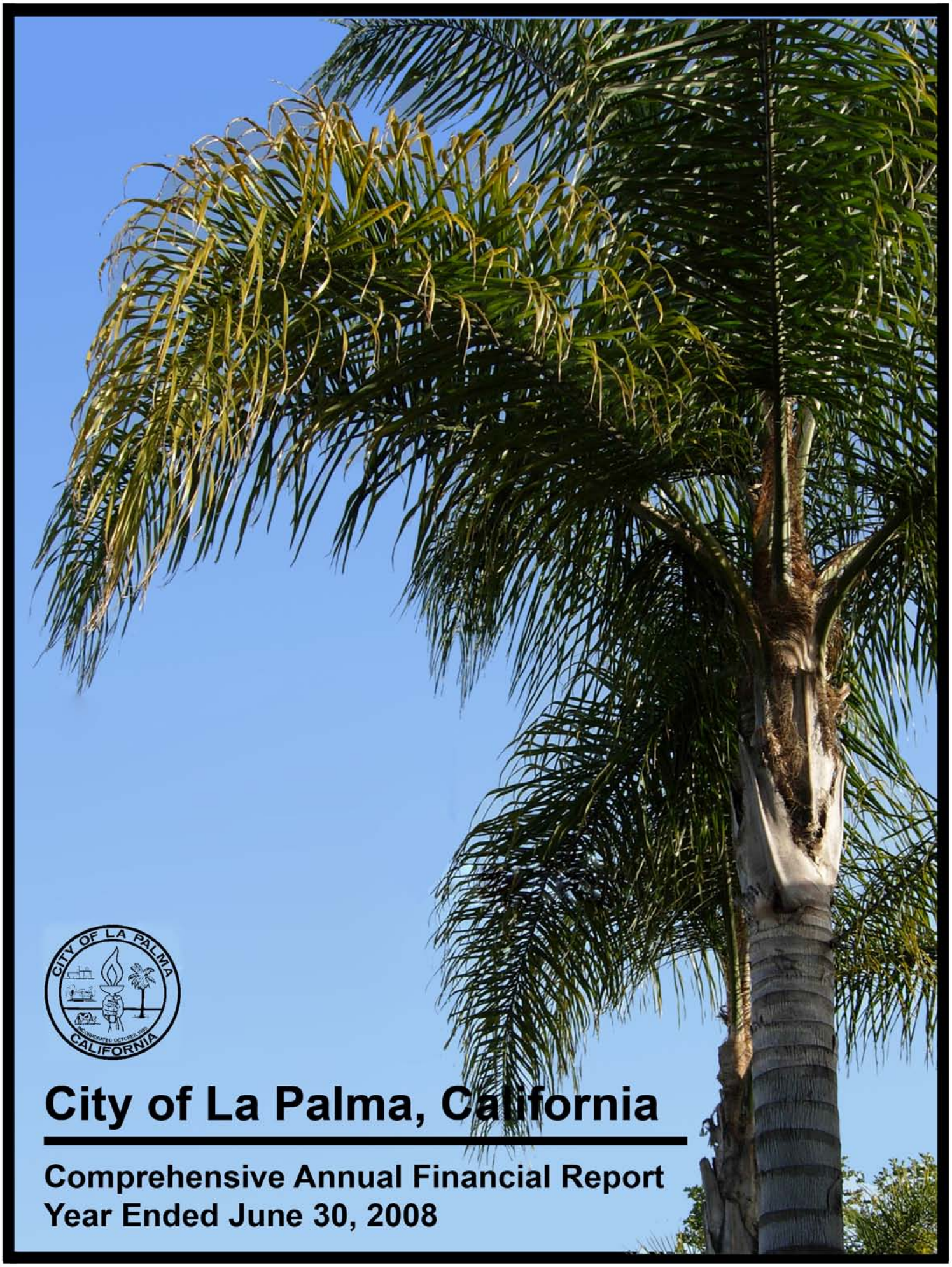

City of La Palma, California

Comprehensive Annual Financial Report
Year Ended June 30, 2008

CITY OF LA PALMA, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2008

Prepared by

Finance Department
Keith D. Neves
Finance Director

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CITY OF LA PALMA, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2008

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CITY OF LA PALMA, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
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CITY OF
LA PALMA

DOMINIC LAZZARETTO
CITY MANAGER

Office of the City Manager

November 5, 2008

To the Members of the City Council and Citizens of the City of La Palma:

State law requires that all general-purpose local governments publish within six months of the close of the fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of La Palma (City) for the fiscal year ending June 30, 2008.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, the management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Vavrinek, Trine, Day & Co., LLP, a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ending June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2008 were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

As a recipient of Federal, State, and County financial assistance, the City is also 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. Under Office of

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Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, which was revised June 24, 1997, the City did not meet the criteria for periodic evaluation and, therefore, was not required to and did not have a single audit performed for fiscal year ending June 30, 2008.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated in 1955, is located in north Orange County. The City currently occupies a land area of approximately 2 square miles and serves a population of 16,176. The City is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City has operated under the council-manager form of government since 1955. Policy making and legislative authority are vested in a City Council consisting of the mayor and four other councilmembers. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manger is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The City Council is elected on a non-partisan basis. Councilmembers serve four-year staggered terms. The mayor serves a one-year term and is selected for the position annually by the City Council as a whole.

The City provides a full range of services, including police protection; the construction and maintenance of highways, streets and other infrastructure; recreational and cultural activities; and building and safety, land use planning, and zoning control services. The City is financially accountable for the La Palma Community Development Commission, which is reported separately within the City's financial statements. Additional information regarding both of these legally separate entities can be found in the notes to the basic financial statements.

The annual budget serves as the foundation for the City's financial planning and control. All agencies of the City are required to submit requests for appropriation to the City Manager in March of each year. The City Manager uses these requests as the starting point for developing a proposed budget. After a series of scoping sessions with the community and the City Council, the City Manager formally presents this proposed budget to the City Council for review in May. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget on or around June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers

of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the City Manager. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and major special revenue funds, this comparison is presented as part of the required supplementary information in the accompanying financial statements. For governmental funds that have appropriated annual budgets, other than the General Fund and major special revenue funds, this comparison is presented in the supplementary section of the accompanying financial statements.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

The impact on the City's budget due to the State's ongoing budget crisis has abated somewhat with the passing of the Local Taxpayers and Public Safety Protection Act in 2005, also known as Proposition 1A. With some exceptions, California cities are constitutionally protected from future State raids (i.e. borrowing by the State at the expense of local governments or additional takeaways from Redevelopment Agencies) on local revenues. Nevertheless, the City has effectively managed its budget and used the positive results of solid economic growth within the City to build up its fund balance reserves to a level such that the City should be able to withstand any short-term negative economic impacts without affecting the primary service levels currently provided to its residents and businesses.

Long-term Financial Planning

The La Palma City Council has adopted a series of Financial Policy Statements over the years to guide budgetary decisions. These Financial Policy Statements are not cast in stone, and change as economic conditions, both internal and external to the La Palma organization, impact City finances.

Policy Statement Number 12 states: *The City should strive to budget for the "normal costs" of certain ongoing expenditures. When actual costs are less than normal costs, the City should reserve the difference to build up reserves. When actual costs exceed normal costs, the City should use reserves to bridge the gap.*

This financial policy is being applied to Vehicle Replacement, Computer Replacement, Building Maintenance Replacement, and Employee Retirement costs, in addition to insurance. As an example, budgeting for the "normal cost" of vehicle replacement will

prevent the General Fund from having to absorb a dramatic upswing in expenditures when a large number of vehicles must be replaced.

This planned "smoothing" of resources increases the City's long-term resiliency to changing economic conditions – whether they are caused by State budgetary actions, the loss of a top sales tax-generating business, or other unpredictable factors. As of June 30, 2008, the General Fund unreserved, undesignated fund balance was $21,735,394 or 246% of total General Fund expenditures.

Cash Management

Cash temporarily idle during the year was invested in the State Treasurer's investment pool, U.S. agency securities, and money market mutual funds. Cash resources of the individual funds are combined to form a pool of cash and investments. Investment income includes the change in the fair value of investments. Changes in fair value do not necessarily represent trends that will continue; nor will such changes necessarily be realized, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

Risk Management

The City is a member of the California Joint Powers Insurance Authority (Authority) to provide for the transfer of risk for general liability. The Authority is a pool of cities, which has formed an insurance group. Each member city pays an annual deposit into the pool. In addition, various risk control techniques, including annual safety audits and employee accident prevention training, have been implemented to minimize losses.

The limit of general liability insurance provided on June 30, 2008, was $50 million, combined single limit occurrence. The City has all risk property insurance, as indicated on a list of scheduled property. The City purchases Special Event insurance on an as-needed basis for City-sponsored events.

The City is also enrolled in the Authority's Workers' Compensation Insurance Program. The coverage provides statutory benefits for all City employees and volunteers.

All claims are investigated, valued, reserved, defended, and/or settled in accordance with generally accepted insurance industry practices. In 2008 the City received three Risk Management Awards from the California Joint Powers Insurance Authority (CJPIA), for Best Overall Performance, Most Improved in the General Liability Program and for the Lowest Five-Year Average in the cost of Liability Claims. There are no known existing claims that would exceed the City's applicable coverage.

Pension and Other Post-Employment Benefits

The City contributes to the California Public Employees Retirement System, an agent multiple-employer public employee defined benefit pension plan for its employees. Each year, an independent actuary engaged by the pension plan calculates that amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by this funding policy. The unfunded actuarial liability associated with employee services rendered to date is being systematically funded over 20 years as part of the annual required contribution calculated by the actuary.

The City also provides post-retirement health and dental care benefits for certain retirees. As of the end of the current fiscal year, there were 23 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Currently, GAAP does not require – and the City does not report – a liability in the financial statements in connection with an employer's obligation to provide these benefits; however, in one year, this will be a required disclosure in the City's financial statements.

Additional information regarding the City's pension arrangements and post-employment benefits can be found in the notes to the basic financial statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the seventh consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. We believe that our current comprehensive annual financial report 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.

The preparation of this report would not have been possible without the efficient and dedicated services of the City's entire management team and staff of the Finance Division. We would like to express our appreciation to all members who assisted and contributed to the preparation of this report. Credit also must be given to the City

Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

Keith D. Neves

Dominic Lazzaretto
City Manager

Keith D. Neves
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of La Palma California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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

President

Executive Director

City of La Palma

Directory of Officials

June 30, 2008

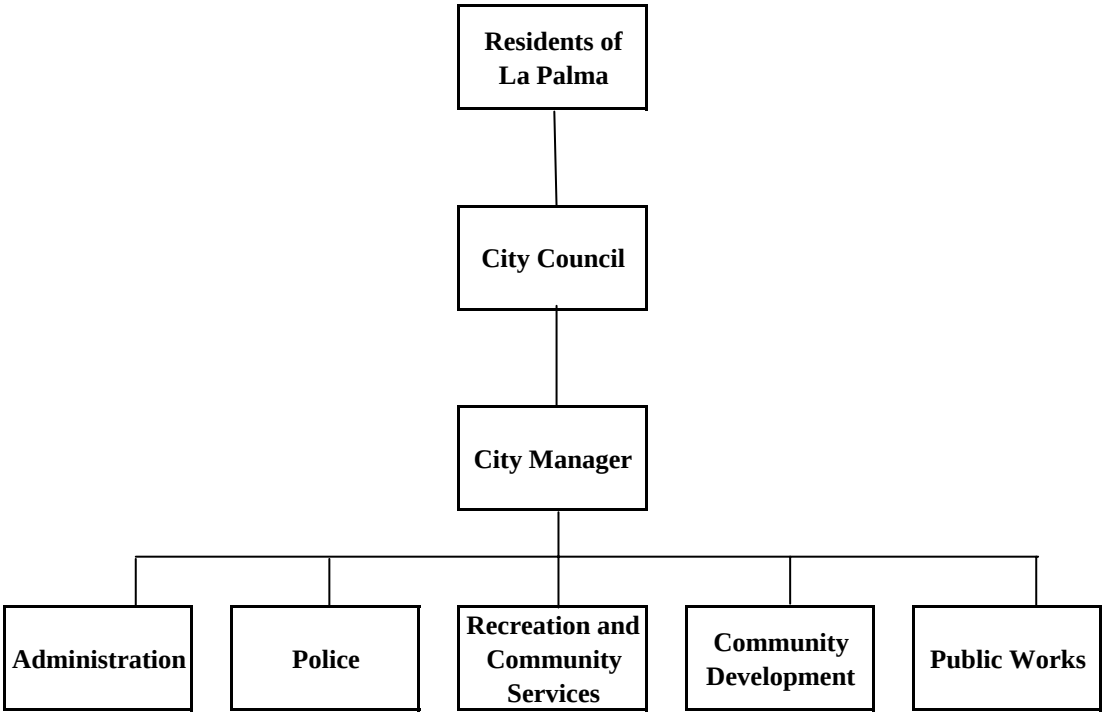
CITY COUNCIL

G. Henry Charoen, Mayor
Christine M. Barnes, Mayor Pro Tem
Larry A. Herman, Councilmember
Ralph D. Rodriguez, Councilmember
Mark I. Waldman, Councilmember

ADMINISTRATION

Dominic Lazzaretto, City Manager
Keith D. Neves, Finance Director
John J. Di Mario, Community Development Director
Laurie A. Murray, Administrative Services Manager/City Clerk
Edward O. Ethell, Chief of Police
Ismile H. Noorbaksh, P.E., Director of Public Works/City Engineer
Janice L. Hobson, Director of Recreation & Community Services

City of La Palma



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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

The Honorable City Council of
The City of La Palma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of La Palma, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of La Palma, California. 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 respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of La Palma, California, as of June 30, 2008, and the respective changes in the financial position and cash flows, where applicable, of the City of La Palma, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2008, on our consideration of the City of La Palma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 information identified in the accompanying table of contents as management's discussion and analysis and required supplementary information are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. 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.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Palma's basic financial statements. The introductory section, supplementary schedules as listed in the table of contents, and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary 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 statistical tables 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.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 5, 2008

CITY OF LA PALMA, CALIFORNIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

The following discussion and analysis of the financial performance of the City of La Palma (the "City") provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the basic financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *other supplementary schedules* in the form of combining statements for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.

    - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short-term* as well as what remains for future spending.
    - *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the government operates like businesses, such as the water and sewer system.
    - *Fiduciary fund* statements provide information about the fiduciary relationships – like the agency funds of the City – in which the City acts solely as *agent* or *trustee* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes to the basic financial statements* that further explain the information in the basic financial statements. The statements are followed by a section of *required supplementary information* that provides additional financial and budgetary information.

The following table summarizes the major features of the City's basic financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of the City's Government-wide and Fund Financial Statements

		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of fund net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets that are available to be used and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's fiduciary funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid.

Reporting the City as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for the City as a whole. One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases and decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- Governmental activities – Most of the City's basic services are reported here. Sales taxes, property taxes, state subventions, and other revenues finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of the services accounted for in these funds.
- Component unit – The City includes one separate legal entity in its report – the City Community Development Commission (CDC). Although legally separate, the blended "component unit" is important because the City is financially accountable for it.

Reporting the City's Major Funds

The **fund financial statements** provide detailed information about the City's most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain taxes, grants, or other money. The City's funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in reconciliation at the bottom of the fund financial statements.

- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for the proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that primarily provide supplies and services for the City's other programs and activities.

Reporting the City's Fiduciary Responsibilities

The City is an agent for certain assets held for, and under the control of, other organizations and individuals. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

- The City's net assets increased as a result of this year's operations. Net assets of the City's governmental activities increased $13,630,947 (38.3%) and business-type activities net assets increased by $756,328 (4.1%).

- At the close of the current fiscal year, the City's governmental funds reported total ending fund balance of $35,406,983, an increase of $10,501,160 (42.2%).

- At the close of the current fiscal year, the unreserved undesignated fund balance for the General Fund was $21,735,394 or 246 % of the total General Fund expenditures.

