



COMPREHENSIVE  
ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED  
JUNE 30, 2005



**CITY OF RANCHO PALOS VERDES,  
CALIFORNIA**

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2005**

Prepared By:

Finance Department

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

*Cover photo of Founders Park courtesy of Ms. Karen Peterson*



## **INTRODUCTORY SECTION**



*Point Vicente photo courtesy of Doug Stern*

**CITY OF RANCHO PALOS VERDES**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION:**

<b>Table of Contents</b>	<b>i-iii</b>
<b>Letter of Transmittal</b>	<b>iv-xi</b>
<b>Directory of City Officials</b>	<b>xii</b>
<b>Organization Chart</b>	<b>xiii</b>
<b>GFOA Certificate of Achievement for Excellence in Financial Reporting</b>	<b>xiv</b>

**FINANCIAL SECTION:**

<b>Independent Auditor's Report</b>	<b>1</b>
<b>Management Discussion and Analysis</b>	<b>3</b>
<b>Government-Wide Financial Statements</b>	
Statement of Net Assets	<b>11</b>
Statement of Activities	<b>12</b>
<b>Fund Financial Statements</b>	
<b>Governmental Funds</b>	
Balance Sheet	<b>14</b>
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	<b>16</b>
Statement of Revenues, Expenditures, and Changes in Fund Balances	<b>17</b>
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	<b>19</b>
<b>General Fund</b>	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	<b>20</b>
<b>Street Maintenance Special Revenue Fund</b>	
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual	<b>21</b>
<b>Proprietary Funds</b>	
Statement of Net Assets	<b>22</b>
Statement of Revenues, Expenses, and Changes in Fund Net Assets	<b>23</b>
Statement of Cash Flows	<b>24</b>
<b>Notes to the Financial Statements</b>	<b>25</b>

**CITY OF RANCHO PALOS VERDES**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**TABLE OF CONTENTS**

**Supplementary Information**

**Major Fund Budgetary Comparison Schedules**

Schedule of Revenues, Expenditures, and Changes in Fund Balances	
- Budget and Actual	
Capital Improvement Projects Capital Projects Fund	48
RDA Debt Service Fund	49

**Non-Major Governmental Funds**

Combining Balance Sheet	53
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	59
Schedule of Revenues, Expenditures, and Changes in Fund Balances	
- Budget and Actual – <b>Special Revenue Funds</b>	
Air Quality Management Fund	65
Community Development Block Grant Fund	66
El Prado Fund	67
RDA Housing Set-Aside Fund	68
Proposition A Fund	69
Proposition C Fund	70
Beautification Fund	71
Waste Reduction Fund	72
Public Safety Grants Fund	73
1972 Act Fund	74
1911 Act Fund	75
JPIA – Portuguese Bend Fund	76
Habitat Restoration Fund	77
Subregion One Maintenance Fund	78
Measure A Fund	79
Abalone Cove Sewer Assessment District	80
Schedule of Revenues, Expenditures, and Changes in Fund Balances	
- Budget and Actual – <b>Capital Projects Funds</b>	
Bikeways Fund	81
RDA Abalone Cove Fund	82
Environmental Excise Tax Fund	83
Quimby Fund	84
Affordable Housing Fund	85
RDA Portuguese Bend Fund	86
Utility Undergrounding Fund	87
Roadway Beautification Fund	88
Schedule of Revenues, Expenditures, and Changes in Fund Balance	
- Budget and Actual – <b>Permanent Fund</b>	
JPIA – Abalone Cove Fund	89

**CITY OF RANCHO PALOS VERDES**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**TABLE OF CONTENTS**

**Internal Service Funds**

Combining Statement of Net Assets	<b>91</b>
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	<b>92</b>
Combining Statement of Cash Flows	<b>93</b>

**STATISTICAL SECTION (Unaudited)**

General Governmental Expenditures by Function – Last Ten Fiscal Years	<b>94</b>
General Governmental Revenues by Source – Last Ten Fiscal Years	<b>95</b>
Property Tax Levies and Collections – Last Ten Fiscal Years	<b>96</b>
Assessed Value of Taxable Property – Last Ten Fiscal Years	<b>97</b>
Property Tax Rates – All Overlapping Governments – Last Ten Fiscal Years	<b>98</b>
Principal Property Taxpayers	<b>99</b>
Special Assessment Billings and Collections – Last Ten Fiscal Years	<b>100</b>
Computation of Legal Debt Margin	<b>101</b>
Statement of Direct and Overlapping Debt	<b>102</b>
Demographic Statistics – Last Ten Fiscal Years	<b>103</b>
Demographic Statistics – 2000 Census Data	<b>104</b>
Building Permits and Property Value – Last Ten Fiscal Years	<b>105</b>
Miscellaneous Statistics	<b>106</b>



*City Hall elevator photo courtesy of Ron Dragoo*

September 23, 2005

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, 2005, 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 43,525. The City is primarily a "bedroom" community with relatively little commercial activity.

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

Though the General fund reserves of the City increased during the fiscal year ended June 30, 2005, 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, 2006 presents the expectation of a decrease of General fund reserves. Potential economic downturn and the need to fund additional infrastructure renewal and maintenance will require continued conservative fiscal policies.

## MAJOR INITIATIVES

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

### Planning, Building, and Code Enforcement

- The Forrestal Steering Committee completed its review of the Forrestal Management Plan. The City Council subsequently reviewed and approved the revised Forrestal Management Plan. The City continued its partnership with the Palos Verdes Peninsula Land Conservancy for managing the Forrestal Nature Preserve.
- The City continued to implement the new neighborhood compatibility requirements. As a follow-up to the new neighborhood compatibility requirements, the Residential Development Standards Committee continued to review the existing residential development standards and determine if any modifications are necessary.
- The Equestrian Committee and City Council reviewed and approved the continued operation of a Conditional Large Domestic Animal Permit to allow a non-profit organization to conduct equestrian activities in the Portuguese Bend Equestrian Overlay District.
- The General Plan Update Steering Committee presented its recommendations to the City Council on all of the existing goals and policies of the General Plan. The General Plan Update effort was initiated.
- The City continued to implement its State approved Housing Element and efforts to work with the Southern California Association of Governments in preparing the Regional Transportation Plan.
- The City approved its Natural Communities Conservation Plan (NCCP) and continued its effort for acquiring open space to create the habitat preserve.
- The City oversaw the completion of the repair and rehabilitation of the Trump National golf course, which was damaged by a landslide in 1999. The City continued to work with the developer on its plans to open the 18-hole golf course to the public and expand the existing Clubhouse.
- The City publicly circulated the Draft Environmental Impact Report (EIR) for the proposed Point View project, a proposed new residential tract partially located in the City's landslide moratorium area.
- The City continued to formally monitor development projects in surrounding jurisdictions (referred to as "border issues") to assess their potential impacts upon the City and its residents.
- The City oversaw the completion of the Golden Cove Shopping Center renovation and continued its efforts to bring new businesses to the center.

- The City continued to oversee the development of a 13-lot subdivision on property located at 3200 Palos Verdes Drive West.
- The City oversaw the completion and opening of Belmont Village, a 122-unit assisted living facility on Crestridge Road.
- The City continued to approve the installation of various commercial antenna facilities for cellular telephones and personal communication systems on private property throughout the City.

#### Public Works

- The annual sidewalk program, pavement management overlays and slurry seal projects were successfully completed.
- The City continued to evaluate the condition of storm drains and develop a program for renewal and maintenance. In March 2005, the City Council established the Water Quality and Flood Protection program and provided initial funding with \$2 million of General fund reserves.
- Emergency repairs were completed to repair a sinkhole and storm drain on Western Avenue at Delasonde Avenue.
- Various storm drains were lined and repaired throughout the City.
- Roadways were maintained, cleaned and open to the public during the record setting storms of 2004 and 2005.
- Construction on the Point Vicente Interpretive Center (PVIC) expansion project began in September 2004.
- The traffic-calming project to install speed humps in Mira Vista neighborhood was approved.
- The roof at City Hall was replaced; plans and specifications to repair/replace roofs at other City facilities were developed.
- The City conducted two Household Hazardous Waste roundup events, diverted 57% of trash from landfills, and recycled 14 tons of Christmas trees along with regular green waste recycling.
- The City approved and began a pilot automated waste recycling program in April 2005.

#### Recreation and Parks

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

- Recreation and Parks Staff coordinated with Public Works Staff to prepare for fabrication and installation of the Point Vicente Interpretive Center exhibits.

### Administration

- On August 31, 2004 the City Council sold its residential property at 30678 Palos Verdes Drive East for approximately \$900,000. The City had purchased the property to stage construction equipment during the San Ramon Canyon improvement project.
- The City continued to publish a quarterly newsletter that was distributed to all residents. In FY 04-05 the newsletter featured articles on City Council Goals, the General Plan Update, Record Winter Storms and Peninsula Wildfire Hazards.
- The City Council continued to provide financial assistance to a variety of non-profit organizations that provide service to the community.
- The City co-sponsored a public forum at Hesse Park on September 11, 2004 with a topic of "Citizen Corps: Protecting the Homeland, How You Can Protect Your Family, Your Community and Your Nation." The program was co-sponsored by Congressman Dana Rohrabacher, the Governor's Office of Services and Volunteers, Los Angeles County Sheriff Baca, Los Angeles County Fire Chief P. Michael Freeman, Los Angeles Councilwoman Janice Hahn, the City of Rolling Hills Estates and the City of Avalon.
- Councilman Jim Madaffer, from the City of San Diego, was the guest speaker at the October 16, 2004 Community Leaders Breakfast. Councilman Madaffer discussed his city's experiences and response to the catastrophic fires that swept through Southern California last year and how his community is preparing itself against similar disasters in the future.
- At their December 7, 2004 meeting the City Council adopted a resolution de-establishing the Traffic Committee and creating a new "Traffic Safety Commission." The Charter for the new Commission emphasizes the need for the members to be "proactive, originating and innovative"
- In December 2004, City Administrative Services Director Jo Purcell announced her retirement effective at the end of the year. In January, the position of Administrative Services Director was eliminated and the Assistant City Manager assumed the City Clerk's duties.
- In January 2005, the Supreme Court heard the City's appeal involving an amateur radio operator who said the City of Rancho Palos Verdes unjustly denied him a permit to use a radio antenna for commercial purposes and he was due monetary damages for attorneys and loss of income. The Court ruled in the City's favor that the Federal Telecommunications Act of 1996 did not allow for monetary damages against a public agency for an adverse ruling on an antenna permit.
- Mayor Clark and Councilwoman Hahn hosted a press conference on February 3, 2005 to call attention to the problems on Western Avenue and to promote cooperation between the cities of Rancho Palos. As a result of that meeting a Joint Task Force, made up of representatives of both cities, was formed to focus on Western Avenue traffic issues.
- Mayor Pro Tem Stefan Wolowicz was elected President of the City's non-profit foundation on March 1, 2005. The other officers elected at the meeting were, Les Evans (Vice President) and Dennis McLean (Secretary/Treasurer). The name selected by the Board is the Rancho Palos Verdes Community Foundation. The purpose of the foundation will be to raise funds for City needs for which there seems to be no other funding source.
- On March 10, 2005 the Hatano family re-opened the flower and produce stand at Abalone Cove Shoreline Park that was previously operated by the Ishibashi family for many years. The Hatanos decided to retain the original name, Annie's Stand, in honor of Annie and James Ishibashi.
- At their meeting of March 29, 2005 the City Council heard a proposal from Palos Verdes Peninsula Art Center representatives describing a concept under which the Art Center would construct a \$15 million facility on City land, deed it to the City and lease it back through a long term lease arrangement. The City Council approved the plan in concept and encouraged the Art Center to continue its study of the site.

- On April 5, 2005 the City Council instituted a new risk management policy to screen employees, independent recreation contractors and selected volunteer groups by obtaining the State summary of criminal history information to ensure the best interests of the City, employees and the public are protected.
- A "Blue Star" Program was approved by the City Council to recognize and show appreciation to Peninsula residents with family members serving in any branch of the military here and abroad is taking shape. The first RPV family was honored at the City Council meeting on April 19, 2005.
- During the week of May 2, 2005, the City received notification from FEMA that its Joint Natural Hazards Mitigation Plan was approved. Having an approved Hazard Mitigation Plan makes the City eligible to receive FEMA grant funding following a natural disaster.
- On May 19, 2005 the City's Emergency Preparedness Committee hosted a Peninsula-wide meeting at the Peninsula Center Library to discuss the needs, services and resources pertaining to emergency preparedness. Attendees included the school district, other Peninsula cities, volunteer/community service organizations, the library district, churches, and other local agencies.
- Saturday, June 18, 2005 was the kick-off event for the City Council-initiated RPV Summer Operation Switchback (SOS) traffic enforcement project. The Saturday checkpoint was in operation from 10:30 AM until just before 4:00 PM. During that time, the Lomita Sheriff's Station screened a total of 552 vehicles, 23 of which were motorcycles and 40 were bicycles. The Sheriff's deputies issued a total of 27 citations.
- At a Public Hearing on June 21, 2005, on a 4-1 vote, the City Council decided to authorize a mail ballot election for a proposed Storm Drain User Fee with a 30-year "sunset" provision to fund the Water Quality and Flood Protection program. The property owners voted to establish the Fee during the mail ballot election that concluded on August 30, 2005. The Fee will end on June 30, 2037, if not terminated earlier by the City Council. The Fee will be collected on the tax rolls commencing in 2006.

## FINANCIAL INFORMATION

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

Single Audit. As a recipient of federal, state, and county financial assistance, the City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. In years when over \$500,000 is expended on Federal financial assistance programs, the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. For the year ended June 30, 2005, approximately \$1.8 million was expended on Federal financial assistance programs; and therefore, a single audit is required. The compliance component of the single audit is scheduled for completion in January 2006.

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, 2005 with the amount and percentage of increases or decreases in relation to prior year revenue:

	Amount	Increase/ (Decrease) From FY03-04	Percent of Increase/ (Decrease)
Taxes	\$ 13,573,066	\$ 1,491,824	12.3%
Licenses and permits	1,325,579	15,847	1.2%
Fines and forfeitures	107,951	6,163	6.1%
Use of money and property	1,306,189	573,218	78.2%
Charges for services	151,907	(227,088)	-59.9%
Revenues from other agencies	7,847,818	4,394,748	127.3%
Other revenues	1,038,222	(1,325,211)	-56.1%
<b>TOTAL REVENUES</b>	<b>\$ 25,350,732</b>	<b>\$ 4,929,501</b>	<b>24.1%</b>

With overall revenues increasing by over \$4.9 million for the year, the City recognized large fluctuations in several of the different revenue categories. These increases and decreases are discussed below.

Taxes increased by almost \$1.5 million when compared to FY03-04. As part of the State shared revenue restructuring of 2004, the State backfilled portion of vehicle license fees was replaced with property tax in lieu of vehicle license fees.

Interest revenue increased by about \$200,000 due to rising interest rates. The average interest rate earned during FY03-04 was 1.535%, and the average rate earned during FY04-05 was 2.233%. Recycling fees of close to \$300,000 were reclassified from the *Charges for services* category to the *Use of money and property* category.

