%

With overall revenues decreasing by over \$3.6 million for the year, the City recognized large fluctuations in several of the different revenue categories. These increases and decreases are discussed below.

The Licenses and Permits increase of over \$200,000 was primarily due to increased Building & Safety permit activity. As a result of low interest rates, new construction and home remodeling activity increased during FY02-03.

Consistent with the national trend, the City's investment rate of return decreased from an average of 3.43 percent in FY01-02 to an average of 2.18 percent in FY02-03. Interest income decreased by almost \$350,000 when compared with the prior year.

The decrease of revenues from other agencies was primarily due to the \$3.9 million Measure A grant received in FY01-02 for the Barkentine property purchase.

The following schedule presents a summary of all Governmental fund expenditures for the fiscal year ended June 30, 2003, and the amount and percentage of increases and decreases in relation to prior year amounts:

	Amount	Increase/ (Decrease) from FY01-02	Percent of Increase/ (Decrease)
General government	\$ 3,092,599	\$ 177,996	6.1%
Public safety	3,094,005	195,740	6.8%
Public works	5,291,650	(2,157,700)	-29.0%
Parks and recreation	785,788	116,849	17.5%
Planning, building and code enforcement	2,194,265	243,761	12.5%
Pass through to other agencies	136,904	35,334	34.8%
Capital outlay	3,892,640	(4,353,793)	-52.8%
Debt service	836,235	(93,592)	-10.1%
TOTAL EXPENDITURES	\$ 19,324,086	\$ (5,835,405)	-23.2%

The overall \$5.8 million decrease in expenditures is due to large fluctuations in several expenditure categories. These increases and decreases are discussed below.

The net decrease in Public Works expenditures is almost entirely comprised of prior year expenditures for engineering activities related to the San Ramon drainage project in the amount of \$2.3 million.

Parks and recreation expenditures increased due to staffing an administrative position in FY02-03. The position was not filled during FY01-02.

As described previously, Building and Safety activity increased during FY02-03. The City contracts with a consultant for Building and Safety services. With the increased activity, consulting expenditures and the corresponding fee revenue increased.

Total capital outlay expenditures decreased by a net amount of more than \$4.3 million. Capital project budgets vary each year, due to the City's needs and funding availability. In addition, many capital projects are constructed over multiple fiscal years. The Barkentine open space property was purchased in FY01-02 for approximately \$3.9 million. Finally, the City deferred the FY02-03 Residential Street Overlay project to be combined with the FY03-04 project. The deferral saved approximately \$623,000.

Budget to Actual Comparison. Once again, the City experienced a favorable budget variance in the General fund for the fiscal year ended June 30, 2003. Actual General fund revenues were approximately \$764,000 greater than the amount budgeted, while expenditures were approximately \$696,000 less than the amount budgeted. The positive variance resulted from the continued careful management of resources, as well as the continued strength of property values during FY02-03.

Governmental Fund Balances. The combined fund balances of all Governmental Funds decreased by approximately \$976,000 from the prior year. The net decrease is primarily attributable to continued spending on capital projects, including San Ramon drainage improvements and the FY01-02 Residential Street Overlay program.

Debt Administration. At June 30, 2003, 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. Investments are currently maintained with the State Treasurer's Local Agency Investment Fund (LAIF); however, the City's investment policy permits investments legally allowable under state law. LAIF provides high safety and liquidity and is operated specifically for local governments. The City's invested balance with LAIF as of June 30, 2003 was \$28,324,360. The average return on invested funds was 2.181%. 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 over 80 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, 2003, 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's Safety Committee 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, 2002. This was the tenth consecutive year that the City of Rancho Palos Verdes has achieved this prestigious award. A copy of the GFOA Certificate of Achievement is included later in the introductory section of this year's CAFR. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

CSMFO Certificate of Award for Outstanding Financial Reporting. The California Society of Municipal Finance Officers (CSMFO) awarded a Certificate of Award for Outstanding Financial Reporting to the City of Rancho Palos Verdes for its CAFR for the fiscal year ended June 30, 2002. A copy of this Certificate of Award has also been included later in the CAFR's introductory section. The certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements. We will again submit the City's annual report to the CSMFO for award consideration.

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

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

Respectfully submitted,

Dennis McLean
Director of Finance & Information Technology



Photo courtesy of Pat Mack, 2001 Palos Verdes Peninsula Land Conservancy Photo Contest winner

CITY OF RANCHO PALOS VERDES

DIRECTORY OF CITY OFFICIALS

JUNE 30, 2003

CITY COUNCIL

Douglas Stern, Mayor

Barbara Ferraro, Mayor Pro-Tem

Larry Clark, Councilmember

Peter Gardiner, Councilmember

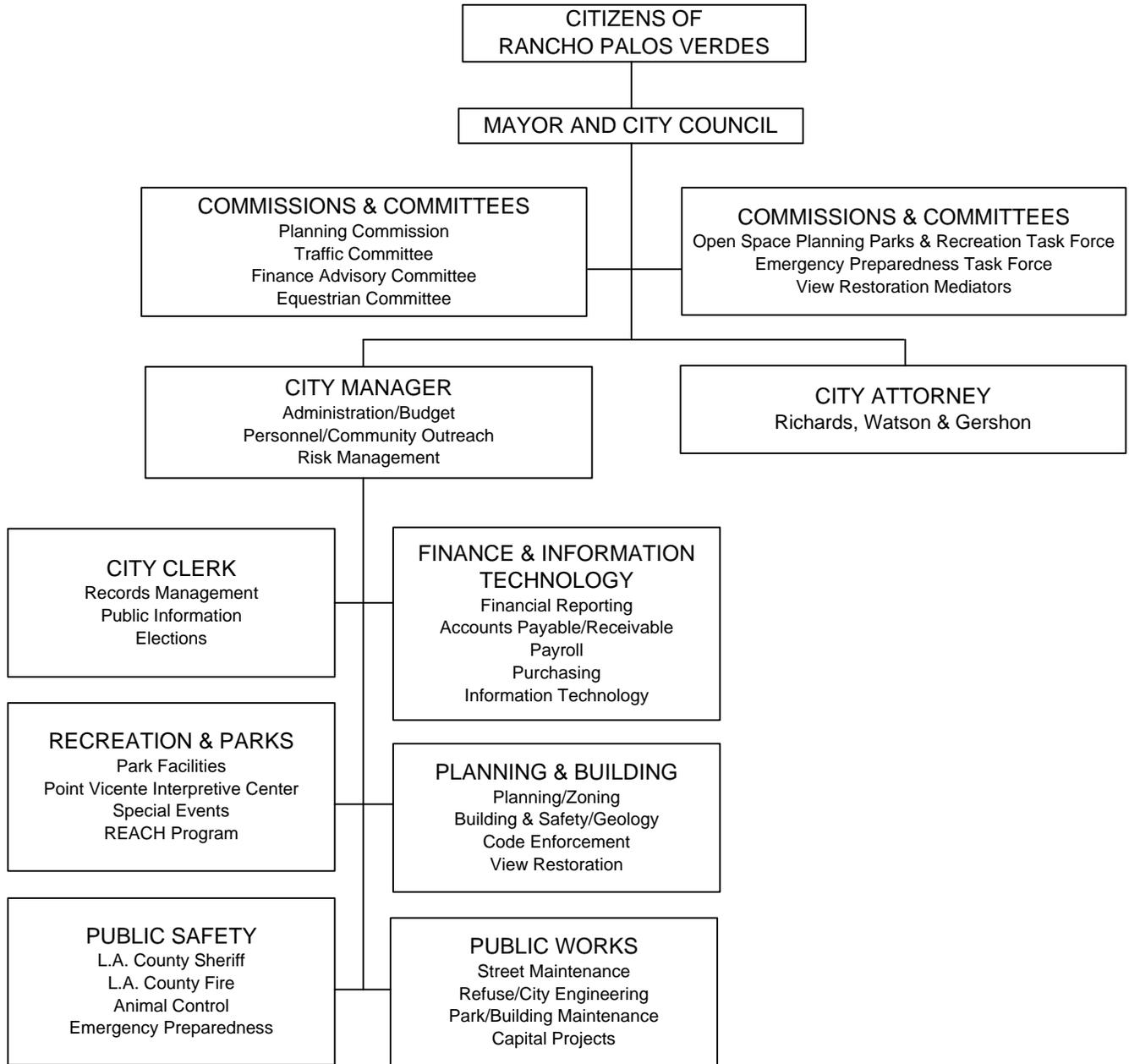
John C. McTaggart, Councilmember

ADMINISTRATION AND DEPARTMENT HEADS

City Manager	Les Evans
Assistant City Manager	Carolynn Petru
Director of Administrative Services/City Clerk	Jo Purcell
Director of Public Works	Dean Allison
Director of Finance & Information Technology	Dennis McLean
Director of Planning, Building and Code Enforcement	Joel Rojas
Director of Recreation and Parks	Ron Rosenfeld
City Attorney	Richards, Watson & Gershon

CITY OF RANCHO PALOS VERDES

ORGANIZATIONAL CHART



FINANCIAL SECTION





INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rancho Palos Verdes, as of and for the year ended June 30, 2003, which collectively comprise the City of Rancho Palos Verdes's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rancho Palos Verdes's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Rancho Palos Verdes, California, as of June 30, 2003, and the respective changes in financial positions, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Vavreck, Trine, Day: Co., LLP

Rancho Cucamonga, California
September 11, 2003

MANAGEMENT'S DISCUSSION & ANALYSIS



Photo courtesy of Steven Thompson, 2002 Palos Verdes Peninsula Land Conservancy Photo Contest

CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis
June 30, 2003

As management of the City of Rancho Palos Verdes, we offer readers of the City of Rancho Palos Verde's 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, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv-x of this report.

Financial Highlights

- The assets of the City of Rancho Palos Verdes exceed its liabilities, at the close of the fiscal year ended June 30, 2003, by \$118,560,176 (*net assets*). Of this amount, \$13,004,390 (*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 \$931,578. This increase is primarily attributable to the excess of General fund revenues over General fund expenditures.
- As of June 30, 2003, the City's governmental funds reported combined ending fund balances of \$19,135,887, a decrease of \$976,370 in comparison with the prior year. The decrease in combined ending fund balances is primarily attributable to continued spending on capital projects, including San Ramon drainage improvements and the FY01-02 Residential Street Overlay program. Approximately \$4,697,890 (*unreserved fund balance*) is available for spending at the government's discretion.
- As of June 30, 2003, unreserved fund balance for the General fund was \$9,606,644 or 86% of total General fund expenditures and transfers out.
- The City's total debt increased by \$28,068 (0.5%) during the current fiscal year. The total increase was entirely attributable to an increase in the accumulation of employee compensated absences.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from

CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis
June 30, 2003

other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, planning, building and safety, and recreation. The City does not have business-type activities.

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 13-17 of this report.

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

CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis
June 30, 2003

function, they have been included within governmental activities in the government-wide financial statements.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-41 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 42-87 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Rancho Palos Verdes, assets exceeded liabilities by \$118,560,176 at June 30, 2003. By far the largest portion of the City's net assets (80 percent) reflects its investment in capital assets (e.g. land, infrastructure, buildings, equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

City of Rancho Palos Verdes Net Assets

	Governmental Activities June 30, 2003	Governmental Activities June 30, 2002
Current and other assets	\$ 31,363,993	\$ 32,700,457
Capital assets	94,894,816	93,636,014
Total assets	126,258,809	126,336,471
Long-term liabilities outstanding	5,516,954	5,617,750
Other liabilities	2,181,679	3,090,123
Total liabilities	7,698,633	8,707,873
Invested in capital assets	94,894,816	93,636,014
Restricted	10,660,970	10,326,579
Unrestricted	13,004,390	13,666,005
Total net assets	\$ 118,560,176	\$ 117,628,598

An additional portion of the City's net assets (\$10,660,970 or 9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$13,004,390 or 11 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis
June 30, 2003

Governmental activities. Governmental activities increased the City's net assets by \$931,578, thereby accounting for 100 percent of the total growth in the net assets of the City.