- The City's total long-term liabilities decreased by $444,157 (4.2%) during the current fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A summary of the government-wide *Statement of Net Assets* for the fiscal years ending June 30, 2008 and 2007 are as follows:

Condensed Statement of Net Assets
(In Millions)

	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
	June 30, 2008			June 30, 2007		
Current and other assets	$ 42.7	$ 12.4	$ 55.1	$ 36.2	$ 12.2	$ 48.4
Capital assets	18.2	7.5	25.7	15.5	6.7	22.2
Total Assets	60.9	19.9	80.8	51.7	18.9	70.6
Long-term debt outstanding	8.4	-	8.4	8.8	-	8.8
Other liabilities	3.2	0.7	3.9	7.3	0.4	7.7
Total Liabilities	11.6	0.7	12.3	16.1	0.4	16.5
Net Assets:						
Invested in capital assets	10.3	7.5	17.8	7.2	6.8	14.0
Restricted	8.6	-	8.6	7.0	-	7.0
Unrestricted	30.3	11.7	42.0	21.4	11.7	33.1
Total Net Assets	$ 49.2	$ 19.2	$ 68.4	$ 35.6	$ 18.5	$ 54.1

A summary of the government-wide *statement of activities* for the fiscal years ending June 30, 2008 and 2007 follows:

Changes in Net Assets
(In Millions)

	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
	June 30, 2008			June 30, 2007		
Revenues						
Program revenues:						
Charges for services	$ 0.8	$ 2.8	$ 3.6	$ 0.8	$ 2.7	$ 3.5
Operating contributions and grants	1.0	-	1.0	1.1	0.1	1.2
Capital contributions and grants	0.9	-	0.9	-	-	-
General revenues:						
Property taxes	5.8	-	5.8	5.2	-	5.2
Sales Taxes	11.5	-	11.5	1.5	-	1.5
Utitlity user's taxes	1.3	-	1.3	1.4	-	1.4
Other taxes	0.6	-	0.6	0.7	-	0.7
Other general revenues	2.3	0.5	2.8	2.4	0.6	3.0
Total Revenues	$ 24.2	$ 3.3	$ 27.5	$ 13.1	$ 3.4	$ 16.5
Program expenses:						
General government	1.8	-	1.8	1.6	-	1.6
Public safety	4.9	-	4.9	4.6	-	4.6
Public works	1.2	-	1.2	1.6	-	1.6
Recreation	1.3	-	1.3	1.2	-	1.2
Community development	0.9	-	0.9	0.9	-	0.9
Interest on long-term debt	0.9	-	0.9	0.9	-	0.9
Water	-	1.9	1.9	-	1.8	1.8
Sewer	-	0.2	0.2	-	0.2	0.2
Total Program Expenses	11.0	2.1	13.1	10.8	2.0	12.8
Excess before transfers	13.2	1.2	14.4	2.3	1.4	3.7
Transfers	0.4	(0.4)	-	0.4	(0.4)	-
Increase in net assets	13.6	0.8	14.4	2.7	1.0	3.7
Beginning net assets	35.6	18.5	54.1	32.9	17.5	50.4
Ending net assets	$ 49.2	$ 19.3	$ 68.5	$ 35.6	$ 18.5	$ 54.1

The City's total revenues, including transfers, for governmental and business-type activities were $24,538,321 and $2,905,084 respectively, while the total cost of all programs and services were $10,907,374 and $2,148,756, respectively. The result was an increase in net assets for governmental and business-type activities of $13,630,947 (38.3%) and $756,328 (4.1%), respectively.

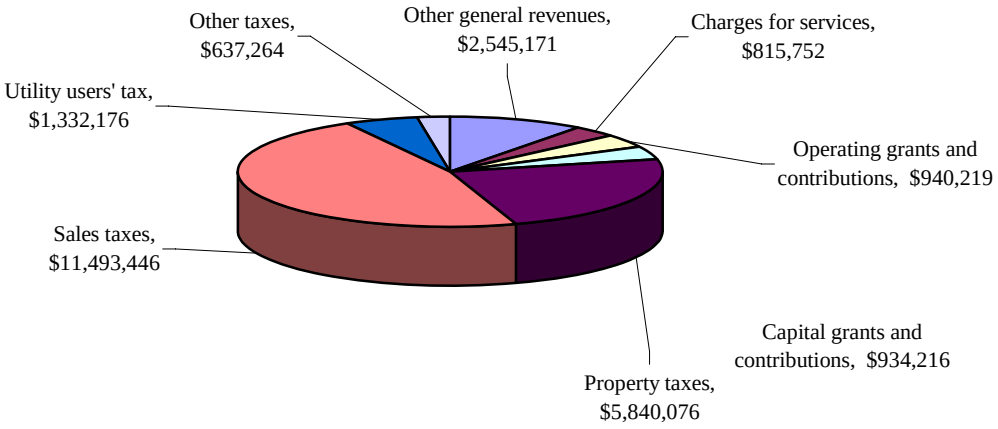
Governmental Activities

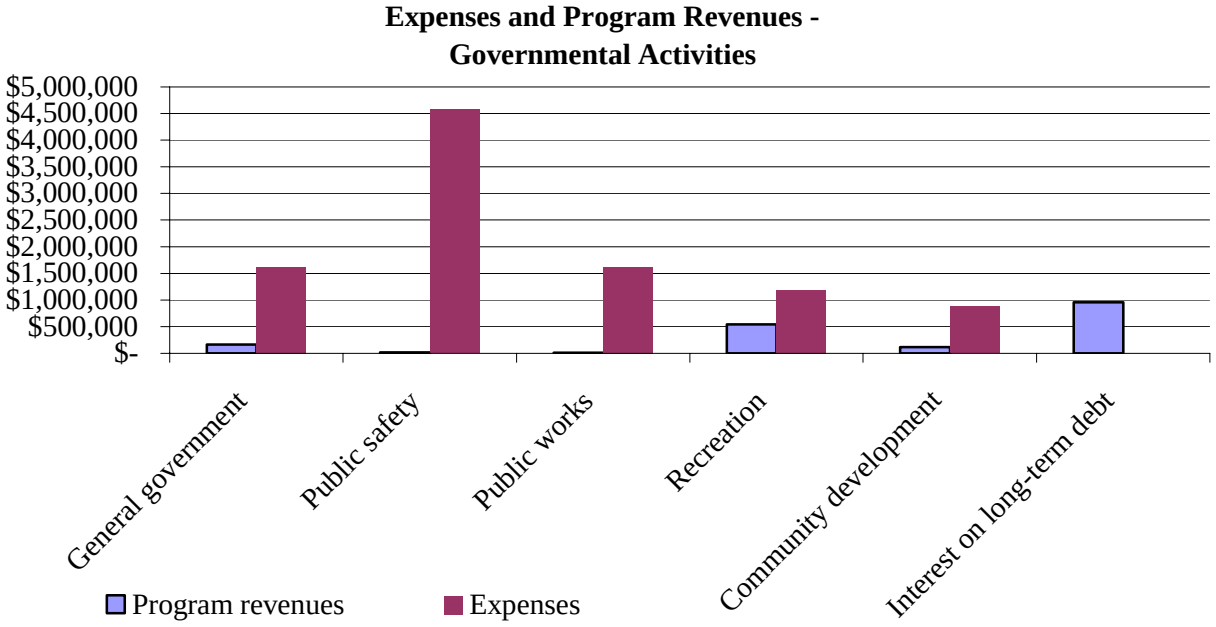
The reasons for significant changes in the revenues and expenses of the City's governmental activities are as follows:

- Revenues increased by $11 million when compared to the previous fiscal year. The increase is related to significant increases in sales taxes, property taxes and in investment income. Sales taxes in fiscal year 2007-08 totaled approximately $11.5 million, an increase of $10,000,007 over the prior fiscal year. This occurred due to a change in the reporting of sales taxes by certain businesses in the City in fiscal year 2007-08. The second largest tax increase was approximately $689,933 in property taxes resulting from an 13.4% increase in assessed valuation over the prior fiscal year. The decrease in investment earnings of approximately $51,091 was the result of an increase in the amount available to invest coupled with an decrease in the investment rates of the State investment pool.

- Expenses increased by approximately $61,191 (.05%) when compared to the previous fiscal year.

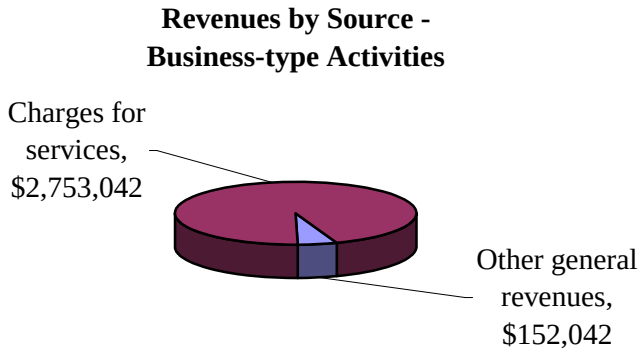
Revenues by Source - Governmental Activities

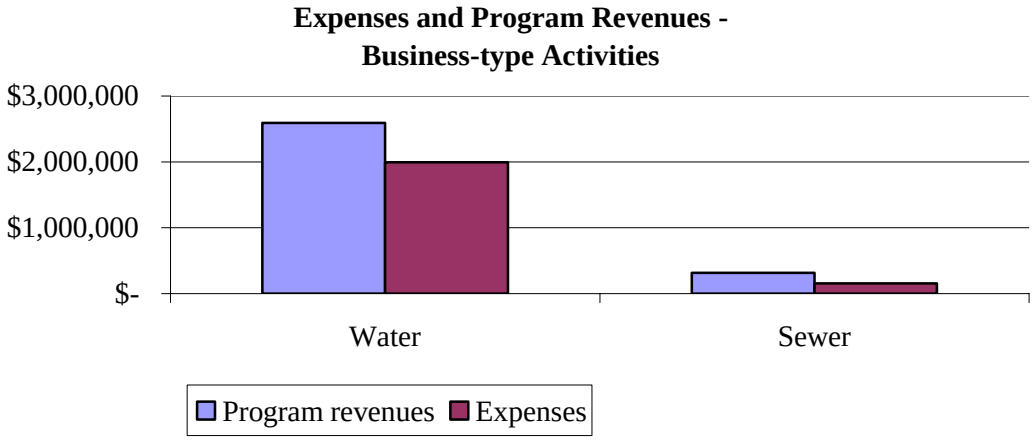




Business-type Activities

During the fiscal year ended June 30, 2008, program revenues exceeded program expenses by approximately $600,000, as neither revenues nor expenses changed significantly from the prior fiscal year. As a result, net assets increased by approximately $800,000, primarily by maintaining the rate of expenses below revenues to accumulate resources for future replacement of capital assets.





FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to provide proper financial management of the City's resources and to demonstrate compliance with finance-related legal requirements.

Major Governmental Funds. The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was $21,735,394, while total fund balance was $24,262,978. 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. Unreserved fund balance represents 246.1% of total General Fund expenditures, while total fund balance represents 274.8% of that same amount.

The City's General Fund expenditures increased during the current fiscal year by $162,782 (1.9%). This increase was primarily due to normal inflationary increases in supplies and services.

The **Low and Moderate Income Housing Fund** accounts for 20% of the tax increment received and are used to develop housing for citizens which meet the affordable housing criteria. This fund has a fund balance of $3,569,122. The net increase in fund balance during the current year was $573,402. Revenues increased by $61,097 (5.7%) due to the increase of $134,561 in tax increment associated with an increase in assessed value, and a decrease in investment income of $39,948 (9.1%) due to the amount available to invest, and an decrease in investment rates in the State investment pool. Expenditures were essentially the same as the previous year.

The **CDC Debt Service Fund** has a fund balance of $3,331,433. The net increase in fund balance during the current year in the debt service fund was approximately $1,406,148. Revenues grew by approximately $565,229 as the result of increases in assessed valuation and investment income, previously discussed. Expenditures increased approximately $138,554 and were consistent with the increase in the prior year.

The **CDC Projects Fund** has a deficit fund balance of $(23,437). The net decrease in fund balance during the year was $982,493. The main reason for this decrease was that revenues are limited to bond proceeds and interest income and during the current fiscal year, the Community Development Commission did not issue new debt. Expenditures were used for various community development operating and project costs.

The **Capital Outlay Reserve Fund** has a fund balance of $2,506,475. The net decrease in fund balance during the year was $1,350,006. Expenditures of $2,047,348 were made for various capital projects approved by the City Council as part of the current Capital Improvement Plan including median enhancements, street enhancements, storm drains, parks and facility improvements.

Major Enterprise Funds. Unrestricted fund net assets of the **Water Fund** at the end of the year amounted to $6,042,348 and those for the **Sewer Fund** amounted to $5,509,520. The total increase in fund net assets for both funds was $746,993, as previously addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year the original budget was amended to increase appropriations by $84,500 (1.0%) to arrive at a final budget for General Fund expenditures of $9,526,100. The additional appropriations were funded from reserves.

General Fund revenues of $18,673,768 were more than the budgeted revenues of $8,767,200by $9,906,568 (213%). The most significant reason was that investment income was up $9,930,214 (253%) over the budget estimate. This was due to two factors: tax increment associated with an increase in assessed value. Second, the City recognized sales tax revenue that was being deferred.

General Fund expenditures of $8,830,850 were less than budgeted expenditures of $9,526,100 by $695,250 (7.9%). General government expenditures were $171,056 (9.1%) less than the budget due to personnel vacancies, and other operating cost savings throughout the year. Recreation expenditures were $124,634 (9.4%) less than budgeted, also due to personnel vacancies throughout the year and other operating cost savings. Additionally, capital outlay expenditures were $186,727 (42.3%) less than budgeted primarily due to building improvements that were not completed during the year. There were no other significant variances.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets
(Net of Accumulated Depreciation)
(In Millions)

	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
	June 30, 2008			June 30, 2007		
Land	$ 6.7	$ 0.8	$ 7.5	6.7	0.8	7.5
Construction in progress	3.3	0.7	4.0	0.4	0.1	0.5
Buildings and improvements	2.2	2.2	4.4	2.3	2.3	4.6
Equipment	0.3	0.7	1.0	0.3	0.3	0.6
Vehicles	0.5	-	0.5	0.5	-	0.5
Furniture and fixtures	-	-	-	-	-	-
Infrastructure	5.2	3.1	8.3	5.3	3.2	8.5
Total Capital Assets	$ 18.2	$ 7.5	$ 25.7	$ 15.5	$ 6.7	$ 22.2

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounted to $25,677,681 (net of accumulated depreciation). This investment in capital assets included land, construction in progress, buildings and improvements, equipment, vehicles, furniture and fixtures, and infrastructure. The total increase in the City's investment in capital assets during the year was $3,500,529 (13.6%).

Additional information on the City's capital assets can be found in Note 6 of the notes to the basic financial statements.

Long-term Liabilities
(In Millions)

	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
	June 30, 2008			June 30, 2007		
Tax allocation bonds	$ 7.9	$ -	$ 7.9	$ 8.3	$ -	$ 8.3
Compensated absences	0.5		0.5	0.5		0.5
Total Long-term Liabilities	$ 8.4	$ -	$ 8.4	$ 8.8	$ -	$ 8.8

The City's outstanding long-term liabilities, including tax allocation bonds and compensated absences, totaled $8,442,167 as of June 30, 2008. The City's outstanding long-term liabilities decreased $444,157 (4.2%) primarily due to the repayment of principal on tax allocation bonds.

Additional information on the City's long-term liabilities can be found in Note 7 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Due to the increase in sales taxes as a result of the change in reporting of sales taxes by certain businesses in the City, the City has continued to use a conservative budget approach. The fiscal year 2008-09 budget incorporates the use of $426,479 in General Fund Reserves to balance the budget. The estimated unreserved undesignated fund balance at June 30, 2008 is projected at approximately $19 million.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office, City of La Palma, 7822 Walker Street, La Palma, California 90623.

GOVERNMENTAL-WIDE FINANCIAL STATEMENTS

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CITY OF LA PALMA, CALIFORNIA

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 35,332,286	$ 10,495,909	$ 45,828,195
Cash and investments with fiscal agent	866,446		866,446
Receivables:			
Accounts	249,993	702,585	952,578
Interest	282,949	79,022	361,971
Loans	5,080,712		5,080,712
Internal balances	(1,151,440)	1,151,440	
Due from other governments	2,003,222		2,003,222
Prepaid items	16,873		16,873
Capital Assets:			
Capital assets not being depreciated	9,990,615	1,490,672	11,481,287
Capital Assets being depreciated, net of accumulated depreciation	8,192,354	6,004,040	14,196,394
Total Assets	60,864,010	19,923,668	80,787,678
LIABILITIES			
Accounts payable	1,517,510	659,696	2,177,206
Salaries payable	239,050	12,969	252,019
Retentions payable	211,341	52,983	264,324
Other accrued liabilities	4,431		4,431
Interest payable	37,095		37,095
Due to other governments	1,189,642		1,189,642
Long-term liabilities:			
Portion due within one year:			
Compensated absences	552,167		552,167
Tax allocation bonds	415,000		415,000
Portion due beyond one year:			
Tax allocation bonds	7,475,000		7,475,000
Total Liabilities	11,641,236	725,648	12,366,884
NET ASSETS			
Invested in capital assets, net of related debt	10,292,969	7,494,712	17,787,681
Restricted for:			
Low and moderate income housing	3,569,122		3,569,122
Debt service	3,331,433		3,331,433
Specific projects and programs	1,760,412		1,760,412
Capital projects		5,699,473	5,699,473
Unrestricted	30,268,838	6,003,835	36,272,673
Total Net Assets	$ 49,222,774	$ 19,198,020	$ 68,420,794

See accompanying notes to financial statements.