The increase of *Revenues from other agencies* was primarily due to grant revenue. The City received about \$450,000 of Community Development Block Grant (CDBG) monies for the City Hall elevator project, about \$2.7 million of Measure A monies for the PVIC expansion project, more than \$500,000 of Federal transportation monies for the Crest Road overlay project, and more than \$600,000 from the Federal Emergency Management Agency (FEMA) for the Western Avenue sinkhole repair project.

From FY03-04 to FY04-05, *Other revenues* decreased by more than \$1.3 million. During FY03-04, The City received \$1.8 million of insurance proceeds for the emergency San Ramon drainage project and about \$300,000 for the sale of excess CDBG monies. During FY04-05, the City received approximately \$800,000 for sale of a residential property purchased to facilitate the San Ramon drainage project.

The following schedule presents a summary of all Governmental fund expenditures for the fiscal year ended June 30, 2005, and the amount and percentage of increases and decreases in relation to prior year amounts:

	Amount	Increase/ (Decrease) From FY03-04	Percent of Increase/ (Decrease)
Administration	\$ 3,851,435	\$ 523,163	15.7%
Public safety	3,091,794	53,144	1.7%
Public works	6,301,955	1,501,246	31.3%
Parks and recreation	964,870	19,323	2.0%
Planning, building and code enforcement	2,302,063	(60,440)	-2.6%
Pass through to other agencies	188,359	32,295	20.7%
Capital outlay	4,912,192	4,544,174	1234.8%
Debt service	1,088,875	283,840	35.3%
<b>TOTAL EXPENDITURES</b>	<b>\$ 22,701,543</b>	<b>\$ 6,896,745</b>	<b>43.6%</b>

The overall \$6.9 million increase in expenditures is due to increases in several expenditure categories, as discussed below.

*Administration* expenditures increased primarily due to an increased general liability insurance deposit and the use of consultants to develop the City's new Water Quality and Flood Protection program.

The net increase in *Public works* expenditures and *Capital outlay* is almost entirely due to the increased number of capital improvement projects during FY04-05. Only about \$700,000 was expended on capital improvement projects during FY03-04; yet over \$6.5 million was expended during FY04-05. Notable FY04-05 projects include:

- Street overlay and slurry seal activities \$1.6 million;
- PVC expansion \$3 million;
- Storm drain projects \$0.9 million;
- City Hall elevator \$0.5 million; and
- Winter 2005 storm related clean-up activities \$0.3 million.

Budget to Actual Comparison. Once again, the City experienced a favorable budget variance in the General fund for the fiscal year ended June 30, 2005. Actual General fund revenues were approximately \$1.4 million greater than the amount budgeted, while expenditures and transfers out were approximately \$1.25 million less than the amount budgeted. The positive variance resulted from receipt of Property Tax In Lieu Of Vehicle License Fee in excess of estimates, the continued strength of property values and the continued careful management of resources during FY04-05.

Governmental Fund Balances. The combined fund balances of all Governmental Funds increased by approximately \$650,000 from the prior year. The net increase is primarily attributable to favorable expenditure variances and interest earnings.

Debt Administration. At June 30, 2005, 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, 2004 was \$33,551,150. As mentioned above, the average return on invested funds was 2.233%. Earnings are allocated to the various funds based on average cash balances.

Risk Management. The City of Rancho Palos Verdes is a member of the California Joint Powers Insurance Authority (CJPIA). With 106 members, it is the largest joint powers insurance authority in California. Through the CJPIA, the City is self-insured against liability and workers' compensation claims. As protection against catastrophic loss, members fund a pool to finance large settlements. During the fiscal year ended June 30, 2005, Rancho Palos Verdes continued its proactive liability risk management role through careful monitoring of losses, working closely with the CJPIA's third-party claims adjuster, and designing and implementing programs to minimize risks and reduce losses. In addition, the City Manager's staff analyzes workers compensation issues by monitoring work conditions, and organizing and implementing safety-training programs to reduce employee exposure to hazards.

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

## OTHER INFORMATION

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

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

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rancho Palos Verdes for its CAFR for the fiscal year ended June 30, 2004. This was the twelfth consecutive year that the City of Rancho Palos Verdes has achieved this prestigious award. A copy of the GFOA Certificate of Achievement is included later in the introductory section of this year's CAFR. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dennis McLean".

Dennis McLean  
Director of Finance & Information Technology

**CITY OF RANCHO PALOS VERDES**

DIRECTORY OF CITY OFFICIALS

JUNE 30, 2005

**CITY COUNCIL**

Larry Clark, Mayor

Steve Wolowicz, Mayor Pro-Tem

Peter Gardiner, Councilman

Tom Long, Councilman

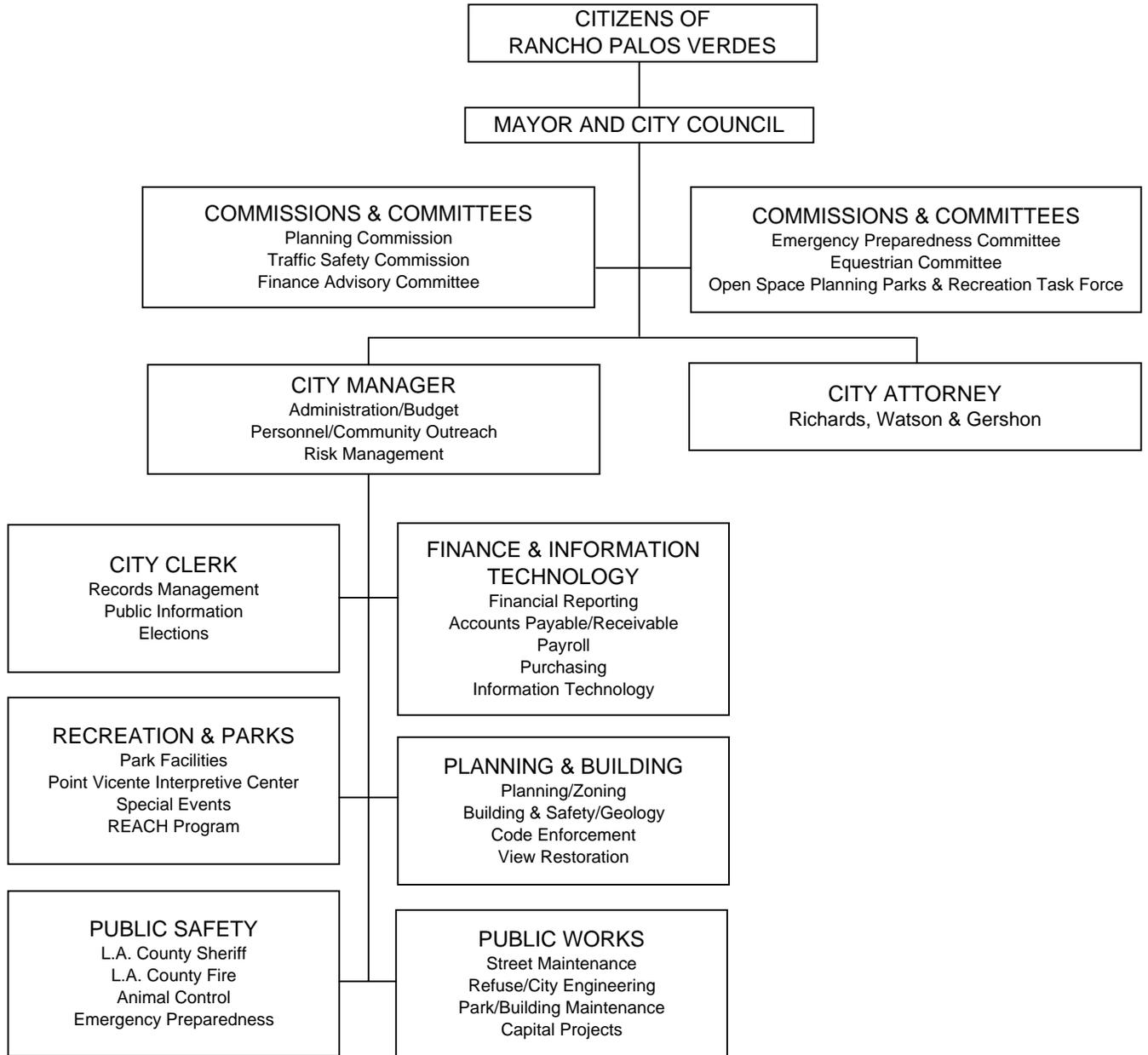
Douglas Stern, Councilman

**ADMINISTRATION AND DEPARTMENT HEADS**

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

**CITY OF RANCHO PALOS VERDES**

**ORGANIZATIONAL CHART**



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rancho Palos Verdes,  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

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



*Nancy L. Zielle*

President

*Jeffrey R. Emer*

Executive Director



*January 2005 waterspout courtesy of Dave Blumenthal*

## **FINANCIAL SECTION**



*Shakespeare By The Sea photo courtesy of Matt Waters*



## 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Rancho Palos Verdes, as of and for the year ended June 30, 2005, which collectively comprise the City of Rancho Palos Verdes' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rancho Palos Verdes' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Rancho Palos Verdes, California, as of June 30, 2005, and the respective changes in financial positions and cash flows, where applicable, thereof of the respective budgetary comparisons for the General Fund and Street Maintenance Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the City of Rancho Palos Verdes adopted Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, effective July 1, 2004.

As described in Note 15 to the financial statements, the fund balance at June 30, 2004, for the Redevelopment Agency Debt Service Fund has been restated to recognize the application of excess tax increment to the outstanding deferred interest liability.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information listed in the table of contents, including the introductory section, combining schedules and additional budgetary comparison schedules, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining schedules and additional budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Vannink, Trinit, Day & Co., LLP*

Rancho Cucamonga, California  
September 23, 2005

## **MANAGEMENT'S DISCUSSION & ANALYSIS**



*City Hall photo courtesy of Dave Blumenthal*

# CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis  
June 30, 2005

As management of the City of Rancho Palos Verdes, we offer readers of the City of Rancho Palos Verdes' financial statements this narrative overview and analysis of the financial activities of the City of Rancho Palos Verdes for the fiscal year ended June 30, 2005. 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-xi 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, 2005, by \$123,757,202 (*net assets*). Of this amount, \$17,659,365 (*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 \$5,401,389. This increase is primarily attributable to the excess of General fund revenues over General fund expenditures.
- As of June 30, 2005, the City's governmental funds reported combined ending fund balances of \$23,937,865, an increase of \$649,189 in comparison with the prior year. The increase in combined ending fund balances is primarily attributable to the careful management of resources during FY04-05. Approximately \$14,770,636 (*unreserved fund balance*) is available for spending at the government's discretion. The combined unreserved fund balance includes the RDA Debt Service negative fund balance of \$12,793,030.
- As of June 30, 2005, unreserved undesignated fund balance for the General fund was \$14,209,435 or 87% of total General fund expenditures and transfers out.
- The City's total debt decreased by \$156,915 (1.89%) during the current fiscal year. The decrease was primarily attributable to partial payment of the RDA deferred interest payable.

## Overview of the Financial Statements

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

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

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

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

# CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis  
June 30, 2005

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, planning, building and safety, and recreation. The City's business-type activities include only the newly established Water Quality and Flood Protection program for renewal and maintenance of the City's storm drain facilities.

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

The government-wide financial statements can be found on pages 11-13 of this report.

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

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

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

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 14-19 of this report.

# CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis  
June 30, 2005

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the enterprise fund, which is considered a major fund of the City of Rancho Palos Verdes. Conversely, all three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-46 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 47-93 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 \$123,757,202 at June 30, 2005. By far the largest portion of the City's net assets (76 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		Business-type Activities		Total	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Current and other assets	\$ 40,568,511	\$ 37,360,800	\$ 2,000,086	\$ -	\$ 42,568,597	\$ 37,360,800
Capital assets	94,023,353	92,499,373	-	-	94,023,353	92,499,373
<b>Total assets</b>	<b>134,591,864</b>	<b>129,860,173</b>	<b>2,000,086</b>	<b>-</b>	<b>136,591,950</b>	<b>129,860,173</b>
Long-term liabilities outstanding	8,139,779	8,613,681	-	-	8,139,779	8,613,681
Other liabilities	4,694,969	2,890,679	-	-	4,694,969	2,890,679
<b>Total liabilities</b>	<b>12,834,748</b>	<b>11,504,360</b>	<b>-</b>	<b>-</b>	<b>12,834,748</b>	<b>11,504,360</b>
Invested in capital assets	94,023,353	92,499,373	-	-	94,023,353	92,499,373
Restricted	10,074,398	11,584,984	-	-	10,074,398	11,584,984
Unrestricted	17,659,365	14,271,456	2,000,086	-	19,659,451	14,271,456
<b>Total net assets</b>	<b>\$ 121,757,116</b>	<b>\$ 118,355,813</b>	<b>\$ 2,000,086</b>	<b>\$ -</b>	<b>\$ 123,757,202</b>	<b>\$ 118,355,813</b>

# CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis  
June 30, 2005

An additional portion of the City's net assets (\$12,074,484 or 10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$17,659,365 or 14 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities increased the City's net assets by \$3,401,303, thereby accounting for 63 percent of the total growth in the net assets of the City.

