



**CITY OF LA PALMA, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2002**



**CITY OF LA PALMA,
CALIFORNIA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2002

**Prepared By
Finance Department**

**Robbeyn Bird, CPA
Director of Finance**



CITY OF LA PALMA
 Comprehensive Annual Financial Report
 Year ended June 30, 2002

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INTRODUCTORY SECTION

Office of the City Manager

October 9, 2002

Honorable Mayor and Members of the City Council
City of La Palma
La Palma, California

It is with great pleasure that I present the Comprehensive Annual Financial Report (CAFR) of the City of La Palma for the fiscal year ended June 30, 2002. This report was prepared by the Finance Department. The responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

In accordance with the above-mentioned guidelines, the accompanying report is presented in three sections:

Introductory Section - includes table of contents, transmittal letter, the City's organizational chart and a list of principal elected and appointed officials.

Financial Section - includes the general purpose financial statements, the combining and individual fund and account group financial statements and schedules, and the unqualified opinion of the City's independent auditors, Conrad and Associates, LLP.

Statistical Section - includes selected financial and demographic information, generally presented on a ten year historical basis. This section should be of particular interest to financial institutions and investors in City bonds.

As required by generally accepted accounting principles, this report combines the financial statements of the La Palma Community Development Commission (Commission) with those of the City of La Palma to constitute a single reporting entity. Although the Commission is legally separate from the City, the La Palma City Council has a continuing responsibility and accountability for fiscal matters of the Commission. For additional information, see Note 1 to the financial statements.

LA PALMA HISTORY

Forty-six years ago, La Palma was incorporated as Dairyland, known for the many dairies located within the city. As the years passed, the dairies relocated and, as the City grew, the name was changed to reflect the Spanish heritage of Orange County. In February 1965, Dairyland was renamed La Palma.

Today, La Palma is a well-balanced master planned city, which prides itself on a responsive municipal government and its sense of community. The City Council wisely decided that the City should benefit from a long-range program for orderly development. With growth in residential development now stabilized, the current population is approximately 15,800.

The friendliness of a small town community, located on the edge of two opportunity-filled counties (Orange and Los Angeles), makes La Palma an ideal place to live. The City's hometown atmosphere allows residents to live in quiet, friendly neighborhoods with easy access to major highways.

MAJOR ACCOMPLISHMENTS AND INITIATIVES

For Fiscal Year 2001-2002

Utility User Tax

On March 5, 2002, La Palma voters overwhelmingly passed the Utility Users Tax. A State Supreme Court ruling in June 2001 required the City to place its Utility Users Tax (UUT) on an election ballot for voter approval if it was to remain in effect. Funds generated by the UUT account for a full 15 percent of the La Palma General Fund budget. The UUT is a 5 percent surcharge on telephone, gas, electric and cable television bills resulting in approximately \$15 per month per household.

The City of La Palma faced a budget shortfall almost from the start of the fiscal year. Although the City of La Palma ended FY 2000-01 with a higher than projected fund balance, revenues for FY 2001-02 were 4.8 percent less than forecasted, or \$384,600. The primary reasons for the revenue decline was property taxes not being fully achieved as projected and a reduction in interest income due to the unforeseen economic events following the September 11, 2001 attacks upon the nation.

In keeping with the City Council's adopted policy to review revenue estimates quarterly and make program reductions as necessary, the City implemented a number of actions to slow and/or reduce General Fund expenditures. These included:

- An immediate hiring freeze on all non-essential positions;
- Suspension of non-critical large equipment purchases, such as vehicles;
- Suspension of City-paid travel expenses related to staff training and development, unless they were fully grant funded or fully reimbursable (i.e., POST-reimbursable training for police officers);
- Suspension of contribution of \$40,000 to the Orange County Public Library.

La Palma continues to address community priorities by maintaining a high level of public safety services and services citizens enjoy within the recreation area. The City also maintains an ambitious capital improvement program that was implemented in prior years. The program addresses major street aesthetics, city identity, long-term street maintenance needs, recreation needs, and public facilities deficiencies. A description of a few of the projects completed during the year follows.

El Rancho Verde Park Extension

In September 1999, the City Council approved the extension of El Rancho Verde Park, which was substantially completed during fiscal year end 2001-02. The extension included continuation of the sidewalk to Barbi Lane, as well as, seven pedestrian lights along the sidewalk and six benches. The project also included the necessary greenery and automatic irrigation sprinklers. Approximately 78 trees will be planted in conjunction with the city's Arbor Day program.

City-wide Traffic Signal Energy Conservation Project

With rising energy costs in California during a period of diminished electrical generating capacity, the City was threatened with the inconvenience of temporary rolling electrical energy blackouts. If the City experienced these power outages, interference with critical City facilities, especially its traffic signals, would have a potential adverse effect on the community.

During fiscal year ended 2001-02, the City installed Light Emitting Diodes (LED) in traffic signal indicators in place of the existing incandescent bulbs, which reduced the electrical energy required by 90%. The LEDs have a 10-year service life as compared to 1-2 year service life for an installed incandescent light bulb in the traffic signal. The City received a rebate in the amount of \$27,570 from Southern California Edison for participating in this energy-saving program.

Police Department Expansion

As part of the 2000-01 budgetary process, the City Council approved the police department expansion project. During fiscal year ended June 30, 2002, commencement of this project began and was substantially completed. The expansion had three specific goals as follows:

- To provide adequate locker room facilities for the female employees of the Police Department including Sergeants, Officers, Dispatchers, Records Clerks and Park Rangers. The existing restroom was inadequate to house these personnel.
- To increase the size of the D.A.R.E. office and remodel the kitchen/lounge area. The D.A.R.E. office was a converted storage closet that did not accommodate a typical office desk and chair. Also, the existing kitchen area for the facility was originally built to accommodate 17 employees. The current staffing level is 35 full-time employees and volunteers.