City of Rancho Palos Verdes Changes in Net Assets

	Governmental Activities June 30, 2003	Governmental Activities June 30, 2002
Program revenues:		
Charges for services	\$ 1,783,853	\$ 1,657,580
Operating contributions and grants	2,970,984	6,876,566
Capital contributions and grants	130,988	705,945
General revenues:		
Property taxes	5,334,977	5,252,509
Other taxes	7,417,676	6,786,581
Other	887,160	748,788
Total revenues	18,525,638	22,027,969
Expenses:		
General government	3,293,469	3,068,413
Public safety	3,094,005	2,898,265
Public works	7,954,034	7,283,411
Parks and recreation	809,454	686,583
Planning, building and code enforcement	2,170,348	1,916,297
Interest on long-term debt	272,750	272,750
Total expenses	17,594,060	16,125,719
Increase in net assets	931,578	5,902,250
Net assets - beginning of fiscal year	117,628,598	111,726,348
Net assets - end of fiscal year	\$ 118,560,176	\$ 117,628,598

Key elements of this increase are as follows:

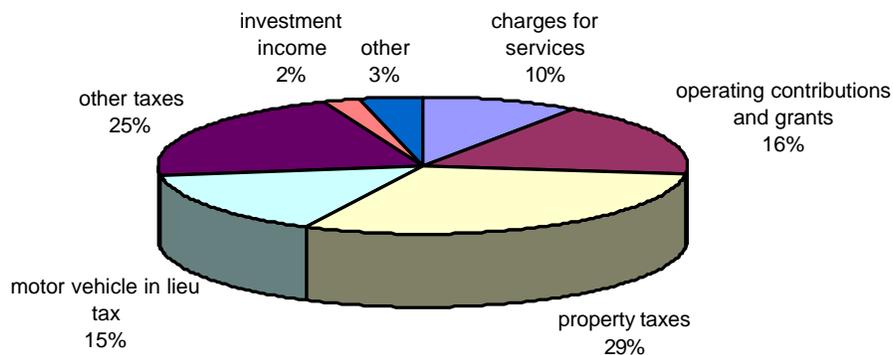
- General fund revenues exceeded General fund expenses and net transfers by \$2.6 million.
- The Capital Improvements fund balance was depleted for additional necessary capital improvements, including additional San Ramon drainage improvements (\$1.3 million), Residential Street Overlay (\$1.1 million) and other miscellaneous improvement projects (\$1.3 million).
- The difference in the method of accounting for capital assets in the governmental funds versus the statement of activities accounts for an increase in excess of \$1.1 million in net assets. Governmental funds fully expend capital asset costs in the period they are acquired. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives.

CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis
June 30, 2003

- 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 \$563,000 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 approximately \$308,000. The net revenues and expenses of Internal Service funds are reported with governmental activities in the Statement of Activities.

Revenues by Source – Governmental Activities



As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,135,887, a decrease of \$976,370 in comparison with the prior year. Approximately 24 percent of the combined ending fund balances (\$4,697,890) constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of the combined ending fund balances is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$5,934,880), 2) to reserve the principal balance of loans made to the City's Redevelopment Agency (\$5,877,552), and 3) for a variety of other restricted purposes (\$2,625,565).

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 \$9,606,644, while total fund balance reached \$16,460,849. 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 86 percent of total General fund expenditures, while total fund balance represents 148 percent of that same amount.

During the current fiscal year, the fund balance of the City's General fund increased by \$2,655,371. The key factor in this growth follows:

- Revenues exceeded expenditures by approximately \$3.2 million; however, more than \$550,000 was transferred to other funds primarily for capital projects.

CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis
June 30, 2003

The debt service fund has a negative fund balance of \$10,915,092. 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 \$437,562, which represents accumulated interest on the advance from the City to the Redevelopment Agency.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Internal Service funds at the end of the year amounted to \$3,969,104. The total growth in net assets was \$307,562.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a decrease of \$76,691; and can be briefly summarized as follows:

- A decrease of approximately \$840,000 was attributable to appropriations continued to FY03-04.
- An increase of approximately \$460,000 was attributable to appropriations continued from FY01-02.
- Additional funds of \$39,000 were required to support consulting services for the Building & Safety program.
- Additional funds of \$60,000 were required to support the View Restoration program.
- Additional funds of \$65,000 were required for the Open Space Planning and Recreation and Parks task force consultant.
- Other immaterial increases totaled approximately \$139,000.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2003, amounts to \$94,894,816 (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 increased by 1.3 percent.

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

- The FY01-02 Residential Overlay program was completed and capitalized to pavement at a cost of approximately \$1.2 million.
- The 25th Street Settlement project was completed with FY02-03 costs of \$434,000.
- The joint storm drain project with the City of Palos Verdes Estates was completed with FY02-03 costs of \$210,000.
- The Pointe Vicente Interpretive Center Soil Remediation project was completed with FY02-03 costs of \$523,000.
- The Point Vicente storm drain was completed after fiscal year end with FY02-03 costs of \$323,000.

CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis
June 30, 2003

- The San Ramon Drainage project was completed with FY02-03 costs of \$1.3 million.
- Depreciation of \$3 million was recorded for the City's capital assets.

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

	Governmental activities June 30, 2003	Governmental activities June 30, 2002
Land	\$ 15,058,724	\$ 15,058,724
Buildings	2,178,959	2,242,919
Park improvements	2,007,591	659,527
Roadways	51,268,840	51,441,584
Sewer system	12,165,526	12,771,670
Storm drain system	10,461,116	5,815,947
Vehicles	42,082	55,336
Computer equipment	96,320	47,913
Furniture and other equipment	184,317	71,474
Construction in Progress	1,431,341	5,470,920
Total	\$ 94,894,816	\$ 93,636,014

Additional information on the City's capital assets can be found in note 4 on page 34 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 \$5,645,818. Of this amount, \$5,455,000 is a liability of the Redevelopment Agency.

City of Rancho Palos Verdes Outstanding Debt

	Governmental activities June 30, 2003	Governmental activities June 30, 2002
RDA Tax Increment Bond	\$ 5,455,000	\$ 5,455,000
Employee compensated absences	190,818	162,750
Total	\$ 5,645,818	\$ 5,617,750

The City's total debt increased by \$28,068 (0.5 percent) during the current fiscal year, due to the accumulation of additional employee compensated absences.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total assessed valuation. The current debt limitation for the City of Rancho Palos Verdes is \$902,133,119. Additional information on the City's long-term debt can be found in note 5 on pages 34-36 of this report.

CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis
June 30, 2003

Economic Factors and Next Year's Budgets and Rates

- Local property values remain strong; therefore, property tax revenue (approximately 29 percent of City-wide revenues) remains unaffected by the downturn in the economy.
- State shared revenues (i.e. Motor Vehicle In Lieu Tax) have substantially remained intact for FY02-03.

These factors were considered in preparing the City's budget for FY03-04. Due to the continued uncertainty of the state budget, the FY03-04 city budget was conservatively prepared assuming that only one-third of the Motor Vehicle In Lieu Tax would be received. Indeed on November 17, 2003, the state governor rescinded the Motor Vehicle In Lieu Tax increase; thereby decreasing the tax to approximately one-third of the full rate.

During the current fiscal year, unreserved fund balance in the General fund increased to \$9,606,644.

Requests for Information

This financial report is designed to provide a general overview of the financial position of the City of Rancho Palos Verdes for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 30940 Hawthorne Boulevard, Rancho Palos Verdes, CA 90275.

BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE STATEMENTS



CITY OF RANCHO PALOS VERDES

**STATEMENT OF NET ASSETS
JUNE 30, 2003**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 28,096,654
Receivables:	
Taxes	430,624
Interest	123,308
Notes	654,986
Other	535,597
Prepaid costs	810,432
Deposits	10,000
Land held for development	702,392
Non-depreciable:	
Land	15,058,724
Construction in progress	1,431,341
Depreciable, net of accumulated depreciation:	
Property and equipment	322,719
Buildings and improvements	2,178,959
Infrastructure	75,903,073
Total Assets	126,258,809
LIABILITIES	
Accounts payable and accrued liabilities	1,379,291
Interest payable	22,729
Deferred revenue	132,326
Deposits	518,469
Noncurrent liabilities:	
Due within one year	128,864
Due in more than one year	5,516,954
Total Liabilities	7,698,633
NET ASSETS	
Invested in capital assets	94,894,816
Restricted	
Community development	
Expendable	6,909,228
Non-expendable	1,000,000
Public safety	67,373
Public works	2,288,698
Recreation services	395,671
Unrestricted	13,004,390
Total Net Assets	\$ 118,560,176

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2003**

	Expenses	Program Revenues		Net Governmental Activities
		Charges for Services	Operating Contributions and Grants	
Governmental Activities:				
Administration	\$ 3,293,469	\$ 87,552	\$ 34,552	\$ (3,171,365)
Public safety	3,094,005	235,028	140,785	(2,718,192)
Public works	7,954,034	251,558	2,795,647	(4,775,841)
Parks and recreation	809,454	7,861		(801,593)
Planning, building and code enforcement	2,170,348	1,201,854		(968,494)
Interest on long-term debt	272,750			(272,750)
Total Governmental Activities	\$ 17,594,060	\$ 1,783,853	\$ 2,970,984	\$ (12,708,235)

General Revenues:

Taxes:

Property tax, levied for general purpose	5,334,977
Transient occupancy tax	15,508
Franchise tax	1,087,266
Sales tax	1,003,495
Motor vehicle in lieu tax	2,727,808
Utility user tax	1,832,000
Other taxes	751,599
Investment income	370,568
Loss on asset disposal	(13,403)
Other	529,995
Total General Revenues	13,639,813
 Change in Net Assets	 931,578
 Net Assets at Beginning of Year	 117,628,598
 Net Assets at End of Year	 \$ 118,560,176

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF RANCHO PALOS VERDES

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2003**

	General	Special Revenue	Capital Projects
		Street Maintenance	Capital Improvements
ASSETS			
Cash and cash equivalents	\$ 11,100,926	\$ 967,266	\$ 1,808,629
Receivable			
Taxes	409,937		
Interest	41,491	6,355	12,834
Other	314,984	35,394	34,484
Due from other funds	40,355		45,868
Prepaid items	133,733		
Advances to other funds	11,451,482		
Deposits	10,000		
Land held for development			
Total Assets	\$ 23,502,908	\$ 1,009,015	\$ 1,901,815
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 817,334	\$ 130,652	\$ 269,823
Due to other funds			
Deferred revenue	5,706,256		
Advances to Redevelopment Agency			
Deposits	518,469		
Total Liabilities	7,042,059	130,652	269,823
FUND BALANCES			
Reserved for:			
Continuing appropriations	839,680	428,600	4,372,900
Reimbursement settlement agreement			
Prepaid costs	136,973		
Advances to other funds	5,877,552		
Land development			
Housing set-aside			
Unreserved, reported in:			
General fund	9,606,644		
Special revenue funds		449,763	
Capital projects funds			(2,740,908)
Permanent funds			
Debt service			
Total Fund Balances	16,460,849	878,363	1,631,992
Total Liabilities and Fund Balances	\$ 23,502,908	\$ 1,009,015	\$ 1,901,815

See accompanying notes to financial statements.

Debt Service	Other Governmental Funds	Totals
RDA		
	\$ 10,331,232	\$ 24,208,053
	20,687	430,624
	46,247	106,927
	150,735	535,597
		86,223
\$ 576,745	17,752	728,230
		11,451,482
		10,000
	702,392	702,392
<u>\$ 576,745</u>	<u>\$ 11,269,045</u>	<u>\$ 38,259,528</u>
\$ 40,355	\$ 143,402	\$ 1,361,211
	45,868	86,223
		5,706,256
11,451,482		11,451,482
		518,469
<u>11,491,837</u>	<u>189,270</u>	<u>19,123,641</u>
	293,700	5,934,880
	1,000,000	1,000,000
		136,973
		5,877,552
	702,392	702,392
	786,200	786,200
		9,606,644
	4,562,014	5,011,777
	3,275,415	534,507
	460,054	460,054
(10,915,092)		(10,915,092)
<u>(10,915,092)</u>	<u>11,079,775</u>	<u>19,135,887</u>
<u>\$ 576,745</u>	<u>\$ 11,269,045</u>	<u>\$ 38,259,528</u>

See accompanying notes to financial statements.