## City of Rancho Palos Verdes Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Program revenues:						
Charges for services	\$ 1,585,438	\$ 1,819,832	\$ -	\$ -	\$ 1,585,438	\$ 1,819,832
Operating contributions and grants	2,728,278	2,836,293	-	-	2,728,278	2,836,293
Capital contributions and grants	4,524,094	36,878	-	-	4,524,094	36,878
General revenues:						
Property taxes	5,840,302	5,706,042	-	-	5,840,302	5,706,042
Other taxes	9,028,554	7,198,548	-	-	9,028,554	7,198,548
Other	1,876,802	2,810,966	86	-	1,876,888	2,810,966
Transfers	(2,000,000)		2,000,000		-	-
<b>Total revenues</b>	<b>23,583,468</b>	<b>20,408,559</b>	<b>2,000,086</b>	<b>-</b>	<b>25,583,554</b>	<b>20,408,559</b>
Expenses:						
Administration	4,054,729	3,499,385	-	-	4,054,729	3,499,385
Public safety	3,078,631	3,024,081	-	-	3,078,631	3,024,081
Public works	9,488,478	7,461,918	-	-	9,488,478	7,461,918
Parks and recreation	1,064,699	947,485	-	-	1,064,699	947,485
Planning, building and code enforcement	2,223,025	2,295,903	-	-	2,223,025	2,295,903
Interest on long-term debt	272,603	272,750	-	-	272,603	272,750
<b>Total expenses</b>	<b>20,182,165</b>	<b>17,501,522</b>	<b>-</b>	<b>-</b>	<b>20,182,165</b>	<b>17,501,522</b>
<b>Increase in net assets</b>	<b>3,401,303</b>	<b>2,907,037</b>	<b>2,000,086</b>	<b>-</b>	<b>5,401,389</b>	<b>2,907,037</b>
Net assets - beginning of fiscal year (as restated)	118,355,813	115,448,776	-	-	118,355,813	115,448,776
Net assets - end of fiscal year (as restated)	\$ 121,757,116	\$ 118,355,813	\$ 2,000,086	\$ -	\$ 123,757,202	\$ 118,355,813

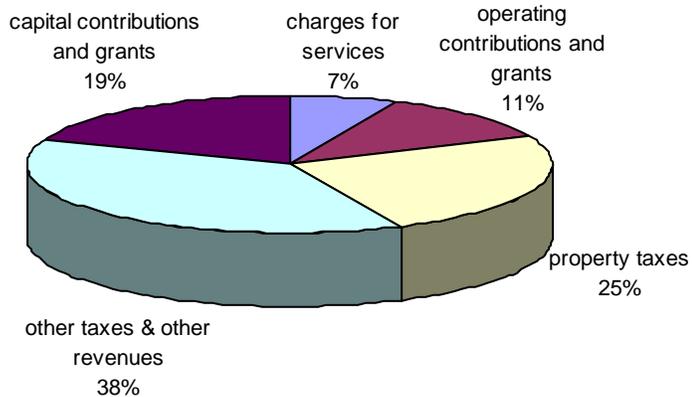
Key elements of this increase are as follows:

- Other Governmental funds' revenues exceeded expenses and net transfers by \$715,352 in aggregate. There were no notable increases to any individual Other Governmental fund.
- The difference in the method of accounting for capital assets in the governmental funds versus the statement of activities accounts for an increase of \$1,566,327 in net assets. Governmental funds do not depreciate infrastructure assets. However, in the statement of activities, the cost of infrastructure assets is allocated over their estimated useful lives.
- 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 \$632,401 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 \$253,250. The net revenues and expenses of Internal Service funds are reported with governmental activities in the Statement of Activities.

# CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis  
June 30, 2005

## Revenues by Source – Governmental Activities



As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,937,865, an increase of \$649,189 in comparison with the prior year. Approximately 62 percent of the combined ending fund balances (\$14,770,636) constitutes unreserved fund balance, which is available for spending at the City's discretion. The combined unreserved fund balance includes the RDA Debt Service negative fund balance of \$12,478,093. The remainder of the combined ending fund balances is reserved to indicate that it is not available for new spending because it has already been committed 1) to reserve the principal balance of loans made to the City's Redevelopment Agency (\$5,978,814), and 2) for a variety of other restricted purposes (\$3,188,415).

The General fund is the chief operating fund of the City of Rancho Palos Verdes. At the end of the current fiscal year, unreserved fund balance of the General fund was \$14,209,435, while total fund balance reached \$20,904,678. 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 119 percent of total General fund expenditures, while total fund balance represents 176 percent of that same amount.

During the current fiscal year, the fund balance of the City's General fund increased by \$199,767. The key factor in this growth is the continued careful management of resources during FY04-05.

The debt service fund has a negative fund balance of \$12,478,093. 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 \$709,444, which primarily represents accumulated interest on the advance from the City to the Redevelopment Agency.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Enterprise fund at the end of the year amounted to \$2,000,086. The fund was established during FY04-05 with an initial General fund equity transfer of \$2,000,000. Unrestricted net assets of the Internal Service funds at the end of the year amounted to \$4,471,587. The total growth in net assets was \$253,250.

# CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis  
June 30, 2005

## General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was an increase of \$1,316,052; and can be briefly summarized as follows:

- A decrease of \$675,270 was attributable to appropriations continued to FY05-06.
- An increase of approximately \$685,600 was attributable to appropriations continued from FY03-04.
- Additional funds of \$634,000 for legal fees were required to support the Indian Ridgecrest Gardens litigation, Abrams supreme court litigation, proposed cable franchise modifications, and other additional litigation services.
- Additional funds of \$220,000 were approved for consultants to assist in the development of the Water Quality and Flood Protection program.
- Additional funds of \$92,500 were required to fund special safety programs.
- Additional funds of \$47,430 were approved for RPV TV Channel 33 studio equipment.
- Additional funds of \$40,000 were approved for traffic engineering.
- Other immaterial increases totaled approximately \$271,792.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental activities as of June 30, 2005, amounts to \$94,023,353 (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 1.65 percent.

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

- Depreciation of \$3.2 million was recorded for the City's capital assets.
- Construction of the Point Vicente Interpretive Center (PVIC) expansion began at a cost of \$3 million.
- The Western Avenue sinkhole was repaired at a cost of \$634,526.
- Street overlay was completed at a cost of \$1,130,785.

# CITY OF RANCHO PALOS VERDES

Management's Discussion and Analysis  
June 30, 2005

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

	Governmental Activities	
	June 30, 2005	June 30, 2004
Land	\$ 15,058,724	\$ 15,058,724
Buildings	2,051,039	2,114,999
Park improvements	1,826,444	1,972,353
Roadways	48,269,545	49,201,523
Sewer system	11,178,129	11,635,062
Storm drain system	10,975,375	10,667,702
Vehicles	15,574	28,828
Computer equipment	153,575	136,964
Furniture and other equipment	172,352	218,056
Construction in Progress	4,322,596	1,465,162
<b>Total</b>	<b>\$ 94,023,353</b>	<b>\$ 92,499,373</b>

Additional information on the City's capital assets can be found in note 4 on pages 36-37 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Rancho Palos Verdes had total debt outstanding of \$8,139,779. Of this amount, \$7,918,906 is a liability of the Redevelopment Agency.

## City of Rancho Palos Verdes Outstanding Debt

	Governmental Activities	
	June 30, 2005	June 30, 2004
RDA Tax Increment Bond	\$ 5,450,000	\$ 5,455,000
RDA Deferred Interest Payable	2,468,906	2,647,756
Employee compensated absences	220,873	193,938
<b>Total</b>	<b>\$ 8,139,779</b>	<b>\$ 8,296,694</b>

The City's total debt decreased by \$156,915 (1.89 percent) during the current fiscal year, due to partial payment of the RDA deferred interest payable.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total assessed valuation. The current debt limitation for the City of Rancho Palos Verdes is \$1,024,577,537. Additional information on the City's long-term debt can be found in note 5 on pages 38-39 of this report.

## **CITY OF RANCHO PALOS VERDES**

Management's Discussion and Analysis  
June 30, 2005

### **Economic Factors and Next Year's Budgets and Rates**

➤ Local property values remain strong; therefore, property tax revenue (approximately 25 percent of City-wide revenues) remains unaffected by the downturn in the economy. This factor was considered in preparing the City's budget for FY05-06.

During the current fiscal year, unreserved fund balance in the General fund increased to \$14,209,435.

### **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, 2005**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 35,415,460	\$ 2,000,086	\$ 37,415,546
Receivables:			
Taxes	498,707		498,707
Interest	242,397		242,397
Notes	554,978		554,978
Other	2,780,479		2,780,479
Prepaid costs	374,098		374,098
Land held for development	702,392		702,392
Capital assets			
Non-depreciable:			
Land	15,058,724		15,058,724
Construction in progress	4,322,596		4,322,596
Depreciable, net of accumulated depreciation:			
Property and equipment	341,501		341,501
Buildings and improvements	2,051,039		2,051,039
Infrastructure	72,249,493		72,249,493
Total Assets	<u>134,591,864</u>	<u>2,000,086</u>	<u>136,591,950</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	3,622,117		3,622,117
Interest payable	22,708		22,708
Retentions payable	285,309		285,309
Deferred revenue	19,942		19,942
Deposits	744,893		744,893
Noncurrent liabilities:			
Due within one year	164,081		164,081
Due in more than one year	7,975,698		7,975,698
Total Liabilities	<u>12,834,748</u>	<u>-</u>	<u>12,834,748</u>
<b>NET ASSETS</b>			
Invested in capital assets	94,023,353		94,023,353
Restricted for:			
Community development:			
Expendable	7,493,500		7,493,500
Non-expendable	1,000,000		1,000,000
Public safety	62,700		62,700
Public works	2,940,921		2,940,921
Recreation services	577,363		577,363
Unrestricted	15,659,279	2,000,086	17,659,365
Total Net Assets	<u>\$ 121,757,116</u>	<u>\$ 2,000,086</u>	<u>\$ 123,757,202</u>

See accompanying notes to financial statements.

**CITY OF RANCHO PALOS VERDES**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005**

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
Administration	\$ 4,054,729	\$ 61,620	\$ 20,769	
Public safety	3,078,631	163,249	102,953	
Public works	9,488,478	131,543	2,588,488	\$ 4,524,094
Parks and recreation	1,064,699	40,687		
Planning, building and code enforcement	2,223,025	1,188,339	16,068	
Interest on long-term debt	272,603			
<b>Total Governmental Activities</b>	<b>20,182,165</b>	<b>1,585,438</b>	<b>2,728,278</b>	<b>\$ 4,524,094</b>
Business-type Activities:				
Water Protection Flood Control	-	-	-	-
<b>Total Primary Government</b>	<b>\$ 20,182,165</b>	<b>\$ 1,585,438</b>	<b>\$ 2,728,278</b>	<b>\$ 4,524,094</b>

General Revenues:

Taxes:

- Property tax, levied for general purpose
- Property tax, Redevelopment Agency tax increment
- Transient occupancy tax
- Franchise tax
- Sales tax
- In lieu sales tax (unrestricted)
- Motor vehicle in lieu tax (unrestricted)
- Utility user tax
- Other taxes

Investment income

Other

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See accompanying notes to financial statements.

Net Revenue (Expense) and Change in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (3,972,340)		\$ (3,972,340)
(2,812,429)		(2,812,429)
(2,244,353)		(2,244,353)
(1,024,012)		(1,024,012)
		-
(1,018,618)		(1,018,618)
(272,603)		(272,603)
(11,344,355)		(11,344,355)
-	-	-
(11,344,355)		(11,344,355)
5,098,702		5,098,702
741,600		741,600
27,595		27,595
1,306,758		1,306,758
1,008,618		1,008,618
267,085		267,085
3,708,769		3,708,769
1,901,383		1,901,383
808,346		808,346
593,983		593,983
1,282,819	\$ 86	1,282,905
(2,000,000)	2,000,000	-
14,745,658	2,000,086	16,745,744
3,401,303	2,000,086	5,401,389
118,355,813	-	118,355,813
\$ 121,757,116	\$ 2,000,086	\$ 123,757,202



## **FUND FINANCIAL STATEMENTS**

**CITY OF RANCHO PALOS VERDES**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2005**

	General	Special Revenue	Capital Projects
		Street Maintenance	Capital Improvements
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,879,635	\$ 876,088	\$ 3,370,563
Receivable			
Taxes	463,969		
Interest	136,441	1,631	209
Other	491,464	5,279	634,194
Due from other funds	1,579,801		
Prepaid items	41,159		
Advances to other funds	12,717,430		
Land held for development			
Total Assets	<u>\$ 30,309,899</u>	<u>\$ 882,998</u>	<u>\$ 4,004,966</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 1,689,216	\$ 267,477	\$ 1,323,408
Due to other funds			
Retentions payable	19,350		265,959
Deferred revenue	6,951,762		
Advances to Redevelopment Agency			
Deposits	744,893		
Total Liabilities	<u>9,405,221</u>	<u>267,477</u>	<u>1,589,367</u>
<b>FUND BALANCES</b>			
Reserved for:			
Reimbursement settlement agreement			
Prepaid costs	41,159		
Advances to other funds	5,978,814		
Land development			
Housing set-aside			
Unreserved:			
Designated for continuing appropriations	675,270	320,000	2,415,599
Unreserved, undesignated and reported in:			
General fund	14,209,435		
Special revenue funds		295,521	
Capital projects funds			
Permanent funds			
Debt service fund			
Total Fund Balances	<u>20,904,678</u>	<u>615,521</u>	<u>2,415,599</u>
Total Liabilities and Fund Balances	<u>\$ 30,309,899</u>	<u>\$ 882,998</u>	<u>\$ 4,004,966</u>

See accompanying notes to financial statements.

Debt Service	Other Governmental Funds	Totals
RDA		
	\$ 11,711,063	\$ 30,837,349
	34,738	498,707
	72,930	211,211
	1,648,258	2,779,195
		1,579,801
\$ 314,937	16,959	373,055
		12,717,430
	702,392	702,392
<u>\$ 314,937</u>	<u>\$ 14,186,340</u>	<u>\$ 49,699,140</u>
	\$ 201,979	\$ 3,482,080
\$ 75,600	1,504,201	1,579,801
		285,309
		6,951,762
12,717,430		12,717,430
		744,893
<u>12,793,030</u>	<u>1,706,180</u>	<u>25,761,275</u>
	1,000,000	1,000,000
314,937	16,959	373,055
		5,978,814
	702,392	702,392
	1,112,968	1,112,968
	295,374	3,706,243
		14,209,435
	5,606,741	5,902,262
	3,319,439	3,319,439
	426,287	426,287
(12,793,030)		(12,793,030)
<u>(12,478,093)</u>	<u>12,480,160</u>	<u>23,937,865</u>
<u>\$ 314,937</u>	<u>\$ 14,186,340</u>	<u>\$ 49,699,140</u>



**CITY OF RANCHO PALOS VERDES**

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005**

Fund Balances of Governmental Funds	\$ 23,937,865
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.	93,681,852
Interest accrued on the advance receivable in the General Fund is not paid by the owing funds and, therefore, is recorded as deferred revenue and added to the balance of the advance. The statement of net assets reports on the full accrual basis and does not defer currently unavailable revenues.	6,738,616
Intergovernmental revenues earned, but not available are deferred in the fund financial statements. The revenue is not deferred on the Statement of Activities.	193,204
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds.	(22,708)
Long-term notes receivable are not current available resources and, therefore, are not reported in the governmental funds.	554,978
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(8,139,779)
Internal service funds are used by management to charge the costs of certain activities, including equipment and building replacement and employee benefits, to individual funds. The assets and liabilities of the internal service funds are included in the statement of net assets.	<u>4,813,088</u>
Net Assets of Governmental Activities	<u><u>\$ 121,757,116</u></u>

See accompanying notes to financial statements.

**CITY OF RANCHO PALOS VERDES**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2005**

	General	Special Revenue Street Maintenance	Capital Projects Capital Improvements
<b>REVENUES</b>			
Taxes	\$ 12,060,912		
Licenses and permits	1,325,579		
Fines and forfeitures	107,951		
Use of money and property	649,262	\$ 37,974	\$ 26,023
Charges for services	146,762	5,145	
Revenue from other agencies	1,165,539	796,284	1,163,794
Other revenues	988,218		
Total Revenues	<u>16,444,223</u>	<u>839,403</u>	<u>1,189,817</u>
<b>EXPENDITURES</b>			
Current:			
Administration	3,838,505		
Public safety	3,088,910		
Public works	1,697,548	1,825,078	1,231,952
Parks and recreation	964,870		
Planning, building and code enforcement	2,302,063		
Pass through to other agencies			
Capital outlay			4,358,419
Debt service:			
Principal			
Interest and fiscal charges			
Total Expenditures	<u>11,891,896</u>	<u>1,825,078</u>	<u>5,590,371</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,552,327</u>	<u>(985,675)</u>	<u>(4,400,554)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	168,951	682,460	5,147,283
Transfers out	(4,521,511)		
Total Other Financing Sources (Uses)	<u>(4,352,560)</u>	<u>682,460</u>	<u>5,147,283</u>
Net Change in Fund Balances	199,767	(303,215)	746,729
Fund Balances, Beginning of Year, as restated	<u>20,704,911</u>	<u>918,736</u>	<u>1,668,870</u>
Fund Balances, End of Year	<u>\$ 20,904,678</u>	<u>\$ 615,521</u>	<u>\$ 2,415,599</u>

See accompanying notes to financial statements.