- To improve the lobby area of the Department by adding a private interview room. This will ensure sensitivity and confidentiality for crime victims during interviews. The existing interview facility was grossly inadequate, and many interviews were conducted at a picnic table outside the police facility.

Prospects for the Future

The Fiscal Year 2002-2003 Budget reflects a 1.5% across-the-board expenditure reduction for all departments, with the exception of police services, in order to insure revenues and expenditures are balanced. The budget assumes that the State will continue to backfill the motor vehicle license fees, which is uncertain due to recent reports that the State's revenues are \$21 billion less than forecasted.

FINANCIAL INFORMATION

The City's financial records for general governmental operations are maintained on the modified accrual basis, with revenues recorded when available and measurable, and expenditures recorded when the services or goods are received and the liability incurred.

The management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

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 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 have a single audit performed for fiscal year ended June 30, 2002.

Budgetary Controls

The City of La Palma maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions contained in the annual appropriated budget approved by the City Council. A Seven-Year Capital Improvement Program is adopted for the Capital Projects Funds. Activities of the governmental type funds are included in the annual appropriated budget. The legal level of budgetary control

(that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. Appropriations lapse at year-end.

General Government Functions

The following schedule presents a summary of general fund, special revenue funds, debt service fund, and capital projects funds revenues for the fiscal year ended June 30, 2002 and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues	Amount	Percent of Total	Increase/ (Decrease) from 00/01	Percent Increase/ (Decrease)
Taxes and assessments	\$7,990,144	66.9%	\$61,229	.8%
Licenses and permits	226,618	1.9%	3,062	1.4%
Intergovernmental	1,681,431	14.1%	(224,714)	(11.8)%
Charges for services	416,163	3.5%	(1,507)	(.4)%
Fines and forfeitures	173,375	1.4%	14,453	(18.8)%
Interest income	788,146	6.6%	(530,575)	40.2%
Rental income	318,080	2.7%	281,248	763.6%
Miscellaneous	<u>341,082</u>	<u>2.9%</u>	<u>(146,698)</u>	<u>(30.1)%</u>
Total	<u>\$11,935,039</u>	<u>100.0%</u>	<u>\$(543,502)</u>	<u>(4.4)%</u>

General government revenues decreased \$543,502, or 4.4%, when compared to fiscal year 2000-01. The major reason for a decrease in revenues during fiscal year 2001-2002 is due to decreased revenue in investment income. A discussion of each revenue follows:

Taxes and assessments increased \$61,229, or .8%: The increase in this account is less than 1% and is attributable to increases in property tax as assessed values increase.

Licenses and permits increased \$3,062 or 1.4%: Permit activity was higher this year due to an increase in the issuance of building permits and business licenses.

Intergovernmental revenue decreased \$224,714, or 11.8%: The decrease in Intergovernmental revenue is mainly due to decreases in Special Revenue Grant Funds (primarily Traffic Congestion Relief monies).

Charges for services decreased \$1,507, or .4%: Charges for services is made up of multiple revenues including plan check fees, the Day Camp program and the Tiny Tot program. The decrease in this category is insignificant and is not attributable to any one revenue source.

Fines and forfeitures increased \$14,453, or 9.1%: During fiscal year 2000-01, the motorcycle officer was in training the first portion of the fiscal year. During fiscal year 2001-02, the motorcycle officer was fully trained, which resulted in more traffic enforcement and an increase in associated revenue.

Interest income decreased \$530,575, or 40.2%: Interest income was lower due to sharp declines in the interest rates during fiscal year 2001-02. The income received from the investment of the City's idle cash is indicative of the declining interest rates after September 2001.

Rental income increased \$281,248, or 763.6%: This increase resulted from the City receiving 2 years of lease revenue from the Community Development Commission for the Senior Housing Project in the current fiscal year.

Miscellaneous revenues decreased \$146,698, or 30.1%: Many components are included in this account including various one time grants. In the previous fiscal year, this category included several one time grants received by the City and reimbursements from the State for the Educational Revenue Augmentation Fund (ERAF) shift in prior years. The decrease is due to the City receiving less money in one-time revenues.

The following schedule presents a summary of general fund, special revenue funds, debt service fund, and capital projects funds expenditures for the fiscal year ended June 30, 2002 and the percentage of increases and decreases in relation to prior year expenditures.

Expenditures	Amount	Percent of Total	Increase (Decrease) from 00/01	Percent Increase/ (Decrease)
General government	\$1,548,135	12.6%	\$(129,231)	7.7%
Public safety	3,859,866	31.4%	129,076	3.4%
Public works	733,028	6.0%	(13,587)	(1.8)%
Community development	1,865,003	15.2%	221,004	13.4%
Payments to other agencies	175,464	1.4%	(15,777)	(8.2)%
Capital outlay	1,816,810	14.8%	651,608	5.6%
Debt service				
Principal	460,792	3.7%	225,792	96.1%
Interest and fiscal charges	931,825	7.6%	(239,519)	(20.4)%
Bond issuance costs	222,179	1.8%	222,179	100.0%
Advance refunding escrow	<u>664,184</u>	<u>5.5%</u>	<u>664,184</u>	100.0%
Total	<u>\$12,277,286</u>	<u>100.0%</u>	<u>\$1,715,729</u>	16.2%

Total expenditures decreased \$1,715,729, or 16.2%, when compared to the 2000-01 fiscal year. A discussion of each expenditure type follows:

General government expenditures decreased \$129,231, or 7.7%: General government expenditures decreased only slightly from the previous year. This decrease is not attributable to any one expenditure.

Public safety increased \$129,076 or 3.4%: The primary reason for the increase in public safety was due to salary increases as required by the Memorandum of Understanding agreement between the City and the Police Association.

Public works decreased \$13,587, or 1.8%: The slight decrease in public works can be attributed to efforts by management to keep the same level of service from year to year while maintaining expenditure costs.