CITY OF RANCHO PALOS VERDES

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2003**

Fund Balances of Governmental Funds \$ 19,135,887

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. 94,572,097

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. 5,573,930

Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds. (22,729)

Long-term notes receivable are not current available resources and, therefore, are not reported in the governmental funds. 654,986

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. (5,645,818)

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. 4,291,823

Net Assets of Governmental Activities \$ 118,560,176

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

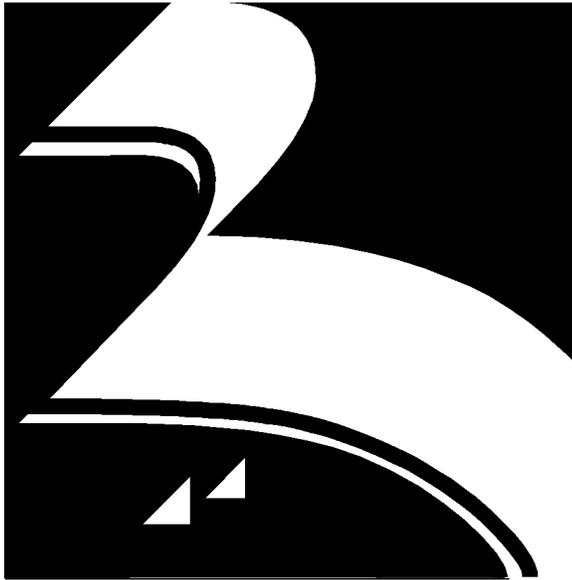
**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2003**

	General	Special Revenue Street Maintenance	Capital Projects Capital Improvements
REVENUES			
Taxes	\$ 8,626,697		
Licenses and permits	1,463,135		
Fines and forfeitures	115,448		
Use of money and property	470,615	\$ 23,244	\$ 84,604
Charges for services	107,311	17,676	
Revenue from other agencies	2,762,360	883,804	43,384
Other revenues	122,385	44,133	3,000
Total Revenues	<u>13,667,951</u>	<u>968,857</u>	<u>130,988</u>
EXPENDITURES			
Current:			
Administration	3,079,967		
Public safety	2,834,073		
Public works	1,542,561	1,532,488	741,138
Parks and recreation	785,788		
Planning, building and code enforcement	2,194,265		
Pass through to other agencies			
Capital outlay	22,862		3,533,776
Debt service:			
Principal and interest			
Total Expenditures	<u>10,459,516</u>	<u>1,532,488</u>	<u>4,274,914</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,208,435</u>	<u>(563,631)</u>	<u>(4,143,926)</u>
OTHER FINANCING SOURCES			
Transfers in	100,162	735,490	476,671
Advances to Redevelopment Agency			
Transfers out	<u>(653,226)</u>	<u>(89,161)</u>	
Total Other Financing Sources (Uses)	<u>(553,064)</u>	<u>646,329</u>	<u>476,671</u>
Net Change in Fund Balances	2,655,371	82,698	(3,667,255)
Fund Balances, Beginning of Year	<u>13,805,478</u>	<u>795,665</u>	<u>5,299,247</u>
Fund Balances, End of Year	<u>\$ 16,460,849</u>	<u>\$ 878,363</u>	<u>\$ 1,631,992</u>

See accompanying notes to financial statements.

Debt Service	Other Governmental Funds	Totals
RDA		
\$ 560,170	\$ 1,859,361	\$ 11,046,228
		1,463,135
		115,448
39	225,008	803,510
	79,811	204,798
	628,530	4,318,078
	384,517	554,035
<u>560,209</u>	<u>3,177,227</u>	<u>18,505,232</u>
		3,092,599
12,632	259,932	3,094,005
	1,475,463	5,291,650
		785,788
		2,194,265
136,904		136,904
	336,002	3,892,640
<u>836,235</u>		<u>836,235</u>
<u>985,771</u>	<u>2,071,397</u>	<u>19,324,086</u>
<u>(425,562)</u>	<u>1,105,830</u>	<u>(818,854)</u>
	363,551	1,675,874
(12,000)	12,000	
	(1,091,003)	(1,833,390)
<u>(12,000)</u>	<u>(715,452)</u>	<u>(157,516)</u>
(437,562)	390,378	(976,370)
<u>(10,477,530)</u>	<u>10,689,397</u>	<u>20,112,257</u>
<u>\$ (10,915,092)</u>	<u>\$ 11,079,775</u>	<u>\$ 19,135,887</u>

See accompanying notes to financial statements.



CITY OF RANCHO PALOS VERDES

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2003**

Net Change in Fund Balances - Total Governmental Funds \$ (976,370)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense, or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized less disposals	4,183,580
Depreciation expense	(3,072,774)

Unpaid accrued interest income is deferred in the governmental funds since it is not available. This income is accrued in the Statement of Activities. 563,485

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. (45,837)

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. (28,068)

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. 307,562

Change in Net Assets of Governmental Activities \$ 931,578

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 8,403,000	\$ 8,433,000	\$ 8,626,697	\$ 193,697
Licenses and permits	1,130,800	1,130,800	1,463,135	332,335
Fines and forfeitures	135,000	135,000	115,448	(19,552)
Use of money and property	632,590	632,590	470,615	(161,975)
Charges for services	109,500	109,500	107,311	(2,189)
Revenue from other agencies	2,361,900	2,361,900	2,762,360	400,460
Other revenues	100,950	100,950	122,385	21,435
Total Revenues	12,873,740	12,903,740	13,667,951	764,211
EXPENDITURES				
Current:				
Administration	3,305,694	3,223,306	3,079,967	143,339
Public safety	3,135,228	3,063,944	2,834,073	229,871
Public works	1,660,030	1,730,203	1,542,561	187,642
Parks and recreation	838,230	841,730	785,788	55,942
Planning, building and code enforcement	2,254,680	2,245,772	2,194,265	51,507
Capital outlay	38,100	50,316	22,862	27,454
Total Expenditures	11,231,962	11,155,271	10,459,516	695,755
Excess of Revenues Over Expenditures	1,641,778	1,748,469	3,208,435	1,459,966
OTHER FINANCING SOURCES (USES)				
Transfers in	101,510	101,510	100,162	(1,348)
Transfers out	(2,530,835)	(1,823,903)	(653,226)	1,170,677
Total Other Financing Sources (Uses)	(2,429,325)	(1,722,393)	(553,064)	1,169,329
Net Change in Fund Balances	(787,547)	26,076	2,655,371	2,629,295
Fund Balance, Beginning of Year	13,805,478	13,805,478	13,805,478	
Fund Balance, End of Year	\$13,017,931	\$ 13,831,554	\$ 16,460,849	\$ 2,629,295

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 1,000	\$ 1,000	\$ 23,244	\$ 22,244
Charges for services	21,600	21,600	17,676	(3,924)
Revenue from other agencies	869,500	914,435	883,804	(30,631)
Other revenues	5,000	34,000	44,133	10,133
Total Revenues	897,100	971,035	968,857	(2,178)
EXPENDITURES				
Current:				
Public works	2,043,310	1,761,201	1,532,488	228,713
Excess (Deficiency) of Revenues Over Expenditures	(1,146,210)	(790,166)	(563,631)	226,535
OTHER FINANCING SOURCES (USES)				
Transfers in	1,234,710	741,490	735,490	(6,000)
Transfers out		(86,960)	(89,161)	(2,201)
Total Other Financing Sources (Uses)	1,234,710	654,530	646,329	(8,201)
Net Change in Fund Balances	88,500	(135,636)	82,698	218,334
Fund Balance, Beginning of Year	795,665	795,665	795,665	
Fund Balance, End of Year	\$ 884,165	\$ 660,029	\$ 878,363	\$ 218,334

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2003**

	<u>Governmental Activities - Internal Service Funds</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 3,888,601
Receivables	
Interest	16,381
Prepaid items	<u>82,202</u>
Total Current Assets	3,987,184
Noncurrent Assets	
Capital assets	
Property and equipment	814,068
Accumulated depreciation	<u>(491,349)</u>
Total Assets	<u>4,309,903</u>
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	<u>18,080</u>
Total Liabilities	<u>18,080</u>
NET ASSETS	
Invested in capital assets	322,719
Unrestricted	<u>3,969,104</u>
Total Net Assets	<u><u>\$ 4,291,823</u></u>

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

STATEMENT OF REVENUE, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Charges for services	\$ 1,085,105
Total Operating Revenues	<u>1,085,105</u>
OPERATING EXPENSES	
Personnel services	577,030
Material and supplies	272,829
Maintenance	59,588
Depreciation	91,856
Total Operating Expenses	<u>1,001,303</u>
Operating Income	<u>83,802</u>
NONOPERATING REVENUES	
Interest income	79,647
Loss on asset disposal	<u>(13,403)</u>
Total Non Operating Revenues	<u>66,244</u>
Income Before Transfers	<u>150,046</u>
TRANSFERS IN	<u>157,516</u>
Change in Net Assets	307,562
Net Assets, Beginning of Year	<u>3,984,261</u>
Net Assets, Ending of Year	<u><u>\$ 4,291,823</u></u>

See accompanying notes to financial statements.

CITY OF RANCHO PALOS VERDES

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003**

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,085,105
Payments to suppliers	<u>(972,528)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>112,577</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(253,256)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfer in	<u>157,516</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>88,473</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	105,310
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>3,783,291</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 3,888,601</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 83,802
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	91,856
Decrease in other receivables	1,465
Decrease in prepaid items	(33,164)
Decrease in accounts payable and accrued liabilities	<u>(31,382)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 112,577</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS



Photo courtesy of Christy Kelly, 2003 Palos Verdes Peninsula Land Conservancy Photo Contest

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Rancho Palos Verdes conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The City has implemented GASB Statements No. 33 and 34 and these statements are presented according to those requirements. The following is a summary of the significant policies.

A. Reporting Entity:

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

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

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

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

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

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

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Participation In Public Entity Joint Powers Authority:

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

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

B. Accounting and Reporting Policies:

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

C. Description of Funds:

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

Governmental Fund Types:

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

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Proprietary Fund Type:

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

D. Basis of Accounting/Measurement Focus

Government – Wide Financial Statements

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

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to inter-fund activities, payables, and receivables. All internal balances in the government-wide statements have been eliminated.

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.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

The City reports the following major governmental funds:

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

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

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

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

Proprietary Fund Financial Statements

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

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

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

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

E. Budgetary Accounting:

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds. All annual appropriations lapse at fiscal year-end. Throughout the year, the City Council made several supplementing budgetary adjustments to the General fund, Special Revenue funds, Capital Projects funds, Proprietary funds and the Permanent fund. These adjustments resulted in a net appropriation increase in the amount of \$4,309,720. This increase resulted primarily from amounts carried over from FY 2001-02 as continuing appropriations.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2003, 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, 2003

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, 2003, vested accrued vacation and compensatory time amounted to \$190,818.

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 investments" 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 its 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, 2003, 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, 2003

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Estimates:

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

M. Use of Restricted Resources:

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

NOTE #2 – CASH AND INVESTMENTS

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

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

Authorized Investments:

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

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

Throughout the year ended June 30, 2003, the City did not utilize overnight Repurchase Agreements.

Classification of Deposits and Investments by Credit Risk

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

Deposits:

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

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE #2 – CASH AND INVESTMENTS, Continued

Investments:

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

Deposits and investments were categorized as follows at June 30, 2003:

Categorized:	BANK BALANCE - CATEGORY			BANK BALANCES	CARRYING AMOUNTS	FAIR VALUE
	1	2	3			
Demand Deposits	<u>\$ 100,000</u>		<u>\$ 28,419</u>	<u>\$ 128,419</u>	<u>\$ (228,706)</u>	

Investments at June 30, 2003, by risk category are as follows:

Investments:	CATEGORY				
	1	2	3		
Local Agency					
Investment Fund ⁽¹⁾	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>28,324,360</u>	<u>\$ 28,404,979 ⁽²⁾</u>
Petty cash on hand at June 30, 2003				<u>1,000</u>	
Total Cash and Investments				<u>\$ 28,096,654</u>	

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

Governmental Funds	\$ 24,208,053
Proprietary Funds	<u>3,888,601</u>
	<u>\$ 28,096,654</u>

⁽¹⁾ Not subject to categorization.

⁽²⁾ The management of the State of California Pooled Money Investment Account (generally referred to as LAIF) has indicated to the City that as of June 30, 2003, the carrying amount of the pool was \$55,429,568,408 and the estimated market value of the pool (including accrued interest) was \$55,709,492,881. The City's proportionate share of the value is \$28,324,360. Certain derivative securities or similar products in the form of structured notes are included in the LAIF investment portfolio, totaling \$304,000,000 and asset-backed securities totaling \$985,676,000. The LAIF (and the City's) exposure to risk (credit, market, or legal) is not currently available.

Fair Value of Investments

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

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE #2 – CASH AND INVESTMENTS, Continued

The City holds an investment in LAIF that is subject to being adjusted to “fair value”. The City is required to disclose its methods and assumptions used to estimate the fair value of its holdings in LAIF. The City relied upon information provided by the State Treasurer when estimating the City’s fair value position of investments held in LAIF. The City had a contractual withdrawal value of \$28,324,360 whose pro-rata share of fair value was estimated by the state Treasurer to be \$28,404,979. The fair value change in this investment for the year came to an amount that was not material for presentation in the financial statements.