Debt Service	Other Governmental Funds	Totals
RDA		
\$ 595,600	\$ 916,554	\$ 13,573,066
		1,325,579
		107,951
	592,930	1,306,189
		151,907
	4,722,201	7,847,818
	50,004	1,038,222
<u>595,600</u>	<u>6,281,689</u>	<u>25,350,732</u>
		3,851,435
12,930	2,884	3,091,794
	1,547,377	6,301,955
		964,870
		2,302,063
188,359		188,359
	553,773	4,912,192
183,850		183,850
905,025		905,025
<u>1,290,164</u>	<u>2,104,034</u>	<u>22,701,543</u>
<u>(694,564)</u>	<u>4,177,655</u>	<u>2,649,189</u>
	181,013	6,179,707
(14,880)	(3,643,316)	(8,179,707)
(14,880)	(3,462,303)	(2,000,000)
(709,444)	715,352	649,189
(11,768,649)	11,764,808	23,288,676
<u>\$ (12,478,093)</u>	<u>\$ 12,480,160</u>	<u>\$ 23,937,865</u>



**CITY OF RANCHO PALOS VERDES**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005**

Net Change in Fund Balances - Total Governmental Funds	\$ 649,189
<p>Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense, or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. Gains and losses on asset disposals are also not recognized in the governmental funds. This activity is reconciled as follows:</p>	
Cost of assets capitalized	4,622,745
Depreciation expense	(3,056,418)
Unpaid accrued interest income is deferred in the governmental funds since it is not available. This income is accrued in the Statement of Activities.	632,401
Intergovernmental revenues earned, but not available are deferred in the fund financial statements. The revenue is not deferred on the Statement of Activities.	193,204
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds. This amount represents the net change in interest payable.	21
Increases in long-term notes receivable use current financial resources and are included in the expenditures, of governmental funds. Repayments of long-term notes receivable provide current financial resources and are included in the revenues of governmental funds. These changes in notes receivable are not reflected in the revenues or expenses of the Statement of Activities. This amount represents the net change in the long-term notes receivable.	(50,004)
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(26,935)
Principal payments on debt are recorded as expenditures in the funds. The expenditure is not recognized in the Statement of Activites since it reduces the liability reported on the Statement of Net Assets. Principal payments consisted of the following:	
RDA Tax Increment Bond	5,000
RDA Deferred Interest Payable	178,850
Internal service funds are used by management to charge the costs of certain activities, including equipment and building replacement and employee benefits, to individual funds. The net revenues/(expenses) of the internal service funds (excluding transfers and interest income) are reported with governmental activities.	<u>253,250</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 3,401,303</u></u>

See accompanying notes to financial statements.

**CITY OF RANCHO PALOS VERDES**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 9,231,661	\$ 10,605,818	\$ 12,060,912	\$ 1,455,094
Licenses and permits	1,146,287	1,146,287	1,325,579	179,292
Fines and forfeitures	80,100	80,100	107,951	27,851
Use of money and property	516,605	516,605	649,262	132,657
Charges for services	164,000	164,000	146,762	(17,238)
Revenue from other agencies	854,248	1,545,117	1,165,539	(379,578)
Other revenues	88,400	928,920	988,218	59,298
<b>Total Revenues</b>	<b>12,081,301</b>	<b>14,986,847</b>	<b>16,444,223</b>	<b>1,457,376</b>
<b>EXPENDITURES</b>				
Current:				
Administration	3,305,815	4,248,468	3,838,505	409,963
Public safety	3,095,874	3,219,074	3,088,910	130,164
Public works	1,817,697	1,878,046	1,697,548	180,498
Parks and recreation	1,074,167	1,087,117	964,870	122,247
Planning, building and code enforcement	2,260,903	2,437,803	2,302,063	135,740
<b>Total Expenditures</b>	<b>11,554,456</b>	<b>12,870,508</b>	<b>11,891,896</b>	<b>978,612</b>
Excess of Revenues Over Expenditures	526,845	2,116,339	4,552,327	2,435,988
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	227,910	227,910	168,951	(58,959)
Transfers out	(2,357,423)	(4,793,184)	(4,521,511)	271,673
<b>Total Other Financing Sources (Uses)</b>	<b>(2,129,513)</b>	<b>(4,565,274)</b>	<b>(4,352,560)</b>	<b>212,714</b>
Net Change in Fund Balance	(1,602,668)	(2,448,935)	199,767	2,648,702
Fund Balance, Beginning of Year	20,704,911	20,704,911	20,704,911	
Fund Balance, End of Year	<u>\$19,102,243</u>	<u>\$ 18,255,976</u>	<u>\$ 20,904,678</u>	<u>\$ 2,648,702</u>

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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 23,000	\$ 23,000	\$ 37,974	\$ 14,974
Charges for services	20,000	20,000	5,145	(14,855)
Revenue from other agencies	799,000	799,000	796,284	(2,716)
<b>Total Revenues</b>	<b>842,000</b>	<b>842,000</b>	<b>839,403</b>	<b>(2,597)</b>
<b>EXPENDITURES</b>				
Current:				
Public works	1,604,903	2,054,803	1,825,078	229,725
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(762,903)</b>	<b>(1,212,803)</b>	<b>(985,675)</b>	<b>227,128</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	745,300	789,300	682,460	(106,840)
<b>Net Change in Fund Balance</b>	<b>(17,603)</b>	<b>(423,503)</b>	<b>(303,215)</b>	<b>120,288</b>
<b>Fund Balance, Beginning of Year</b>	<b>918,736</b>	<b>918,736</b>	<b>918,736</b>	
<b>Fund Balance, End of Year</b>	<b>\$ 901,133</b>	<b>\$ 495,233</b>	<b>\$ 615,521</b>	<b>\$ 120,288</b>

See accompanying notes to financial statements.

**CITY OF RANCHO PALOS VERDES**

**STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 JUNE 30, 2005**

	Water Quality Flood Protection Enterprise Fund	Governmental Activities - Internal Service Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,000,086	\$ 4,578,111
Receivables		
Interest		31,186
Other		1,284
Prepaid items		1,043
Total Current Assets	<u>2,000,086</u>	<u>4,611,624</u>
Noncurrent Assets		
Capital assets		
Property and equipment		947,785
Accumulated depreciation		<u>(606,284)</u>
Total Noncurrent Assets	<u>-</u>	<u>341,501</u>
Total Assets	<u>2,000,086</u>	<u>4,953,125</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities		<u>140,037</u>
Total Liabilities	<u>-</u>	<u>140,037</u>
<b>NET ASSETS</b>		
Invested in capital assets		341,501
Unrestricted	<u>2,000,086</u>	<u>4,471,587</u>
Total Net Assets	<u>\$ 2,000,086</u>	<u>\$ 4,813,088</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, 2005**

	Water Quality Flood Protection Enterprise Fund	Governmental Activities - Internal Service Funds
	<u>                    </u>	<u>                    </u>
OPERATING REVENUES		
Charges for services	<u>                    </u>	\$ 1,471,338
Total Operating Revenues	<u>                    </u>	<u>1,471,338</u>
OPERATING EXPENSES		
Personnel services		907,861
Material and supplies		107,703
Maintenance		145,835
Depreciation		<u>146,225</u>
Total Operating Expenses	<u>                    </u>	<u>1,307,624</u>
Operating Income	<u>                    </u>	<u>163,714</u>
NONOPERATING REVENUES		
Interest income		89,536
Donations	\$ 86	
Total Non Operating Revenues	<u>                    </u>	<u>89,536</u>
Income Before Transfers	<u>                    </u>	<u>253,250</u>
TRANSFERS IN	<u>2,000,000</u>	<u>                    </u>
Change in Net Assets	2,000,086	253,250
Net Assets, Beginning of Year	<u>                    </u>	<u>4,559,838</u>
Net Assets, End of Year	<u>\$ 2,000,086</u>	<u>\$ 4,813,088</u>

See accompanying notes to financial statements.

**CITY OF RANCHO PALOS VERDES**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005**

	Water Quality Flood Protection Enterprise Fund	Governmental Activities - Internal Service Funds
	<u>                    </u>	<u>                    </u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers		\$ 1,471,338
Payments to suppliers		(1,111,965)
	<u>                    </u>	<u>                    </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	-	359,373
	<u>                    </u>	<u>                    </u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets		(103,878)
	<u>                    </u>	<u>                    </u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	\$ 2,000,000	
Donations	86	
	<u>                    </u>	<u>                    </u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	2,000,086	-
	<u>                    </u>	<u>                    </u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments		72,952
	<u>                    </u>	<u>                    </u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,000,086	328,447
	<u>                    </u>	<u>                    </u>
CASH AND CASH EQUIVALENTS, Beginning of Year	-	4,249,664
	<u>                    </u>	<u>                    </u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 2,000,086</u>	<u>\$ 4,578,111</u>
	<u>                    </u>	<u>                    </u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income		\$ 163,714
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		146,225
Decrease in other receivables		(467)
Decrease in prepaid items		25,392
Decrease in accounts payable		24,509
	<u>                    </u>	<u>                    </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ 359,373</u>
	<u>                    </u>	<u>                    </u>

See accompanying notes to financial statements.

## **NOTES TO FINANCIAL STATEMENTS**



*July 2004 City Council photo courtesy of Jim Boyle*

## CITY OF RANCHO PALOS VERDES

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

#### **NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### A. Reporting Entity:

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

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

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

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

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

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

## CITY OF RANCHO PALOS VERDES

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

#### 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.

On July 1, 2004, the City adopted, GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This Statement amends GASB Statement No.3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* to address common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values, which are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this Statement also should be disclosed. See Note #2.

#### C. Description of Funds:

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

#### Governmental Fund Types:

- *General Fund* – Used to account for all financial resources except those that are required to be accounted for in another fund.

## CITY OF RANCHO PALOS VERDES

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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

- *Special Revenue Funds* – Used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for specified purposes.
- *Debt Service Fund* – The debt service fund of the RDA is used to account for property tax increment revenue and related interest income. Disbursements from this fund consist mainly of principal and interest on RDA indebtedness.
- *Capital Projects Funds* – Used to account for financial resources used for the construction of specific capital projects.
- *Permanent Fund* – Used to account for resources legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

#### Proprietary Fund Type:

- *Enterprise Funds* – Used to finance and account for the acquisition, operation, and maintenance of the City's facilities and services which are supported primarily by user charges.
- *Internal Service Funds* – Used to account for the financing of goods or services provided by one department of the City to other departments on a cost-reimbursement basis.

#### D. Basis of Accounting/Measurement Focus

##### **Government – Wide Financial Statements**

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

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

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

## CITY OF RANCHO PALOS VERDES

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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

##### **Governmental Fund Financial Statements**

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

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.

## CITY OF RANCHO PALOS VERDES

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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

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

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

The City reports the following major enterprise fund:

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

The City uses the internal service funds to finance and account for goods and services provided by one City department to other City 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 \$6,306,543. This increase resulted primarily from amounts carried over from FY03-04 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, 2005, 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.

**CITY OF RANCHO PALOS VERDES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

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, 2005, vested accrued vacation and compensatory time amounted to \$220,873.

I. Investments

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

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

## CITY OF RANCHO PALOS VERDES

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

#### **NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

##### J. Cash and Cash Equivalents

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

##### K. Claims and Judgments

When it is probable that a claim liability has been incurred, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2005, 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.

##### L. Estimates:

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

##### M. Use of Restricted Resources

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

##### N. New Pronouncements

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

## CITY OF RANCHO PALOS VERDES

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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

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

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

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

**GASB Statement No. 46** – In December 2004, the GASB issued Statement No. 46, *Net assets Restricted by Enabling Legislation*, an amendment of GASB No. 34. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government can compel a government to honor. Accordingly, it clarifies the determination of restricted net assets within the statement of net assets. This statement is not effective until June 30, 2006. The City has not determined its effect on the financial statements.

**GASB Statement No. 47** – In June 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes accounting standards for termination benefits. This statement is not effective until June 30, 2006. The City has not determined its effect on the financial statements.

#### NOTE #2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2005, are classified in the accompanying financial statements as follows:

Governmental Funds	\$ 30,837,349
Proprietary Funds:	
Enterprise Fund	2,000,086
Internal Service Funds	4,578,111
	<u>\$ 37,415,546</u>

**CITY OF RANCHO PALOS VERDES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE #2 – CASH AND INVESTMENTS, Continued**

Cash and investments as of June 30, 2005 consist of the following:

Cash	\$ 627,157
Investments	36,788,389
	<u>\$ 37,415,546</u>

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

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

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

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's only investment is with the Local Agency Investment Fund (LAIF) managed by the California State Treasurer. The City's investment is represented by shares in the pool, which can be withdrawn in one business day. The City's LAIF investment is not subject to rating.

## **CITY OF RANCHO PALOS VERDES**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005**

#### **NOTE #2 – CASH AND INVESTMENTS, Continued**

##### **Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's LAIF investment is not subject to credit rating.

##### **Concentration of Credit Risk**

The investment policy of the City of Rancho Palos Verdes contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code, except for money market funds, which may not exceed five percent per issuer. The City's LAIF investment represents 100 percent of the City's portfolio.

##### **Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City of Rancho Palos Verdes' investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

The amount of the City of Rancho Palos Verdes' deposits with financial institutions in excess of federal depository insurance limits that was held in collateralized accounts where the collateral is not held specifically in the name of the City, as described above, was \$594,376 at June 30, 2005.

##### **Investment in State Investment Pool**

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

**CITY OF RANCHO PALOS VERDES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE #3 – INTERFUND TRANSACTIONS**

Inter-fund Balances

Inter-fund balances consisted of the following at June 30, 2005:

Due to the General Fund from:

RDA Debt Service Fund	\$ 75,600
Nonmajor Governmental Funds:	
CDBG Special Revenue Fund	122,039
Measure A Special Revenue Fund	1,382,162
	<hr/>
Total Non-major Governmental Funds	1,504,201
	<hr/>
Total Due to the General Fund	<u>\$ 1,579,801</u>

General fund monies were used to cover an RDA Debt Service fund negative cash balance for the ERAF shift and property tax administrative fee. Funds were also advanced to non-major funds to cover grant expenditures until reimbursement is received from the grant agency.