Community development increased \$221,004, or 13.4%: The Affordable Housing Fund is required to pay \$110,000 annually for the ground lease on the Seasons La Palma property. Since the Community Development Commission did not make the payment for fiscal year ended 2001, two payments of \$110,000 each were made during the current fiscal year.

Pass-through payments decreased \$15,777, or 8.2%: The decrease in payments to other agencies is due to lower costs for pass through payments for Owner Participation Agreements between the City and business owners.

Capital outlay increased \$651,608, or 5.6%: The reason for this increase is two-fold. First, the El Rancho Verde Park extension was completed in the current fiscal year for an increase of approximately \$276,000. Secondly, the police department expansion was substantially completed accounting for an additional \$364,000.

Debt service principal payments increased \$225,792, or 96.1%: This increase is primarily due to repayment of City loans made to the Community Development Commission.

Debt service interest and fiscal charge payments decreased \$239,519, or 20.4%: This decrease is largely due to lower interest payments on outstanding bonds due to the advance refunding in the current year.

Fund Balance

	Amount	Percent of Total	Increase (Decrease) from 00/01	Percent Increase/ (Decrease)
General Fund				
Undesignated	\$5,448,081	61.9%	\$ 966,362	21.6%
Reserved/designated	3,357,607	38.1%	(98,045)	16.7%
Total General Fund	<u>\$8,805,688</u>	<u>100.0%</u>	<u>\$ 868,317</u>	10.9%

The total General Fund balance increased by \$868,317. The General Fund undesignated, or available fund balance, increased \$966,362 during the year. The primary reason for the

increase in the undesignated fund balance is due to spending freezes during the year set by the City Manager due to the uncertainty of the utility user tax continuation, which accounts for approximately \$350,000. In addition, the balance can be attributed to concerted efforts by management to keep expenditures down while maintaining the same level of service.

Enterprise Operations

Water and sewer utilities comprise the City of La Palma's enterprise operations. The following table provides comparative data for these operations.

	Amount	Increase (Decrease) from 00/01	Percent Increase/ (Decrease)
Operating revenues	\$1,991,432	\$(68,591)	(3.3) %
Operating expenses	<u>1,658,578</u>	<u>82,657</u>	5.2%
Operating Income	\$332,854	\$ (151,248)	(31.2) %
Non-operating revenues	385,30	(80,710)	17.3%
Operating transfers in/out	<u>(343,300)</u>	<u>53,400</u>	18.4%
Net Income	<u>\$374,854</u>	<u>\$(285,358)</u>	(43.2)%

For fiscal year 2001-02, net income decreased \$285,358, or 43.2%. The decrease is largely due to increased costs for water pumping charges, and increased rates for the use of gas and electricity.

Appropriation Limitation

As set forth by the Gann Initiative, which became law in the State of California in 1979 and was amended by Proposition 111, the City's appropriation limit adopted for fiscal year 2001-02 was \$9,079,759. Appropriations subject to the Gann limitation totaled \$5,614,622. Therefore, the City is under the Gann limit by \$3,465,137.

Cash Management

Cash resources of the individual funds are combined to form a pool of cash and investments. Cash temporarily idle during the year was invested in obligations of the U.S. Government or its agencies, certificates of deposit, passbook savings demand deposits, and in the Local Agency Investment Fund, consistent with the City Council Investment Policy.

The City's investment policy is designed to maximize the productive use of assets entrusted to its care and to invest and manage those funds wisely and prudently. Criteria for selecting investments and the order of priority are: (1) safety, (2) liquidity and (3) yield. The basic premise underlying the City's investment policy is to ensure that money is always available when needed while at the same time reaping the highest and best return. Accordingly, deposits were either insured by Federal depository insurance or collateralized.

Risk Management

As of June 30, 2002, the City maintained insurance for general liability and workers' compensation through the California Joint Powers Insurance Authority (CJPIA) for the purpose of pooling its general liability and workers' compensation losses and claims with approximately 78 other member cities.

The self-insurance retention level is \$20,000 for general liability claims. Claims above \$20,000 are shared by all the member cities up to a maximum of \$50,000,000 per occurrence. The City has workers' compensation insurance up to \$5,000,000 per occurrence. The coverage under this arrangement includes statutory liability under California Workers' Compensation Law and any liability under law from damages arising from employment. More detailed information can be found in the Notes to the Financial Statements.

OTHER INFORMATION

Independent Audit

It is the policy of the City of La Palma that its financial statements be audited by independent certified public accountants. The independent audit of the June 30, 2002 financial statements was performed by Conrad and Associates, LLP. Their opinion is included with the general purpose financial statements.

Awards

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 of La Palma for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such a Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of La Palma has received this award in previous fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Similarly, the California Society of Municipal Finance Officers (CSMFO) presented the City of La Palma with a Certificate of Award for Outstanding Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. The Certificate of Award is a prestigious state recognition for conformance with certain high standards for preparation of local government financial reports. The CSMFO Certificate

of Award is also valid for a period of one year only. We believe that our current report conforms to the Certificate of Award program requirements, and we are submitting it to CSMFO.

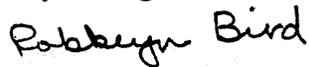
Acknowledgments

The preparation of this report was accomplished through the concerted efforts of the Finance Department staff and the City Manager's office. We acknowledge their effort and dedication and would like to express our appreciation. Special thanks goes to the management team for their contributions as well. Finally, we thank the Mayor and members of the City Council for their continued leadership and support in the development of this report.