CITY OF LA PALMA, CALIFORNIA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	$ 1,738,607	$ 175,399	$ 23,677	
Public Safety	4,892,593	14,351	314,457	
Public Works	1,233,230	20,171	602,085	$ 779,978
Recreation	1,269,199	473,574		150,000
Community development	883,184	132,257		4,238
Interest on long-term debt	890,561			
Total Governmental Activities	10,907,374	815,752	940,219	934,216
Business-Type Activities:				
Water	1,992,491	2,437,494		
Sewer	156,265	315,548		
Total Business-Type Activities	2,148,756	2,753,042		
Total	$ 13,056,130	$ 3,568,794	$ 940,219	$ 934,216

General Revenues:
Taxes:
Property tax
Sales tax
Utility users tax
Franchise tax
Transient occupancy taxes
Intergovernmental - unrestricted
Investment income
Other
Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

See accompanying notes to financial statements.

Net Revenue (Expense) and Change in Net Assets		
Governmental Activities	Business-type Activities	Total
$ (1,539,531)		$ (1,539,531)
(4,563,785)		(4,563,785)
169,004		169,004
(645,625)		(645,625)
(746,689)		(746,689)
(890,561)		(890,561)
(8,217,187)		(8,217,187)
	$ 445,003	445,003
	159,283	159,283
	604,286	604,286
(8,217,187)	604,286	(7,612,901)
5,840,076		5,840,076
11,493,446		11,493,446
1,332,177		1,332,177
345,924		345,924
291,340		291,340
71,636		71,636
1,757,446	515,042	2,272,488
353,089		353,089
363,000	(363,000)	-
21,848,134	152,042	22,000,176
13,630,947	756,328	14,387,275
35,591,827	18,441,692	54,033,519
$ 49,222,774	$ 19,198,020	$ 68,420,794

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund has been classified as a major fund and is used to account for all of the general revenues of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of general services by the City. The General Fund is generally used to account for all resources not required to be accounted for in another fund.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The following has been classified as a major Special Revenue Fund:

Low and Moderate Income Housing - To account for revenues and expenditures related to the development of housing within the City for citizens of low or moderate means.

DEBT SERVICE FUND

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The City maintains only one debt service fund, which is classified as a major fund as follows:

Community Development Commission (CDC) Debt Service - To account for that portion of the Community Development Commission's tax increment revenues required to be set aside for future debt service and related investment income. The fund is used to repay principal, interest and related costs on indebtedness of the CDC.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the purchase or construction of major capital facilities which are not financed by Proprietary Funds. Capital Projects Funds are ordinarily not used for the acquisition of furniture, fixtures, machinery, equipment and other relatively minor or comparatively short-lived general capital assets. The following have been classified as major Capital Projects Funds:

Community Development Commission (CDC) Projects - To account for financial resources segregated for the acquisition or construction of major capital facilities or for the rehabilitation of commercial and public property located within the Community Development Commission Project Area. The City has elected to treat this fund as a major governmental fund.

Capital Outlay Reserve - To account for financial resources segregated for City capital improvement projects.

NON-MAJOR GOVERNMENTAL FUNDS

Non-major governmental funds include all Special Revenue Funds except for the Low/Moderate Income Housing Fund. Assets, liabilities, revenues or expenditures of these funds do not exceed 10% of total governmental funds and 5% of total governmental and enterprise funds, and thus, do not meet the criteria to be classified as major funds.

CITY OF LA PALMA, CALIFORNIA

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	General Fund	Special Revenue: Low and Moderate Income Housing	Debt Service: CDC Debt Service
ASSETS			
Cash and investments	$ 22,286,480	$ 3,060,017	$ 3,981,129
Cash and investments with fiscal agent			866,446
Receivables:			
Accounts	247,376		
Interest	165,590	24,018	46,442
Loans		5,079,346	
Due from other governments	754,901	1,698	6,793
Prepaid Items	16,873		
Advances to other funds	2,510,711		
Total Assets	$ 25,981,931	$ 8,165,079	$ 4,900,810
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 310,422	$ 34,371	$ 357,603
Salaries payable	218,889	2,403	
Retentions payable			
Other accrued liabilities			
Due to other governments	1,189,642		
Deferred revenue		160,246	
Advances from other funds		4,398,937	1,211,774
Total Liabilities	1,718,953	4,595,957	1,569,377
FUND BALANCES			
Reserved for:			
Advances to other funds	2,510,711		
Prepaid items	16,873		
Loans receivable		4,919,100	
Unreserved, reported in:			
General fund	21,735,394		
Special revenue funds		(1,349,978)	
Debt service fund			3,331,433
Capital projects funds			
Total Fund Balances	24,262,978	3,569,122	3,331,433
Total Liabilities and Fund Balances	$ 25,981,931	$ 8,165,079	$ 4,900,810

See accompanying notes to financial statements.

Capital Projects			
CDC Projects	Capital Outlay Reserve	Non-major Governmental Funds	Total
$ 45,130	$ 2,346,274	$ 1,747,694	$ 33,466,724
			866,446
		2,617	249,993
759	19,439	13,317	269,565
			5,079,346
	321,191	156,268	1,240,851
			16,873
	500,000		3,010,711
$ 45,889	$ 3,186,904	$ 1,919,896	$ 44,200,509
$ 6,850	$ 540,600	$ 138,801	$ 1,388,647
3,145		8,502	232,939
59,331	139,829	12,181	211,341
			-
			1,189,642
			160,246
			5,610,711
69,326	680,429	159,484	8,793,526
	500,000		3,010,711
			16,873
			4,919,100
			21,735,394
		1,760,412	410,434
			3,331,433
(23,437)	2,006,475		1,983,038
(23,437)	2,506,475	1,760,412	35,406,983
$ 45,889	$ 3,186,904	$ 1,919,896	$ 44,200,509

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CITY OF LA PALMA, CALIFORNIA

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Fund Balances of Governmental Funds	$ 35,406,983
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	
Capital assets not being depreciated	9,990,615
Capital Assets being depreciated, net of accumulated	17,577,613
Accumulated Depreciation	(9,385,259)
Long-term liabilities applicable to governmental activities are not due and payable in the current period, and accordingly, are not reported as governmental fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Assets.	
Compensated absences	(552,167)
Tax allocation bonds	(7,890,000)
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds.	
Accrued interest-tax allocation bonds	(37,095)
Deferred revenue balances relating to certain loans receivable are not reported as liabilities in the Statement of Net Assets since recognition is not based upon measurable and available criteria.	
Deferred revenue-low and moderate income housing loans	160,246
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds must be added to the Statement of Net Assets since revenue recognition is not based upon measurable and available criteria.	
Fund Net Assets of Internal Service Funds	3,951,838
Net Assets of Governmental Activities	$ 49,222,774

See accompanying notes to financial statements.

CITY OF LA PALMA, CALIFORNIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008

	General Fund	Special Revenue: Low and Moderate Income Housing	Debt Service: CDC Debt Service
REVENUES:			
Taxes	$ 16,400,614	$ 653,453	$ 2,613,812
Intergovernmental	89,932		
Licenses and permits	257,525		
Finds and forfeitures	188,171		
Investment income	1,052,168	441,824	191,957
Charges for services	376,921		
Rental income	155,099		
Miscellaneous	153,338	24,505	
Total Revenues	18,673,768	1,119,782	2,805,769
EXPENDITURES:			
Current:			
General government	1,716,544		
Public safety	4,578,324		
Public works	686,806		
Recreation	1,197,766		
Community development	396,537	242,604	39,742
Capital outlay	254,873		
Debt Service:			
Principal			400,000
Interest		300,176	593,663
Pass-through payments			364,916
Total Expenditures	8,830,850	542,780	1,398,321
Excess (deficiency) of revenues over (under) expenditures	9,842,918	577,002	1,407,448
Other Financing Sources (Uses):			
Transfers in	402,400		
Transfers out		(3,600)	(1,300)
Total Other Financing Sources (Uses)	402,400	(3,600)	(1,300)
Net Change in Fund Balances	10,245,318	573,402	1,406,148
Fund Balances at Beginning of Year	14,017,660	2,995,720	1,925,285
Fund Balances (deficit) at End of Year	$ 24,262,978	$ 3,569,122	$ 3,331,433

See accompanying notes to financial statements.

Capital Projects			
CDC Projects	Capital Outlay Reserve	Non-major Governmental Funds	Total
			$ 19,667,879
	$ 475,691	$ 1,221,711	1,787,334
			257,525
			188,171
$ 31,967	162,864	58,498	1,939,278
			376,921
			155,099
	58,787	13,502	250,132
31,967	697,342	1,293,711	24,622,339
			1,716,544
		254,930	4,833,254
		220,811	907,617
			1,197,766
190,698			869,581
819,562	2,047,348	178,879	3,300,662
			400,000
			893,839
			364,916
1,010,260	2,047,348	654,620	14,484,179
(978,293)	(1,350,006)	639,091	10,138,160
			402,400
(4,200)		(30,300)	(39,400)
(4,200)		(30,300)	363,000
(982,493)	(1,350,006)	608,791	10,501,160
959,056	3,856,481	1,151,621	24,905,823
$ (23,437)	$ 2,506,475	$ 1,760,412	$ 35,406,983

CITY OF LA PALMA, CALIFORNIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances - Total Governmental Funds		$ 10,501,160
Amounts reported for the governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net assets decrease by the amount of deprecation expense charged for the year.		
Capital outlay	$ 3,226,541	
Depreciation expense	(489,176)	
		2,737,365
Repayment of bond principal is an expenditure in the governmental funds and thus, has the effect of reducing the fund balances because current financial resources have been used. As a whole, the principal payments reduce the liabilities in the Statement of Net Assets and do not result in an expense in the Statement of Activities.		
Debt Service principal-tax allocation bonds		400,000
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.		
Compensated absences-current year accrual		(916,083)
Compensated absences-current year retirements		871,926
Accrued interest for long-term debt. This is the net change in accrued interest for the current period.		3,278
Revenue is deferred in the governmental funds when it is not received soon enough after year-end to be considered available. The availability criteria does not apply to the government-wide financial statements, and therefore, the revenue is not deferred.		(82,102)
Internal Service Funds are used by management to chard the costs of certain activities to individual funds. The net revenues (expenses) of the Internal Service Funds are reported with governmental activities.		
Changes in Fund Net Assets of Internal Service Funds		115,403
Change in Net Assets of Governmental Activities		$ 13,630,947

PROPRIETARY FUNDS

ENTERPRISE FUNDS

Enterprise Funds are used for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public be financed or recovered primarily through user charges. The following have been classified as major Enterprise Funds:

Water - To account for revenues and expenses of the operations for the City's water utility. All activities necessary to provide this service are accounted for in this fund, including administration, operations, maintenance, billing collection and depreciation.

Sewer - To account for the revenues and expenses for the maintenance, repair and depreciation of the sewers within the City.

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency of the City to other departments or agencies on a cost reimbursement basis.

CITY OF LA PALMA, CALIFORNIA

PROPRIETARY FUNDS
STATEMENT OF FUND NET ASSETS
JUNE 30, 2008

	Business-Type Activities Enterprise Fund			Governmental Activities Internal
	Water	Sewer	Total	Service Fund
ASSETS				
Current assets:				
Cash and investments	$ 5,593,459	$ 4,902,450	$ 10,495,909	$ 1,865,562
Receivables:				
Accounts	631,713	70,872	702,585	
Interest	42,035	36,987	79,022	13,384
Loans				1,366
Due from other governments				762,371
Total Current Assets	6,267,207	5,010,309	11,277,516	2,642,683
Non-current assets:				
Capital assets				
Capital assets not being depreciated	1,490,672		1,490,672	
Capital assets being depreciated, net of accumulated depreciation	4,127,261	1,876,779	6,004,040	
Advances to other funds	500,000	500,000	1,000,000	1,600,000
Total Non-Current Assets	6,117,933	2,376,779	8,494,712	1,600,000
Total Assets	12,385,140	7,387,088	19,772,228	4,242,683
LIABILITIES				
Current liabilities:				
Accounts payable	659,597	99	659,696	128,863
Salaries payable	12,279	690	12,969	6,111
Retentions payable	52,983		52,983	
Other accrued liabilities				4,431
Total Current Liabilities	724,859	789	725,648	139,405
Total Liabilities	724,859	789	725,648	139,405
Fund Net Assets:				
Invested in capital assets	5,617,933	1,876,779	7,494,712	
Unrestricted	6,042,348	5,509,520	11,551,868	4,103,278
Total Fund Net Assets	$ 11,660,281	$ 7,386,299	19,046,580	$ 4,103,278
Amounts reported in the Statement of Net Assets are different because of the adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds			151,440	
Net Assets of Business-Type Activities			$ 19,198,020	

See accompanying notes to financial statements.

CITY OF LA PALMA, CALIFORNIA

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2008

	Business-type Activities-Enterprise Fund			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
Operating revenues:				
Charges for services	$ 2,437,494	$ 315,548	$ 2,753,042	$ 2,734,652
Total Operating Revenues	2,437,494	315,548	2,753,042	2,734,652
Operating expenses:				
Personnel services	444,153	23,544	467,697	1,722,662
Maintenance and operations	1,098,700		1,098,700	31,037
Contractual services	182,259	35,889	218,148	49,189
Depreciation	207,451	93,712	301,163	
Settlement claims and insurance	60,500	2,300	62,800	976,569
Administration	8,359	1,284	9,643	
Total Operating Expenses	2,001,422	156,729	2,158,151	2,779,457
Operating Income	436,072	158,819	594,891	(44,805)
NON-OPERATING REVENUES				
Investment income	278,532	236,510	515,042	169,603
Total Non-operating Revenues	278,532	236,510	515,042	169,603
Income and transfers	714,604	395,329	1,109,933	124,798
Transfers out	(325,400)	(37,600)	(363,000)	
Change in Fund Net Assets	389,204	357,729	746,933	124,798
Fund Net Assets at Beginning of Year	11,271,077	7,028,570		3,978,480
Fund Net Assets at End of Year	$ 11,660,281	$ 7,386,299		$ 4,103,278
Amounts reported in the Statement of Activities are different because Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds			9,395	
Change in Net Assets of Business-Type Activities			$ 756,328	

See accompanying notes to financial statements.

CITY OF LA PALMA, CALIFORNIA

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008

	Business-type Activities-Enterprise Fund			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
Cash flows from operating activities:				
Cash received from customers	$ 2,450,887	$ 327,360	$ 2,778,247	
Cash received from internal users				$ 3,049,091
Cash payments to suppliers for goods and services	(1,064,635)	(37,710)	(1,102,345)	(33,016)
Cash payments for employee services	(451,670)	(25,844)	(477,514)	(2,696,954)
Net Cash Provided By Operating Activities	934,582	263,806	1,198,388	319,121
Cash flows from non-capital financing activities:				
Cash payments to other funds	(325,400)	(37,600)	(363,000)	
Net Cash (used for) Non-Capital financing activities	(325,400)	(37,600)	(363,000)	
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,064,327)			
Net Cash (used for) Capital and Related Financing Activities	(1,064,327)		(1,064,327)	
Cash flows from investing activities:				
Interest income received	308,884	255,481	564,365	172,963
Net Cash Provided By Investing Activities	308,884	255,481	564,365	172,963
Net Increase (decrease) in Cash and Cash Equivalents	(146,261)	481,687	335,426	492,084
Cash and cash equivalents at beginning of year	5,739,720	4,420,763	10,160,483	1,373,478
Cash and cash equivalents at end of year	$ 5,593,459	$ 4,902,450	$ 10,495,909	$ 1,865,562
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income loss:	$ 436,072	$ 158,819	$ 594,891	$ (44,805)
Adjustments to reconcile operating income to net income provided by operating activities:				
Depreciation	207,451	93,712	301,163	
(Increase) decrease in accounts receivable	4,381	11,812	16,193	
(Increase) decrease in loans receivable				3,722
(Increase) decrease in due from other governments	9,012		9,012	310,717
Increase (decrease) in accounts payable	224,137	(192)	223,945	47,146
Increase (decrease) in salaries payable	546	(345)	201	64
Increase (decrease) in retentions payable	52,983		52,983	2,277
Total Adjustments	498,510	104,987	603,497	363,926
Net Cash Provided By Operating Activities	$ 934,582	$ 263,806	$ 1,198,388	$ 319,121

See accompanying notes to financial statements.