Inter-fund Advances

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

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Advances to the Redevelopment Agency	<u>\$ 12,024,123</u>	<u>\$ 693,307</u>	<u>          </u>	<u>\$ 12,717,430</u>

The City has entered into an agreement to provide the RDA operating funds and staff assistance, supplies, technical and other services and facilities of the City as the RDA requires in carrying out its function under the community redevelopment law. The RDA will repay the resulting indebtedness, plus interest, from incremental property tax revenues arising from the project area, as such revenue becomes available. As of June 30, 2005, no revenue was available to the RDA to repay the advances due to the City, nor are sufficient revenues expected to be available to repay advances in the immediate future. Variable interest was accrued at a rate of 5.233 percent during the fiscal year ended June 30, 2005. Of the \$12,717,430 remaining indebtedness, \$10,026,476 relates to the Portuguese Bend portion of the RDA, while \$2,690,954 relates to the Abalone Cove portion. During the year ended June 30, 2005, accrued interest of \$498,587 was added to the balance of the advance to the Portuguese Bend Fund, while principal of \$60,907 and accrued interest of \$133,813 was advanced to the Abalone Cove Fund. No interest has ever been paid by the RDA on these advances; therefore, the interest component of the advance has been recorded as deferred revenue in the General Fund of the City.

**CITY OF RANCHO PALOS VERDES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE #3 – INTERFUND TRANSACTIONS, Continued**

Inter-fund Transfers

Inter-fund transfers for the year ended June 30, 2005 consisted of the following:

		Transfer From			Total
		General Fund	RDA Debt Service	Nonmajor Governmental Funds	
Transfer To	General Fund		\$ 14,880	\$ 154,071	\$ 168,951
	Street Maintenance Fund	\$ 100,000		582,460	682,460
	Capital Improvement Project Fund	2,240,498		2,906,785	5,147,283
	Nonmajor Governmental Funds	181,013			181,013
	WQ Flood Enterprise	2,000,000			2,000,000
	<b>Total</b>	<b>\$ 4,521,511</b>	<b>\$ 14,880</b>	<b>\$ 3,643,316</b>	<b>\$ 8,179,707</b>

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.

The General Fund also transferred \$2,000,000 to provide the initial funding for the Water Quality and Flood Control Enterprise Fund.

**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, 2005.

**CITY OF RANCHO PALOS VERDES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE #4 – CAPITAL ASSETS AND DEPRECIATION, Continued**

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

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,058,724			\$ 15,058,724
Construction in progress	1,465,162	\$ 4,309,074	\$ (1,451,640)	4,322,596
Total capital assets not being depreciated	<u>16,523,886</u>	<u>4,309,074</u>	<u>(1,451,640)</u>	<u>19,381,320</u>
Capital assets being depreciated:				
Buildings and improvements	3,197,989			3,197,989
Vehicles	177,069			177,069
Computer equipment	283,377	103,878		387,255
Furniture, fixtures and equipment	397,176		(13,715)	383,461
Infrastructure				
Roadway system	76,602,509	1,130,785	(654,268)	77,079,026
Sewer system	25,755,463			25,755,463
Storm drain system	11,820,872	634,526		12,455,398
Parks system	5,575,075			5,575,075
Total capital assets being depreciated	<u>123,809,530</u>	<u>1,869,189</u>	<u>(667,983)</u>	<u>125,010,736</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,082,990)	(63,960)		(1,146,950)
Vehicles	(148,241)	(13,254)		(161,495)
Computer equipment	(146,413)	(87,267)		(233,680)
Furniture, fixtures and equipment	(179,120)	(45,704)	13,715	(211,109)
Infrastructure				
Roadway system	(27,400,986)	(2,062,763)	654,268	(28,809,481)
Sewer system	(14,120,401)	(456,933)		(14,577,334)
Storm drain system	(1,153,170)	(326,853)		(1,480,023)
Parks system	(3,602,722)	(145,909)		(3,748,631)
Total accumulated depreciation	<u>(47,834,043)</u>	<u>(3,202,643)</u>	<u>667,983</u>	<u>(50,368,703)</u>
Total capital assets being depreciated, net	<u>75,975,487</u>	<u>(1,333,454)</u>	<u>-</u>	<u>74,642,033</u>
Governmental activities capital assets, net	<u>\$ 92,499,373</u>	<u>\$ 2,975,620</u>	<u>\$ (1,451,640)</u>	<u>\$ 94,023,353</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	2,846,549
Recreation services	145,909
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>146,225</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,202,643</u>

**CITY OF RANCHO PALOS VERDES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE #5 – LONG-TERM DEBT**

	Balance July 1, 2004 (Restated)	Additions	Deletions	Balance June 30, 2005	Amount Due in 2005
RDA Tax Increment Bond	\$ 5,455,000		\$ 5,000	\$ 5,450,000	\$ 15,000
RDA Deferred Interest Payable	2,647,756		178,850	2,468,906	
Employee compensated absences	193,938	\$ 157,836	130,901	220,873	149,081
Totals	<u>\$ 8,296,694</u>	<u>\$ 157,836</u>	<u>\$ 314,751</u>	<u>\$ 8,139,779</u>	<u>\$ 164,081</u>

**A. RDA Tax Increment Bond and Deferred interest Payable**

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

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

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

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

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

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

**CITY OF RANCHO PALOS VERDES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE #5 – LONG-TERM DEBT, Continued**

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

Additionally, both the accrued interest and deferred interest on the \$10,000,000 Loan previously owed the County was retroactively recalculated from the Loan origination date at a rate of approximately 5 percent compared to 7.7654 percent per the original Agreement. The recalculated deferred interest is \$3,111,400. In accordance with the MOU, the recalculated deferred interest does not accrue additional interest. As of June 30, 2005, a total of \$642,494 in accumulated tax increment has been applied against this balance, including \$178,850 applied during fiscal year 2004-05. The remaining balance at June 30, 2005, was \$2,468,906. 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, 2005.

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

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

Year Ended	Tax Allocation Bond		Total
	Principal	Interest	
June 30			
2006	\$ 15,000	272,125	287,125
2007	25,000	271,125	296,125
2008	40,000	269,500	309,500
2009	55,000	268,125	323,125
2010	65,000	265,125	330,125
2011-2015	595,000	1,246,875	1,841,875
2016-2020	1,145,000	1,033,375	2,178,375
2021-2025	1,900,000	657,500	2,557,500
2026-2029	1,610,000	125,000	1,735,000
	<u>\$ 5,450,000</u>	<u>\$ 4,408,750</u>	<u>\$ 9,858,750</u>

**B. Employee Compensated Absences**

There is no fixed payment schedule for employee compensated absences. Based on historical trends, \$149,081 is estimated to be the amount that will be used and/or paid out during FY 04-05.

**CITY OF RANCHO PALOS VERDES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE #6 – CLASSIFICATIONS OF NET ASSETS AND FUND BALANCE**

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

Invested in Capital Assets

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

Restricted Net Assets

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

Unrestricted Net Assets

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

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

The City’s governmental funds reserves and designations at June 30, 2005 are presented below, followed by explanations of the nature and purpose of each reserve and designation.

	General Fund	Steet Maintenance Fund	Capital Improvement Fund	RDA Debt Service Fund	Other Governmental Funds
Reserved:					
Reimbursement settlement agreement					\$ 1,000,000
Advances to other funds	\$ 5,978,814				
Prepaid costs	41,159			\$ 314,937	16,959
Land held for development					702,392
Housing set-aside					1,112,968
Total Reserved	<u>\$ 6,019,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314,937</u>	<u>\$ 2,832,319</u>
Designated:					
Continuing appropriations	<u>\$ 657,270</u>	<u>\$ 320,000</u>	<u>\$ 2,415,599</u>	<u>\$ -</u>	<u>\$ 295,374</u>

A. Designated for Encumbrances and Continuing Appropriations

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

B. Reserved for Reimbursement Settlement Agreement

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

## CITY OF RANCHO PALOS VERDES

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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

C. Reserved for Advances to Other Funds

This reserve represents the long-term portion of loans from the City's General Fund to the RDA less \$6,738,616 recorded as deferred revenue (see Note #12).

D. Reserved for Prepaid Items

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

E. Reserved for Land Held for Development

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

F. Reserved for Housing Set-Aside

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

#### **NOTE #7 – PENSION PLAN**

##### Plan Description

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

##### Funding Policy

A contribution of 7 percent of annual covered salary is required for each active plan member. For local miscellaneous members, the City pays the full 7 percent contribution for all the full-time positions, while part-time employees must contribute the 7 percent from earnings. Additionally, the City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for FY 04-05 was 8.537 percent for local miscellaneous members. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

**CITY OF RANCHO PALOS VERDES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE #7 – PENSION PLAN, Continued**

Annual Pension Cost

For FY04-05, the City’s actual and contributed pension cost was \$411,412. The required contribution for FY03-04 was determined as part of the June 30, 2002 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.

Three-Year Trend Information for Plan (Unaudited):

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2003	\$ 167,423	100%	\$ 0
6/30/2004	267,684	100%	\$ 0
6/30/2005	411,412	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
6/30/2001	\$ 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%
6/30/2003	7,413,891	8,964,495	1,550,604	82.7%	2,904,427	53.4%

**NOTE #8 – INSURANCE**

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

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

## CITY OF RANCHO PALOS VERDES

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

#### **NOTE #8 – INSURANCE, Continued**

##### Self-Insurance Programs of the CJPIA

- General Liability

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

- Workers' Compensation

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

##### Purchased Insurance

- Environmental Insurance

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

- Property Insurance

The City participates in the all-risk property protection program of the CJPIA. Several insurance companies underwrite this insurance protection. The City's property is currently insured according to a schedule of covered property submitted by the City to the CJPIA. Total all-risk property insurance coverage is \$9,998,902. There is a \$5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

## CITY OF RANCHO PALOS VERDES

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

#### **NOTE #8 – INSURANCE, Continued**

- Earthquake and Flood Insurance

The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the CJPIA. The City's property currently has earthquake protection in the amount of \$9,304,688. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

#### Adequacy of Protection

During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage in the year ended June 30, 2005. 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. The final principal payment was made during FY 04-05.

#### **NOTE #10 – CONTINGENCIES AND COMMITMENTS**

##### Litigation

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.

##### Storm Drain Failures

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

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

The City is working with FEMA, the Federal Highway Administration (FHWA), Caltrans, and the City and County of Los Angeles to resolve the issues of responsibility for repair and funding sources.

The repairs of the sinkholes also brought to light issues with other storm drains in the area. The City's share of costs for preventative and/or emergency repairs, if required, is unknown.

**CITY OF RANCHO PALOS VERDES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE #11 – PROPERTY TAXES**

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

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

**NOTE #12 – DEFERRED REVENUES**

The deferred revenues in the fund financial statements of the City of Rancho Palos Verdes as of June 30, 2005 consisted of the following:

<u>Source</u>	<u>General Fund</u>
Accrued Interest from Long-Term Advances to the Redevelopment Agency	\$ 6,738,616
Advance on Federal Grant	19,942
Revenue earned but not available	193,204
Total Deferred Revenues	<u>\$ 6,951,762</u>

**NOTE #13 – LAND HELD FOR DEVELOPMENT AND EXCESS HOUSING FUNDS**

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).

A developer has submitted an application for a senior condominium housing project, with an affordable housing component, which includes the City owned parcel and a neighboring private parcel. If approved, the City anticipates transferring the City's land to the 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.

The fund balance exceeds \$1 million at June 30, 2005. 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 establish a program to expend the excess surplus within one year and spend such excess within an additional two years. The Community Redevelopment Law sets forth substantial penalties if the RDA fails to properly dispose of excess surplus funds.

**CITY OF RANCHO PALOS VERDES**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE #14 – OTHER REQUIRED FUND DISCLOSURES**

The following funds had deficit fund balance as of June 30, 2005:

RDA Debt Service Fund	\$	12,478,093
CDBG Fund	\$	65,979

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

The following funds had expenditure in excess of the budget for the year ended June 30, 2005, as follows:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
RDA Debt Service Fund	\$ 1,111,625	\$ 1,290,164	\$ 178,539
RDA Portugues Bend Capital Projects Fund	\$ 23,810	\$ 29,629	\$ 5,819

**NOTE #15 – RESTATEMENT OF NET ASSETS**

During the 2004-05 fiscal year the City reevaluated the accounting treatment of the excess tax increment in connection with the City's Memorandum of Understanding (MOU) with the County of Los Angeles (see Note 5A). As a result, the City restated beginning fund balance in the RDA Debt Service Fund to reduce the prepaid asset by the amount that Los Angeles County has applied to the deferred interest liability.

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

RDA Debt Service Fund fund balance, as previously reported	\$ (11,305,005)
Effect of change in accounting for excess tax increment	<u>(463,644)</u>
RDA Debt Service Fund fund balance, as restated	<u>\$ (11,768,649)</u>

## **SUPPLEMENTARY INFORMATION**



**CITY OF RANCHO PALOS VERDES**

**JUNE 30, 2005**

**MAJOR FUND BUDGETARY COMPARISON SCHEDULES**

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



**CITY OF RANCHO PALOS VERDES**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 6,600	\$ 6,600	\$ 26,023	\$ 19,423
Revenue from other agencies		27,291	1,163,794	1,136,503
Total Revenues	6,600	33,891	1,189,817	1,155,926
<b>EXPENDITURES</b>				
Current:				
Public works	352,921	916,203	1,231,952	(315,749)
Capital outlay	1,969,250	4,951,406	4,358,419	592,987
Total Expenditures	2,322,171	5,867,609	5,590,371	277,238
Excess (Deficiency) of Revenues Over Expenditures	(2,315,571)	(5,833,718)	(4,400,554)	1,433,164
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,322,171	8,410,907	5,147,283	(3,263,624)
Net Change in Fund Balance	6,600	2,577,189	746,729	(1,830,460)
Fund Balance, Beginning of Year	1,668,870	1,668,870	1,668,870	
Fund Balance, End of Year	\$ 1,675,470	\$ 4,246,059	\$ 2,415,599	\$ (1,830,460)

**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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 478,600	\$ 478,600	\$ 595,600	\$ 117,000
<b>EXPENDITURES</b>				
Current:				
Administration	13,300	13,300	12,930	370
Pass through to other agencies	100,750	188,750	188,359	391
Debt Service				
Principal	5,000	5,000	183,850	(178,850)
Interest and fiscal charges	904,575	904,575	905,025	(450)
Total Expenditures	1,023,625	1,111,625	1,290,164	(178,539)
Excess (Deficiency) of Revenues Over Expenditures	(545,025)	(633,025)	(694,564)	(61,539)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out			(14,880)	(14,880)
Total Other Financing Sources (Uses)	-	-	(14,880)	(14,880)
Net Change in Fund Balance	(545,025)	(633,025)	(709,444)	(76,419)
Fund Balance, Beginning of Year, as restated	(11,768,649)	(11,768,649)	(11,768,649)	
Fund Balance, End of Year	<u><u>\$(12,313,674)</u></u>	<u><u>\$(12,401,674)</u></u>	<u><u>\$(12,478,093)</u></u>	<u><u>\$ (76,419)</u></u>