Respectfully submitted,



Catherine Standiford
City Manager



Robbeyn Bird, CPA
Director of Finance

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2000-2001

Presented to the

City of La Palma

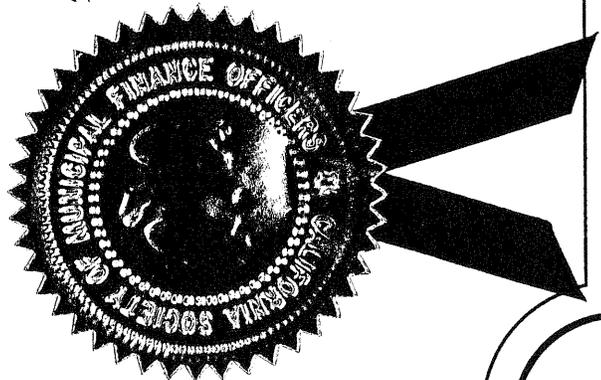
*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 20, 2002



Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of La Palma,
California

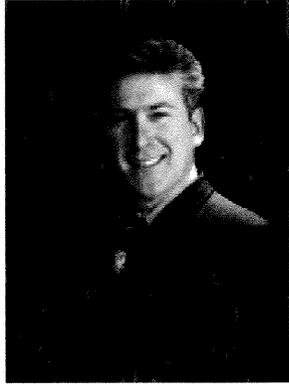
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

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.



Thomas A. Erue
President

Jeffrey L. Esser
Executive Director



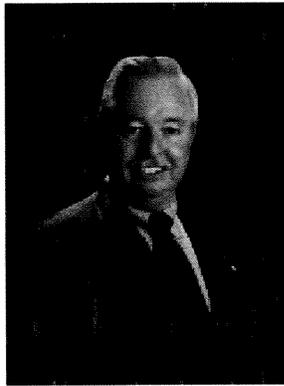
Paul F. Walker
Mayor



Christine M. Barnes
Mayor Pro Tem



Lauree E. Aragona
Councilmember



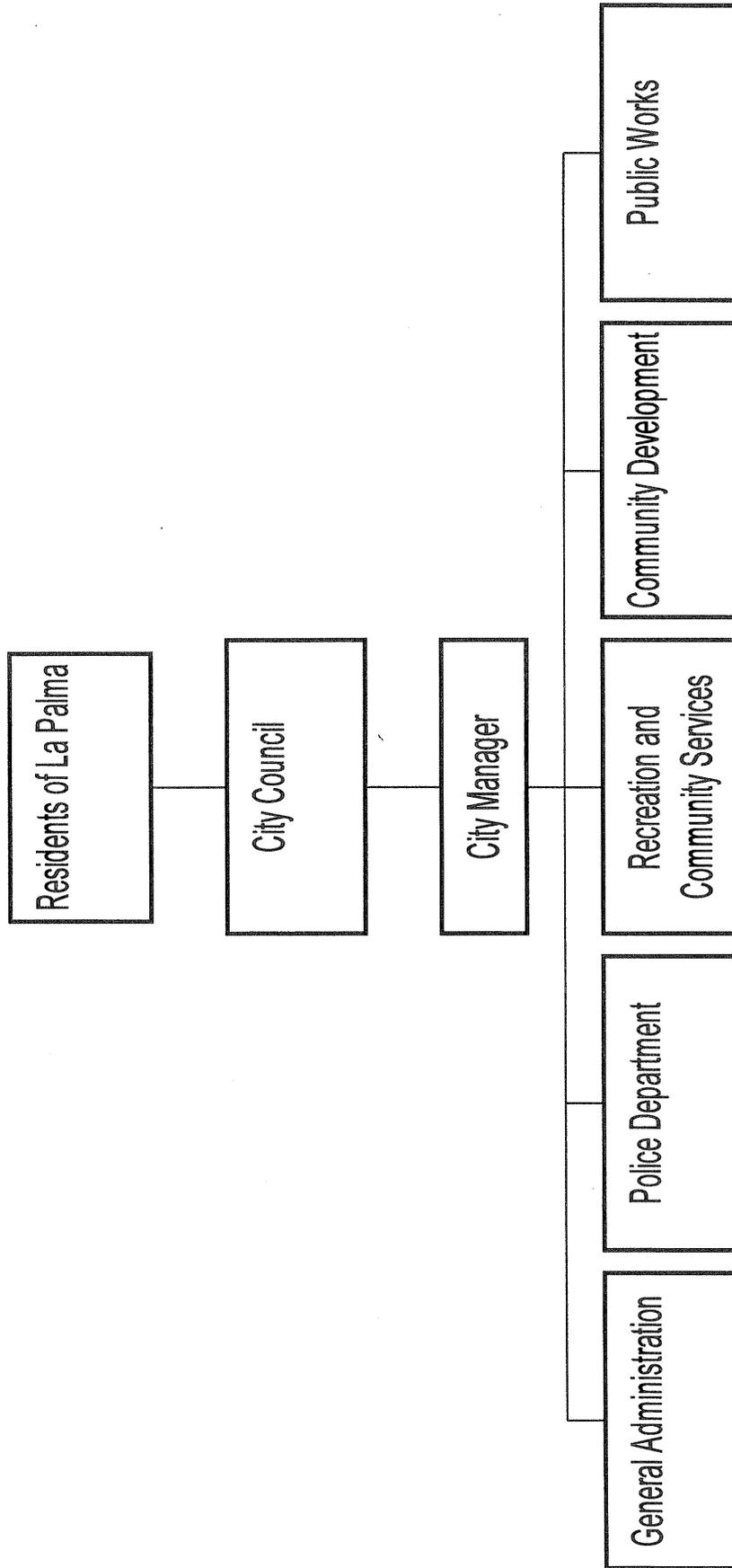
Kenneth A. Blake
Councilmember



Alta E. Duke
Councilmember

2001/2002 CITY COUNCIL

CITY OF LA PALMA



FINANCIAL SECTION

Honorable Mayor and City Council
City of La Palma, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying general purpose financial statements of the City of La Palma, California as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of the City of La Palma, California. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of La Palma, California as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and individual account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of La Palma, California. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole. The scope of our audit did not include the statistical schedules listed in the table of contents and we do not express an opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 9, 2002 on our consideration of the City of La Palma's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Conrad and Associates, L.L.P.