PROPRIETARY FUNDS

AGENCY FUNDS

Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

CITY OF LA PALMA, CALIFORNIA

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2008

	Agency Funds
ASSETS	
Cash and investments	$ 36,161
Total Assets	$ 36,161
LIABILITIES	
Accounts payable	$ 20,000
Deposits payable	16,161
Total Liabilities	$ 36,161

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of La Palma, California (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant City accounting policies are described below.

A. Reporting Entity

The City of La Palma, California was incorporated on October 26, 1955 under the general laws of the State of California. The City operates under an elected Council/City Manager form of government.

As required by GAAP, these financial statements present the City of La Palma and its component unit, an entity for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e. it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete. A brief description of the City's component unit is as follows:

> The La Palma Community Development Commission (CDC) was established in April 1983, pursuant to the State of California Health and Safety Code Section 33000 entitled, "Community Redevelopment Law." Although it is a legally separate entity from the City, the CDC is reported as if it were part of the City because of its purpose to prepare and execute plans for the improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City.

Since the City Council serves as the governing board for this component unit, the City's component unit is considered to be a blended component unit. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are reported with the interfund data of the primary government. The La Palma Community Development Commission issues separate component unit financial statements that may be obtained through written request to the City Department of Finance or the City Clerk's office at City Hall, 7822 Walker Street, La Palma, California 90623.

B. Fund Accounting

The accounts of the City are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein the operations of each fund are accounted for in a separate set of self-balancing accounts that records resources, related liabilities, obligations, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

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

B. Fund Accounting, (Continued)

The following is a summary of the fund types utilized by the City:

Governmental Fund Types

- The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures of this fund include the general operating expenses and capital improvement costs which are not paid through other funds.
- Special Revenue Funds are used to account for the proceeds of specific revenue sources that are usually required by law or administrative regulation to be accounted for in separate funds.
- Debt Service Funds are used to account for the accumulation of resources for and the payment of long-term debt principal and interest.
- Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by Proprietary Fund Types.

The City reports the following major governmental funds:

General Fund – To account for all of the general revenues of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of general services by the City.

Low and Moderate Income Housing – To account for revenues and expenditures related to the development of housing within the City for citizens of low and moderate means.

Community Development Commission (CDC) Debt Service – To account for that portion of the CDC's tax increment revenues and related investment income required to be set aside for future debt service. The fund is used to repay principal, interest and related costs on indebtedness of the CDC.

Community Development Commission (CDC) Projects – To account for financial resources segregated for the acquisition or construction of major capital facilities or for the rehabilitation of commercial and public property located within the CDC Project Area. The City has elected to treat this fund as a major governmental fund.

Capital Outlay Reserve – To account for financial resources segregated for City capital improvement projects.

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

B. Fund Accounting, (Continued)

Proprietary Fund Types –

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The City reports the following major enterprise funds:

Water – To account for revenues and expenses of the operations for the City's water utility. All activities necessary to provide this service are accounted for in this fund, including administration, operations, maintenance, billing collection and depreciation.

Sewer – To account for the revenues and expenses for the maintenance, repair and depreciation of the sewers within the City.

The City's Fund structure also includes the following fund types:

Internal Service Funds are 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. The City's Internal Service Funds account for certain insurance activity and for costs of the City's employee benefit plan and workers' compensation insurance.

Agency Funds are used to account for assets held by the City as an agent for individuals or private organizations and other governmental units. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The City's Agency Fund accounts for assets held for other governments and various deposits held for individuals or private organizations.

C. Measurement Focus and Basis of Accounting

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

The City applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

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

C. Measurement Focus and Basis of Accounting, (Continued)

Government – wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component unit). Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non exchange transaction were recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services, special assessments, and payments made by parties outside the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

This underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be 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 or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

C. Measurement Focus and Basis of Accounting, (Continued)

Fund Financial Statements, (Continued)

Fund financial statements for the primary government's governmental, proprietary and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major fund in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City considers all revenues available if they are collected within 60 days after year end. Significant revenues subject to accrual under the measurable and available criteria include property taxes, sales taxes and utility user taxes.

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Non-current portions of long-term receivables are offset by fund balance reserve accounts.

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

C. Measurement Focus and Basis of Accounting, (Continued)

Governmental Funds, (Continued)

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures. When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Proprietary Funds

The City's Enterprise and Internal Service Funds are proprietary funds. In the fund financial statements, proprietary funds and agency funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the *economic resources measurement focus.* This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses result from providing goods and services related to the fund's ongoing operations. The principal operating revenue of the City's proprietary funds is charges for service. Operating expenses include the cost of services provided, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Amounts paid to acquire capital assets are capitalized as assets in the proprietary funds financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the proprietary funds financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the proprietary funds are reported as a reduction of the related liability, rather than as an expenditure.

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

D. Cash and Investments

Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. The fair value of the investments is generally based on published market prices and quotations from major investment firms.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance, except investment income for the Internal Service Funds and the Capital Outlay Reserve Capital Projects Fund is allocated to the General Fund.

E. Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 months or less. Cash equivalents represent the proprietary funds' share in the cash and investment pool of the City.

F. Capital Assets

Acquisitions of capital assets (including infrastructure) are recorded at historical cost at the time of purchase. Donated capital assets are recorded at their fair market value at the time received.

Generally, capital asset acquisitions in excess of $5,000 (general capital assets) and $25,000 (infrastructure) are capitalized if they have an expected useful life of one year or more. Capital assets include public domain (infrastructure) capital assets consisting of certain improvements, including streets (pavement, medians, curbs/gutters, sidewalks, traffic signals, monument signs and bridges), storm drains and water/sewer systems and improvements.

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

F. Capital Assets, (Continued)

Capital assets used in operations are depreciated in the government-wide financial statements and in the fund financial statements of the proprietary funds. Depreciation of such assets is computed using the straight-line method over the estimated useful lives noted below and charged to operations:

Assets	Years
Buildings and improvements	50
Machinery and equipment	5 to 10
Vehicles	5
Furniture and fixtures	5
Infrastructure-streets network	
Pavement	80
Medians	50
Curbs and gutters	75
Sidewalks	75
Traffic signals	30
Monument signs	50
Bridges	75
Infrastructure-storm drains	
Storm drain lines	75
Water system and other improvements	
Water pipes	75
Water hydrants	75
Water services	75
Sewer system and other improvements	
Sewer pipes	75
Sewer manholes	75
Sewer services	75

G. Compensated Absences

In accordance with GASB Statement No. 16, a liability is recorded for compensated absences (unpaid vacation, sick leave and compensatory time) since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

H. Deferred Revenue

Deferred revenue in the fund financial statements represents receivables at year end that will not be collected soon enough to finance current year expenditures.

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

I. Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1 % 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 60 days after year-end:

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

The City participates in a program called the "Teeter Plan," whereby the County distributes 100% of the City's portion of the secured tax levy during each fiscal year. In exchange, the City waives the right to collect interest and penalties on any delinquent tax collections received by the County on the secured rolls in future years.

J. Interfund Transfers

In the fund financial statements, transactions that constitute reimbursements to a fund for expenditures/ expenses initially made from it that are properly applicable to another fund are recorded as transfers out in the reimbursing fund and as transfers in the fund that is reimbursed.

Nonrecurring or non-routine permanent transfers of equity are also reported as transfers.

K. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported in the fund financial statements as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

L. Net Assets Restricted by Enabling Legislation

The government-wide statements of net assets reports $19,198,020 of business-type net assets, of which $5,699,473 is restricted by enabling legislation.

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

M. Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability (including incurred but not reported) has been incurred prior to year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. In the fund financial statements, these liabilities are recorded in the Internal Service Funds that account for the City's insurance activities.

N. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses, during the reporting period, actual results could differ from those estimates.

O. 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.

P. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Q. New GASB Pronouncements

Implemented during 2007-2008

GASB Statement No. 48 – In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement addresses accounting and financial reporting standards for transactions where governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. This statement establishes criteria and reporting standards regarding the exchange as either a sale or collateralized borrowing, resulting in a liability.

GASB Statement No. 50 – In May 2008, GASB issued Statement No. 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

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

Q. New GASB Pronouncements, (Continued)

Effective in Future Years

GASB Statement No. 45 – In June 2004, 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 other post employment benefits expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers. This statement is not effective until June 30, 2009. The City has not determined its effect on the financial statements.

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

GASB Statement No. 51 – In June 2008, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is not effective until June 30, 2010. The City has not determined its effect on the financial statements.

GASB Statement No. 52 – In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments.* This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. This statement is not effective until June 30, 2009. The City has not determined its effect on the financial statements.

GASB Statement No. 53 – In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This statement is not effective until June 20, 2010. The City has not determined its effect on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Statement of Net Assets		
Cash and investments	$	45,828,195
Cash and investments with fiscal agent		866,446
Fiduciary Fund		36,161
Total Cash and Investments	$	46,730,802

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	$	7,725
Deposits with financial institutions		517,751
Investments		46,205,326
Total Cash and Investments	$	46,730,802

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized of the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	No	180 days	40%	40%
Commercial Paper	Yes	180 days	15%	5%
Negotiable Certificates of Deposit	No	5 years	30%	None
Repurchase Agreements	Yes	30 days	None	None
Reverse Repurchase Agreements	No	30 days	20% of base value	None
Medium-Term Notes	No	92 days	30%	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	No	5 years	30%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	No	N/A	20%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	$40,000,000 per Agency	None
JPA Pools (other investment pools)	No	N/A	None	None

*Based on state law requirements or investment policy requirements, whichever is more restrictive

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	None	None
Money Market Mutual Funds	N/A	None	5%
Repurchase Agreements	30 days	None	None
Investment Contracts	30 years	None	None

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. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

NOTE 2 – CASH AND INVESTMENTS, (Continued)

Disclosures Relating to Interest Rate Risk, (Continued)

For purposes of the schedule shown below, any callable securities are assumed to be held to maturity. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

		Remaining Maturing (In Months)			
Investment Type	Totals	12 Months Or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
LAIF	$ 45,254,508	$ 45,254,508			
Money Market Mutual Funds	79,842	79,842			
U.S. Agency Securities					
GNMA	4,530	311	$ 1,153		$ 3,066
Held by fiscal agent:					
U.S. Agency Securities					
FHLB	814,301			$ 814,301	
Money Market Mutual Funds	52,145	52,145			
Total	$ 46,205,326	$ 45,386,806	$ 1,153	$ 814,301	$ 3,066

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. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

		Minimum	Rating as of Year End		
Investment Type	Totals	Legal Rating	AAA	AA	Not Rated
LAIF	$ 45,254,508	N/A			$ 45,254,508
Money Market Mutual Funds	79,842	N/A	$ 79,842		
U.S. Agency Securities					
GNMA	4,530	AAA	4,530		
Held by fiscal agent					
U.S. Agency Securities:					
FHLB	814,301	N/A	814,301		
Money Market Mutual Funds	52,145	N/A	52,145		
Total	$ 46,205,326		$ 950,818	$ -	$ 45,254,508

NOTE 2 – CASH AND INVESTMENTS, (Continued)

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's 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% 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% of the secured public deposits. As of June 30, 2008, $380,646 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's 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.

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

Long-term interfund receivables and payables at June 30, 2008 are as follows:

Advances to /from other funds:

Receivable Fund	Payable Fund	Amount	
General Fund	Low and Moderate Income Housing	$ 1,298,937	(A)
General Fund	CDC Debt Service	1,211,774	(B)
Capital Outlay Reserve	Low and Moderate Income Housing	500,000	(A)
Water	Low and Moderate Income Housing	500,000	(A)
Sewer	Low and Moderate Income Housing	500,000	(A)
Internal service funds	Low and Moderate Income Housing	1,600,000	(A)
	Total Advances	$ 5,610,711	

A. During the year ended June 30, 2001, the City Council authorized a $4,933,000 advance to the CDC. The CDC then used the proceeds to make a loan to a developer for the construction of a senior citizens affordable rental housing project. Interest on the advance accrues at a rate equal to the rate of return on City investments in LAIF plus 2.375%. Annual principal and interest payments are due from the CDC over 30 years. The outstanding balance on the loan at June 30, 2008 is $4,398,937 and is recorded as an advance from various City funds to the Low and Moderate Income Housing Special Revenue Fund.

B. In July 2002, the City loaned $1,500,000 to the CDC for the purpose of assisting the CDC in meeting certain contractual obligations pertaining to the redevelopment of its project area. Interest accrues on the advance at a rate of 10% compounded annually. The loan plus accrued interest are repaid to the City out of the CDC's tax increment. All amounts must be repaid no later than June 30, 2018. The outstanding balance on the loan at June 30, 2008 is $1,211,774 and is recorded as an advance from the City's General Fund to the CDC's Debt Service Fund.

NOTE 4 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008 are as follows:

Transfers In	Transfers Out	Amount
General Fund	Non-major governmental funds	$ 30,300
General Fund	Low and Moderate Income Housing	3,600
General Fund	CDC Debt Service	1,300
General Fund	CDC Capital Projects Fund	4,200
General Fund	Water	325,400
General Fund	Sewer	37,600
	Total Interfund Transfers	$ 402,400

Purpose of Interfund Transfers

A. The General Fund charged various major and non-major governmental funds $39,400 for building, vehicle and computer maintenance and replacement.

B. The General Fund charged the Water and Sewer Funds $325,400 and $37,600, respectively, for administrative costs.

NOTE 5 – LOANS RECEIVABLE

Loans receivable consists of the following at June 30. 2008:

	Amount
During the year ended June 30, 2001, the City loaned $4,930,95 to a developer for the construction of a senior citizens affordable rental housing project. Interest on the loan accrued at a rate equal to the rate of return on City investments in LAIF plus 2.375%. The developer makes monthly payments to the City based on its operating income. The loan is not expected to be collected by the City within one year	$ 4,919,100
Deferred low and moderate income housing loans	160,246
Other Loans	1,366
Total	$ 5,080,712

NOTE 6 – CAPITAL ASSETS

A summary of capital asset activity for the year ended June 30, 2008 follows:

Governmental Activities:	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
Capital Assets Not Being Depreciated:				
Land	$ 1,602,281			$ 1,602,281
Land rights related to streets	5,104,472			5,104,472
Construction in progress	384,161	$ 3,122,150	$ (222,449)	3,283,862
Total Capital Assets Not Being Depreciated	7,090,914	3,122,150	(222,449)	9,990,615
Capital Assets, Being Depreciated:				
Buildings and improvements	4,133,804	75,168		4,208,972
Equipment	928,312	25,909	(41,226)	912,995
Vehicles	1,597,935	125,784	(96,185)	1,627,534
Furniture and fixtures	68,888			68,888
Infrastructure-streets network	10,202,246	100,538		10,302,784
Infrastructure-storm drains	456,440			456,440
Total Capital Assets Being Depreciated	17,387,625	327,399	(137,411)	17,577,613
Less Accumulated Depreciation for:				
Buildings and improvements	(1,863,331)	(102,349)		(1,965,680)
Equipment	(642,697)	(51,206)	40,667	(653,236)
Vehicles	(1,082,018)	(145,559)	96,185	(1,131,392)
Furniture and fixtures	(68,888)			(68,888)
Infrastructure-streets network	(5,059,531)	(183,974)		(5,243,505)
Infrastructure-storm drains	(316,470)	(6,088)		(322,558)
Total Accumulated Depreciation	(9,032,935)	(489,176)	136,852	(9,385,259)
Total Capital Assets, Being Depreciated, Net	8,354,690	(161,777)	(559)	8,192,354
Governmental Activities Capital Assets, Net	$ 15,445,604	$ 2,960,373	$ (223,008)	$ 18,182,969

NOTE 6 – CAPITAL ASSETS, (Continued)

Business-type Activities	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
Capital Assets Not Being Depreciated:				
Land	$ 754,000			$ 754,000
Construction in progress	101,540	$ 635,132		736,672
Total Capital Assets Not Being Depreciated	855,540	635,132		1,490,672
Capital Assets, Being Depreciated:				
Buildings and improvements	7,839,661			7,839,661
Machinery and equipment	552,839	429,195		982,034
Water system and other improvements	2,867,808			2,867,808
Sewer system and other improvements	3,211,542			3,211,542
Total Capital Assets Being Depreciated	14,471,850	429,195		14,901,045
Less Accumulated Depreciation for:				
Buildings and improvements	(5,483,366)	(169,372)		(5,652,738)
Machinery and equipment	(209,743)	(50,747)		(260,490)
Water system and other improvements	(1,363,721)	(38,242)		(1,401,963)
Sewer system and other improvements	(1,539,012)	(42,802)		(1,581,814)
Total Accumulated Depreciation	(8,595,842)	(301,163)		(8,897,005)
Total Capital Assets, Being Depreciated, Net	5,876,008	128,032		6,004,040
Business-type Activities Capital Assets, Net	$ 6,731,548	$ 763,164	$ -	$ 7,494,712

NOTE 6 – CAPITAL ASSETS, (Continued)

Depreciation expense was charged to functions for the year ended June 30, 2008 as follows:

Governmental Activities:		
General government	$	19,147
Public safety		128,900
Public works		251,782
Recreation		74,976
Community development		14,371
Total Depreciation Expense - Governmental Activities	$	489,176
Business-type Activities:		
Water	$	207,451
Sewer		93,712
Total Business-type Activities	$	301,163

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

Governmental Activities	Balance at July 1, 2007	Additions	Reductions	Balance at June 30, 2008	Portion Due Within One Year
1993 Tax Allocation Bonds	$ 3,155,000		$ (185,000)	$ 2,970,000	$ 190,000
2001 Tax Allocation Bonds	5,135,000		(215,000)	4,920,000	225,000
Subtotal	8,290,000		(400,000)	7,890,000	415,000
Compensated absences	508,010	$ 916,083	(871,926)	552,167	552,167
Total long-term liabilities	$ 8,798,010	$ 916,083	$ (1,271,926)	$ 8,442,167	$ 967,167

Compensated absences are generally liquidated by the General Fund.