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

NOTE #3 – INTERFUND TRANSACTIONS

Inter-fund Balances

Inter-fund balances consisted of the following at June 30, 2003:

Due to the General Fund from:		
RDA Debt Service	\$	40,355
General fund monies were used to cover an RDA Debt Service fund negative cash balance for the ERAF shift and property tax administrative fee.		
Due to the Capital Improvement Projects Fund from:		
Bikeways	\$	44
The CIP fund covered a Bikeways fund negative cash balance for interest receivable.		
CDBG		45,824
The CIP fund covered a CDBG fund negative cash balance for grants and interest receivable.		

Inter-fund Advances

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

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Advances to the Redevelopment Agency	<u>\$ 10,875,997</u>	<u>\$575,485</u>	<u> </u>	<u>\$ 11,451,482</u>

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE #3 – INTERFUND TRANSACTIONS, Continued

The City has entered into an agreement to provide the RDA operating funds and staff assistance, supplies, technical and other services and facilities of the City as the RDA requires in carrying out its function under the community redevelopment law. The RDA will repay the resulting indebtedness, plus interest, from incremental property tax revenues arising from the project area, as such revenue becomes available. As of June 30, 2003, 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 6.43 percent and 5.18 percent respectively during the fiscal years ended June 30, 2002 and 2003. Of the \$11,451,482 remaining indebtedness, \$9,105,496 relates to the Portuguese Bend portion of the RDA, while \$2,345,986 relates to the Abalone Cove portion. During the year ended June 30, 2003, accrued interest of \$448,518 was added to the balance of the advance to the Portuguese Bend Fund, while principal of \$12,000 and accrued interest of \$114,967 was advanced to the Abalone Cove Fund. No interest has ever been paid by the RDA on these advances; therefore, the interest component of the advance has been recorded as deferred revenue in the General Fund of the City.

Inter-fund Transfers

Inter-fund transfers for the year ended June 30, 2003 consisted of the following:

		Transfer From			
		General	Street	Other	
		Fund	Maintenance	Governmental	Total
Transfer To	General Fund			\$ 100,162	\$ 100,162
	Street Maintenance	\$ 344,375		391,115	735,490
	Capital Improvement Project		\$ 89,161	387,510	476,671
	Other Governmental	203,851		159,700	363,551
	Internal Service	105,000		52,516	157,516
	Total	<u>\$ 653,226</u>	<u>\$ 89,161</u>	<u>\$ 1,091,003</u>	<u>\$ 1,833,390</u>

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

NOTE #4 – CAPITAL ASSETS AND DEPRECIATION

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the basic reporting approach as defined by GASB Statement No. 34 for all infrastructure, whereby depreciation expense and accumulated depreciation has been recorded. The following table presents the capital assets activity for the year ended June 30, 2003.

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE #4 – CAPITAL ASSETS AND DEPRECIATION, Continued

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,058,724			\$ 15,058,724
Construction in progress	5,470,920	\$ 4,183,580	\$ (8,223,159)	1,431,341
Total capital assets not being depreciated	<u>20,529,644</u>	<u>4,183,580</u>	<u>(8,223,159)</u>	<u>16,490,065</u>
Capital assets being depreciated:				
Buildings and improvements	3,197,989			3,197,989
Vehicles	177,069			177,069
Computer equipment	223,451	104,165	(131,199)	196,417
Furniture, fixtures and equipment	291,491	149,091		440,582
Infrastructure				
Roadway system	75,191,205	2,070,393		77,261,598
Sewer system	25,755,463			25,755,463
Storm drain system	6,717,814	4,769,364		11,487,178
Parks system	4,191,673	1,383,402		5,575,075
Total capital assets being depreciated	<u>115,746,155</u>	<u>8,476,415</u>	<u>(131,199)</u>	<u>124,091,371</u>
Less accumulated depreciation for:				
Buildings and improvements	(955,070)	(63,960)		(1,019,030)
Vehicles	(121,733)	(13,254)		(134,987)
Computer equipment	(175,538)	(42,354)	117,796	(100,097)
Furniture, fixtures and equipment	(220,017)	(36,248)		(256,265)
Infrastructure				
Roadway system	(23,749,621)	(2,243,137)		(25,992,758)
Sewer system	(12,983,793)	(606,144)		(13,589,937)
Storm drain system	(901,867)	(124,195)		(1,026,062)
Parks system	(3,532,146)	(35,338)		(3,567,484)
Total accumulated depreciation	<u>(42,639,785)</u>	<u>(3,164,630)</u>	<u>117,796</u>	<u>(45,686,620)</u>
Total capital assets being depreciated, net	<u>73,106,370</u>	<u>5,311,785</u>	<u>(13,403)</u>	<u>78,404,751</u>
Governmental activities capital assets, net	<u>\$ 93,636,014</u>	<u>\$ 9,495,365</u>	<u>\$ (8,236,562)</u>	<u>\$ 94,894,816</u>

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

Administration	\$ 63,960
Public works, including depreciation of general infrastructure assets	2,973,476
Recreation services	35,338
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	91,856
Total Depreciation Expense - Governmental Activities	<u>\$ 3,164,630</u>

NOTE #5 – LONG-TERM DEBT

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003	Amount Due in 2004
RDA Tax Increment Bond	\$ 5,455,000			\$ 5,455,000	
Employee compensated absences	162,750	\$ 137,977	\$ (109,909)	190,818	\$ 128,864
Totals	<u>\$ 5,617,750</u>	<u>\$ 137,977</u>	<u>\$ (109,909)</u>	<u>\$ 5,645,818</u>	<u>\$ 128,864</u>

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

NOTE #5 – LONG-TERM DEBT, Continued

A. RDA Tax Increment Bond

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

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

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

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

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

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

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

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE #5 – LONG-TERM DEBT, Continued

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. 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, 2003.

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

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

Year Ended June 30	Tax Allocation Bond		Total
	Principal	Interest	
2004	-	\$ 272,750	\$ 272,750
2005	\$ 5,000	272,625	277,625
2006	15,000	272,125	287,125
2007-2011	270,000	1,334,250	1,604,250
2012-2016	690,000	1,214,750	1,904,750
2017-2021	1,275,000	972,875	2,247,875
2022-2026	2,085,000	557,875	2,642,875
2027-2028	1,115,000	56,875	1,171,875
	<u>\$ 5,455,000</u>	<u>\$ 4,954,125</u>	<u>\$ 10,409,125</u>

B. Employee Compensated Absences

There is no fixed payment schedule for employee compensated absences. Based on historical trends, \$128,864 is estimated to be the amount that will be used and/or paid out during fiscal year 2003-04.

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.

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

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

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, 2003 are presented below, followed by explanations of the nature and purpose of each reserve and designation.

	General Fund	Street Maintenance Fund	Capital Improvement Fund	Other Governmental Funds
Reserved:				
Continuing appropriations	\$ 839,680	\$ 428,600	\$ 4,372,900	\$ 293,700
Reimbursement settlement agreement				1,000,000
Advances to other funds	5,877,552			
Prepaid costs	136,973			
Land held for development				702,392
Housing set-aside				786,200
Total Reserved	\$ 6,854,205	\$ 428,600	\$ 4,372,900	\$ 2,782,292

A. Reserves for Encumbrances and Continuing Appropriations

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

B. Reserved for Reimbursement Settlement Agreement

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

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 \$5,573,930 recorded as deferred revenue (see Note #12).

D. Reserved for Prepaid Items

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

E. Reserved for Land Held for Development

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

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

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

F. Reserved for Housing Set-Aside

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

NOTE #7 – PENSION PLAN

Plan Description

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

Funding Policy

A contribution of 7 percent of annual covered salary is required for each active plan member. For local miscellaneous members, the City pays the full 7 percent contribution for all the full-time positions, while part-time employees must contribute the 7 percent from earnings. Additionally, the City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2002-03 was zero 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 2002-03, the City's actual and contributed pension cost was \$167,423. The required contribution for fiscal year 2002-03 was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25 percent investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75 percent to 14.20 percent; and (c) payroll growth of 3.75 percent. Both (a) and (b) include an inflation component of 3.5 percent. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. The Plan's un-funded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll expenditures on a closed basis. The remaining amortization period at June 30, 2003, was one year.

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE #7 – PENSION PLAN, Continued

Three-Year Trend Information for Plan:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2001	\$ 133,460	100%	\$ 0
6/30/2002	144,783	100%	\$ 0
6/30/2003	167,423	100%	\$ 0

Schedule of Funding Status of Plan:

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

NOTE #8 – INSURANCE

A. Description of Participation in the California Joint Powers Insurance Authority

The City is a member of the California Joint Powers Insurance Authority (CJPIA). The CJPIA is comprised of over 80 California member cities and is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of the CJPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Each member city has a representative on the Board of Directors. The accounting methods used by the CJPIA are more fully described at Note #1-K.

Self-insurance Programs of the CJPIA

- General Liability Insurance

Annual deposits are paid by member cities and are adjusted retrospectively to cover costs. Each member city, including Rancho Palos Verdes, has a retention level of \$30,000 and pays 100 percent of each loss up to \$30,000. The City does not share or pay for losses of other member cities under \$30,000. Participating cities then share in the next \$30,000 to \$750,000 per loss occurrence. Losses between \$750,000 and \$5,000,000 are prorated on a payroll basis between member cities. Losses between \$5,000,000 and \$50,000,000 are covered by the pool's purchased re-insurance. Specific coverage includes automotive liability, personal injury, contractual liability, errors and omissions and certain other coverage. Beginning with fiscal year 1987, the CJPIA became fully self-insured.

- Workers' Compensation

Periodic deposits are paid by member cities and are adjusted retrospectively to cover costs. Each member city has a specific retention level. The City of Rancho Palos Verdes has a retention level of \$50,000 and pays 100 percent of all losses incurred up to \$50,000. The City does not share or pay for losses of other cities under \$50,000. Losses of \$50,000 to \$100,000

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003

NOTE #8 – INSURANCE, Continued

are prorated among all participating cities on the basis of each city's total losses under its retention level. Losses between \$100,000 and \$2 million are prorated on a payroll basis. Losses in excess of \$2 million and up to a limit of \$5 million are covered by excess insurance purchased by the member cities.

- Property Protection

The City of Rancho Palos Verdes participates in the All Risk Property Protection Program, which is primarily underwritten by a casualty insurance company. The annual deposits paid by participating member cities are based upon deductibility levels and are not subject to retroactive adjustments. The City also has insurance coverage for boiler and machinery.

B. Summary Disclosure of Self-Insurance Losses

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City currently reports all of its risk management activities in its General Fund.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. No reductions in coverage occurred in the year ended June 30, 2003. As previously described in Note #1-K, the City has no material claims, which would require loss provisions in the financial statements.

NOTE #9 – ASSESSMENT DISTRICTS BOND ISSUES

Assessment District No. 9 issued special assessment bonds for the purpose of public improvements under the Municipal Improvement acts of 1911 and 1913. Neither the faith, credit, nor taxing power of the City is pledged to the repayment of the bonds. The City is only acting as an agent for the property owners and bondholders in collecting and forwarding the special assessment. Accordingly, the un-retired principal at June 30, 2003 of \$13,091 has not been recorded as a long-term liability in the Statement of Net Assets.

NOTE #10 – CONTINGENCIES AND COMMITMENTS

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

NOTE #11 – PROPERTY TAXES

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

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

CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE #12 – DEFERRED REVENUES

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

<u>Source</u>	<u>General Fund</u>
Accrued Interest from Long-Term Advances to the Redevelopment Agency	\$ 5,573,930
Advance on Federal Grant	132,326
Total Deferred Revenues	<u>\$ 5,706,256</u>

NOTE #13 – LAND HELD FOR DEVELOPMENT

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

The City expects one or more developers to file an application for a multiple unit housing project, with an affordable housing element, during the fiscal year ending June 30, 2004. If approved, the City anticipates transferring the land to a developer for construction of the housing project. The City will recognize a gain or loss on the disposal of the land at the time a disposition and development agreement is finalized. The fund balance in the Housing Set-Aside fund has been reserved for an amount equal to the purchase price of the land.