October 9, 2002

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GENERAL PURPOSE
FINANCIAL STATEMENTS



CITY OF LA PALMA
 Combined Balance Sheet - All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
Assets:				
Cash and investments (note 2)	\$5,227,405	2,694,174	351,272	6,090,251
Cash and investments with fiscal agent (note 2)	-	-	879,956	-
Receivables:				
Taxes	228,208	-	-	-
Accounts	5,829	60,610	-	-
Interest	38,688	24,427	2,559	17,527
Loans	-	5,326,038	-	-
Due from other funds (note 3)	747,341	-	-	-
Due from other governments	651,079	90,813	25,714	9,048
Prepaid items	14,788	-	-	-
Advances to other funds (note 3)	2,148,376	-	-	500,000
Property, plant and equipment, net where applicable of accumulated depreciation (note 4)	-	-	-	-
Other debits:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total assets and other debits	<u>\$9,061,714</u>	<u>8,196,062</u>	<u>1,259,501</u>	<u>6,616,826</u>
<u>Liabilities, Equity and Other Credits</u>				
Liabilities:				
Accounts payable	\$ 181,445	59,040	53,617	297,935
Other accrued liabilities	69,977	5,296	-	210
Due to other funds (note 3)	-	439,690	231,108	76,543
Due to other governmental agencies	-	-	-	-
Deferred revenue	4,604	395,643	-	-
Deposits payable	-	-	-	-
Advances from other funds (notes 3, 5 and 7)	-	4,871,376	-	-
Compensated absences (note 5)	-	-	-	-
Tax allocation bonds (notes 5, 6 and 8)	-	-	-	-
Total liabilities	<u>256,026</u>	<u>5,771,045</u>	<u>284,725</u>	<u>374,688</u>
Equity and other credits:				
Investment in general fixed assets	-	-	-	-
Contributed capital (note 14)	-	-	-	-
Retained earnings	-	-	-	-
Fund balances (note 13):				
Reserved	2,163,164	5,016,038	974,776	500,000
Unreserved:				
Designated	1,194,443	-	-	5,742,138
Undesignated	5,448,081	(2,591,021)	-	-
Total equity and other credits	<u>8,805,688</u>	<u>2,425,017</u>	<u>974,776</u>	<u>6,242,138</u>
Total liabilities, equity and other credits	<u>\$9,061,714</u>	<u>8,196,062</u>	<u>1,259,501</u>	<u>6,616,826</u>

See accompanying notes to financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Debt	2002	2001
7,337,842	1,313,362	22,098	-	-	23,036,404	22,312,001
-	-	-	-	-	879,956	1,041,729
-	-	-	-	-	228,208	252,327
495,158	-	-	-	-	561,597	530,011
73,826	-	7	-	-	157,034	294,036
-	22,674	-	-	-	5,348,712	4,380,780
-	-	-	-	-	747,341	720,921
-	-	-	-	-	776,654	712,488
-	-	-	-	-	14,788	1,251
1,000,000	1,600,000	-	-	-	5,248,376	5,500,792
3,905,996	-	-	8,138,250	-	12,044,246	11,533,026
-	-	-	-	974,776	974,776	906,976
-	-	-	-	9,968,905	9,968,905	10,010,725
<u>12,812,822</u>	<u>2,936,036</u>	<u>22,105</u>	<u>8,138,250</u>	<u>10,943,681</u>	<u>59,986,997</u>	<u>58,197,063</u>
319,355	24,795	-	-	-	936,187	911,069
5,366	22,677	676	-	-	104,202	116,428
-	-	-	-	-	747,341	720,921
-	637,466	-	-	-	637,466	-
-	-	-	-	-	400,247	310,000
-	-	21,429	-	-	21,429	47,012
-	-	-	-	377,000	5,248,376	5,500,792
-	-	-	-	536,681	536,681	499,909
-	-	-	-	10,030,000	10,030,000	9,850,000
<u>324,721</u>	<u>684,938</u>	<u>22,105</u>	<u>-</u>	<u>10,943,681</u>	<u>18,661,929</u>	<u>17,956,131</u>
-	-	-	8,138,250	-	8,138,250	7,454,878
3,006,896	-	-	-	-	3,006,896	3,088,331
9,481,205	2,251,098	-	-	-	11,732,303	11,965,340
-	-	-	-	-	8,653,978	7,859,220
-	-	-	-	-	6,936,581	6,579,711
-	-	-	-	-	2,857,060	3,293,452
<u>12,488,101</u>	<u>2,251,098</u>	<u>-</u>	<u>8,138,250</u>	<u>-</u>	<u>41,325,068</u>	<u>40,240,932</u>
<u>12,812,822</u>	<u>2,936,036</u>	<u>22,105</u>	<u>8,138,250</u>	<u>10,943,681</u>	<u>59,986,997</u>	<u>58,197,063</u>



CITY OF LA PALMA

EXHIBIT BB

Combined Statement of Revenues, Expenditures and Changes in Fund Balances -
All Governmental Fund Types
Year ended June 30, 2002