NOTE 8 –BONDS PAYABLE

1993 Tax Allocation Bonds

On December 1, 1993, the CDC issued tax allocation bonds in the amount of $5,100,000 to finance a portion of the cost of the redevelopment area known as the Community Development Commission Project Area. The bonds are in denominations of $5,000 each and bear interest at rates ranging from 3.30% to 6.10%. Principal is payable annually on June 1. Interest is payable semiannually on June 1 and December 1. Bonds may be redeemed at par. As of June 30, 2008, $2,970,000 of the bonds were outstanding.

Debt service requirements on the 1993 tax allocation bonds at June 30, 2008, are as follows:

Year Ending June 30	Principal	Interest
2009	$ 190,000	$ 181,170
2010	205,000	169,580
2011	220,000	157,075
2012	230,000	143,655
2013	240,000	129,625
2014-2018	1,425,000	411,445
2019-2022	460,000	66,490
Total	$ 2,970,000	$ 1,259,040

2001 Refunding Tax Allocation Bonds

On December 1, 2001, the CDC issued tax allocation bonds in the amount of $6,200,000 to refund $5,760,000 of 1991 tax allocation bonds previously issued and outstanding by the CDC. The refunding bonds are in denominations of $5,000 each and bear interest at rates ranging from 2.50% to 5.50%. Principal is payable annually on June 1. Interest is payable semiannually on June 1 and December 1. Bonds maturing on or before June 1, 2011 are not subject to call or redemption prior to maturity. Bonds maturing on or after June 1, 2012 may be redeemed at par plus a premium. As of June 30, 2008, $4,920,000 of 2001 refunding tax allocation bonds were outstanding.

NOTE 8 – BONDS PAYABLE, (Continued)

Debt service requirements on the 2001 refunding tax allocation bonds at June 30, 2008 are as follows:

Year Ending June 30	Principal	Interest
2009	$ 225,000	$ 263,980
2010	230,000	254,080
2011	245,000	243,615
2012	260,000	232,100
2013	275,000	217,800
2014-2018	1,770,000	843,425
2019-2021	1,915,000	243,100
Total	$ 4,920,000	$ 2,298,100

The CDC has pledged a portion of future tax increment revenues to repay the $5.1M and the $6.2M Tax Allocation Bonds issued in 1993 and 2001 respectively, as the source of repayment of the bonds are tax increment revenues. Tax increment revenues were projected to produce 100 percent and 100 percent, respectively, of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds are $4,229,040 for the 1993 bonds and $7,218,000 for the 2001 bonds, payable through 2022. For the current year, principal and interest paid and total incremental tax revenues were $1,438,440 and $3,267,265, respectively.

1993 and 2001 Tax Allocation Bonds Reserve Requirement

The required reserve for the 1993 and 2001 Tax Allocation Bonds is $872,025 as of June 30, 2008; the reserve amount was $903,058 at cost, with market value of $865,623.

NOTE 9 – ARBITRAGE REBATE

The Tax Reform Act instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not paid to the federal government at least every five years.

During the current year, the City performed calculations of excess investment earnings on various bonds and financings in accordance with arbitrage regulations. The City has determined that no arbitrage rebate liability exists as of June 30, 2008.

NOTE 10 – POST RETIREMENT BENEFITS

In addition to providing pension benefits, the City provides post-employment health care benefits, in accordance with State statute, to all safety employees who retire from the City on or after attaining age 50 with at least five years of service. Currently 23 retirees meet those eligibility requirements. These health care benefits are funded by insurance premiums paid by retirees enrolled in the health plans and by the City. The cost of retiree health care benefits is recognized as an expense as the insurance premiums are paid on a monthly basis, which were approximately $71,934 for the year ended June 30, 2008.

NOTE 11 – LIABILITY, PROPERTY, AND WORKERS COMPENSATION PROTECTION

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 composed of 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, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverage's. The CJPIA's 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 nine-member Executive Committee.

Self-insurance programs of the CJPIA

General liability - All members of CJPIA are required to participate in the risk-sharing program for general liability coverage. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued and a retrospective deposit computation is then made for each open claims year. Costs of coverage for each member equals the sum of the following: the first $30,000 of each non-police occurrence is charged directly to the member; costs from $30,001 to $750,000 of non-police losses are pooled and prorated to each member based on a member's share of total non-police losses under $30,000; costs from $750,001 to $15,000,000 of non-police losses are pooled and prorated based on member's share of total non-police payroll; the first $30,000 of each police occurrence is charged directly to the member; costs from $30,001 to $750,000 of police losses are pooled and prorated to each member based on a member's share of total police losses under $30,000; costs from $750,001 to $15,000,000 of police losses are pooled and prorated based on member's share of total police payroll. Costs of all 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.

NOTE 11 – LIABILITY, PROPERTY AND WORKERS COMPENSATION PROTECTION, (Continued)

Workers' compensation – The City elected to participate in the risk-sharing program for workers' compensation coverage. Primary deposits and retrospective adjustments are valued in a manner similar to the general liability program. Costs of coverage for each member equals the sum of the following: the first $50,000 of each non-public safety occurrence is charged directly to the member; costs from $50,001 to $100,000 of nonpublic safety losses are pooled and prorated to each member based on a member's share of total non-public safety losses under $50,000; costs from $100,001 to $2,000,000 of non-public safety losses are pooled and prorated based on member's share of total nonpublic safety payroll; the first $50,000 of each public safety occurrence is charged directly to the member; costs from $50,001 to $100,000 of public safety losses are pooled and prorated to each member based on a member's share of total public safety losses under $50,000; costs from $100,001 to $2,000,000 of public safety losses are pooled and prorated based on member's share of total public safety payroll. Costs between $2,000,000 and $150,000,000 are paid by excess insurance purchased by the CJPIA. The excess insurance provides coverage to statutory limits.

Purchased Insurance

Environmental insurance – The City participates in the pollution legal liability and remediation legal liability insurance which is available through CJPIA. This program covers sudden and gradual pollution of scheduled property, streets and storm drains owned by the City. Coverage is on a claims-made basis and has been underwritten by a private insurance company. There is a $50,000 deductible. Each member of CJPIA has a $10,000,000 limit.

Property insurance – The City participates in the all-risk property protection program of the CJPIA. This insurance protection is underwritten by several insurance companies.

The City's property is currently insured according to a schedule of covered property submitted by the City to the CJPIA. There is a $5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and flood insurance – The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the CJPIA which is underwritten by several insurance companies.

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.

NOTE 11 – LIABILITY, PROPERTY AND WORKERS COMPENSATION PROTECTION, (Continued)

Fidelity bonds – The City purchases blanket fidelity bond coverage in the amount of $1,000,000 with a $2,500 deductible. The fidelity coverage is provided through CJPIA.

Premiums 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 from coverage in the prior year

NOTE 12 – DEFINED BENEFIT PENSION PLAN (PERS)

A. Plan Description

The City of La Palma contributes to the California Public Employees Retirement System (PERS), a cost sharing public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

B. Funding Policy

Participants are required to contribute 8% (9% for safety) of their annual covered payroll. The City makes this contribution on behalf of the employees. The City of La Palma is also 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 contractually required employer contribution rate for fiscal year 2007-2008 was 12.907% for miscellaneous employees and 42.089% for the safety plan which was determined by an actual valuation of the plan as of June 30, 2005. 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. Benefit provisions and all other requirements are established by state statute and town contract with employee bargaining groups.

NOTE 12 – DEFINED BENEFIT PENSION PLAN (PERS), (Continued)

C. Annual Pension Cost

Required Supplementary Information – Safety

Fiscal Year Ending	Annual Pension Cost (Employer-Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	$ 681,226	100%	$ -
6/30/2007	786,725	100%	-
6/30/2008	790,880	100%	-

Required Supplementary Information – Miscellaneous

Fiscal Year Ending	Annual Pension Cost (Employer-Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	$ 238,900	100%	$ -
6/30/2007	258,448	100%	-
6/30/2008	281,014	100%	-

D. New Risk Pool and Future Contributions

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

NOTE 13 – DEFINED BENEFIT PENSION PLAN (PARS)

On April 18, 2000, the City Council authorized the City to become a member of the Public Agency Retirement System (PARS) Trust, a governmental trust, effective July 1, 2000 for its eligible part-time, seasonal and temporary employees. This is an alternative retirement system for those not covered by a retirement plan other than social security. Under PARS, the City and the employee each contribute 3.75% of compensation for a total annual contribution of 7.5%. For the year ended June 30, 2008, the amount contributed by the City was $6,969. Employees are fully vested at all times. The City has entered into an agreement with Phase II Systems to provide trust administrator services.

NOTE 14 – LITIGATION

The City is presently involved in other matters of litigation that have arisen in the normal course of the City's business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to have a material adverse financial impact on the City. Additionally, City management believes that sufficient reserves are available to the City to cover any potential losses, should an unfavorable outcome materialize.

NOTE 15 – JOINT VENTURE –ORANGE COUNTY FIRE AUTHORITY

The City entered into a joint powers agreement with 17 other cities and the County of Orange in January 1995, and subsequently amended on September 23, 1999, to create the Orange County Fire Authority (the Authority). Since 1995, other cities within the County have also joined the Authority to bring the total members in the Authority to 23. The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services and related and incidental services including, but not limited to, emergency medical and transport services, hazardous materials regulation, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each city and two from the County. The operations of the Authority are funded with structural fire fees collected by the County through either the property tax roll or with cash contributions based on the Authority's annual budget. The County pays all structural fire fees it collects to the Authority.

No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2008. Upon dissolution of the Authority, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member or by the County on behalf of that member during its membership. Separate audited financial statements may be obtained from the Authority at 180 South Water Street, Orange, California 92866.

NOTE 16 – OWNER PARTICIPATION AGREEMENTS

The City entered into an Owner Participation Agreement in March 1999 with a business enterprise for the purpose of relocating and consolidating the enterprise's business operations within the City. This agreement requires the City to remit property tax increment equal to 20% of the sales tax revenue generated each year by the business enterprise back to the enterprise. The agreement limits the amount of the increment that can be remitted to a maximum of $600,000 for a period of ten years. The City did not make any remittances during the year ended June 30, 2008. The total amount to date remitted by the City under this agreement through June 30, 2008 was approximately $124,520.

The City entered into an Owner Participation Agreement in May 2002 with a business enterprise whereby the City disbursed $1,500,000 to the enterprise for the purpose of rehabilitating certain real property within the City. Under the terms of the agreement, the cost of the project is expected to be recovered by the City through increased sales tax revenues. At the end of the project's fifteenth year, the business enterprise must pay the City any portion of the cost not recovered. During the current fiscal year ended June 30, 2008, $83,414 was recovered, bringing the total recovered to date of $342,167 and ending balance of $1,157,835.

NOTE 17 – FUND BALANCES

The City establishes "reserves" of fund equity to segregate fund balances which are not appropriable for expenditure in future periods, or which are legally set aside for a specific future use. Fund "designations" are established to indicate tentative plans for financial resource utilization in a future period. Each of the City's reserves and designations is described below:

		Special Revenue					
		Low and	Debt Service	Capital Projects		Non-major	
	General	Moderate	CDC	CDC	Capital Outlay	Governmental	
	Fund	Income Housing	Debt Service	Projects	Reserve	Funds	Total
Reserved for:							
Advances to other funds	$ 2,510,711				$ 500,000		$ 3,010,711
Prepaid items	16,873						16,873
Loans receivable		$ 4,919,100					4,919,100
	2,527,584	4,919,100			500,000		7,946,684
Unreserved, undesignated	21,735,394	(1,349,978)	$ 3,331,433	$ (23,437)	2,006,475	$ 1,760,412	27,460,299
Total Fund Balance	$24,262,978	$ 3,569,122	$ 3,331,433	$ (23,437)	$ 2,506,475	$ 1,760,412	$ 35,406,983

NOTE 18 – DEFERRED REVENUE

During the year-ending June 30, 2006, the City of La Palma became aware that a specific vendor's sales tax return required further review to determine that appropriate sales taxes were being remitted to the State and in turn to the City of La Palma. As a direct result, the City had received remittances of sales taxes that were contingent pending the completion of the State Board of Equalization review. As such the City had not recognized revenue for all sales tax received, specific to the vendor, from the time they became aware during the year-ending June 30, 2006. To date and as of June 30, 2008 the City's management has received information that allowed the City to recognize all revenue thus far with the exception of $1,189,642, which is due back to the State and is expected to be repaid in September 2008. As such, $1,189,642 has reflected as a liability as of June 30, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LA PALMA, CALIFORNIA

MAJOR FUNDS

YEAR ENDED JUNE 30, 2008

GENERAL FUND

The General Fund has been classified as a major fund and is used to account for all of the general revenues of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of the general services by the City. The General Fund is generally used to account for all the resources not required to be accounted for in another fund. The budget and actual comparison for this fund has been presented in the accompanying financial statements as required supplementary information.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The following has been classified as a major Special Revenue Fund and the budget and actual comparison for this fund has been presented in the accompanying financial statements as required supplementary information.

Low and Moderate Income Housing – To account for revenues and expenditures related to the development of housing within the City for citizens of low or moderate means.

CITY OF LA PALMA, CALIFORNIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2008

NOTE 1 – BUDGETARY CONTROL AND ACCOUNTING

The City adheres to the following general procedures in establishing its annual budget, which is reflected in the accompanying schedules:

- Budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for the General, Special Revenue and Debt Service Funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments.

- Reported budget amounts represent the original legally adopted budget as amended. Individual amendments were not material in relation to the original adopted budget amounts. The City Council may amend the budget to increase appropriations only by a duly adopted minute resolution during a regular meeting, providing that sufficient monies are available and that expenditures of proceeds of taxes will not be increased beyond the constitutional appropriation limit as imposed by Article XIIIB of the State Constitution. Management can transfer, without City Council approval, budgeted amounts provided that they do not increase or decrease total fund appropriations adopted by City Council.

- Unexpended budgeted amounts lapse at the end of the budget year. Spending control for the funds is established by the amount of expenditures budgeted for the fund, but management control is exercised at budgetary line item levels.

  Expenditures may not legally exceed overall budgeted appropriations. Reserves for encumbrances are not recorded by the City.

- The budgets of the City's capital projects are primarily "long-term" budgets which emphasize major programs and capital outlay plans extending over a number of fiscal periods. Therefore, no budget-to-actual schedules are presented for the Capital Projects Funds.