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

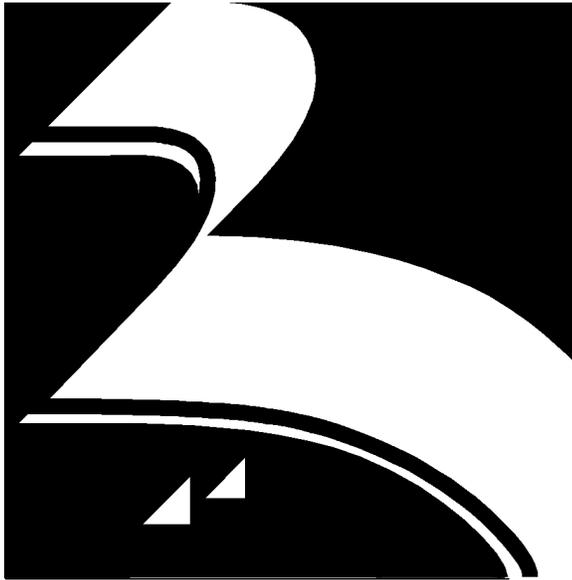
NOTE #14 – OTHER REQUIRED FUND DISCLOSURES

The following fund had a deficit fund balance as of June 30, 2003:

RDA Debt Service Fund	<u>\$ 10,915,092</u>
-----------------------	----------------------

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

SUPPLEMENTAL STATEMENTS



CITY OF RANCHO PALOS VERDES

JUNE 30, 2003

MAJOR FUND BUDGETARY COMPARISON SCHEDULES

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



CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT PROJECT CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 12,600	\$ 12,600	\$ 84,604	\$ 72,004
Revenue from other agencies			43,384	43,384
Other revenues			3,000	3,000
Total Revenues	12,600	12,600	130,988	118,388
EXPENDITURES				
Current:				
Public works	465,740	1,042,907	741,138	301,769
Capital outlay	974,400	3,896,641	3,533,776	362,865
Total Expenditures	1,440,140	4,939,548	4,274,914	664,634
Excess (Deficiency) of Revenues Over Expenditures	(1,427,540)	(4,926,948)	(4,143,926)	783,022
OTHER FINANCING SOURCES (USES)				
Operating transfer in	1,450,140	1,162,577	476,671	(685,906)
Net Change in Fund Balances	22,600	(3,764,371)	(3,667,255)	97,116
Fund Balance, Beginning of Year	5,299,247	5,299,247	5,299,247	
Fund Balance, End of Year	\$ 5,321,847	\$ 1,534,876	\$ 1,631,992	\$ 97,116

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 460,000	\$ 460,000	\$ 560,170	\$ 100,170
Use of money and property	600	600	39	(561)
Total Revenues	460,600	460,600	560,209	99,609
EXPENDITURES				
Current:				
Administration	12,500	12,500	12,632	(132)
Pass through to other agencies	98,000	98,000	136,904	(38,904)
Debt Service-interest	954,800	954,800	836,235	118,565
Total Expenditures	1,065,300	1,065,300	985,771	79,529
Excess (Deficiency) of Revenues Over Expenditures	(604,700)	(604,700)	(425,562)	179,138
OTHER FINANCING SOURCES (USES)				
Advances to Redevelopment Agency	682,050	682,050	(12,000)	(694,050)
Total Other Financing Sources (Uses)	682,050	682,050	(12,000)	(694,050)
Net Change in Fund Balances	77,350	77,350	(437,562)	(514,912)
Fund Balance, Beginning of Year	(10,477,530)	(10,477,530)	(10,477,530)	
Fund Balance, End of Year	<u>\$ (10,400,180)</u>	<u>\$ (10,400,180)</u>	<u>\$ (10,915,092)</u>	<u>\$ (514,912)</u>

CITY OF RANCHO PALOS VERDES

JUNE 30, 2003

NONMAJOR GOVERNMENTAL FUNDS

Special Revenues Fund Descriptions

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

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

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

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

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

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

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

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

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

LLESS/COPS/CLEEP – 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.

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.



CITY OF RANCHO PALOS VERDES

JUNE 30, 2003

NONMAJOR GOVERNMENTAL FUNDS

Special Revenues Fund Descriptions, Continued

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

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

Capital Projects Funds Descriptions

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

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

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

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

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

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

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

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

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

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, 2003**

	<u>Special Revenue Funds</u>		
ASSETS	<u>Air Quality Management</u>	<u>CDBG</u>	<u>El Prado</u>
Cash and cash equivalents	\$ 24,703		\$ 10,778
Taxes			41
Interest	63		45
Other	12,665	\$ 58,978	
Prepaid items		2,255	
Land held for development			
Total Assets	<u>\$ 37,431</u>	<u>\$ 61,233</u>	<u>\$ 10,864</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 75	\$ 9,829	\$ 26
Due to other funds		45,824	
Total Liabilities	<u>75</u>	<u>55,653</u>	<u>26</u>
FUND BALANCES			
Reserved for:			
Continuing appropriations			
Reimbursement settlement agreement			
Land development			
Housing set-aside			
Unreserved, reported in:			
Special revenue funds	37,356	5,580	10,838
Capital projects funds			
Permanent funds			
Total Fund Balances	<u>37,356</u>	<u>5,580</u>	<u>10,838</u>
Total Liabilities and Fund Balances	<u>\$ 37,431</u>	<u>\$ 61,233</u>	<u>\$ 10,864</u>

Special Revenue Funds

Redevelopment Agency - Housing Set-Aside	Proposition A	Proposition C	Recycling	Solid Waste
\$ 778,767	\$ 417,581	\$ 341,245	\$ 584,827	\$ 653,247
4,002				
3,431	1,523	2,690	2,665	3,287
			50,464	19,970
702,392				
<u>\$ 1,488,592</u>	<u>\$ 419,104</u>	<u>\$ 343,935</u>	<u>\$ 637,956</u>	<u>\$ 676,504</u>
	\$ 2,859		\$ 5,312	\$ 21,046
	2,859		5,312	21,046
	12,000		121,900	
\$ 702,392				
786,200				
0	404,245	\$ 343,935	510,744	655,458
1,488,592	416,245	343,935	632,644	655,458
<u>\$ 1,488,592</u>	<u>\$ 419,104</u>	<u>\$ 343,935</u>	<u>\$ 637,956</u>	<u>\$ 676,504</u>

CITY OF RANCHO PALOS VERDES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2003**

	Special Revenue Funds		
ASSETS	LLESS/ COPS/CLEEP	1972 Act	1911 Act
Cash and investments	\$ 86,713	\$ 242,975	\$ 1,055,055
Taxes		5,201	11,443
Interest	415	1,083	4,507
Other	8,466		
Prepaid items			
Land held for development			
Total Assets	<u>\$ 95,594</u>	<u>\$ 249,259</u>	<u>\$ 1,071,005</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 28,221	\$ 404	\$ 44,351
Due to other funds			
Total Liabilities	<u>28,221</u>	<u>404</u>	<u>44,351</u>
FUND BALANCES			
Reserved for:			
Continuing appropriations	11,000		
Reimbursement settlement agreement			
Land development			
Housing set-aside			
Unreserved, reported in:			
Special revenue funds	56,373	248,855	1,026,654
Capital projects funds			
Permanent funds			
Total Fund Balances	<u>67,373</u>	<u>248,855</u>	<u>1,026,654</u>
Total Liabilities and Fund Balances	<u>\$ 95,594</u>	<u>\$ 249,259</u>	<u>\$ 1,071,005</u>

Special Revenue Funds

Joint Powers Improvement Authority - Portuguese Bend	Habitat Restoration	Subregion One Maintenance	Measure A	Abalone Cove Sewer Assessment District
\$ 252,202	\$ 243,103	\$ 827,761	\$ 58,062	\$ 42,669
1,120	1,039	3,549	248	235 192
<u>\$ 253,322</u>	<u>\$ 244,142</u>	<u>\$ 831,310</u>	<u>\$ 58,310</u>	<u>\$ 43,096</u>
\$ 8,650		\$ 1,450		\$ 9,304
<u>8,650</u>		<u>1,450</u>		<u>9,304</u>
	\$ 127,500			21,300
244,672	116,642	829,860	\$ 58,310	12,492
<u>244,672</u>	<u>244,142</u>	<u>829,860</u>	<u>58,310</u>	<u>33,792</u>
<u>\$ 253,322</u>	<u>\$ 244,142</u>	<u>\$ 831,310</u>	<u>\$ 58,310</u>	<u>\$ 43,096</u>

CITY OF RANCHO PALOS VERDES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2003**

	Capital Projects Funds			
	Bikeways	Redevelopment Agency - Abalone Cove	Environmental Excise Tax	Quimby
ASSETS				
Cash and investments		\$ 56,187	\$ 782,513	\$ 336,291
Taxes				
Interest	\$ 44	261	3,294	1,070
Other				
Prepaid items				
Land held for development				
Total Assets	<u>\$ 44</u>	<u>\$ 56,448</u>	<u>\$ 785,807</u>	<u>\$ 337,361</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities		\$ 3,303		
Due to other funds	\$ 44			
Total Liabilities	<u>44</u>	<u>3,303</u>		
FUND BALANCES				
Reserved for:				
Continuing appropriations				
Reimbursement settlement agreement				
Land development				
Housing set-aside				
Unreserved, reported in:				
Special revenue funds				
Capital projects funds		53,145	\$ 785,807	\$ 337,361
Permanent funds				
Total Fund Balances		<u>53,145</u>	<u>785,807</u>	<u>337,361</u>
Total Liabilities and Fund Balances	<u>\$ 44</u>	<u>\$ 56,448</u>	<u>\$ 785,807</u>	<u>\$ 337,361</u>

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	
\$ 997,304	\$ 446,798	\$ 232,193	\$ 404,455	\$ 1,455,803	\$ 10,331,232
					20,687
4,265	2,056	993	1,676	6,688	46,247
	15,497				150,735
					17,752
					702,392
<u>\$ 1,001,569</u>	<u>\$ 464,351</u>	<u>\$ 233,186</u>	<u>406,131</u>	<u>\$ 1,462,491</u>	<u>\$ 11,269,045</u>
	\$ 6,135			\$ 2,437	\$ 143,402
					45,868
	6,135			2,437	189,270
					293,700
				1,000,000	1,000,000
					702,392
					786,200
\$ 1,001,569	\$ 458,216	\$ 233,186	406,131		4,562,014
				460,054	3,275,415
					460,054
<u>1,001,569</u>	<u>458,216</u>	<u>233,186</u>	<u>406,131</u>	<u>1,460,054</u>	<u>11,079,775</u>
<u>\$ 1,001,569</u>	<u>\$ 464,351</u>	<u>\$ 233,186</u>	<u>\$ 406,131</u>	<u>\$ 1,462,491</u>	<u>\$ 11,269,045</u>

CITY OF RANCHO PALOS VERDES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2003**

	Special Revenue Funds		
	Air Quality Management	CDBG	El Prado
REVENUES			
Taxes			\$ 1,235
Use of money and property	\$ 247		208
Charges for services			
Revenue from other agencies	48,752	\$ 183,213	
Other revenues			
Total Revenues	<u>48,999</u>	<u>183,213</u>	<u>1,443</u>
EXPENDITURES			
Current:			
Public safety			
Public works	43,695	138,545	181
Capital outlay			
Total Expenditures	<u>43,695</u>	<u>138,545</u>	<u>181</u>
Excess (Deficiency) of Revenues Over Over Expenditures	<u>5,304</u>	<u>44,668</u>	<u>1,262</u>
Other Financing Sources (Uses):			
Transfers in			
Advances to Redevelopment Agency			
Transfers out		(38,652)	
Total Other Financing Sources (Uses)		<u>(38,652)</u>	
Net Change in Fund Balances	5,304	6,016	1,262
FUND BALANCES, Beginning of Year	<u>32,052</u>	<u>(436)</u>	<u>9,576</u>
FUND BALANCES, End of Year	<u>\$ 37,356</u>	<u>\$ 5,580</u>	<u>\$ 10,838</u>

Special Revenue Funds

Redevelopment Agency - Housing Set-Aside	Proposition A	Proposition C	Recycling	Solid Waste
\$ 139,973	\$ 558,342	\$ 463,039		
15,923	6,242	12,367	\$ 13,662	\$ 15,671
		46,146	11,915	79,811
			267,781	15,474
<u>155,896</u>	<u>564,584</u>	<u>521,552</u>	<u>293,358</u>	<u>110,956</u>
79	424,877	1,776	215,357	100,885
<u>79</u>	<u>424,877</u>	<u>1,776</u>	<u>215,357</u>	<u>100,885</u>
<u>155,817</u>	<u>139,707</u>	<u>519,776</u>	<u>78,001</u>	<u>10,071</u>
		(471,338)	(112,000)	(112,216)
		(471,338)	(112,000)	(112,216)
155,817	139,707	48,438	(33,999)	(102,145)
<u>1,332,775</u>	<u>276,538</u>	<u>295,497</u>	<u>666,643</u>	<u>757,603</u>
<u>\$ 1,488,592</u>	<u>\$ 416,245</u>	<u>\$ 343,935</u>	<u>\$ 632,644</u>	<u>\$ 655,458</u>