	Governmental Fund Types				Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	2002	2001
Revenues:						
Taxes	\$4,753,508	382,563	1,530,252	1,323,821	7,990,144	7,928,915
Intergovernmental	912,611	768,820	-	-	1,681,431	1,906,145
Licenses and permits	226,618	-	-	-	226,618	223,556
Fines and forfeitures	173,375	-	-	-	173,375	158,922
Investment income	528,983	124,163	27,401	107,599	788,146	1,318,721
Charges for service	416,163	-	-	-	416,163	417,670
Rental income	257,470	60,610	-	-	318,080	36,832
Miscellaneous	302,018	2,430	-	36,634	341,082	487,780
Total revenues	7,570,746	1,338,586	1,557,653	1,468,054	11,935,039	12,478,541
Expenditures:						
Current:						
General government	1,523,844	-	24,291	-	1,548,135	1,677,366
Public safety	3,602,160	257,706	-	-	3,859,866	3,730,790
Public works	476,244	256,784	-	-	733,028	746,615
Community development	1,281,333	263,701	-	319,969	1,865,003	1,643,999
Capital outlay	181,348	693,413	-	942,049	1,816,810	1,165,202
Debt service:						
Principal	-	-	460,792	-	460,792	235,000
Interest	-	284,699	647,126	-	931,825	1,171,344
Refunding bond issuance costs	-	-	222,179	-	222,179	-
Advance refunding escrow	-	-	664,184	-	664,184	-
Pass-through payments	-	-	175,464	-	175,464	191,241
Total expenditures	7,064,929	1,756,303	2,194,036	1,262,018	12,277,286	10,561,557
Excess (deficiency) of revenues over (under) expenditures	505,817	(417,717)	(636,383)	206,036	(342,247)	1,916,984
Other financing sources (uses):						
Operating transfers in	362,500	-	-	-	362,500	384,800
Operating transfers out	-	(19,200)	-	-	(19,200)	(94,900)
Proceeds of refunding bonds, net	-	-	6,035,897	-	6,035,897	-
Proceeds of advances	-	-	-	10,000	10,000	-
Payment to refunded bond escrow agent	-	-	(5,331,714)	-	(5,331,714)	-
Total other financing sources (uses)	362,500	(19,200)	704,183	10,000	1,057,483	289,900
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	868,317	(436,917)	67,800	216,036	715,236	2,206,884
Fund balances at beginning of year	7,937,371	2,861,934	906,976	6,026,102	17,732,383	15,525,499
Fund balances at end of year	\$8,805,688	2,425,017	974,776	6,242,138	18,447,619	17,732,383

See accompanying notes to financial statements.

CITY OF LA PALMA

Combined Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General, Special Revenue and Debt Service Fund Types

Year ended June 30, 2002

	General		Variance- Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Taxes	\$ 4,890,800	4,753,508	(137,292)
Intergovernmental	911,300	912,611	1,311
Licenses and permits	215,000	226,618	11,618
Fines and forfeitures	180,000	173,375	(6,625)
Investment income	692,000	528,983	(163,017)
Charges for services	346,500	416,163	69,663
Rental income	148,000	257,470	109,470
Miscellaneous	280,700	302,018	21,318
Total revenues	<u>7,664,300</u>	<u>7,570,746</u>	<u>(93,554)</u>
Expenditures:			
Current:			
General government	1,770,044	1,523,844	246,200
Public safety	3,753,400	3,602,160	151,240
Public works	563,050	476,244	86,806
Community development	1,493,550	1,281,333	212,217
Capital outlay	360,900	181,348	179,552
Debt service:			
Principal	-	-	-
Interest	-	-	-
Refunding bond issuance costs	-	-	-
Advance refunding escrow	-	-	-
Pass-through payments	-	-	-
Total expenditures	<u>7,940,944</u>	<u>7,064,929</u>	<u>876,015</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(276,644)</u>	<u>505,817</u>	<u>782,461</u>
Other financing sources (uses):			
Operating transfers in	362,500	362,500	-
Operating transfers out	-	-	-
Proceeds of refunding bonds, net	-	-	-
Proceeds of advances	-	-	-
Payment to refunded bond escrow agent	-	-	-
Total other financing sources (uses)	<u>362,500</u>	<u>362,500</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>85,856</u>	<u>868,317</u>	<u>782,461</u>
Fund balances at beginning of year	<u>7,937,371</u>	<u>7,937,371</u>	<u>-</u>
Fund balances at end of year	<u>\$ 8,023,227</u>	<u>8,805,688</u>	<u>782,461</u>

See accompanying notes to financial statements.

Special Revenue			Debt Service		
Budget	Actual	Variance-Favorable (Unfavorable)	Budget	Actual	Variance-Favorable (Unfavorable)
410,000	382,563	(27,437)	1,640,000	1,530,252	(109,748)
777,100	768,820	(8,280)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
199,500	124,163	(75,337)	84,000	27,401	(56,599)
-	-	-	-	-	-
-	60,610	60,610	-	-	-
-	2,430	2,430	-	-	-
<u>1,386,600</u>	<u>1,338,586</u>	<u>(48,014)</u>	<u>1,724,000</u>	<u>1,557,653</u>	<u>(166,347)</u>
-	-	-	31,000	24,291	6,709
394,900	257,706	137,194	-	-	-
341,600	256,784	84,816	-	-	-
335,400	263,701	71,699	-	-	-
1,026,200	693,413	332,787	-	-	-
-	-	-	250,000	460,792	(210,792)
285,000	284,699	301	765,000	647,126	117,874
-	-	-	223,000	222,179	821
-	-	-	664,184	664,184	-
-	-	-	313,000	175,464	137,536
<u>2,383,100</u>	<u>1,756,303</u>	<u>626,797</u>	<u>2,246,184</u>	<u>2,194,036</u>	<u>52,148</u>
<u>(996,500)</u>	<u>(417,717)</u>	<u>578,783</u>	<u>(522,184)</u>	<u>(636,383)</u>	<u>(114,199)</u>
-	-	-	-	-	-
(19,200)	(19,200)	-	-	-	-
-	-	-	6,000,000	6,035,897	35,897
-	-	-	-	-	-
-	-	-	(5,335,816)	(5,331,714)	4,102
<u>(19,200)</u>	<u>(19,200)</u>	<u>-</u>	<u>664,184</u>	<u>704,183</u>	<u>39,999</u>
(1,015,700)	(436,917)	578,783	142,000	67,800	(74,200)
2,861,934	2,861,934	-	906,976	906,976	-
<u>1,846,234</u>	<u>2,425,017</u>	<u>578,783</u>	<u>1,048,976</u>	<u>974,776</u>	<u>(74,200)</u>

CITY OF LA PALMA

Combined Statement of Revenues, Expenses and Changes in Retained Earnings -
All Proprietary Fund Types