**CITY OF RANCHO PALOS VERDES**

**JUNE 30, 2005**

**NONMAJOR GOVERNMENTAL FUNDS**

Special Revenues Fund Descriptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CITY OF RANCHO PALOS VERDES**

**JUNE 30, 2005**

**NONMAJOR GOVERNMENTAL FUNDS**

Special Revenues Fund Descriptions, Continued

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

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

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

Capital Projects Funds Descriptions

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

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

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

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

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

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

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

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

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

**CITY OF RANCHO PALOS VERDES**

**JUNE 30, 2005**

**NONMAJOR GOVERNMENTAL FUNDS**

Permanent Fund Description

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

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

**CITY OF RANCHO PALOS VERDES**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2005**

	<u>Special Revenue Funds</u>		
ASSETS	<u>Air Quality Management</u>	<u>CDBG</u>	<u>El Prado</u>
Cash and cash equivalents	\$ 34,162		\$ 4,491
Receivable			
Taxes			56
Interest	190		40
Other		\$ 117,861	
Prepaid items		1,462	
Land held for development			
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 34,352</u>	<u>\$ 119,323</u>	<u>\$ 4,587</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities		\$ 63,263	\$ 41
Due to other funds		122,039	
	<hr/>	<hr/>	<hr/>
Total Liabilities	-	185,302	41
FUND BALANCES			
Reserved for:			
Reimbursement settlement agreement			
Prepaid items		1,462	
Land development			
Housing set-aside			
Unreserved:			
Designated for continuing appropriations			
Unreserved, undesignated and reported in:			
Special revenue funds	\$ 34,352	(67,441)	4,546
Capital projects funds			
Permanent funds			
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>34,352</u>	<u>(65,979)</u>	<u>4,546</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 34,352</u>	<u>\$ 119,323</u>	<u>\$ 4,587</u>

CONTINUED ON NEXT PAGE

Special Revenue Funds

Redevelopment Agency - Housing Set-Aside	Proposition A	Proposition C	Beautification	Waste Reduction
\$ 1,103,423	\$ 730,518	\$ 890,102	\$ 784,056	\$ 511,211
1,505	4,586	8,319	5,553	3,666
8,040			78,247	13,604
702,392				
<u>\$ 1,815,360</u>	<u>\$ 735,104</u>	<u>\$ 898,421</u>	<u>\$ 867,856</u>	<u>\$ 528,481</u>
	\$ 718		\$ 15,298	\$ 9,469
-	718	-	15,298	9,469
\$ 702,392				
1,112,968				
	734,386	\$ 898,421	852,558	519,012
1,815,360	734,386	898,421	852,558	519,012
<u>\$ 1,815,360</u>	<u>\$ 735,104</u>	<u>\$ 898,421</u>	<u>\$ 867,856</u>	<u>\$ 528,481</u>

**CITY OF RANCHO PALOS VERDES**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
JUNE 30, 2005**

	Special Revenue Funds		
	Public Safety Grants	1972 Act	1911 Act
<b>ASSETS</b>			
Cash and cash equivalents	\$ 61,574	\$ 134,827	\$ 1,273,805
Receivable			
Taxes		5,114	15,158
Interest	1,126	2,721	8,675
Other			
Prepaid items			
Land held for development			
	<u>62,700</u>	<u>142,662</u>	<u>1,297,638</u>
Total Assets	<u>\$ 62,700</u>	<u>\$ 142,662</u>	<u>\$ 1,297,638</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities		\$ 1,437	\$ 38,147
Due to other funds			
	<u>-</u>	<u>1,437</u>	<u>38,147</u>
Total Liabilities	<u>-</u>	<u>1,437</u>	<u>38,147</u>
<b>FUND BALANCES</b>			
Reserved for:			
Reimbursement settlement agreement			
Prepaid items			
Land development			
Housing set-aside			
Unreserved:			
Designated for continuing appropriations	\$ 45,816		
Unreserved, undesignated and reported in:			
Special revenue funds	16,884	141,225	1,259,491
Capital projects funds			
Permanent funds			
	<u>62,700</u>	<u>141,225</u>	<u>1,259,491</u>
Total Fund Balances	<u>62,700</u>	<u>141,225</u>	<u>1,259,491</u>
Total Liabilities and Fund Balances	<u>\$ 62,700</u>	<u>\$ 142,662</u>	<u>\$ 1,297,638</u>

CONTINUED ON NEXT PAGE

Special Revenue Funds

Joint Powers Improvement Authority - Portuguese Bend	Habitat Restoration	Subregion One Maintenance	Measure A	Abalone Cove Sewer Assessment District
\$ 310,957	\$ 309,651	\$ 795,353		\$ 51,933
1,615	1,618	5,488	\$ 512	272
			1,437,642	904
<u>\$ 312,572</u>	<u>\$ 311,269</u>	<u>\$ 800,841</u>	<u>\$ 1,438,154</u>	<u>\$ 53,109</u>
\$ 51,331	\$ 10,684	\$ 2,236	\$ 1,382,162	\$ 6,667
<u>51,331</u>	<u>10,684</u>	<u>2,236</u>	<u>1,382,162</u>	<u>6,667</u>
	220,500			29,058
261,241	80,085	798,605	55,992	17,384
<u>261,241</u>	<u>300,585</u>	<u>798,605</u>	<u>55,992</u>	<u>46,442</u>
<u>\$ 312,572</u>	<u>\$ 311,269</u>	<u>\$ 800,841</u>	<u>\$ 1,438,154</u>	<u>\$ 53,109</u>

**CITY OF RANCHO PALOS VERDES**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
JUNE 30, 2005**

ASSETS	Capital Projects Funds			
	Bikeways	Redevelopment Agency - Abalone Cove	Environmental Excise Tax	Quimby
Cash and cash equivalents	\$ 25,087	\$ 5,112	\$ 731,843	\$ 517,816
Receivable				
Taxes				
Interest	173	98	5,010	3,555
Other				
Prepaid items				
Land held for development				
<b>Total Assets</b>	<b>\$ 25,260</b>	<b>\$ 5,210</b>	<b>\$ 736,853</b>	<b>\$ 521,371</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities				
Due to other funds				
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>				
Reserved for:				
Reimbursement settlement agreement				
Prepaid items				
Land development				
Housing set-aside				
Unreserved:				
Designated for continuing appropriations				
Unreserved, undesignated and reported in:				
Special revenue funds				
Capital projects funds	\$ 25,260	\$ 5,210	\$ 736,853	\$ 521,371
Permanent funds				
<b>Total Fund Balances</b>	<b>25,260</b>	<b>5,210</b>	<b>736,853</b>	<b>521,371</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 25,260</b>	<b>\$ 5,210</b>	<b>\$ 736,853</b>	<b>\$ 521,371</b>

Capital Projects Funds				Permanent Fund	
Affordable Housing	Redevelopment Agency - Portuguese Bend	Utility Undergrounding	Roadway Beautification	Joint Powers Improvement Authority - Abalone Cove	Total Non-major Governmental Funds
\$ 1,031,261	\$ 327,359	\$ 240,099	\$ 418,169	\$ 1,418,254	\$ 11,711,063
7,081	2,449	1,648	2,871	10,529	34,738
	15,497				72,930
					1,648,258
					16,959
					702,392
<u>\$ 1,038,342</u>	<u>\$ 345,305</u>	<u>\$ 241,747</u>	<u>\$ 421,040</u>	<u>\$ 1,428,783</u>	<u>\$ 14,186,340</u>
	\$ 192			\$ 2,496	\$ 201,979
					1,504,201
<u>-</u>	<u>192</u>	<u>-</u>	<u>-</u>	<u>2,496</u>	<u>1,706,180</u>
	15,497			1,000,000	1,000,000
					16,959
					702,392
					1,112,968
					295,374
\$ 1,038,342	329,616	\$ 241,747	\$ 421,040		5,606,741
				426,287	3,319,439
					426,287
<u>1,038,342</u>	<u>345,113</u>	<u>241,747</u>	<u>421,040</u>	<u>1,426,287</u>	<u>12,480,160</u>
<u>\$ 1,038,342</u>	<u>\$ 345,305</u>	<u>\$ 241,747</u>	<u>\$ 421,040</u>	<u>\$ 1,428,783</u>	<u>\$ 14,186,340</u>

**CITY OF RANCHO PALOS VERDES**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2005**

	<u>Special Revenue Funds</u>		
	<u>Air Quality Management</u>	<u>CDBG</u>	<u>El Prado</u>
<b>REVENUES</b>			
Taxes			\$ 1,472
Use of money and property	\$ 386		224
Revenue from other agencies	38,094	\$ 601,055	
Other revenues			
Total Revenues	<u>38,480</u>	<u>601,055</u>	<u>1,696</u>
<b>EXPENDITURES</b>			
Current:			
Administration			
Public safety			
Public works	49,818	129,351	9,381
Capital outlay		504,686	
Total Expenditures	<u>49,818</u>	<u>634,037</u>	<u>9,381</u>
Excess (Deficiency) of Revenues Over Over Expenditures	<u>(11,338)</u>	<u>(32,982)</u>	<u>(7,685)</u>
Other Financing Sources (Uses):			
Transfers in			
Transfers out		(33,534)	
Total Other Financing Sources (Uses)	<u>-</u>	<u>(33,534)</u>	<u>-</u>
Net Change in Fund Balances	(11,338)	(66,516)	(7,685)
FUND BALANCES, Beginning of Year	<u>45,690</u>	<u>537</u>	<u>12,231</u>
FUND BALANCES, End of Year	<u>\$ 34,352</u>	<u>\$ (65,979)</u>	<u>\$ 4,546</u>

CONTINUED ON NEXT PAGE

Special Revenue Funds

Redevelopment Agency - Housing Set-Aside	Proposition A	Proposition C	Beautification	Waste Reduction
\$ 146,000				
23,131	\$ 11,910	\$ 22,652	\$ 271,901	\$ 33,025
	623,682	517,456		55,866
169,131	635,592	540,108	271,901	88,891
	436,808		174,417	67,853
-	436,808	-	174,417	67,853
169,131	198,784	540,108	97,484	21,038
	(11,680)	(389,167)		(50,000)
-	(11,680)	(389,167)	-	(50,000)
169,131	187,104	150,941	97,484	(28,962)
1,646,229	547,282	747,480	755,074	547,974
<u>\$ 1,815,360</u>	<u>\$ 734,386</u>	<u>\$ 898,421</u>	<u>\$ 852,558</u>	<u>\$ 519,012</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, 2005**

	Special Revenue Funds		
	Public Safety Grants	1972 Act	1911 Act
<b>REVENUES</b>			
Taxes		\$ 324,738	\$ 401,577
Use of money and property	\$ 2,953	5,989	25,849
Revenue from other agencies	100,000		
Other revenues			
<b>Total Revenues</b>	<b>102,953</b>	<b>330,727</b>	<b>427,426</b>
<b>EXPENDITURES</b>			
Current:			
Administration			
Public safety	2,884		
Public works		55,412	321,047
Capital outlay			
<b>Total Expenditures</b>	<b>2,884</b>	<b>55,412</b>	<b>321,047</b>
Excess (Deficiency) of Revenues Over Over Expenditures	100,069	275,315	106,379
Other Financing Sources (Uses):			
Transfers in			
Transfers out	(100,000)	(285,000)	
<b>Total Other Financing Sources (Uses)</b>	<b>(100,000)</b>	<b>(285,000)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>69</b>	<b>(9,685)</b>	<b>106,379</b>
<b>FUND BALANCES, Beginning of Year</b>	<b>62,631</b>	<b>150,910</b>	<b>1,153,112</b>
<b>FUND BALANCES, End of Year</b>	<b>\$ 62,700</b>	<b>\$ 141,225</b>	<b>\$ 1,259,491</b>

CONTINUED ON NEXT PAGE

Special Revenue Funds				
Joint Powers Improvement Authority - Portuguese Bend	Habitat Restoration	Subregion One Maintenance	Parks/ Measure A	Abalone Cove Sewer Assessment District
\$ 5,118	\$ 5,371	\$ 17,216	\$ 1,315 2,761,161	\$ 42,767 745
5,118	5,371	17,216	2,762,476	43,512
67,718	50,197	33,629		39,942
67,718	50,197	33,629	-	39,942
(62,600)	(44,826)	(16,413)	2,762,476	3,570
91,500	76,752		(2,773,935)	12,761
91,500	76,752	-	(2,773,935)	12,761
28,900	31,926	(16,413)	(11,459)	16,331
232,341	268,659	815,018	67,451	30,111
\$ 261,241	\$ 300,585	\$ 798,605	\$ 55,992	\$ 46,442

**CITY OF RANCHO PALOS VERDES**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (CONTINUED)  
YEAR ENDED JUNE 30, 2005**

	Capital Projects			
	Bikeways	Redevelopment Agency - Abalone Cove	Environmental Excise Tax	Quimby
<b>REVENUES</b>				
Taxes				
Use of money and property	\$ 373	\$ 932	\$ 66,864	\$ 21,277
Revenue from other agencies	24,887			
Other revenues				
<b>Total Revenues</b>	<u>25,260</u>	<u>932</u>	<u>66,864</u>	<u>21,277</u>
<b>EXPENDITURES</b>				
Current:				
Administration				
Public safety				
Public works		650	57,209	
Capital outlay		49,087		
<b>Total Expenditures</b>	<u>-</u>	<u>49,737</u>	<u>57,209</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Over Expenditures	<u>25,260</u>	<u>(48,805)</u>	<u>9,655</u>	<u>21,277</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in				
Transfers out				
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	25,260	(48,805)	9,655	21,277
<b>FUND BALANCES, Beginning of Year</b>		54,015	727,198	500,094
<b>FUND BALANCES, End of Year</b>	<u>\$ 25,260</u>	<u>\$ 5,210</u>	<u>\$ 736,853</u>	<u>\$ 521,371</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		
\$ 21,960	\$ 7,391	\$ 5,112	\$ 8,904	\$ 32,332	\$ 916,554	
	50,004				592,930	
21,960	57,395	5,112	8,904	32,332	4,722,201	
					50,004	
	29,629			24,316	2,884	
-	29,629	-	-	24,316	1,547,377	
21,960	27,766	5,112	8,904	8,016	553,773	
					181,013	
-	-	-	-	-	(3,643,316)	
21,960	27,766	5,112	8,904	8,016	(3,462,303)	
1,016,382	317,347	236,635	412,136	1,418,271	715,352	
\$ 1,038,342	\$ 345,113	\$ 241,747	\$ 421,040	\$ 1,426,287	\$ 12,480,160	

**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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 1,100	\$ 1,100	\$ 386	\$ (714)
Charges for services	48,000	48,000	38,094	(9,906)
Total Revenues	49,100	49,100	38,480	(10,620)
<b>EXPENDITURES</b>				
Current:				
Public works	49,913	49,913	49,818	95
Net Change in Fund Balance	(813)	(813)	(11,338)	(10,525)
Fund Balance, Beginning of Year	45,690	45,690	45,690	
Fund Balance, End of Year	\$ 44,877	\$ 44,877	\$ 34,352	\$ (10,525)