CITY OF LA PALMA, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes	$ 6,470,400	$ 6,470,400	$ 16,400,614	$ 9,930,214
Intergovernmental	121,400	121,400	89,932	(31,468)
Licenses and permits	208,700	208,700	257,525	48,825
Fines and forfeitures	159,300	159,300	188,171	28,871
Investment income	1,115,200	1,115,200	1,052,168	(63,032)
Changes for services	372,800	372,800	376,921	4,121
Rental income	156,400	156,400	155,099	(1,301)
Miscellaneous	163,000	163,000	153,338	(9,662)
Total Revenues	8,767,200	8,767,200	18,673,768	9,906,568
EXPENDITURES				
Current:				
General government	1,887,600	1,887,600	1,716,544	171,056
Public safety	4,640,600	4,735,100	4,578,324	156,776
Public works	706,600	706,600	686,806	19,794
Recreation	1,322,400	1,322,400	1,197,766	124,634
Community development	432,800	432,800	396,537	36,263
Capital outlay	441,600	441,600	254,873	186,727
Total Expenditures	9,431,600	9,526,100	8,830,850	695,250
Excess (deficiency) of revenues over (under) expenditures	(664,400)	(758,900)	9,842,918	10,601,818
OTHER FINANCING SOURCES (USES)				
Transfers in	402,400	402,400	402,400	
Total Other Financing Sources (Uses)	402,400	402,400	402,400	
Net Change in Fund Balance	(262,000)	(356,500)	10,245,318	10,601,818
Fund Balance, Beginning of Year	14,017,660	14,017,660	14,017,660	
Fund Balance, End of Year	$ 13,755,660	$ 13,661,160	$ 24,262,978	$ 10,601,818

CITY OF LA PALMA, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL LOW AND MODERATE INCOME HOUSING FUND – SPECIAL REVENUE FUND YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes	$ 528,800	$ 528,800	$ 653,453	$ 124,653
Investment income	417,400	417,400	441,824	24,424
Miscellaneous	25,000	25,000	24,505	(495)
Total Revenues	971,200	971,200	1,119,782	148,582
EXPENDITURES				
Current:				
Community development	323,900	323,900	242,604	81,296
Debt Service:				
Interest	335,300	335,300	300,176	35,124
Total Expenditures	659,200	659,200	542,780	116,420
Excess (deficiency) of revenues over (under) expenditures	312,000	312,000	577,002	265,002
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,600)	(3,600)	(3,600)	
Net Change in Fund Balance	308,400	308,400	573,402	265,002
Fund Balance, Beginning of Year	2,995,720	2,995,720	2,995,720	
Fund Balance, End of Year	$ 3,304,120	$ 3,304,120	$ 3,569,122	$ 265,002

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SUPPLEMENTARY SCHEDULES

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NON-MAJOR FUNDS

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CITY OF LA PALMA, CALIFORNIA

NON-MAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2008

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The City of La Palma has twelve Special Revenue Funds classified as non-major:

Streets – To account for receipts and expenditures of money apportioned under the Streets and Highways Code Sections 2105, 2106, 2107 and 2107.5 of the State of California. Expenditures are used for the maintenance, rehabilitation and improvements of public streets.

Measure M – To account for receipts and expenditures of money apportioned under Measure M of the County of Orange. Expenditures are used for maintaining and improving public transportation projects.

Traffic Congestion Relief – To account for revenues and expenditures of the City's share of specified funds allocated by the State of California for street or road maintenance or reconstruction.

Park Development – To account for revenues and expenditures relating to the development and renovation of City parks.

Air Quality Improvement – To account for receipts and expenditures of motor vehicle registration fees collected in accordance with California Assembly Bill 2766. This fee was levied to fund programs to reduce air pollution from mobile sources such as cars, trucks and buses.

Supplemental Law Enforcement Service – To account for state monies received in accordance with California Assembly Bill 3229 to be used as a supplement for law enforcement systems.

Public Safety Augmentation – To account for special tax augmentation funds generated by a ½ cent sales tax under Proposition 172 of the State of California. These funds are used for public safety programs.

Abandoned Vehicles – To account for monies received for vehicle abatement. The monies are used for public safety.

Urban Park Grant – To account for grant monies received from the State of California. The monies are used for capital outlay expenditures for a parks and recreation facility.

PEG Fund – To account for public education and governmental funds.

CITY OF LA PALMA, CALIFORNIA

NON-MAJOR GOVERNMENT FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2008

	Special Revenue Funds				
ASSETS	Streets	Measure M	Traffic Congestion Relief	Park Development	Air Quality Improvement
Cash and investments	$ 276,954	$ 678,515	$ 458,947	$ 87,439	$ 1,162
Receivables:					
Accounts					
Interest	2,213	5,093	3,480	663	
Due from other governments	97,971	41,312			5,000
Total Assets	$ 377,138	$ 724,920	$ 462,427	$ 88,102	$ 6,162
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 10,400	$ 19,679		$ 73,530	
Salaries payable	2,822				
Retentions payable	2,564	1,447		8,170	
Total Liabilities	15,786	21,126		81,700	
FUND BALANCES					
Unreserved, reported in:					
Special revenue funds	361,352	703,794	$ 462,427	6,402	$ 6,162
Total Fund Balances	361,352	703,794	462,427	6,402	6,162
Total Liabilities and Fund Balances	$ 377,138	$ 724,920	$ 462,427	$ 88,102	$ 6,162

Special Revenue Funds					
Supplemental Law Enforcement Service	Public Safety Augmentation	Abandoned Vehicles	Urban Park Grant	PEG Funds	Total
$ 13,032	$ 145,837	$ 11,239	$ 3,175	$ 71,394	$ 1,747,694
				2,617	2,617
158	1,074	77	24	535	13,317
	11,985				156,268
$ 13,190	$ 158,896	$ 11,316	$ 3,199	$ 74,546	$ 1,919,896
	$ 35,192				$ 138,801
$ 2,831	2,849				8,502
					12,181
2,831	38,041				159,484
					-
10,359	120,855	$ 11,316	$ 3,199	$ 74,546	1,760,412
10,359	120,855	11,316	3,199	74,546	1,760,412
$ 13,190	$ 158,896	$ 11,316	$ 3,199	$ 74,546	$ 1,919,896

CITY OF LA PALMA, CALIFORNIA

NON-MAJOR GOVERNMENT FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008

	Special Revenue Funds				
	Streets	Measure M	Traffic Congestion Relief	Park Development	Air Quality Improvement
REVENUES					
Intergovernmental	$ 290,628	$ 242,864	$ 400,000		$ 19,379
Investment income	12,663	24,973	6,892	$ 3,684	187
Miscellaneous					
Total Revenues	303,291	267,837	406,892	3,684	19,566
EXPENDITURES					
Current:					
General government					
Public safety					
Public works	186,425	34,386			
Capital outlay	18,254	60,925		81,700	18,000
Total Expenditures	204,679	95,311		81,700	18,000
Excess (deficiency) of revenues over (under) expenditures	98,612	172,526	406,892	(78,016)	1,566
OTHER FINANCING SOURCES (USES)					
Transfers out	(29,600)	(700)			
Total Other Financing Sources (Uses)	(29,600)	(700)			
Net change in fund balances	69,012	171,826	406,892	(78,016)	1,566
Fund Balances at Beginning of Year	292,340	531,968	55,535	84,418	4,596
Fund Balances at End of Year	$ 361,352	$ 703,794	$ 462,427	$ 6,402	$ 6,162

Special Revenue Funds					
Supplemental Law Enforcement Service	Public Safety Augmentation	Abandoned Vehicles	Urban Park Grant	PEG Funds	Total
$ 100,002	$ 157,803	$ 11,035			$ 1,221,711
954	5,534	281	$ 554	$ 2,776	58,498
				13,502	13,502
100,956	163,337	11,316	554	16,278	1,293,711
92,738	162,192				254,930
					220,811
					178,879
92,738	162,192				654,620
8,218	1,145	11,316	554	16,278	639,091
					(30,300)
					(30,300)
8,218	1,145	11,316	554	16,278	608,791
2,141	119,710		2,645	58,268	1,151,621
$ 10,359	$ 120,855	$ 11,316	$ 3,199	$ 74,546	$ 1,760,412

CITY OF LA PALMA, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL STREETS FUND – SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental	$ 297,500	$ 297,500	$ 290,628	$ (6,872)
Investment income	5,700	5,700	12,663	6,963
Total Revenues	303,200	303,200	303,291	91
EXPENDITURES				
Current:				
Public works	252,300	252,300	186,425	65,875
Capital outlay	50,500	50,500	18,254	32,246
Total Expenditures	302,800	302,800	204,679	98,121
Excess (deficiency) of revenues over (under) expenditures	400	400	98,612	98,212
OTHER FINANCING SOURCES (USES)				
Transfers out	(29,600)	(29,600)	(29,600)	
Total Other Financing Sources (Uses)	(29,600)	(29,600)	(29,600)	
Net Change in Fund Balance	(29,200)	(29,200)	69,012	98,212
Fund Balance, Beginning of Year	292,340	292,340	292,340	
Fund Balance, End of Year	$ 263,140	$ 263,140	$ 361,352	$ 98,212

CITY OF LA PALMA, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL MEASURE M FUND – SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental	$ 259,600	$ 259,600	$ 242,864	$ (16,736)
Investment income	13,100	13,100	24,973	11,873
Total Revenues	272,700	272,700	267,837	(4,863)
EXPENDITURES				
Current:				
Public works	36,800	36,800	34,386	2,414
Capital outlay	471,200	471,200	60,925	410,275
Total Expenditures	508,000	508,000	95,311	412,689
Excess (deficiency) of revenues over (under) expenditures	(235,300)	(235,300)	172,526	407,826
OTHER FINANCING SOURCES (USES)				
Transfers out	(700)	(700)	(700)	
Total Other Financing Sources (Uses)	(700)	(700)	(700)	
Net Change in Fund Balance	(236,000)	(236,000)	171,826	407,826
Fund Balance, Beginning of Year	531,968	531,968	531,968	
Fund Balance, End of Year	$ 295,968	$ 295,968	$ 703,794	$ 407,826

CITY OF LA PALMA, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL
TRAFFIC CONGESTION RELIEF FUND – SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental			$ 400,000	$ 400,000
Investment income	$ 1,400	$ 1,400	6,892	5,492
Total Revenues	1,400	1,400	406,892	405,492
EXPENDITURES				
Capital outlay	56,800	56,800		56,800
Total Expenditures	56,800	56,800		56,800
Excess (deficiency) of revenues over (under) expenditures	(55,400)	(55,400)	406,892	462,292
Net Change in Fund Balance	(55,400)	(55,400)	406,892	462,292
Fund Balance, Beginning of Year	55,535	55,535	55,535	
Fund Balance, End of Year	$ 135	$ 135	$ 462,427	$ 462,292

CITY OF LA PALMA, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL PARK DEVELOPMENT FUND – SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Investment income	$ 500	$ 500	$ 3,684	$ 3,184
Total Revenues	500	500	3,684	3,184
EXPENDITURES				
Capital outlay	81,700	81,700	81,700	
Total Expenditures	81,700	81,700	81,700	
Net Change in Fund Balance	(81,200)	(81,200)	(78,016)	3,184
Fund Balance, Beginning of Year	84,418	84,418	84,418	
Fund Balance, End of Year	$ 3,218	$ 3,218	$ 6,402	$ 3,184

CITY OF LA PALMA, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL
AIR QUALITY IMPROVEMENT FUND – SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental	$ 19,600	$ 19,600	$ 19,379	$ (221)
Investment income	500	500	187	(313)
Total Revenues	20,100	20,100	19,566	(534)
EXPENDITURES				
Current:				
Public works				
Capital outlay	18,000	18,000	18,000	
Total Expenditures	18,000	18,000	18,000	
Net Change in Fund Balance	2,100	2,100	1,566	(534)
Fund Balance, Beginning of Year	4,596	4,596	4,596	
Fund Balance, End of Year	$ 6,696	$ 6,696	$ 6,162	$ (534)

CITY OF LA PALMA, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL
SUPPLEMENTAL LAW ENFORCEMENT SERVICE FUND – SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental	$ 102,000	$ 102,000	$ 100,002	$ (1,998)
Investment income	700	700	954	254
Total Revenues	102,700	102,700	100,956	(1,744)
EXPENDITURES				
Current:				
Public safety	96,600	96,600	92,738	3,862
Total Expenditures	96,600	96,600	92,738	3,862
Net Change in Fund Balance	6,100	6,100	8,218	2,118
Fund Balance, Beginning of Year	2,141	2,141	2,141	
Fund Balance, End of Year	$ 8,241	$ 8,241	$ 10,359	$ 2,118

CITY OF LA PALMA, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL
PUBLIC SAFETY AUGMENTATION FUND – SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental	$ 169,000	$ 169,000	$ 157,803	$ (11,197)
Investment income	4,800	4,800	5,534	734
Total Revenues	173,800	173,800	163,337	(10,463)
EXPENDITURES				
Current:				
Public safety	233,800	233,800	162,192	71,608
Total Expenditures	233,800	233,800	162,192	71,608
Net Change in Fund Balance	(60,000)	(60,000)	1,145	61,145
Fund Balance, Beginning of Year	119,710	119,710	119,710	
Fund Balance, End of Year	$ 59,710	$ 59,710	$ 120,855	$ 61,145

CITY OF LA PALMA, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL ABANDONED VEHICLES FUND – SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental			$ 11,035	$ 11,035
Investment income			281	281
Total Revenues			11,316	11,316
Net Change in Fund Balance			11,316	11,316
Fund Balance, Beginning of Year				
Fund Balance, End of Year	$ -	$ -	$ 11,316	$ 11,316

CITY OF LA PALMA, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL URBAN PARK GRANT FUND – SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Investment income			$ 554	$ 554
Total Revenues			554	554
Net Change in Fund Balance			554	554
Fund Balance, Beginning of Year	$ 2,645	$ 2,645	2,645	
Fund Balance, End of Year	$ 2,645	$ 2,645	$ 3,199	$ 554

CITY OF LA PALMA, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –BUDGET AND ACTUAL PEG FUND – SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Investment income	$ 3,000	$ 3,000	$ 2,776	$ (224)
Miscellaneous	11,600	11,600	13,502	1,902
Total Revenues	14,600	14,600	16,278	1,678
EXPENDITURES				
Current				
General government	12,000	12,000		12,000
Total Expenditures	12,000	12,000		12,000
Excess (deficiency) of revenues over (under) expenditures	2,600	2,600	16,278	13,678
Net Change in Fund Balance	2,600	2,600	16,278	13,678
Fund Balance, Beginning of Year	58,268	58,268	58,268	
Fund Balance, End of Year	$ 60,868	$ 60,868	$ 74,546	$ 13,678

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CITY OF LA PALMA, CALIFORNIA

MAJOR DEBT SERVICE FUNDS

YEAR ENDED JUNE 30, 2008

The Debt Service Fund accounts for the accumulation of resources for and the payment of long-term debt principal and interest.

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CITY OF LA PALMA, CALIFORNIA

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
CDC DEBT SERVICE FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes	$ 2,115,100	$ 2,115,100	$ 2,613,812	$ 498,712
Investment income	163,200	163,200	191,957	28,757
Total Revenues	2,278,300	2,278,300	2,805,769	527,469
EXPENDITURES				
Current:				
Community development	42,400	42,400	39,742	2,658
Debt Service:				
Principal	400,000	400,000	400,000	
Interest	593,900	593,900	593,663	237
Pass-through payments	214,400	214,400	364,916	(150,516)
Total Expenditures	1,250,700	1,250,700	1,398,321	(147,621)
Excess (deficiency) of revenues over (under) expenditures	1,027,600	1,027,600	1,407,448	379,848
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,300)	(1,300)	(1,300)	
Total Other Financing Sources (Uses)	(1,300)	(1,300)	(1,300)	
Net Change in Fund Balance	1,026,300	1,026,300	1,406,148	379,848
Fund Balance, Beginning of Year	1,925,285	1,925,285	1,925,285	
Fund Balance, End of Year	$ 2,951,585	$ 2,951,585	$ 3,331,433	$ 379,848

CITY OF LA PALMA, CALIFORNIA

INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2008

Internal Service Funds are used to account for the financing of goods for services provided by one department or agency of the City to other departments or agencies on a cost reimbursement basis.

The city of La Palma has two Internal Service Funds:

Insurance – To account for certain insurance activity of the City including general liability claims, legal and other expenses.

Employee Benefits – To account for costs of the City's employee benefit plan, as well as worker's compensation insurance costs and claims.