Year ended June 30, 2002

	Enterprise	Internal Service	Totals (Memorandum Only)	
			2002	2001
Operating revenues:				
Charges for services	\$ 1,991,104	1,672,800	3,663,904	3,634,755
Miscellaneous	328	1,198	1,526	1,758
Total operating revenues	<u>1,991,432</u>	<u>1,673,998</u>	<u>3,665,430</u>	<u>3,636,513</u>
Operating expenses:				
Personnel services	387,848	693,510	1,081,358	1,063,035
Maintenance and operations	974,718	11,640	986,358	954,798
Contractual services	57,606	32,240	89,846	143,930
Depreciation	176,898	-	176,898	189,901
Settlement, claims and insurance	58,700	1,235,091	1,293,791	863,106
Administrative	2,808	-	2,808	2,081
Total operating expenses	<u>1,658,578</u>	<u>1,972,481</u>	<u>3,631,059</u>	<u>3,216,851</u>
Operating income (loss)	<u>332,854</u>	<u>(298,483)</u>	<u>34,371</u>	<u>419,662</u>
Nonoperating revenues (expenses):				
Investment income	<u>385,300</u>	<u>250</u>	<u>385,550</u>	<u>651,012</u>
Total nonoperating revenues (expenses)	<u>385,300</u>	<u>250</u>	<u>385,550</u>	<u>651,012</u>
Income (loss) before operating transfers	<u>718,154</u>	<u>(298,233)</u>	<u>419,921</u>	<u>1,070,674</u>
Operating transfers out	<u>(343,300)</u>	<u>-</u>	<u>(343,300)</u>	<u>(289,900)</u>
Total operating transfers	<u>(343,300)</u>	<u>-</u>	<u>(343,300)</u>	<u>(289,900)</u>
Net income (loss)	<u>374,854</u>	<u>(298,233)</u>	<u>76,621</u>	<u>780,774</u>
Add depreciation on assets acquired with capital grants	81,435	-	81,435	81,435
Retained earnings at beginning of year, as restated (note 20)	<u>9,024,916</u>	<u>2,549,331</u>	<u>11,574,247</u>	<u>11,103,131</u>
Retained earnings at end of year	<u>\$ 9,481,205</u>	<u>2,251,098</u>	<u>11,732,303</u>	<u>11,965,340</u>

See accompanying notes to financial statements.

CITY OF LA PALMA

Combined Statement of Cash Flows - All Proprietary Fund Types

Year ended June 30, 2002

	Enterprise	Internal Service	Totals (Memorandum Only)	
			2002	2001
Cash flows from operating activities:				
Cash received from customers	\$2,023,021	-	2,023,021	2,094,169
Cash received from user departments	-	1,672,800	1,672,800	1,576,100
Cash payments to suppliers for goods and services	(1,074,361)	(1,059,576)	(2,133,937)	(1,815,054)
Cash payments to employees for services	(391,036)	(692,897)	(1,083,933)	(1,067,586)
Cash received from (used for) other operating activities	328	(897)	(569)	2,801
Net cash provided by (used for) operating activities	557,952	(80,570)	477,382	790,430
Cash flows from noncapital financing activities:				
Cash advanced to other funds	-	-	-	(2,600,000)
Cash paid to other funds	(343,300)	-	(343,300)	(289,900)
Net cash provided by (used for) noncapital financing activities	(343,300)	-	(343,300)	(2,889,900)
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(4,746)	-	(4,746)	(19,333)
Net cash provided by (used for) capital and related financing activities	(4,746)	-	(4,746)	(19,333)
Cash flows from investing activities:				
Interest income received	398,067	18,796	416,863	690,844
Net cash provided by (used for) investing activities	398,067	18,796	416,863	690,844
Net increase (decrease) in cash and cash equivalents	607,973	(61,774)	546,199	(1,427,959)
Cash and cash equivalents at beginning of year	6,729,869	1,375,136	8,105,005	9,532,964
Cash and cash equivalents at end of year	\$7,337,842	1,313,362	8,651,204	8,105,005
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 332,854	(298,483)	34,371	419,662
Adjustments to reconcile operating income (loss) to net income provided by (used for) operating activities:				
Depreciation	176,898	-	176,898	189,901
(Increase) decrease in accounts receivable	31,917	-	31,917	35,514
(Increase) decrease in loans receivable	-	(2,095)	(2,095)	1,043
(Increase) decrease in prepaid items	-	-	-	191,045
Increase (decrease) in accounts payable	16,663	(14,113)	2,550	(39,298)
Increase (decrease) in other accrued liabilities	(380)	(12,252)	(12,632)	(7,437)
Increase (decrease) in due to other governmental agencies	-	246,373	246,373	-
Total adjustments	225,098	217,913	443,011	370,768
Net cash provided by (used for) operating activities	\$ 557,952	(80,570)	477,382	790,430

There were no noncash financing or investing activities for the year ended June 30, 2002.

See accompanying notes to financial statements.



NOTES TO
FINANCIAL STATEMENTS

CITY OF LA PALMA
Notes to Financial Statements
Year ended June 30, 2002

(1) Summary of Significant Accounting Policies

The financial statements of the City of La Palma, California (City) have been prepared in conformity with generally accepted accounting principles (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 more significant of the City's accounting policies are described below.

(a) Reporting Entity

The City of La Palma, California was incorporated 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 generally accepted accounting principles, 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 (Commission) 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 Commission 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.

CITY OF LA PALMA

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(b) Fund Accounting

The accounts of the City are organized on the basis of funds and account groups. 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. Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt. Account groups are not funds as they do not reflect available financial resources and related liabilities.

The following is a summary of the fund types and account groups 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 general 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.

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.

CITY OF LA PALMA

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

- 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.

Fiduciary Fund Type

- Agency Funds are used to account for assets held by the City as an agent for individuals or private organizations, other governmental units and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Account Groups

- The General Fixed Assets Account Group is used to maintain control and cost information on capital assets owned by the City, other than those of the Proprietary Fund Types.
- The General Long-Term Debt Account Group is used to account for the unmatured long-term liabilities of the City, other than those specific liabilities of the Proprietary Fund Types.