**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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from other agencies	\$ 229,404	\$ 229,404	\$ 601,055	\$ 371,651
<b>EXPENDITURES</b>				
Current:				
Public works	137,840	169,240	129,351	39,889
Capital outlay	57,154	579,654	504,686	74,968
Total Expenditures	194,994	748,894	634,037	114,857
Excess (Deficiency) of Revenues Over Expenditures	34,410	(519,490)	(32,982)	486,508
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(34,410)	(34,410)	(33,534)	876
Net Change in Fund Balance		(553,900)	(66,516)	487,384
Fund Balance, Beginning of Year	537	537	537	
Fund Balance, End of Year	\$ 537	\$ (553,363)	\$ (65,979)	\$ 487,384

**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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,200	\$ 1,200	\$ 1,472	\$ 272
Use of money and property	200	200	224	24
Total Revenues	<u>1,400</u>	<u>1,400</u>	<u>1,696</u>	<u>296</u>
<b>EXPENDITURES</b>				
Current:				
Public works	900	10,100	9,381	719
Net Change in Fund Balance	500	(8,700)	(7,685)	1,015
Fund Balance, Beginning of Year	<u>12,231</u>	<u>12,231</u>	<u>12,231</u>	
Fund Balance, End of Year	<u>\$ 12,731</u>	<u>\$ 3,531</u>	<u>\$ 4,546</u>	<u>\$ 1,015</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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 123,200	\$ 123,200	\$ 146,000	\$ 22,800
Use of money and property	19,900	19,900	23,131	3,231
Total Revenues	143,100	143,100	169,131	26,031
<b>EXPENDITURES</b>				
Current:				
Administration	50,000			
Net Change in Fund Balance	93,100	143,100	169,131	26,031
Fund Balance, Beginning of Year	1,646,229	1,646,229	1,646,229	
Fund Balance, End of Year	<u>\$ 1,739,329</u>	<u>\$ 1,789,329</u>	<u>\$ 1,815,360</u>	<u>\$ 26,031</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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 13,200	\$ 13,200	\$ 11,910	\$ (1,290)
Revenue from other agencies	535,000	535,000	623,682	88,682
Total Revenues	548,200	548,200	635,592	87,392
<b>EXPENDITURES</b>				
Current:				
Public works	441,792	441,792	436,808	4,984
Excess of Revenues Over Expenditures	106,408	106,408	198,784	92,376
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(15,500)	(15,500)	(11,680)	3,820
Net Change in Fund Balance	90,908	90,908	187,104	96,196
Fund Balance, Beginning of Year	547,282	547,282	547,282	
Fund Balance, End of Year	\$ 638,190	\$ 638,190	\$ 734,386	\$ 96,196

**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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 9,300	\$ 9,300	\$ 22,652	\$ 13,352
Revenue from other agencies	450,000	450,000	517,456	67,456
Total Revenues	459,300	459,300	540,108	80,808
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(532,300)	(389,167)	(389,167)	-
Total Other Financing Sources (Uses)	(532,300)	(389,167)	(389,167)	-
Net Change in Fund Balance	(73,000)	70,133	150,941	80,808
Fund Balance, Beginning of Year	747,480	747,480	747,480	
Fund Balance, End of Year	<u>\$ 674,480</u>	<u>\$ 817,613</u>	<u>\$ 898,421</u>	<u>\$ 80,808</u>

**CITY OF RANCHO PALOS VERDES**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
BEAUTIFICATION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 209,200	\$ 209,200	\$ 271,901	\$ 62,701
<b>EXPENDITURES</b>				
Current:				
Public works	241,467	457,367	174,417	282,950
Net Change in Fund Balance	(32,267)	(248,167)	97,484	345,651
Fund Balance, Beginning of Year	755,074	755,074	755,074	
Fund Balance, End of Year	\$ 722,807	\$ 506,907	\$ 852,558	\$ 345,651

**CITY OF RANCHO PALOS VERDES**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
WASTE REDUCTION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 90,500	\$ 90,500	\$ 33,025	\$ (57,475)
Revenue from other agencies	55,600	55,600	55,866	266
Total Revenues	146,100	146,100	88,891	(57,209)
<b>EXPENDITURES</b>				
Current:				
Public works	133,828	133,828	67,853	65,975
Excess (Deficiency) of Revenues Over Expenditures	12,272	12,272	21,038	8,766
<b>OTHER FINANCING USES</b>				
Transfers out	(65,000)	(65,000)	(50,000)	15,000
Net Change in Fund Balance	(52,728)	(52,728)	(28,962)	23,766
Fund Balance, Beginning of Year	547,974	547,974	547,974	
Fund Balance, End of Year	\$ 495,246	\$ 495,246	\$ 519,012	\$ 23,766

**CITY OF RANCHO PALOS VERDES**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
PUBLIC SAFETY GRANTS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 70	\$ 70	\$ 2,953	\$ 2,883
Revenue from other agencies	115,000	115,000	100,000	(15,000)
Total Revenues	115,070	115,070	102,953	(12,117)
<b>EXPENDITURES</b>				
Current:				
Public safety		2,884	2,884	
Excess (Deficiency) of Revenues Over Expenditures	115,070	112,186	100,069	(12,117)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(115,000)	(115,000)	(100,000)	15,000
Net Change in Fund Balance	70	(2,814)	69	2,883
Fund Balance, Beginning of Year	62,631	62,631	62,631	
Fund Balance, End of Year	\$ 62,701	\$ 59,817	\$ 62,700	\$ 2,883

**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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 327,860	\$ 327,860	\$ 324,738	\$ (3,122)
Use of money and property	270	270	5,989	5,719
Total Revenues	<u>328,130</u>	<u>328,130</u>	<u>330,727</u>	<u>2,597</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>56,700</u>	<u>56,700</u>	<u>55,412</u>	<u>1,288</u>
Excess of Revenues Over Expenditures	<u>271,430</u>	<u>271,430</u>	<u>275,315</u>	<u>3,885</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(285,000)</u>	<u>(285,000)</u>	<u>(285,000)</u>	
Net Change in Fund Balance	<u>(13,570)</u>	<u>(13,570)</u>	<u>(9,685)</u>	<u>3,885</u>
Fund Balance, Beginning of Year	<u>150,910</u>	<u>150,910</u>	<u>150,910</u>	
Fund Balance, End of Year	<u>\$ 137,340</u>	<u>\$ 137,340</u>	<u>\$ 141,225</u>	<u>\$ 3,885</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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 321,400	\$ 321,400	\$ 401,577	\$ 80,177
Use of money and property	20,500	20,500	25,849	5,349
Total Revenues	341,900	341,900	427,426	85,526
<b>EXPENDITURES</b>				
Current:				
Public works	367,600	367,600	321,047	46,553
Net Change in Fund Balance	(25,700)	(25,700)	106,379	132,079
Fund Balance, Beginning of Year	1,153,112	1,153,112	1,153,112	
Fund Balance, End of Year	<u>\$1,127,412</u>	<u>\$ 1,127,412</u>	<u>\$ 1,259,491</u>	<u>\$ 132,079</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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	<u>\$ 2,400</u>	<u>\$ 2,400</u>	<u>\$ 5,118</u>	<u>\$ 2,718</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>91,500</u>	<u>91,500</u>	<u>67,718</u>	<u>23,782</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(89,100)</u>	<u>(89,100)</u>	<u>(62,600)</u>	<u>26,500</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>91,500</u>	<u>91,500</u>	<u>91,500</u>	
Net Change in Fund Balance	2,400	2,400	28,900	26,500
Fund Balance, Beginning of Year	<u>232,341</u>	<u>232,341</u>	<u>232,341</u>	
Fund Balance, End of Year	<u><u>\$ 234,741</u></u>	<u><u>\$ 234,741</u></u>	<u><u>\$ 261,241</u></u>	<u><u>\$ 26,500</u></u>

**CITY OF RANCHO PALOS VERDES**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
HABITAT RESTORATION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 1,900	\$ 1,900	\$ 5,371	\$ 3,471
<b>EXPENDITURES</b>				
Capital outlay	100,000	50,500	50,197	303
Excess (Deficiency) of Revenues Over Expenditures	(98,100)	(48,600)	(44,826)	3,774
<b>OTHER FINANCING SOURCES</b>				
Transfers in	76,752	76,752	76,752	
Net Change in Fund Balance	(21,348)	28,152	31,926	3,774
Fund Balance, Beginning of Year	268,659	268,659	268,659	
Fund Balance, End of Year	<u>\$ 247,311</u>	<u>\$ 296,811</u>	<u>\$ 300,585</u>	<u>\$ 3,774</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, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Use of money and property	<u>\$ 17,900</u>	<u>\$ 17,900</u>	<u>\$ 17,216</u>	<u>\$ (684)</u>
EXPENDITURES				
Current:				
Public works	<u>24,000</u>	<u>36,000</u>	<u>33,629</u>	<u>2,371</u>
Net Change in Fund Balance	<u>(6,100)</u>	<u>(18,100)</u>	<u>(16,413)</u>	<u>1,687</u>
Fund Balance, Beginning of Year	<u>815,018</u>	<u>815,018</u>	<u>815,018</u>	
Fund Balance, End of Year	<u><u>\$ 808,918</u></u>	<u><u>\$ 796,918</u></u>	<u><u>\$ 798,605</u></u>	<u><u>\$ 1,687</u></u>

**CITY OF RANCHO PALOS VERDES**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
PARKS/MEASURE A SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property			\$ 1,315	\$ 1,315
Revenue from other agencies	\$ 59,000	\$ 2,933,785	2,761,161	(172,624)
Total Revenues	59,000	2,933,785	2,762,476	(171,309)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(59,000)	(2,817,222)	(2,773,935)	43,287
Net Change in Fund Balance		116,563	(11,459)	(128,022)
Fund Balance, Beginning of Year	67,451	67,451	67,451	
Fund Balance, End of Year	\$ 67,451	\$ 184,014	\$ 55,992	\$ (128,022)

**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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 50,000	\$ 39,460	\$ 42,767	\$ 3,307
Use of money and property			745	745
<b>Total Revenues</b>	<b>50,000</b>	<b>39,460</b>	<b>43,512</b>	<b>4,052</b>
<b>EXPENDITURES</b>				
Current:				
Public works	50,000	41,163	39,942	1,221
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>(1,703)</b>	<b>3,570</b>	<b>5,273</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		12,761	12,761	
<b>Net Change in Fund Balance</b>		<b>11,058</b>	<b>16,331</b>	<b>5,273</b>
Fund Balance, Beginning of Year	30,111	30,111	30,111	
Fund Balance, End of Year	<u>\$ 30,111</u>	<u>\$ 41,169</u>	<u>\$ 46,442</u>	<u>\$ 5,273</u>

**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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property			\$ 373	\$ 373
Revenue from other agencies			24,887	24,887
Total Revenues			25,260	25,260
Net Change in Fund Balance	-	-	25,260	25,260
Fund Balance, Beginning of Year				
Fund Balance, End of Year	\$ -	\$ -	\$ 25,260	\$ 25,260

**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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property			\$ 932	\$ 932
<b>EXPENDITURES</b>				
Current:				
Public works			650	(650)
Capital outlay		\$ 53,145	49,087	4,058
Total Expenditures	-	53,145	49,737	3,408
Net Change in Fund Balance	-	(53,145)	(48,805)	4,340
Fund Balance, Beginning of Year	\$ 54,015	54,015	54,015	
Fund Balance, End of Year	\$ 54,015	\$ 870	\$ 5,210	\$ 4,340

**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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 188,000	\$ 188,000	\$ 66,864	\$ (121,136)
<b>EXPENDITURES</b>				
Current:				
Public works		60,000	57,209	2,791
Excess (Deficiency) of Revenues Over Expenditures	188,000	128,000	9,655	(118,345)
<b>OTHER FINANCING USES</b>				
Transfers out		(60,000)		60,000
Net Change in Fund Balance	188,000	68,000	9,655	(58,345)
Fund Balance, Beginning of Year	727,198	727,198	727,198	
Fund Balance, End of Year	\$ 915,198	\$ 795,198	\$ 736,853	\$ (58,345)

**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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 24,830	\$ 24,830	\$ 21,277	\$ (3,553)
Net Change in Fund Balance	24,830	24,830	21,277	(3,553)
Fund Balance, Beginning of Year	500,094	500,094	500,094	
Fund Balance, End of Year	<u>\$ 524,924</u>	<u>\$ 524,924</u>	<u>\$ 521,371</u>	<u>\$ (3,553)</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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 965,510	\$ 965,510	\$ 21,960	\$ (943,550)
Net Change in Fund Balance	965,510	965,510	21,960	(943,550)
Fund Balance, Beginning of Year	1,016,382	1,016,382	1,016,382	
Fund Balance, End of Year	<u>\$ 1,981,892</u>	<u>\$ 1,981,892</u>	<u>\$ 1,038,342</u>	<u>\$ (943,550)</u>

**CITY OF RANCHO PALOS VERDES**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
RDA PORTUGUESE BEND CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 1,800	\$ 1,800	\$ 7,391	\$ 5,591
Other revenues			50,004	50,004
Total Revenues	1,800	1,800	57,395	55,595
<b>EXPENDITURES</b>				
Current:				
Public works	23,810	23,810	29,629	(5,819)
Net Change in Fund Balance	(22,010)	(22,010)	27,766	49,776
Fund Balance, Beginning of Year	317,347	317,347	317,347	
Fund Balance, End of Year	\$ 295,337	\$ 295,337	\$ 345,113	\$ 49,776

**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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 4,900	\$ 4,900	\$ 5,112	\$ 212
Net Change in Fund Balances	4,900	4,900	5,112	212
Fund Balance, Beginning of Year	236,635	236,635	236,635	
Fund Balance, End of Year	<u>\$ 241,535</u>	<u>\$ 241,535</u>	<u>\$ 241,747</u>	<u>\$ 212</u>

**CITY OF RANCHO PALOS VERDES**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
ROADWAY BEAUTIFICATION CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ 9,300	\$ 9,300	\$ 8,904	\$ (396)
Net Change in Fund Balances	9,300	9,300	8,904	(396)
Fund Balance, Beginning of Year	412,136	412,136	412,136	
Fund Balance, End of Year	<u>\$ 421,436</u>	<u>\$ 421,436</u>	<u>\$ 421,040</u>	<u>\$ (396)</u>

**CITY OF RANCHO PALOS VERDES**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
JPIA - ABALONE COVE PERMANENT FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 28,000	\$ 28,000	\$ 32,332	\$ 4,332
<b>EXPENDITURES</b>				
Current:				
Public works	101,700	47,700	24,316	23,384
Net Change in Fund Balance	(73,700)	(19,700)	8,016	27,716
Fund Balance, Beginning of Year	1,418,271	1,418,271	1,418,271	
Fund Balance, End of Year	<u>\$ 1,344,571</u>	<u>\$ 1,398,571</u>	<u>\$ 1,426,287</u>	<u>\$ 27,716</u>