CITY OF RANCHO PALOS VERDES

NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES (CONTINUED)
 YEAR ENDED JUNE 30, 2003

	Special Revenue Funds		
	LLESS/ COPS/CLEEP	1972 Act	1911 Act
REVENUES			
Taxes		\$ 332,806	\$ 343,330
Use of money and property	\$ 2,927	5,167	20,604
Charges for services			
Revenue from other agencies	137,858		
Other revenues			
Total Revenues	<u>140,785</u>	<u>337,973</u>	<u>363,934</u>
EXPENDITURES			
Current:			
Public safety	259,932		
Public works		53,754	328,171
Capital outlay			
Total Expenditures	<u>259,932</u>	<u>53,754</u>	<u>328,171</u>
Excess (Deficiency) of Revenues Over Over Expenditures	<u>(119,147)</u>	<u>284,219</u>	<u>35,763</u>
Other Financing Sources (Uses):			
Transfers in	26,221		
Advances to Redevelopment Agency			
Transfers out		(270,000)	
Total Other Financing Sources (Uses)	<u>26,221</u>	<u>(270,000)</u>	
Net Change in Fund Balances	(92,926)	14,219	35,763
FUND BALANCES, Beginning of Year	<u>160,299</u>	<u>234,636</u>	<u>990,891</u>
FUND BALANCES, End of Year	<u>\$ 67,373</u>	<u>\$ 248,855</u>	<u>\$ 1,026,654</u>

Special Revenue Funds

Joint Powers Improvement Authority - Portuguese Bend	Habitat Restoration	Subregion One Maintenance	Parks/ Measure A	Abalone Cove Sewer Assessment District
\$ 5,169	\$ 5,001	\$ 17,217	\$ 1,418	\$ 20,636 941
			62,387 8,494	
<u>5,169</u>	<u>5,001</u>	<u>17,217</u>	<u>72,299</u>	<u>21,577</u>
33,460		17,400		45,656 23,902
<u>33,460</u>		<u>17,400</u>		<u>69,558</u>
(28,291)	5,001	(183)	72,299	(47,981)
95,000				35,000
			(59,510)	
<u>95,000</u>			<u>(59,510)</u>	<u>35,000</u>
66,709	5,001	(183)	12,789	(12,981)
<u>177,963</u>	<u>239,141</u>	<u>830,043</u>	<u>45,521</u>	<u>46,773</u>
<u>\$ 244,672</u>	<u>\$ 244,142</u>	<u>\$ 829,860</u>	<u>\$ 58,310</u>	<u>\$ 33,792</u>

CITY OF RANCHO PALOS VERDES

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
YEAR ENDED JUNE 30, 2003**

	Capital Projects			
	Bikeways	Redevelopment Agency - Abalone Cove	Environmental Excise Tax	Quimby
REVENUES				
Taxes				
Use of money and property	\$ 338	\$ 1,636	\$ 14,485	\$ 8,340
Charges for services				
Revenue from other agencies	26,949			50,000
Other revenues			108,242	
Total Revenues	<u>27,287</u>	<u>1,636</u>	<u>122,727</u>	<u>58,340</u>
EXPENDITURES				
Current:				
Public safety				
Public works		5,487		20,584
Capital outlay		20,582		291,518
Total Expenditures		<u>26,069</u>		<u>312,102</u>
Excess (Deficiency) of Revenues Over Over Expenditures	<u>27,287</u>	<u>(24,433)</u>	<u>122,727</u>	<u>(253,762)</u>
Other Financing Sources (Uses):				
Transfers in				107,330
Advances to Redevelopment Agency		12,000		
Transfers out	<u>(27,287)</u>			
Total Other Financing Sources (Uses)	<u>(27,287)</u>	<u>12,000</u>		<u>107,330</u>
Net Change in Fund Balances		(12,433)	122,727	(146,432)
FUND BALANCES, Beginning of Year		<u>65,578</u>	<u>663,080</u>	<u>483,793</u>
FUND BALANCES, End of Year	<u>\$ -</u>	<u>\$ 53,145</u>	<u>\$ 785,807</u>	<u>\$ 337,361</u>

Capital Projects					Permanent Fund	Total Non-major Governmental Funds
Affordable Housing	Redevelopment Agency - Portuguese Bend	Utility Undergrounding	Roadway Beautification	Joint Powers Improvement Authority - Abalone Cove		
\$ 20,524	\$ 10,376	\$ 4,777	\$ 6,927	\$ 34,841	\$ 1,859,361	
	45,836				225,008	
					79,811	
					628,530	
					384,517	
<u>20,524</u>	<u>56,212</u>	<u>4,777</u>	<u>6,927</u>	<u>34,841</u>	<u>3,177,227</u>	
					259,932	
	27,821			17,735	1,475,463	
					336,002	
	<u>27,821</u>			<u>17,735</u>	<u>2,071,397</u>	
<u>20,524</u>	<u>28,391</u>	<u>4,777</u>	<u>6,927</u>	<u>17,106</u>	<u>1,105,830</u>	
			100,000		363,551	
					12,000	
					(1,091,003)	
			100,000		(715,452)	
20,524	28,391	4,777	106,927	17,106	390,378	
<u>981,045</u>	<u>429,825</u>	<u>228,409</u>	<u>299,204</u>	<u>1,442,948</u>	<u>10,689,397</u>	
<u>\$ 1,001,569</u>	<u>\$ 458,216</u>	<u>\$ 233,186</u>	<u>\$ 406,131</u>	<u>\$ 1,460,054</u>	<u>\$ 11,079,775</u>	

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 1,600	\$ 1,600	\$ 247	\$ (1,353)
Charges for services	48,000	48,000	48,752	752
Total Revenues	49,600	49,600	48,999	(601)
EXPENDITURES				
Current:				
Public works	43,960	43,960	43,695	265
Excess (Deficiency) of Revenues Over Expenditures	5,640	5,640	5,304	(336)
Fund Balance, Beginning of Year	32,052	32,052	32,052	
Fund Balance, End of Year	<u>\$ 37,692</u>	<u>\$ 37,692</u>	<u>\$ 37,356</u>	<u>\$ (336)</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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from other agencies	\$ 260,000	\$ 260,000	\$ 183,213	\$ (76,787)
EXPENDITURES				
Current:				
Public works	185,800	46,680	138,545	(91,865)
Capital outlay	34,200	290,659		290,659
Total Expenditures	220,000	337,339	138,545	198,794
Excess (Deficiency) of Revenues Over Expenditures	40,000	(77,339)	44,668	122,007
OTHER FINANCING SOURCES (USES)				
Transfers out	(40,000)	(40,000)	(38,652)	1,348
Net Change in Fund Balances		(117,339)	6,016	123,355
Fund Balance, Beginning of Year	(436)	(436)	(436)	
Fund Balance, End of Year	\$ (436)	\$ (117,775)	\$ 5,580	\$ 123,355

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,000	\$ 1,000	\$ 1,235	\$ 235
Use of money and property	390	390	208	(182)
Total Revenues	<u>1,390</u>	<u>1,390</u>	<u>1,443</u>	<u>53</u>
EXPENDITURES				
Current:				
Public works	<u>900</u>	<u>900</u>	<u>181</u>	<u>719</u>
Excess of Revenues Over Expenditures	490	490	1,262	772
Fund Balance, Beginning of Year	<u>9,576</u>	<u>9,576</u>	<u>9,576</u>	
Fund Balance, End of Year	<u>\$ 10,066</u>	<u>\$ 10,066</u>	<u>\$ 10,838</u>	<u>\$ 772</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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 115,000	\$ 115,000	\$ 139,973	\$ 24,973
Use of money and property	18,000	18,000	15,923	(2,077)
Total Revenues	<u>133,000</u>	<u>133,000</u>	<u>155,896</u>	<u>22,896</u>
EXPENDITURES				
Current:				
Public works	<u>50,000</u>	<u>50,000</u>	<u>79</u>	<u>49,921</u>
Excess of Revenues Over Expenditures	83,000	83,000	155,817	72,817
Fund Balance, Beginning of Year	<u>1,332,775</u>	<u>1,332,775</u>	<u>1,332,775</u>	
Fund Balance, End of Year	<u>\$ 1,415,775</u>	<u>\$ 1,415,775</u>	<u>\$ 1,488,592</u>	<u>\$ 72,817</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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 583,500	\$ 583,500	\$ 558,342	\$ (25,158)
Use of money and property	9,800	9,800	6,242	(3,558)
Total Revenues	593,300	593,300	564,584	(28,716)
EXPENDITURES				
Current:				
Public works	486,843	486,843	424,877	61,966
Capital outlay	12,000			
Total Expenditures	498,843	486,843	424,877	61,966
Excess of Revenues Over Expenditures	94,457	106,457	139,707	33,250
Fund Balance, Beginning of Year	276,538	276,538	276,538	
Fund Balance, End of Year	\$ 370,995	\$ 382,995	\$ 416,245	\$ 33,250

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 485,000	\$ 485,000	\$ 463,039	\$ (21,961)
Use of money and property	6,000	6,000	12,367	6,367
Revenue from other agencies			46,146	
Total Revenues	491,000	491,000	521,552	(15,594)
EXPENDITURES				
Current:				
Public works	3,170	3,170	1,776	1,394
Excess (Deficiency) of Revenues Over Expenditures	487,830	487,830	519,776	(14,200)
OTHER FINANCING SOURCES (USES)				
Transfers out	(131,115)	(518,960)	(471,338)	47,622
Net Change in Fund Balances	356,715	(31,130)	48,438	79,568
Fund Balance, Beginning of Year	295,497	295,497	295,497	
Fund Balance, End of Year	\$ 652,212	\$ 264,367	\$ 343,935	\$ 79,568

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RECYCLING SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 20,000	\$ 20,000	\$ 13,662	\$ (6,338)
Revenue from other agencies	44,500	44,500	11,915	(32,585)
Other revenues	200,000	200,000	267,781	67,781
Total Revenues	264,500	264,500	293,358	28,858
EXPENDITURES				
Current:				
Public works	143,640	213,986	215,357	(1,371)
Excess (Deficiency) of Revenues Over Expenditures	120,860	50,514	78,001	27,487
OTHER FINANCING SOURCES (USES)				
Transfers out	(112,000)	(112,000)	(112,000)	
Net Change in Fund Balances	8,860	(61,486)	(33,999)	27,487
Fund Balance, Beginning of Year	666,643	666,643	666,643	
Fund Balance, End of Year	\$ 675,503	\$ 605,157	\$ 632,644	\$ 27,487

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 22,000	\$ 22,000	\$ 15,671	\$ (6,329)
Charges for services	74,100	74,100	79,811	5,711
Revenue from other agencies	15,000	15,000	15,474	474
Total Revenues	111,100	111,100	110,956	(144)
EXPENDITURES				
Current:				
Public works	107,440	116,640	100,885	15,755
Excess (Deficiency) of Revenues Over Expenditures	3,660	(5,540)	10,071	15,611
OTHER FINANCING SOURCES (USES)				
Transfers out		(112,216)	(112,216)	
Net Change in Fund Balances	3,660	(117,756)	(102,145)	15,611
Fund Balance, Beginning of Year	757,603	757,603	757,603	
Fund Balance, End of Year	\$ 761,263	\$ 639,847	\$ 655,458	\$ 15,611

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LLESS/COPS/CLEEP SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 3,800	\$ 3,800	\$ 2,927	\$ (873)
Revenue from other agencies	100,000	100,000	137,858	37,858
Total Revenues	103,800	103,800	140,785	36,985
EXPENDITURES				
Current:				
Public safety	284,465	273,465	259,932	13,533
Excess (Deficiency) of Revenues Over Expenditures	(180,665)	(169,665)	(119,147)	50,518
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	5,000	26,221	
Net Change in Fund Balances	(175,665)	(164,665)	(92,926)	71,739
Fund Balance, Beginning of Year	160,299	160,299	160,299	
Fund Balance, End of Year	\$ (15,366)	\$ (4,366)	\$ 67,373	\$ 71,739