CITY OF LA PALMA, CALIFORNIA

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

JUNE 30, 2008

	Insurance	Employee Benefits	Total
ASSETS			
Current assets:			
Cash and investments	$ 1,036,055	$ 829,507	$ 1,865,562
Receivables:			
Interest	7,612	5,772	13,384
Loans		1,366	1,366
Due from other governments	384,897	377,474	762,371
Total Current Assets	1,428,564	1,214,119	2,642,683
NONCURRENT ASSETS			
Advances to other funds	600,000	1,000,000	1,600,000
Total Assets	2,028,564	2,214,119	4,242,683
LIABILITIES			
Current liabilities:			
Accounts payable		128,863	128,863
Salaries payable		6,111	6,111
Other accrued liabilities		4,431	4,431
Total Liabilities		139,405	139,405
Total net assets-unrestricted	$ 2,028,564	$ 2,074,714	$ 4,103,278

CITY OF LA PALMA, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2008

	Insurance	Employee Benefits	Total
OPERATING REVENUES			
Charges for services	$ 287,100	$ 2,447,552	$ 2,734,652
Total Operating Revenues	287,100	2,447,552	2,734,652
OPERATING EXPENSES			
Personnel services		1,722,662	1,722,662
Maintenance and operations		31,037	31,037
Contractual services		49,189	49,189
Settlement, claims and insurance	308,205	668,364	976,569
Total Operating Expenses	308,205	2,471,252	2,779,457
Operating income (loss)	(21,105)	(23,700)	(44,805)
NON OPERATING REVENUES			
Investment income	78,267	91,336	169,603
Total Non Operating Revenues	78,267	91,336	169,603
Change in net assets	57,162	67,636	124,798
Net Assets at Beginning of Year	1,971,402	2,007,078	3,978,480
Net Assets at End of Year	$ 2,028,564	$ 2,074,714	$ 4,103,278

CITY OF LA PALMA, CALIFORNIA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2008

	Insurance	Employee Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from internal users	$ 542,789	$ 2,506,302	$ 3,049,091
Cash payments to suppliers for goods and services	(116)	(32,900)	(33,016)
Cash payments for employee services	(308,205)	(2,388,749)	(2,696,954)
Net Cash Provided by Operating Activities	234,468	84,653	319,121
Cash flows from investing activities:			
Interest income received	79,334	93,629	172,963
Net Cash Provided by Investing Activities	79,334	93,629	172,963
Net increase in cash and cash equivalents	313,802	178,282	492,084
Cash and Cash Equivalents at Beginning of Year	722,253	651,225	1,373,478
Cash and Cash Equivalents at End of Year	$ 1,036,055	$ 829,507	$ 1,865,562
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES			
Operating income loss	$ (21,105)	$ (23,700)	$ (44,805)
Adjustments to reconcile operating income (loss) to net income provided by (used for) operating activities:			
(Increase) decrease in loans receivable		3,722	3,722
(Increase) decrease in due from other governments	255,689	55,028	310,717
Increase (decrease) in accounts payable	(116)	47,262	47,146
Increase (decrease) in other accrued liabilities		2,277	2,277
Increase (decrease) in salaries payable		64	64
Total adjustments	255,573	108,353	363,926
Net Cash Provided by (used for) Operating Activities	$ 234,468	$ 84,653	$ 319,121

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CITY OF LA PALMA, CALIFORNIA

AGENCY FUNDS

YEAR ENDED JUNE 30, 2008

Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

The City of La Palma has one Agency Fund as Follows:

City Agency – To account for assets held by the City as an agent for other governments and/or other funds.

CITY OF LA PALMA, CALIFORNIA

STATEMENT OF CHANGES FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

YEAR ENDED JUNE 30, 2008

	City Agency
ASSETS	
Cash and investments	$ 36,161
Total Assets	$ 36,161
LIABILITIES	
Accounts payable	$ 20,000
Deposits payable	16,161
Total Liabilities	$ 36,161

CITY OF LA PALMA, CALIFORNIA

STATEMENT OF CHANGES FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

YEAR ENDED JUNE 30, 2008

City Agency	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
ASSETS				
Cash and investments	$ 42,068	56,296	(62,203)	$ 36,161
LIABILITIES				
Deposits payable	$ 42,068	48,805	(54,712)	$ 36,161

CITY OF LA PALMA, CALIFORNIA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY SOURCE

YEAR ENDED JUNE 30, 2008

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	$	1,602,281
Land rights related to streets		5,104,472
Construction in progress		3,283,862
Building and improvements		4,208,972
Equipment		912,995
Vehicles		1,627,534
Furniture and fixtures		68,888
Infrastructure		10,759,224
Total Governmental Funds Capital Assets		27,568,228
Investments in governmental funds capital assets by source		
General fund and other sources		27,097,037
Federal and state grants		471,191
Total Governmental Funds Capital Assets	$	27,568,228

CITY OF LA PALMA, CALIFORNIA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION AND ACTIVITY

YEAR ENDED JUNE 30, 2008

	Land	Construction in Progress	Buildings and Improvements	Equipment	Vehicles	Furniture and Fixtures	Total
General government	$ 1,218,281	$ 66,753	$ 652,260	$ 118,650	$ 238,404	$ 56,550	$ 2,350,898
Public safety		111,736	1,036,590	402,210	770,806	12,338	2,333,680
Public works	79,000	494,114		192,961	406,770		1,172,845
Recreation	305,000	2,611,259	2,520,122	183,169	125,483		5,745,033
Community development				16,005	86,071		102,076
	$ 1,602,281	$ 3,283,862	$ 4,208,972	$ 912,995	$ 1,627,534	$ 68,888	11,704,532
Land rights related to streets							5,104,472
Infrastructure							10,759,224
Totals							$ 27,568,228

CITY OF LA PALMA, CALIFORNIA

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION

YEAR ENDED JUNE 30, 2008

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
General government	$ 2,353,462	$ 38,753	$ 41,226	$ 2,350,989
Public safety	2,149,263	315,915	131,498	2,333,680
Public works	768,977	545,624	131,276	1,183,325
Recreation	3,337,522	2,418,497	21,557	5,734,462
Community development	106,157	30,222	34,303	102,076
	8,715,381	3,349,011	359,860	11,704,532
Land rights related to streets	5,104,472			5,104,472
Infrastructure	10,658,686	100,538		10,759,224
Totals	$ 24,478,539	$ 3,449,549	$ 359,860	$ 27,568,228

STATISTICAL SECTION

City of La Palma

Overview of the Statistical Section

The Statistical Section provides a context for understanding information in the financial statements, note disclosures and required supplementary information and how that information relates to the City of La Palma's overall financial health. The detailed schedules presented in the Statistical Section are grouped into five sections pertaining to financial trends, revenue capacity, debt capacity, demographic, and economic information and operating information.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source of property taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's basic financial statements relates to the services the City provides and the activities it performs.

CITY OF LA PALMA, CALIFORNIA

NET ASSETS BY COMPONENT
(ACCRUAL BASIS OF ACCOUNTING)

LAST SIX FISCAL YEARS

	Fiscal year					
	2008	2007	2006	2005	2004	2003
Governmental activities						
Invested in capital assets	$ 10,292,969	$ 15,445,604	$ 14,689,033	$ 14,120,989	$ 15,224,957	15228957
Restricted	8,660,967	7,031,682	5,883,122	5,602,615	5509202	5799782
Unrestricted	30,268,838	13,114,541	12,340,588	12,675,389	7841233	4387686
Total governmental activities	$ 49,222,774	$ 35,591,827	$ 32,912,743	$ 32,398,993	$ 28,575,392	$ 25,416,425
Business-type activities						
Invested in capital assets	$ 7,494,712	$ 6,731,548	$ 6,880,596	$ 6,976,373	$ 7,116,944	$ 7,271,330
Restricted	5,699,473	5,699,473			9053719	8523609
Unrestricted	6,003,835	6,010,671	10,577,872	9,484,814		
Total business-type activities	$ 19,198,020	$ 18,441,692	$ 17,458,468	$ 16,461,187	$ 16,170,663	$ 15,794,939
Primary government						
Invested in capital assets	$ 17,787,681	$ 22,177,152	$ 21,569,629	$ 21,097,362	$ 22,345,901	$ 22,500,287
Restricted	14,360,440	12,731,155	5,883,122	5,602,615	5509202	5799782
Unrestricted	36,272,673	19,125,212	22,918,460	22,160,203	16894952	12911295
Total primary government	$ 68,420,794	$ 54,033,519	$ 50,371,211	$ 48,860,180	$ 44,750,055	$ 41,211,364

The City of La Palma implemented Governmental Accounting Standards Board (GASB) Statement No. 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB Statement No. 34 is not available.

CITY OF LA PALMA, CALIFORNIA

CHANGES IN NET ASSETS
(ACCRUAL BASIS OF ACCOUNTING)

LAST SIX FISCAL YEARS

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Expenses:						
Governmental activities:						
General government	$ 1,738,607	$ 1,620,494	$ 1,489,396	$ 1,430,933	$ 1,570,183	$ 1,349,364
Public safety	4,892,593	4,577,283	4,491,758	4,332,350	3,742,786	4052154
Public works	1,233,230	1,618,354	1,353,344	1,079,258	1,618,280	1663734
Recreation	1,269,199	1,192,648	1,215,837	1,256,861	1,145,119	1223252
Community development	883,184	881,167	798,299	744,627	772,864	2292314
Interest on long-term debt	890,561	956,237	561,699	561,503	568,863	588396
Total governmental activities	10,907,374	10,846,183	9,910,333	9,405,532	9,418,095	11,169,214
Business-type activities:						
Water	1,992,491	1,869,033	1,831,349	1,764,673	1,614,319	1757144
Sewer	156,265	173,746	246,959	237,912	162,447	170907
Total business-type activities	2,148,756	2,042,779	2,078,308	2,002,585	1,776,766	1,928,051
Total primary government expenses	13,056,130	12,888,962	11,988,641	11,408,117	11,194,861	13,097,265
Program revenues:						
Governmental activities:						
Charges for services:						
General government	175,399	162,811	156,524	146,628	156,835	154620
Public safety	14,351	17,144	157,301	150,439	162,169	184865
Public works	20,171	12,917	8,461	9,256	6,682	14299
Recreation	473,574	542,008	333,045	356,075	394,778	341868
Community development	132,257	114,422	112,704	203,138	154,418	179913
Operating grants and contributions	940,219	1,123,017	931,703	808,942	764,447	823999
Capital grants and contributions	934,216	11,273	36,043	11,789	86,722	312831
Total governmental activities	2,690,187	1,983,592	1,735,781	1,686,267	1,726,051	2,012,395
Business-type activities:						
Charges for services:						
Water	2,437,494	2,424,453	2,523,032	1,947,296	2,103,529	1687094
Sewer	315,548	317,785	328,934	361,915	331,976	203680
Operating grants and contributions		65,253	40,606	23,744		
Capital grants and contributions			119,747			
Total business-type activities	2,753,042	2,807,491	3,012,319	2,332,955	2,435,505	1,890,774
Total primary government program revenues	5,443,229	4,791,083	4,748,100	4,019,222	4,161,556	3,903,169
Net revenues (expenses):						
Governmental activities	(8,217,187)	(8,862,591)	(8,174,552)	(7,719,265)	(7,692,044)	(9,156,822)
Business-type activities	604,286	764,712	934,011	330,370	658,739	(37,280)
Total primary government net revenues (expenses)	(7,612,901)	(8,097,879)	(7,240,541)	(7,388,895)	(7,033,305)	(9,194,102)

CITY OF LA PALMA, CALIFORNIA

CHANGES IN NET ASSETS, (CONTINUED)
(ACCRUAL BASIS OF ACCOUNTING)

LAST SIX FISCAL YEARS

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
General revenues and other changes in net assets:						
Governmental activities:						
Taxes:						
Property taxes	$ 5,840,076	$ 5,150,143	$ 4,501,460	$ 3,129,238	$ 3,127,876	3,049,918
Utility users tax	11,493,446	1,493,439	1,138,789	1,266,727	1,212,829	1,165,104
Sales taxes	1,332,177	1,383,922	826,331	4,398,978	4,453,950	2,857,987
Franchise taxes	345,924	370,960	318,679	306,192	306,413	296,180
Transient occupancy taxes	291,340	279,406	244,976	212,624	164,178	143,148
Intergovernmental - unrestricted	71,636	94,819	104,895	1,291,482	730,327	914,383
Investment income	1,757,446	1,808,537	1,137,651	520,348	333,835	474,346
Other general revenues	353,089	598,549	80,621	88,577	82,603	101,188
Transfers	363,000	361,900	334,900	324,700	443,000	445,000
Total governmental activities	21,848,134	11,541,675	8,688,302	11,538,866	10,855,011	9,447,254
Business-type activities:						
Investment income	515,042	569,759	397,845	281,972	158,033	261,945
Other general revenues		10,653	325	2,882	1,952	4,039
Transfers	(363,000)	(361,900)	(334,900)	(324,700)	(443,000)	(445,000)
Total business-type activities	152,042	218,512	63,270	(39,846)	(283,015)	(179,016)
Total primary government general revenues and other changes in net assets	22,000,176	11,760,187	8,751,572	11,499,020	10,571,996	9,268,238
Changes in net assets:						
Governmental activities	13,630,947	2,679,084	513,750	3,819,601	3,162,967	290,432
Business-type activities	756,328	983,224	997,281	290,524	375,724	(216,296)
Total primary government changes in net assets	$14,387,275	$ 3,662,308	$ 1,511,031	$ 4,110,125	$ 3,538,691	$ 74,136

The City of La Palma implemented Governmental Accounting Standards Board (GASB) Statement No. 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB Statement No. 34 is not available.

CITY OF LA PALMA, CALIFORNIA

FUND BALANCES OF GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

LAST SIX FISCAL YEARS

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
General Fund:						
Reserved	$ 2,527,584	$ 2,674,702	$ 2,792,661	$ 2,925,199	$ 3,068,541	$ 3,570,307
Unreserved	21,735,394	11,342,958	10,757,902	11,311,064	8,159,673	5,562,220
Total General Fund	$ 24,262,978	$ 14,017,660	$ 13,550,563	$ 14,236,263	$ 11,228,214	$ 9,132,527
All other governmental funds:						
Reserved	$ 5,419,100	$ 5,527,395	$ 5,343,068	$ 5,345,437	$ 5,474,469	$ 5,455,078
Unreserved, reported in:						
Special Revenue Funds	410,434	(880,054)	(1,229,687)	(1,826,602)	(2,401,009)	(2,498,726)
Debt Service Funds	3,331,433	1,925,285	944,512	424,265	(116,609)	(470,951)
Capital Projects Funds	1,983,038	4,315,537	5,097,871	5,568,247	5,994,452	6,151,542
Total all other governmental funds	$ 11,144,005	$ 10,888,163	$ 10,155,764	$ 9,511,347	$ 8,951,303	$ 8,636,943

The City of La Palma has elected to show only four years of data for this schedule.

CITY OF LA PALMA, CALIFORNIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

LAST SIX FISCAL YEARS

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Revenues:						
Taxes	$ 19,667,879	$ 8,907,178	$ 7,434,294	$ 9,678,212	$ 9,603,741	7,766,905
Intergovernmental	1,787,334	1,043,558	979,822	2,083,781	1,489,853	1,747,794
Licenses and permits	257,525	229,219	218,911	251,721	247,974	268,441
Fines and forfeitures	188,171	219,283	139,338	136,056	146,619	164,329
Investment income	1,939,278	1,999,787	1,540,813	870,677	721,190	688,933
Charges for services	376,921	435,390	415,913	477,759	480,289	447,673
Rental income	155,099	156,464	150,225	149,427	145,556	148,219
Miscellaneous	250,132	401,797	383,244	298,675	370,319	592,006
Total revenues	24,622,339	13,392,676	11,262,560	13,946,308	13,205,541	11,824,300
Expenditures:						
Current:						
General government	1,716,544	1,647,011	1,592,297	1,598,803	1,909,436	1,500,769
Public safety	4,833,254	4,681,761	4,442,134	4,365,839	4,002,515	3,915,915
Public works	907,617	885,951	887,029	861,020	811,906	1,085,032
Recreation	1,197,766	1,168,805	1,149,790	1,164,230	1,131,298	1,137,569
Community development	869,581	882,759	900,053	846,348	837,729	2,339,821
Capital outlay	3,300,662	1,723,247	977,600	275,710	973,863	1,214,791
Debt service:						
Principal	400,000	380,000	360,000	350,000	330,000	320,000
Interest	893,839	956,237	925,782	876,512	903,252	801,984
Pass-through payments	364,916	229,309	227,054	176,597	229,722	178,101
Payment to State education fund			177,004	187,856	108,773	76,467
Total expenditures	14,484,179	12,555,080	11,638,743	10,702,915	11,238,494	12,570,449
Excess (deficiency) of revenues over (under) expenditures	10,138,160	837,596	(376,183)	3,243,393	1,967,047	(746,149)
Other financing sources (uses):						
Transfers in	402,400	394,800	364,700	356,100	470,200	1,997,000
Transfers out	(39,400)	(32,900)	(29,800)	(31,400)	(27,200)	(1,552,000)
Total other financing sources (uses)	363,000	361,900	334,900	324,700	443,000	445,000
Net change in fund balances	$ 10,501,160	$ 1,199,496	$ (41,283)	$ 3,568,093	$ 2,410,047	$ (301,149)
Debt service as a percentage of noncapital expenditures	17.4%	16.0%	18.1%	18.0%	18.1%	13.8%

The City of La Palma has elected to show only four years of data for this schedule.