**CITY OF RANCHO PALOS VERDES**

**JUNE 30, 2005**

**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, 2005**

	Equipment Replacement	Building Replacement	Employee Benefits	Totals
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 2,714,658	\$ 1,567,935	\$ 295,518	\$ 4,578,111
Receivables				
Interest	18,786	10,764	1,636	31,186
Other			1,284	1,284
Prepaid items			1,043	1,043
<b>Total Current Assets</b>	<b>2,733,444</b>	<b>1,578,699</b>	<b>299,481</b>	<b>4,611,624</b>
<b>Noncurrent Assets</b>				
<b>Capital assets</b>				
Property and equipment	947,785			947,785
Accumulated depreciation	(606,284)			(606,284)
<b>Total Noncurrent Assets</b>	<b>341,501</b>	<b>-</b>	<b>-</b>	<b>341,501</b>
<b>Total Assets</b>	<b>3,074,945</b>	<b>1,578,699</b>	<b>299,481</b>	<b>4,953,125</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	19,094	101,250	19,693	140,037
<b>NET ASSETS</b>				
Invested in capital assets	341,501			341,501
Unrestricted	2,714,350	1,477,449	279,788	4,471,587
<b>Total Net Assets</b>	<b>\$ 3,055,851</b>	<b>\$ 1,477,449</b>	<b>\$ 279,788</b>	<b>\$ 4,813,088</b>

**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, 2005**

	<u>Equipment Replacement</u>	<u>Building Replacement</u>	<u>Employee Benefits</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>				
Charges for services	<u>\$ 476,078</u>		<u>\$ 995,260</u>	<u>\$ 1,471,338</u>
<b>OPERATING EXPENSES</b>				
Personnel services		\$ 1,800	906,061	907,861
Material and supplies	107,703			107,703
Maintenance	46,385	99,450		145,835
Depreciation	<u>146,225</u>			<u>146,225</u>
Total Operating Expenses	<u>300,313</u>	<u>101,250</u>	<u>906,061</u>	<u>1,307,624</u>
Operating Income (Loss)	<u>175,765</u>	<u>(101,250)</u>	<u>89,199</u>	<u>163,714</u>
<b>NONOPERATING REVENUES</b>				
Interest income	<u>54,094</u>	<u>33,388</u>	<u>2,054</u>	<u>89,536</u>
Change in Net Assets	229,859	(67,862)	91,253	253,250
Net Assets, Beginning of Year	<u>2,825,992</u>	<u>1,545,311</u>	<u>188,535</u>	<u>4,559,838</u>
Net Assets, Ending of Year	<u><u>\$ 3,055,851</u></u>	<u><u>\$ 1,477,449</u></u>	<u><u>\$ 279,788</u></u>	<u><u>\$ 4,813,088</u></u>

**CITY OF RANCHO PALOS VERDES**

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2005**

	Equipment Replacement	Building Replacement	Employee Benefits	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 476,078		\$ 995,260	\$ 1,471,338
Payments to suppliers	(177,930)	\$ (7,250)	(926,785)	(1,111,965)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>298,148</u>	<u>(7,250)</u>	<u>68,475</u>	<u>359,373</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(103,878)			(103,878)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received on investments	43,831	27,975	1,146	72,952
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	238,101	20,725	69,621	328,447
CASH AND CASH EQUIVALENTS, Beginning of Year	2,476,557	1,547,210	225,897	4,249,664
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 2,714,658</u>	<u>\$ 1,567,935</u>	<u>\$ 295,518</u>	<u>\$ 4,578,111</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 175,765	\$ (101,250)	\$ 89,199	\$ 163,714
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	146,225			146,225
Increase in other receivables			(467)	(467)
Decrease in prepaid items			25,392	25,392
Increase (decrease) in accounts payable	(23,842)	94,000	(45,649)	24,509
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 298,148</u>	<u>\$ (7,250)</u>	<u>\$ 68,475</u>	<u>\$ 359,373</u>

## **STATISTICAL SECTION**

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION\*  
 LAST TEN FISCAL YEARS

Fiscal Year	Administration	Public Safety	Public Works	Parks and Recreation	Planning, Code Enforcement & Building	Capital Outlay	Debt Service	Totals
1996	\$ 1,545,955	\$ 2,609,804	\$ 3,638,583	\$ 543,602	\$ 1,148,340	\$ 1,129,275	---	\$ 10,615,559
1997	1,588,565	2,637,280	3,856,324	550,722	1,360,468	8,885,989	---	18,879,348
1998	1,659,753	2,533,309	4,079,842	710,477	1,558,511	3,974,928	---	14,516,820
1999	1,679,549	2,658,145	3,942,290	633,292	1,882,051	3,116,632	---	13,911,959
2000	1,836,468	2,662,096	5,864,072	597,045	1,646,824	2,110,309	---	14,716,814
2001	2,388,727	2,732,579	3,616,253	596,185	1,778,319	4,227,852	---	15,339,915
2002	2,939,097	2,898,265	3,855,747	668,938	1,950,504	9,441,273	---	21,753,825
2003	3,084,614	3,094,005	4,306,768	785,786	2,194,265	4,767,678	---	18,233,116
2004	3,294,392	3,038,650	4,703,005	945,547	2,362,503	368,018	---	14,712,115
2005	3,838,505	3,091,794	4,761,129	964,870	2,302,063	6,364,307	---	21,322,667

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

## GENERAL GOVERNMENTAL REVENUES BY SOURCE \*

## LAST TEN FISCAL YEARS

Fiscal Year	Taxes	Licenses and Permits	Fines and Forfeitures	Use of Money and Property	Charges for Services	Revenues From Other Agencies	Other Revenues	Totals
1996	\$ 8,321,970	\$ 689,077	\$ 85,790	\$ 960,071	\$ 297,124	\$ 2,558,842	\$ 359,737	\$ 13,272,611
1997	8,432,900	798,168	93,076	1,145,664	336,634	10,673,669	513,625	21,993,736
1998	8,449,951	890,269	114,409	1,239,537	175,418	4,899,646	640,609	16,409,839
1999	8,539,047	1,292,498	140,089	1,177,539	217,699	4,340,676	518,009	16,225,557
2000	9,022,637	1,089,720	156,730	1,314,901	203,691	3,654,695	1,875,671	17,318,045
2001	9,391,699	1,530,425	139,694	1,602,638	196,730	4,816,266	866,621	18,544,073
2002	9,723,259	1,589,701	116,598	987,793	217,387	8,170,513	513,512	21,318,763
2003	10,002,224	1,855,746	115,448	735,526	204,798	4,223,490	554,035	17,691,267
2004	11,352,928	1,309,732	101,788	636,491	378,995	3,453,070	2,363,433	19,596,437
2005	12,831,465	1,325,579	107,951	862,057	428,217	7,213,625	1,087,222	23,856,116

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

PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Current Levy</u>	<u>Current Collection</u>	<u>Percent Collected</u>
1995-1996	\$ 2,700,133	\$ 2,571,526	95.24%
1996-1997	2,708,114	2,651,513	97.91%
1997-1998	2,731,834	2,664,833	97.55%
1998-1999	2,877,987	2,770,246	96.26%
1999-2000	3,123,218	3,048,626	97.61%
2000-2001	3,352,310	3,233,833	96.47%
2001-2002	3,567,276	3,451,599	96.76%
2002-2003	3,768,471	3,688,465	97.88%
2003-2004	4,021,832	3,901,862	97.02%
2004-2005	4,283,786	4,193,382	97.89%

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
1996	\$ 4,316,092,536	\$ 210,000	\$ 15,334,559	\$ 4,331,637,095	\$ 79,614,908	\$ 4,252,022,187	#REF!
1997	4,354,282,854	210,000	14,956,195	4,369,449,049	79,417,508	4,290,031,541	0.89%
1998	4,414,137,301	975,785	14,526,105	4,429,639,191	79,074,508	4,350,564,683	1.41%
1999	4,666,924,997	975,785	22,058,574	4,689,959,356	78,654,508	4,611,304,848	5.99%
2000	5,121,424,832	975,785	16,961,594	5,139,362,211	78,055,228	5,061,306,983	9.76%
2001	5,420,734,560	1,023,567	18,422,700	5,440,180,827	77,799,028	5,362,381,799	5.95%
2002	5,758,506,586	947,258	19,641,491	5,779,095,335	77,157,828	5,701,937,507	6.33%
2003	6,069,010,412	449,498	21,740,910	6,091,200,820	76,980,028	6,014,220,792	5.48%
2004	6,469,818,726	495,782	22,889,439	6,493,203,947	76,274,428	6,416,929,519	6.70%
2005	6,884,597,491	448,000	22,222,275	6,907,267,766	76,750,854	6,830,516,912	6.45%

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

Fiscal Year	Basic County Levy	PVP School & LA Community College Districts	Flood Control	Metropolitan Water District	Library District	County	Totals
1996	1.0000%	---	0.0010%	0.0089%	0.0150%	0.0018%	1.0267%
1997	1.0000%	---	0.0020%	0.0089%	0.0150%	0.0016%	1.0275%
1998	1.0000%	---	0.0022%	0.0089%	0.0148%	0.0016%	1.0275%
1999	1.0000%	---	0.0020%	0.0089%	0.0114%	0.0015%	1.0237%
2000	1.0000%	---	0.0018%	0.0089%	0.0113%	0.0014%	1.0234%
2001	1.0000%	---	0.0016%	0.0088%	0.0114%	0.0013%	1.0230%
2002	1.0000%	---	0.0005%	0.0077%	0.0096%	0.0011%	1.0189%
2003	1.0000%	0.0294%	0.0009%	0.0067%	0.0097%	0.0010%	1.0477%
2004	1.0000%	0.0346%	0.0005%	0.0061%	0.0090%	0.0010%	1.0511%
2005	1.0000%	0.0331%	0.0002%	0.0058%	0.0085%	0.0009%	1.0485%

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

## PRINCIPAL PROPERTY TAXPAYERS

JUNE 30, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
VH Property Corporation	Golf Course/Residential	\$ 53,992,076	0.90%
VRPV LLC	Apartments	51,123,300	0.85%
P V Victoria Apartments LLC	Apartments	42,406,146	0.71%
Western Riviera Investors, Et. Al.	Apartments	25,819,543	0.43%
Warmington Oceanfront Associates	Residential	25,370,368	0.42%
York Long Point Associates	Commercial/Residential	22,869,857	0.38%
RPV Associates LLC	Residential Development	19,097,853	0.32%
Belmont Village RPV Inc.	Institutional	14,119,345	0.23%
Top Terraces Inc.	Commercial/Retail	12,929,855	0.21%
Palos Verdes Land Holdings Company Inc.	Open Space	3,890,787	0.06%
TOTAL TOP TEN		<u>\$ 271,619,130</u>	<u>4.51%</u>

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS  
 LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>Special Assessment Billings</b>	<b>Special Assessments Collected</b>	<b>Percent of Levy Collected</b>
1996	\$ 809,208	\$ 788,919	97.5%
1997	756,438	741,261	98.0%
1998	374,483	368,652	98.4%
1999	325,130	333,455	102.6%
2000	326,425	327,423	100.3%
2001	326,396	325,337	99.7%
2002	327,460	324,016	98.9%
2003	327,384	332,806	101.7%
2004	327,737	326,106	99.5%
2005	328,068	324,737	99.0%

COMPUTATION OF LEGAL DEBT MARGIN

AS OF JUNE 30, 2005

Net Assessed Value	\$ 6,830,516,912
Debt limit - 15% of assessed value	\$ 1,024,577,537
Amount of debt applicable to debt limit	---
Legal debt margin	\$ 1,024,577,537

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, 2005

	<b>Percent Applicable</b>	<b>Bonded Debt June 30, 2005</b>
DIRECT AND OVERLAPPING BONDED DEBT:		
Los Angeles County Detention Facilities 1987	0.993%	\$ 160,936
Los Angeles County Flood Control Storm Drain Bonds No. 4	1.007%	20,047
Los Angeles County Flood Control Refunding Bonds 1993	1.007%	2,770
Palos Verdes Library District Refunding Bonds 1998	48.639%	5,484,080
West Basin Metropolitan Water District *	0.972%	4,075,576
Los Angeles City Community College 2003 Series A	1.761%	1,139,121
Los Angeles City Community College 2003 Series B & C	1.766%	2,067,118
Los Angeles City Community College 2001 Series A	1.761%	2,183,043
Los Angeles Unified School District 2004 Series A	0.218%	158,520
Los Angeles Unified School District 2002 Refunding Bonds	0.204%	517,284
Los Angeles Unified School District 2002 Series A	0.218%	1,107,314
Los Angeles Unified School District 1997 Series A	0.218%	318,655
Los Angeles Unified School District 1997 Series B	0.218%	450,918
Los Angeles Unified School District 1997 Series C	0.218%	389,522
Los Angeles Unified School District 1997 Series D	0.218%	307,873
Los Angeles Unified School District 1997 Series E	0.218%	871,040
Los Angeles Unified School District 1997 Series F	0.218%	4,583,388
Palos Verdes Peninsula USD Series 2000 A	45.989%	531,173
Palos Verdes Peninsula USD Series 2000 B	45.989%	6,845,507
Palos Verdes Peninsula USD Series 2000 C	45.989%	4,795,439
<b>TOTAL DIRECT AND OVERLAPPING BONDED DEBT</b>		<b>\$ 36,009,324 (1)</b>

(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	0.53%
Total Debt	0.53%

\* 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>
1996	42,670	15,610
1997	43,155	15,623
1998	43,657	15,652
1999	44,345	15,683
2000	44,933	15,706
2001	41,145	15,753
2002	42,002	15,762
2003	42,322	15,772
2004	42,810	15,781
2005	43,525	15,799

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

DEMOGRAPHIC STATISTICS

2000 CENSUS DATA

<b>Population distribution by ethnic group:</b>		<b>Individuals</b>	<b>Percent</b>
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%

<b>Population distribution by age:</b>		<b>Individuals</b>	<b>Percent</b>
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%

<b>Household by type:</b>		<b>Number of households</b>	<b>Percent</b>
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%

<b>Housing Tenure:</b>		<b>Units</b>	<b>Percent</b>
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	
1996	1,356	\$ 19,993,784	19	\$ 8,572,000	\$ 193,339,000
1997	1,389	20,897,000	23	9,766,000	139,282,000
1998	2,373	25,799,345	31	11,948,000	170,584,000
1999	3,129	65,373,000	96	43,200,000	198,802,000
2000	2,544	41,403,218	39	24,949,630	202,839,000
2001	2,468	22,685,411	9	4,677,000	207,807,000
2002	1,319	20,363,386	10	4,387,828	208,627,000
2003	1,405	37,526,472	16	9,931,300	111,787,000
2004	1,492	35,955,300	34	17,682,700	346,885,000
2005	1,331	36,758,500	22	14,561,200	**

\*\* Data regarding bank deposits within the City of Rancho Palos Verdes for the fiscal year ended June 30, 2005 is not currently available.

MISCELLANEOUS STATISTICS

AS OF JUNE 30, 2005

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