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 324,970	\$ 324,970	\$ 332,806	\$ 7,836
Use of money and property	6,450	6,450	5,167	(1,283)
Total Revenues	<u>331,420</u>	<u>331,420</u>	<u>337,973</u>	<u>6,553</u>
EXPENDITURES				
Current:				
Public works	<u>59,100</u>	<u>59,100</u>	<u>53,754</u>	<u>5,346</u>
Excess of Revenues Over Expenditures	<u>272,320</u>	<u>272,320</u>	<u>284,219</u>	<u>11,899</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(270,000)</u>	<u>(270,000)</u>	<u>(270,000)</u>	
Net Change in Fund Balances	2,320	2,320	14,219	11,899
Fund Balance, Beginning of Year	<u>234,636</u>	<u>234,636</u>	<u>234,636</u>	
Fund Balance, End of Year	<u>\$ 236,956</u>	<u>\$ 236,956</u>	<u>\$ 248,855</u>	<u>\$ 11,899</u>

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 295,000	\$ 295,000	\$ 343,330	\$ 48,330
Use of money and property	27,500	27,500	20,604	(6,896)
Total Revenues	<u>322,500</u>	<u>322,500</u>	<u>363,934</u>	<u>41,434</u>
EXPENDITURES				
Current:				
Public works	<u>350,200</u>	<u>350,200</u>	<u>328,171</u>	<u>22,029</u>
Excess (Deficiency) of Revenues Over Expenditures	(27,700)	(27,700)	35,763	63,463
Fund Balance, Beginning of Year	<u>990,891</u>	<u>990,891</u>	<u>990,891</u>	
Fund Balance, End of Year	<u>\$ 963,191</u>	<u>\$ 963,191</u>	<u>\$ 1,026,654</u>	<u>\$ 63,463</u>

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 6,000	\$ 6,000	\$ 5,169	\$ (831)
 EXPENDITURES				
Current:				
Maintenance	99,100	99,100	33,460	65,640
Excess (Deficiency) of Revenues Over Expenditures	(93,100)	(93,100)	(28,291)	64,809
 OTHER FINANCING SOURCES (USES)				
Transfers in	95,000	95,000	95,000	
Net Change in Fund Balances	1,900	1,900	66,709	64,809
Fund Balance, Beginning of Year	177,963	177,963	177,963	
Fund Balance, End of Year	<u>\$ 179,863</u>	<u>\$ 179,863</u>	<u>\$ 244,672</u>	<u>\$ 64,809</u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HABITAT RESTORATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 4,600	\$ 4,600	\$ 5,001	\$ 401
EXPENDITURES				
Capital outlay	7,500			
Excess (Deficiency) of Revenues Over Expenditures	(2,900)	4,600	5,001	401
Fund Balance, Beginning of Year	239,141	239,141	239,141	
Fund Balance, End of Year	<u>\$ 236,241</u>	<u>\$ 243,741</u>	<u>\$ 244,142</u>	<u>\$ 401</u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SUBREGION ONE MAINTENANCE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 24,200	\$ 24,200	\$ 17,217	\$ (6,983)
EXPENDITURES				
Current:				
Public works	39,500	39,500	17,400	22,100
Excess (Deficiency) of Revenues Over Expenditures	(15,300)	(15,300)	(183)	15,117
Fund Balance, Beginning of Year	830,043	830,043	830,043	
Fund Balance, End of Year	\$ 814,743	\$ 814,743	\$ 829,860	\$ 15,117

CITY OF RANCHO PALOS VERDES

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MEASURE A SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property			\$ 1,418	\$ 1,418
Revenue from other agencies	\$ 65,000	\$ 65,000	62,387	(2,613)
Other revenues			8,494	
Total Revenues	65,000	65,000	72,299	(1,195)
Excess (Deficiency) of Revenues Over Expenditures	65,000	65,000	72,299	(1,195)
OTHER FINANCING SOURCES (USES)				
Transfers out	(59,510)	(59,510)	(59,510)	
Total Other Financing Sources (Uses)	(59,510)	(59,510)	(59,510)	
Net Change in Fund Balances	5,490	5,490	12,789	7,299
Fund Balance, Beginning of Year	45,521	45,521	45,521	
Fund Balance, End of Year	\$ 51,011	\$ 51,011	\$ 58,310	\$ 7,299

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 20,000	\$ 20,000	\$ 20,636	\$ 636
Use of money and property	250	250	941	691
Total Revenues	20,250	20,250	21,577	1,327
EXPENDITURES				
Current:				
Public works	50,000	50,000	45,656	4,344
Capital outlay		19,306	23,902	
Total Expenditures	50,000	69,306	69,558	4,344
Excess (Deficiency) of Revenues Over Expenditures	(29,750)	(49,056)	(47,981)	5,671
OTHER FINANCING SOURCES (USES)				
Transfers in	35,000	35,000	35,000	
Net Change in Fund Balances	5,250	(14,056)	(12,981)	1,075
Fund Balance, Beginning of Year	46,773	46,773	46,773	
Fund Balance, End of Year	\$ 52,023	\$ 32,717	\$ 33,792	\$ 1,075

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property			\$ 338	\$ 338
Revenue from other agencies	\$ 16,000	\$ 16,000	26,949	10,949
Total Revenues	16,000	16,000	27,287	11,287
OTHER FINANCING SOURCES (USES)				
Transfers out	(16,000)	(25,483)	(27,287)	(1,804)
Net Change in Fund Balances		(9,483)		9,483
Fund Balance, Beginning of Year				
Fund Balance, End of Year	\$ -	\$ (9,483)	\$ -	\$ 9,483

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ -	\$ -	\$ 1,636	\$ 1,636
EXPENDITURES				
Current:				
Public works			5,487	(5,487)
Capital outlay		65,578	20,582	44,996
Total Expenditures		65,578	26,069	39,509
Excess (Deficiency) of Revenues Over Expenditures		(65,578)	(24,433)	41,145
OTHER FINANCING SOURCES (USES)				
Advances to Redevelopment Agency			12,000	
Net Change in Fund Balances		(65,578)	(12,433)	53,145
Fund Balance, Beginning of Year	65,578	65,578	65,578	
Fund Balance, End of Year	\$ 65,578	\$ -	\$ 53,145	\$ 53,145

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 10,100	\$ 10,100	\$ 14,485	\$ 4,385
Other revenues	85,000	85,000	108,242	23,242
Total Revenues	<u>95,100</u>	<u>95,100</u>	<u>122,727</u>	<u>27,627</u>
Fund Balance, Beginning of Year	<u>663,080</u>	<u>663,080</u>	<u>663,080</u>	
Fund Balance, End of Year	<u>\$ 758,180</u>	<u>\$ 758,180</u>	<u>\$ 785,807</u>	<u>\$ 27,627</u>

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 4,900	\$ 4,900	\$ 8,340	\$ 3,440
Revenue from other agencies		50,000	50,000	
Total Revenues	29,900	79,900	58,340	(21,560)
EXPENDITURES				
Current:				
Public works	6,000	15,500	20,584	(5,084)
Capital outlay	50,000	298,655	291,518	7,137
Total Expenditures	56,000	314,155	312,102	2,053
Excess (Deficiency) of Revenues Over Expenditures	(26,100)	(234,255)	(253,762)	(23,613)
OTHER FINANCING SOURCES (USES)				
Transfers in		107,330	107,330	
Net Change in Fund Balances	(26,100)	(126,925)	(146,432)	(19,507)
Fund Balance, Beginning of Year	483,793	483,793	483,793	
Fund Balance, End of Year	<u>\$ 457,693</u>	<u>\$ 356,868</u>	<u>\$ 337,361</u>	<u>\$ (19,507)</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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 52,300	\$ 52,300	\$ 20,524	\$ (31,776)
Fund Balance, Beginning of Year	981,045	981,045	981,045	
Fund Balance, End of Year	\$ 1,033,345	\$ 1,033,345	\$ 1,001,569	\$ (31,776)

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 5,000	\$ 5,000	\$ 10,376	\$ 5,376
Revenue from other agencies			45,836	45,836
Other revenues	10,500	10,500		(10,500)
Total Revenues	15,500	15,500	56,212	40,712
EXPENDITURES				
Current:				
Public works	120,010	120,010	27,821	92,189
Capital outlay	40,000	40,000		40,000
Total Expenditures	160,010	160,010	27,821	132,189
Excess (Deficiency) of Revenues Over Expenditures	(144,510)	(144,510)	28,391	172,901
Fund Balance, Beginning of Year	429,825	429,825	429,825	
Fund Balance, End of Year	\$ 285,315	\$ 285,315	\$ 458,216	\$ 172,901

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 6,000	\$ 6,000	\$ 4,777	\$ (1,223)
EXPENDITURES				
Current:				
Public works	20,000	20,000		20,000
Excess (Deficiency) of Revenues Over Expenditures	(14,000)	(14,000)	4,777	18,777
Fund Balance, Beginning of Year	228,409	228,409	228,409	
Fund Balance, End of Year	\$ 214,409	\$ 214,409	\$ 233,186	\$ 18,777

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 6,000	\$ 6,000	\$ 6,927	\$ 927
EXPENDITURES				
Current:				
Public works	15,000	15,000		15,000
Capital outlay	85,000	85,000		85,000
Total Expenditures	100,000	100,000		100,000
Excess (Deficiency) of Revenues Over Expenditures	(94,000)	(94,000)	6,927	100,927
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	100,000	
Net Change in Fund Balances	6,000	6,000	106,927	100,927
Fund Balance, Beginning of Year	299,204	299,204	299,204	
Fund Balance, End of Year	\$ 305,204	\$ 305,204	\$ 406,131	\$ 100,927

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, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 41,000	\$ 41,000	\$ 34,841	\$ (6,159)
EXPENDITURES				
Current:				
Public works	109,700	109,700	17,735	91,965
Excess (Deficiency) of Revenues Over Expenditures	(68,700)	(68,700)	17,106	85,806
Fund Balance, Beginning of Year	1,442,948	1,442,948	1,442,948	
Fund Balance, End of Year	\$ 1,374,248	\$ 1,374,248	\$ 1,460,054	\$ 85,806

CITY OF RANCHO PALOS VERDES

JUNE 30, 2003

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, 2003**

	<u>Equipment Replacement</u>	<u>Building Replacement</u>	<u>Employee Benefits</u>	<u>Totals</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 2,298,869	\$ 1,545,578	\$ 44,154	\$ 3,888,601
Receivables				
Interest	9,634	6,186	561	16,381
Prepaid items			82,202	82,202
Total Current Assets	<u>2,308,503</u>	<u>1,551,764</u>	<u>126,917</u>	<u>3,987,184</u>
Noncurrent Assets				
Capital assets				
Property and equipment	814,068			814,068
Accumulated depreciation	(491,349)			(491,349)
Total Assets	<u>2,631,222</u>	<u>1,551,764</u>	<u>126,917</u>	<u>4,309,903</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	16,888	855	337	18,080
Total Liabilities	<u>16,888</u>	<u>855</u>	<u>337</u>	<u>18,080</u>
NET ASSETS				
Invested in capital assets	322,719			322,719
Unrestricted	2,291,615	1,550,909	126,580	3,969,104
Total Net Assets	<u>\$ 2,614,334</u>	<u>\$ 1,550,909</u>	<u>\$ 126,580</u>	<u>\$ 4,291,823</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, 2003**

	<u>Equipment Replacement</u>	<u>Building Replacement</u>	<u>Employee Benefits</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services	\$ 475,535		\$ 609,570	\$ 1,085,105
Total Operating Revenues	<u>475,535</u>		<u>609,570</u>	<u>1,085,105</u>
OPERATING EXPENSES				
Personnel services			577,030	577,030
Material and supplies	150,914	\$ 121,915		272,829
Maintenance	54,988	4,600		59,588
Depreciation	91,856			91,856
Total Operating Expenses	<u>297,758</u>	<u>126,515</u>	<u>577,030</u>	<u>1,001,303</u>
Operating Income (Loss)	<u>177,777</u>	<u>(126,515)</u>	<u>32,540</u>	<u>83,802</u>
NONOPERATING REVENUES				
Interest income	46,263	31,230	2,154	79,647
Gain (Loss) on Asset Disposal	<u>(13,403)</u>			<u>(13,403)</u>
Total Operating Expenses	<u>32,860</u>	<u>31,230</u>	<u>2,154</u>	<u>66,244</u>
Income (Loss) Before Transfers	<u>210,637</u>	<u>(95,285)</u>	<u>34,694</u>	<u>150,046</u>
TRANSFERS IN	<u>52,516</u>	<u>105,000</u>		<u>157,516</u>
Change in Net Assets	263,153	9,715	34,694	307,562
Net Assets, Beginning of Year	<u>2,351,181</u>	<u>1,541,194</u>	<u>91,886</u>	<u>3,984,261</u>
Net Assets, Ending of Year	<u>\$ 2,614,334</u>	<u>\$ 1,550,909</u>	<u>\$ 126,580</u>	<u>\$ 4,291,823</u>