Source: City of La Palma Finance Department

CITY OF LA PALMA, CALIFORNIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Secured Value	Public Utility	Unsecured Value	Total Assessed Value	Direct Rate
1998	$ 826,506,630	$ 82,230	$ 63,058,188	$ 889,647,048	0.22495%
1999	880,835,784	100,784	56,142,832	937,079,400	0.26264%
2000	931,096,721	68,858	61,650,338	992,815,917	0.27856%
2001	991,205,259	63,654	81,876,472	1,073,145,385	0.29486%
2002	1,059,594,685	69,689	66,839,950	1,126,504,324	0.27427%
2003	1,095,014,297	67,095	61,121,959	1,156,203,351	0.27216%
2004	1,159,356,062	76,623	63,317,352	1,222,750,037	0.27058%
2005	1,240,404,682	95,611	64,092,753	1,304,593,046	0.26630%
2006	1,326,709,985	80,315	70,423,025	1,397,213,325	0.26822%
2007	1,437,899,639	66,032	71,554,319	1,509,519,990	0.26903%
2008	1,567,250,732		69,623,803	1,636,874,535	0.29023%

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: County of Orange Assessor's Office

CITY OF LA PALMA, CALIFORNIA

DIRECT AND OVERLAPPING PROPERTY TAX RATES
(PER $100 OF ASSESSED VALUATION)

LAST TEN FISCAL YEARS

		Overlapping Rates					
Fiscal Year	City Direct Rate	Anaheim Union High School District Bonds	Centralia School District Bonds	North Orange County Joint Community College District Bonds	Orange County Bonds	Metropolitan Water District Bonds	Total
1998	1.00000	0.00000	0.00000	0.00000	0.00000	0.00890	1.00890
1999	1.00000	0.00000	0.00000	0.00000	0.00000	0.00890	1.00890
2000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00890	1.00890
2001	1.00000	0.00000	0.00000	0.00000	0.00000	0.00880	1.00880
2002	1.00000	0.00000	0.00000	0.00000	0.00000	0.00770	1.00770
2003	1.00000	0.02567	0.00000	0.01573	0.00000	0.00670	1.04810
2004	1.00000	0.02370	0.02053	0.01597	0.00000	0.00610	1.06630
2005	1.00000	0.02770	0.02490	0.01441	0.00000	0.00580	1.07281
2006	1.00000	0.02444	0.01895	0.01666	0.00000	0.00520	1.06525
2007	1.00000	0.02516	0.02090	0.01502	0.00000	0.00450	1.06558
2008	1.00000	0.02363	0.02190	0.01493	0.00000	0.00430	1.06476

In 1978, the voters of the State of California passed Proposition 13 which set the property tax rate at a 1% fixed amount. This 1% is shared by all taxing agencies for which the subject property resides within. In addition to the 1% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

Source: County of Orange Tax Rate, Tax Rate Area 16-020

CITY OF LA PALMA, CALIFORNIA

PRINCIPAL PROPERTY TAX PAYERS

CURRENT YEAR AND NINE YEARS AGO

	2008			1999		
Property Owner's Name	Estimated Revenue	Rank	Percentage of Total Estimated Revenue	Estimated Revenue	Rank	Percentage of Total Estimated Revenue
Arden Realty Finance IV LLC	$ 1,243,939	1	26.18%	$ 467,926	1	19.01%
BRE of LQ Properties LLC	179,977	2	3.79%	-		0.00%
MPT of La Palma Limited Partnership	120,083	3	2.53%	-		0.00%
La Palma Paper	115,650	4	2.43%	-		0.00%
ADP Inc.	115,380	5	2.43%	61,766	4	2.51%
Moore Wallace North America	101,265	6	2.13%	-		0.00%
Fresca Industrial Park Limited Partnership	80,613	7	1.70%	-		0.00%
Shamrock Properties II	73,627	8	1.55%	32,477	9	1.32%
183rd La Palma Investors	60,743	9	1.28%	31,560	10	1.28%
Performance Machine Inc.	59,804	10	1.26%	-		0.00%
Mutual Life Insurance Co. of New York	-		0.00%	320,137	2	13.01%
Wallace Computer Services	-		0.00%	79,883	3	3.25%
Atlantic Richfield Company	-		0.00%	57,854	5	2.35%
La Quinta Development Partners	-		0.00%	45,916	6	1.87%
Kaiser Foundation Health	-		0.00%	38,326	7	1.56%
Newupalma Company Inc.	-		0.00%	36,984	8	1.50%
	$ 2,151,080		45.28%	$ 1,172,829		47.66%

The amounts shown above include assessed value data for both the City of La Palma and the La Palma Community Development Commission.

Source: County of Orange Assessor's Office

CITY OF LA PALMA, CALIFORNIA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Tax Levy	Amount Collected [1]
1998	$ 2,001,261	$ 2,001,261
1999	2,461,145	2,461,145
2000	2,765,588	2,765,588
2001	3,164,276	3,164,276
2002	3,089,663	3,089,663
2003	3,146,723	3,146,723
2004	3,308,517	3,308,517
2005	3,474,131	3,474,131
2006	3,747,606	3,747,606
2007	4,061,062	4,061,062
2008	4,750,701	4,750,701

The amounts presented include City property taxes and the Community Development Commissions tax increment. This schedule also includes amounts collected and passed-through to other agencies.

[1] Through an agreement with the County of Orange, effective for fiscal years beginning in 1994, the City of La Palma will receive 100% of its property tax levy in the current fiscal year.

CITY OF LA PALMA, CALIFORNIA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

	Governmental Activities						
Fiscal Year	Tax Allocation Bonds	Note Payable	Total Primary Government	Population	Debt Per Capita	Bonded Debt Per Capita	Bonded Debt as a Percentage of Assessed Value [1]
1998	$ 10,520,000	$ 139,939	$ 10,659,939	15,987	666.79	658.03	1.18
1999	10,310,000	-	10,310,000	15,967	645.71	645.71	1.10
2000	10,085,000	-	10,085,000	15,515	650.02	650.02	1.02
2001	9,850,000	-	9,850,000	15,485	636.10	636.10	0.92
2002	10,030,000	-	10,030,000	15,803	634.69	634.69	0.89
2003	9,710,000	-	9,710,000	15,945	608.97	608.97	0.84
2004	9,380,000	-	9,380,000	16,054	584.28	584.28	0.77
2005	9,030,000	-	9,030,000	16,056	562.41	562.41	0.69
2006	8,670,000	-	8,670,000	16,081	539.15	539.15	0.62
2007	8,290,000	-	8,290,000	16,162	512.93	512.93	0.55
2008	7,890,000	-	7,890,000	16,176	487.76	487.76	0.48

[1] Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

Sources: State of California Finance Department and City of La Palma Finance Department

CITY OF LA PALMA, CALIFORNIA

ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT

AS OF JUNE 30, 2008

2007-08 Assessed Valuation: $1,317,802,019 (after deducting $319,072,516 redevelopment incremental valuation)

Direct and Overlapping Tax and Assessment Debt:	% Applicable	6/30/08 Debt
Orange County Teeter Plan Obligations	0.358	$ 442,936
Metropolitan Water District	0.075	245,411
North Orange County Joint Community College District	1.705	3,978,600
Anaheim Union High School District	3.618	4,467,649
Fullerton Joint Union High School District	1.389	854,970
Buena Park School District	8.937	1,040,712
Centralia School District	20.440	3,443,045
City of La Palma	100.000	-
Total Direct and Overlapping Tax and Assessment Debt		$14,473,323
Overlapping General Fund Obligation Debt:		
Orange County General Fund Obligations	0.358	$ 1,905,727
Orange County Pension Obligations	0.358	260,373
Orange County Board of Education Certificates of Participation	0.358	70,132
Orange County Transit District Authority	0	-
Municipal Water District of Orange County Water Facilities Corporation	0.426	82,197
North Orange County ROP Certificates of Participation	1.767	208,683
Orange County Sanitation District Certificates of Participation	0.527	549,345
Anaheim Union High School District Certificates of Participation	3.618	1,554,836
Fullerton Joint Union High School District Certificates of Participation	1.389	315,650
Centralia School District Certificates of Participation	20.440	480,340
Orange County Fire Authority General Fund Obligations	0.696	72,140
Total Gross Overlapping General Fund Obligation Debt		5,499,423
Less: MWDOC Water Facilities Corporation		82,197
Total Net Overlapping General Fund Obligation Debt		$ 5,417,226
Gross Combined Total Debt		$19,972,746 [(1)]
Net Combined Total Debt		$19,890,549

[(1)] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2007-08 Assessed Valuation:	
Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	0.88%

Ratios to Adjusted Assessed Valuation:	
Gross Combined Total Debt	1.52%
Net Combined Total Debt	1.51%

State School Building Aid Repayable as of 6/30/08: $0

Source: California Municipal Statistics, Inc.

CITY OF LA PALMA, CALIFORNIA

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

Fiscal Year	Assessed Value	Debt Limit Percentage	Debt Limit	Total Debt Applicable to Debt Limit	Legal Debt Margin
1998	$ 889,647,048	15	$ 133,447,057	-	$ 133,447,057
1999	937,079,400	15	140,561,910	-	140,561,910
2000	992,815,917	15	148,922,388	-	148,922,388
2001	1,073,145,385	15	160,971,808	-	160,971,808
2002	1,126,504,324	15	168,975,649	-	168,975,649
2003	1,156,203,351	15	173,430,503	-	173,430,503
2004	1,222,750,037	15	183,412,506	-	183,412,506
2005	1,304,593,046	15	195,688,957	-	195,688,957
2006	1,397,213,325	15	209,581,999	-	209,581,999
2007	1,509,519,990	15	226,427,999	-	226,427,999
2008	1,636,874,535	15	245,531,180	-	245,531,180

Sources: County of Orange Tax Assessor's Office and City of La Palma Finance Department

CITY OF LA PALMA, CALIFORNIA

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

	Tax Allocation Bonds				
Fiscal Year	Tax Increment	Principal	Interest	Total Debt Service	Coverage
1998	$ 1,306,407	$ 200,000	$ 706,420	$ 906,420	1.44
1999	1,796,675	210,000	695,035	905,035	1.99
2000	1,872,692	225,000	682,730	907,730	2.06
2001	2,092,899	235,000	669,330	904,330	2.31
2002	1,912,815	260,000	400,617	660,617	2.90
2003	1,995,301	320,000	544,320	864,320	2.31
2004	2,071,959	330,000	531,387	861,387	2.41
2005	2,157,912	350,000	517,258	867,258	2.49
2006	2,372,410	360,000	501,423	861,423	2.75
2007	2,594,461	380,000	484,473	864,473	3.00
2008	3,267,265	400,000	465,573	865,573	3.77

Source: City of La Palma Finance Department

CITY OF LA PALMA, CALIFORNIA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

Calendar Year	Population	Orange County Per Capita Personal Income	Orange County Unemployment Rate
1998	15,987	$ 32,663	2.9%
1999	15,967	34,194	2.7%
2000	15,515	37,103	3.5%
2001	15,485	37,651	4.0%
2002	15,803	38,169	5.0%
2003	15,945	39,536	4.8%
2004	16,054	41,868	4.3%
2005	16,056	43,617	3.8%
2006	16,081	46,222	3.6%
2007	16,162	48,067	4.2%
2008	16,176	49,990	5.9%

* Information not currently available.

Sources: State of California Department of Finance, U.S. Department of Commerce - Bureau of Economic Analysis, State of California Employment Development Department

CITY OF LA PALMA, CALIFORNIA

OPERATING INDICATORS BY FUNCTION

LAST SIX FISCAL YEARS

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Function:						
Public safety:						
Calls for service	27,837	26,085	15,564	13,455	14,209	13,909
Crime reports	2,062	2,142	2,023	1,845	1,912	1,804
Arrests	1,056	1,034	859	698	759	596
Traffic citations	2,826	3,873	1,840	2,105	20,714	2,496
Parking citations	2,672	2,010	1,901	1,874	1,781	1,469
Other citations	130	117	75	145	118	85
Public works:						
Traffic signals maintained	18	18	18	*	*	*
Infrastructure improvement projects administered	10	3	4	*	*	*
Private development plans reviewed	5	5	5	*	*	*
Graffiti removal (square feet)	4,000	4,800	2,000	*	*	*
Street sweeping (miles)	62	62	62	*	*	*
Trees pruned	1,000	2,000	2,200	*	*	*
Recreation:						
Recreation classes	632	564	878	727	613	*
Recreation classes enrollment	3,455	3,790	4,094	4,343	4,556	*
Indoor facility rentals	23	431	382	325	316	*
Indoor facility rental hours	83	1,289	1,187	1,239	1,356	*
Outdoor facility rentals	236	390	381	339	464	*
Outdoor facility rental hours	760	964	1,154	1,022	1,409	*
Community development:						
Planning entitlements processed	20	12	10	13	11	16
Building permits issued	394	400	324	442	486	428
Estimated valuation of building permits	$3,684,791	$3,875,679	$2,255,459	$6,216,964	$3,014,475	10,932,140
Code enforcement cases	323	501	450	583	683	*
Water:						
Average monthly consumption per household (cubic feet)	2,000	2,000	2,000	1,600	1,600	1,600
Customer accounts	4,323	4,323	4,323	*	*	*
Water samples taken	1,600	1,300	508	*	*	*

The City of La Palma has elected to show only four years of data for this schedule.

* Information not available.

Source: City of La Palma

CITY OF LA PALMA, CALIFORNIA

CAPITAL ASSETS STATISTICS BY FUNCTION

LAST FOUR FISCAL YEARS

Fiscal Year	General Government	Public Safety	Public Works	Recreation	Community Development	Water	Total
1999	10.0	30.5	9.0	10.0	2.5	4.0	66.0
2000	11.0	31.0	8.0	10.0	2.0	4.0	66.0
2001	11.0	34.0	8.0	10.0	2.0	4.0	69.0
2002	11.0	34.0	8.0	10.0	2.0	4.0	69.0
2003	9.0	34.0	8.0	10.0	5.0	4.0	70.0
2004	9.0	33.0	7.0	10.0	4.0	3.0	66.0
2005	9.0	32.0	7.0	10.0	4.0	3.0	65.0
2006	9.0	33.0	7.0	9.0	4.0	4.0	66.0
2007	9.0	32.0	7.0	9.0	4.0	4.0	65.0
2008	9.0	32.0	7.0	9.0	4.0	4.0	65.0

Source: City of La Palma Finance Department

CITY OF LA PALMA, CALIFORNIA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

	2008		1999	
Employer	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment
ADP Inc.	1000	10.00%	800	8.00%
C & D Aerospace	499	4.99%	0	0.00%
Atlantic Richfield Co. Inc.	450	4.50%	0	0.00%
La Palma Intercommunity Community Hospital	360	3.60%	450	4.50%
Unisource Worlwide	300	3.00%	0	0.00%
Orchid Paper Company	0	0.00%	300	3.00%
ADP Dealer Services	175	1.75%	0	0.00%
Kennedy High School	157	1.57%	140	1.40%
ADP Computerized Vehicle Registration	152	1.52%	0	0.00%
Performance Machine Inc.	205	2.05%	0	0.00%
Forms Engineering	0	0.00%	130	1.30%
Thrifty Corporation	0	0.00%	100	1.00%
Performance Machine Inc.	137	1.37%	0	0.00%
Keebler Snack Co.	90	0.90%	0	0.00%

"Total employment" as used above represents the total employment of all employees located within City limits.

Source: City of La Palma Finance Department