CITY OF RANCHO PALOS VERDES

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Equipment Replacement	Building Replacement	Employee Benefits	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 475,535		\$ 609,570	\$ 1,085,105
Payments to suppliers	(231,927)	\$ (125,660)	(614,941)	(972,528)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>243,608</u>	<u>(125,660)</u>	<u>(5,371)</u>	<u>112,577</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(253,256)			(253,256)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfer in	52,516	105,000		157,516
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	51,080	35,139	2,254	88,473
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	93,948	14,479	(3,117)	105,310
CASH AND CASH EQUIVALENTS, Beginning of Year	2,204,921	1,531,099	47,271	3,783,291
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 2,298,869</u>	<u>\$ 1,545,578</u>	<u>\$ 44,154</u>	<u>\$ 3,888,601</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 177,777	\$ (126,515)	\$ 32,540	\$ 83,802
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	91,856			91,856
(Increase) decrease in other receivables			1,465	1,465
(Increase) decrease in prepaid items	194		(33,358)	(33,164)
Increase (decrease) in accounts payable and accrued liabilities	(26,219)	855	(6,018)	(31,382)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 243,608</u>	<u>\$ (125,660)</u>	<u>\$ (5,371)</u>	<u>\$ 112,577</u>



STATISTICAL SECTION

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION*
LAST TEN FISCAL YEARS

Fiscal Year	General Government	Public Safety	Public Works	Parks and Recreation	Planning, Code Enforcement & Building	Capital Outlay	Debt Service	Totals
1994	\$ 1,388,019	\$ 2,437,018	\$ 2,891,418	\$ 475,036	\$ 937,581	\$ 1,563,682	---	\$9,692,754
1995	1,497,317	2,539,329	3,166,876	489,834	1,031,028	1,623,833	---	10,348,217
1996	1,545,955	2,609,804	3,638,583	543,602	1,148,340	1,129,275	---	10,615,559
1997	1,588,565	2,637,280	3,856,324	550,722	1,360,468	8,885,989	---	18,879,348
1998	1,659,753	2,533,309	4,079,842	710,477	1,558,511	3,974,928	---	14,516,820
1999	1,679,549	2,658,145	3,942,290	633,292	1,882,051	3,116,632	---	13,911,959
2000	1,836,468	2,662,096	5,864,072	597,045	1,646,824	2,110,309	---	14,716,814
2001	2,388,727	2,732,579	3,616,253	596,185	1,778,319	4,227,852	---	15,339,915
2002	2,939,097	2,898,265	3,855,747	668,938	1,950,504	9,441,273	---	21,753,825
2003	3,084,614	3,094,005	4,306,768	785,786	2,194,265	4,767,678	---	18,233,116

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

GENERAL GOVERNMENTAL REVENUES BY SOURCE *
LAST TEN FISCAL YEARS

Fiscal Year	Taxes	Fees and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Revenues From Other Agencies	Other Revenues	Totals
1994	\$ 6,201,116	\$ 676,872	\$ 98,067	\$ 675,856	\$ 317,668	\$ 3,299,943	\$ 151,528	\$11,421,050
1995	7,310,905	825,680	89,494	819,185	285,235	2,754,149	326,863	12,411,511
1996	8,321,970	689,077	85,790	960,071	297,124	2,558,842	359,737	13,272,611
1997	8,432,900	798,168	93,076	1,145,664	336,634	10,673,669	513,625	21,993,736
1998	8,449,951	890,269	114,409	1,239,537	175,418	4,899,646	640,609	16,409,839
1999	8,539,047	1,292,498	140,089	1,177,539	217,699	4,340,676	518,009	16,225,557
2000	9,022,637	1,089,720	156,730	1,314,901	203,691	3,654,695	1,875,671	17,318,045
2001	9,391,699	1,530,425	139,694	1,602,638	196,730	4,816,266	866,621	18,544,073
2002	9,723,259	1,589,701	116,598	987,793	217,387	8,170,513	513,512	21,318,763
2003	10,002,224	1,855,746	115,448	735,526	204,798	4,223,490	554,035	17,691,267

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

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Current Levy	Current Collection	Percent Collected
1993-1994	\$ 1,730,785	\$ 1,658,420	95.82%
1994-1995	2,218,369	2,147,249	96.79%
1995-1996	2,700,133	2,571,526	95.24%
1996-1997	2,708,114	2,651,513	97.91%
1997-1998	2,731,834	2,664,833	97.55%
1998-1999	2,877,987	2,770,246	96.26%
1999-2000	3,123,218	3,048,626	97.61%
2000-2001	3,352,310	3,233,833	96.47%
2001-2002	3,567,276	3,451,599	96.76%
2002-2003	3,768,471	3,688,465	97.88%

ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Secured Value	Public Utility	Unsecured Value	Subtotal	Homeowners Exemption	Net Assessed Value	Percent Increase
1994	\$ 4,142,760,058	\$ 210,000	\$ 12,641,931	\$ 4,155,611,989	\$ 77,423,929	\$ 4,078,188,060	0.70%
1995	4,277,717,064	210,000	12,448,590	4,290,375,654	79,193,508	4,211,182,146	3.26%
1996	4,316,092,536	210,000	15,334,559	4,331,637,095	79,614,908	4,252,022,187	0.97%
1997	4,354,282,854	210,000	14,956,195	4,369,449,049	79,417,508	4,290,031,541	0.89%
1998	4,414,137,301	975,785	14,526,105	4,429,639,191	79,074,508	4,350,564,683	1.41%
1999	4,666,924,997	975,785	22,058,574	4,689,959,356	78,654,508	4,611,304,848	5.99%
2000	5,121,424,832	975,785	16,961,594	5,139,362,211	78,055,228	5,061,306,983	9.76%
2001	5,420,734,560	1,023,567	18,422,700	5,440,180,827	77,799,028	5,362,381,799	5.95%
2002	5,758,506,586	947,258	19,641,491	5,779,095,335	77,157,828	5,701,937,507	6.33%
2003	6,069,010,412	449,498	21,740,910	6,091,200,820	76,980,028	6,014,220,792	5.48%

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

LAST TEN FISCAL YEARS

Fiscal Year	Basic County Levy	School District	Flood Control	Metropolitan Water District	Library District	County	Totals
1994	1.0000%	0.0004%	0.0042%	0.0089%	0.0140%	0.0017%	1.0292%
1995	1.0000%	---	0.0060%	0.0089%	0.0042%	0.0020%	1.0211%
1996	1.0000%	---	0.0010%	0.0089%	0.0150%	0.0018%	1.0267%
1997	1.0000%	---	0.0020%	0.0089%	0.0150%	0.0016%	1.0275%
1998	1.0000%	---	0.0022%	0.0089%	0.0148%	0.0016%	1.0275%
1999	1.0000%	---	0.0020%	0.0089%	0.0114%	0.0015%	1.0237%
2000	1.0000%	---	0.0018%	0.0089%	0.0113%	0.0014%	1.0234%
2001	1.0000%	---	0.0016%	0.0088%	0.0114%	0.0013%	1.0230%
2002	1.0000%	---	0.0005%	0.0077%	0.0096%	0.0011%	1.0189%
2003	1.0000%	---	0.0009%	0.0067%	0.0097%	0.0010%	1.0183%

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

PRINCIPAL TAXPAYERS

JUNE 30, 2003

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Ocean Trails Limited Partnership	Golf Course/Residential	\$ 62,320,260	1.04%
P.V. Victoria Apartments	Apartments	40,814,540	0.68%
RPV Associates	Residential Development	31,115,443	0.52%
VRPV LLC, Et. Al. Kennedy Palos Verdes	Apartments	26,896,304	0.45%
Western Riviera Investors	Apartments	24,853,212	0.41%
York Long Point Associates	Commercial/Residential	22,010,505	0.37%
American Golf, Inc.	Golf Course	13,873,318	0.23%
Theodore Gardner II	Apartments	13,528,404	0.22%
Salvation Army	Institutional/Commercial	13,456,653	0.22%
Top Terraces Inc.	Commercial/Retail	12,444,000	0.21%
TOTAL TOP TEN		<u>\$ 261,312,639</u>	<u>4.35%</u>

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Special Assessment Billings	Special Assessments Collected	Percent of Levy Collected
1994	\$ 816,170	\$ 816,339	100.0%
1995	811,651	796,924	98.2%
1996	809,208	788,919	97.5%
1997	756,438	741,261	98.0%
1998	374,483	368,652	98.4%
1999	325,130	333,455	102.6%
2000	326,425	327,423	100.3%
2001	326,396	325,337	99.7%
2002	327,460	324,016	98.9%
2003	327,384	332,806	101.7%

COMPUTATION OF LEGAL DEBT MARGIN

AS OF JUNE 30, 2003

Net Assessed Value	<u>\$ 6,014,220,792</u>
Debt limit - 15% of assessed value	\$ 902,133,119
Amount of debt applicable to debt limit	<u>---</u>
Legal debt margin	<u>\$ 902,133,119</u>

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

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

STATEMENT OF DIRECT AND OVERLAPPING DEBT

AS OF JUNE 30, 2003

	<u>Percent Applicable</u>	<u>Bonded Debt June 30, 2003</u>
DIRECT AND OVERLAPPING BONDED DEBT:		
Los Angeles County Detention Facilities 1987	1.014%	\$ 306,450
Los Angeles County Flood Control Storm Drain Bonds No. 4	0.937%	94,735
Los Angeles County Flood Control Refunding Bonds 1993	0.937%	7,918
Palos Verdes Library District Refunding Bonds 1998	49.501%	6,222,238
West Basin Metropolitan Water District *	1.057%	5,024,555
Los Angeles City Community College 2003 Series A	1.798%	1,761,036
Los Angeles City Community College 2003 Series B & C	1.798%	1,648,774
Los Angeles City Community College 2001 Series A	1.798%	9,114,458
Los Angeles Unified School District 2002 Refunding Bonds	0.217%	551,761
Los Angeles Unified School District 2002 Series A	0.217%	1,101,731
Los Angeles Unified School District 1997 Series A	0.217%	686,637
Los Angeles Unified School District 1997 Series B	0.217%	489,025
Los Angeles Unified School District 1997 Series C	0.217%	450,881
Los Angeles Unified School District 1997 Series D	0.217%	578,124
Los Angeles Unified School District 1997 Series E	0.217%	1,059,320
Los Angeles Unified School District 1997 Series F	0.217%	4,560,278
Palos Verdes Peninsula USD Series 2000 A	46.923%	9,138,290
Palos Verdes Peninsula USD Series 2000 B	46.923%	7,047,908
Palos Verdes Peninsula USD Series 2000 C	46.923%	<u>4,892,850</u>
 TOTAL DIRECT AND OVERLAPPING BONDED DEBT		 \$ 54,736,969 (1)

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

Debt to Assessed Valuation Ratios:

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

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

DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population</u>	<u>Housing Units</u>
1994	42,000	15,581
1995	42,089	15,588
1996	42,670	15,610
1997	43,155	15,623
1998	43,657	15,652
1999	44,345	15,683
2000	44,933	15,706
2001	41,145	15,753
2002	42,002	15,762
2003	42,322	15,772

DEMOGRAPHIC STATISTICS

2000 CENSUS DATA

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

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

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

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

Source: U.S. Bureau of the Census

BUILDING PERMITS AND PROPERTY VALUE
LAST TEN FISCAL YEARS

Fiscal Year	Total Construction		New Residential Construction		Bank Deposits
	Number of Permits	Property Value	Number of Units	Property Value	
1994	1,158	\$ 16,174,450	11	\$ 4,589,000	\$ 103,983,000
1995	1,269	24,004,600	25	10,805,000	113,023,000
1996	1,356	19,993,784	19	8,572,000	193,339,000
1997	1,389	20,897,000	23	9,766,000	139,282,000
1998	2,373	25,799,345	31	11,948,000	170,584,000
1999	3,129	65,373,000	96	43,200,000	198,802,000
2000	2,544	41,403,218	39	24,949,630	202,839,000
2001	2,468	22,685,411	9	4,677,000	207,807,000
2002	1,319	20,363,386	10	4,387,828	208,627,000
2003	1,405	37,526,472	16	9,931,300	**

** Data regarding bank deposits within the City of Rancho Palos Verdes for the fiscal year ended June 30, 2002 is not currently available.

MISCELLANEOUS STATISTICS

AS OF JUNE 30, 2003

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