(c) Measurement Focus and Basis of Accounting

Governmental (general, special revenue, debt service and capital projects) fund types are accounted for on a “spending” measurement focus. Accordingly, only current assets and current liabilities are included on their balance sheets. The reported fund balance provides an indication of available, spendable resources. Operating statements for governmental fund types report increases (revenues) and decreases (expenditures) in available spendable resources.

The proprietary (enterprise and internal service) fund types are accounted for on an “income determination” or “cost of services” measurement focus. Accordingly, all assets and liabilities are included on the balance sheet, and the reported fund equity provides an indication of the economic net worth of the fund. Operating statements for proprietary fund types report increases (revenues) and decreases (expenses) in total economic net worth.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

CITY OF LA PALMA

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

The modified accrual basis of accounting is followed by the governmental and agency funds. Under the modified accrual basis of accounting, revenues are susceptible to accrual when they become both *measurable and available*. Measurable means that amounts can be estimated, or otherwise determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year end. Expenditures, other than interest on long-term debt, are recorded when a current liability is incurred. Liabilities are considered current when they are normally expected to be liquidated with expendable available financial resources.

Revenue recognition is subject to the *measurable and available* criteria for the governmental funds. *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 upon which they are based 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.

The accrual basis of accounting is utilized by the proprietary funds. Revenues are recognized when they are earned and expenses are recorded when the related liability is incurred. Unbilled service receivables, if material, have been reflected in the 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.

(d) Cash and Investments

Investments are reported in the accompanying balance sheet at fair value. The fair value of the investments is generally based on published market prices and quotations from major investment firms.

CITY OF LA PALMA

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

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.

(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 of La Palma.

(f) Property, Plant and Equipment

Acquisitions of general fixed assets are recorded as expenditures in the governmental funds at the time of purchase. These assets are stated at historical cost in the General Fixed Assets Account Group. Donated general fixed assets are recorded at their fair market value at the time received. Expenditures for infrastructure (roads, curbs, sidewalks, sewers) are not capitalized, as such assets are immovable and of value only to the City. No depreciation is provided for assets capitalized in the General Fixed Assets Account Group.

Property, plant and equipment acquired by Proprietary Fund Types are capitalized at historical cost at the time of purchase. Assets acquired from gifts or contributions are recorded at fair market value on the date received. Depreciation of such assets is computed using the straight-line method over the estimated useful lives noted below and charged to operations:

Buildings and improvements	40 to 50 years
Reservoir	20 to 75 years
Machinery and equipment	5 to 20 years

CITY OF LA PALMA
Notes to Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(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.

Under GASB Statement No. 16 a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

(h) Deferred Revenue

Deferred revenue represents receivables at year-end that will not be collected soon enough to finance current year expenditures, and grant reimbursement revenue received in advance of the recognition of a related fund expenditure.

(i) Long-Term Obligations

Governmental fund long-term debt service (principal, interest and fiscal charges) is recorded as an expenditure when due regardless of when the liability is incurred. Obligations that are expected to be financed for spendable, available financial resources are reported as a fund liability. The remainder is reported in the General Long-Term Debt Account Group. Bond discounts and issuance costs are recognized in the period that the debt is issued.

(j) 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.

CITY OF LA PALMA

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

Accordingly, the City of La Palma 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.

(k) Budgetary Control and Accounting

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

- 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 generally accepted accounting principles. 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 XIII B of the State Constitution. Management can transfer budgeted amounts of up to \$25,000 between line items within each department, provided that they do not increase or decrease total fund appropriations.
- In the case of the General, Special Revenue and Debt Service Funds, unexpended budgeted amounts, except for amounts relating to Capital Projects, 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.

CITY OF LA PALMA

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(k) Budgetary Control and Accounting, (Continued)

Expenditures may not legally exceed budgeted appropriations at the fund level. 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 statements are presented for the Capital Projects Funds.

(l) Interfund Transfers

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residential equity transfers. All other interfund transfers are reported as operating transfers.

(m) Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported 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.

(n) 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. These liabilities are recorded in the Internal Service Funds that account for the City's self insurance activities.

CITY OF LA PALMA
Notes to Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(o) Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

(p) Memorandum Only – Total Columns

Total columns on the accompanying general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not purport to present financial position, results of operations or cash flows of the City in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Investments

Cash and investments held by the City consist of the following at June 30, 2002:

Petty cash	\$ 7,725
Demand deposits	412,376
Certificates of deposit	100,000
Local Agency Investment Fund	22,458,686
Federal agency securities	<u>57,617</u>
Total cash and investments held by City	<u>\$ 23,036,404</u>

Cash and investments held with fiscal agent consist of the following at June 30, 2002:

Mutual funds – money market	<u>\$ 879,956</u>
Total cash and investments held with fiscal agent	<u>\$ 879,956</u>

CITY OF LA PALMA

Notes to Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

The City and its component unit are generally authorized under Section 53601 of the California Government Code and the City's investment policy to invest in the following types of investments:

- Securities of the U.S. government, or its agencies
- Commercial paper of "prime" quality
- Certificates of deposit and time deposits
- Repurchase agreements
- Local Agency Investment Fund (State Pool) deposits
- Passbook savings account demand deposit

Deposits

Under the California Government Code, a financial institution is required to secure deposits made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. 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.

Deposits of cities and other state or local governments are classified in three categories to give an indication of the level of custodial risk assumed by the entity. Category 1 includes deposits that are insured or collateralized with securities held by the City or its agent in the City's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 2 also includes deposits collateralized by an interest in an undivided collateral pool held by an authorized Agent of Depository and subject to certain regulatory requirements under State law. Category 3 includes deposits collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name. Category 3 also includes any uncollateralized deposits. Deposits are categorized as follows:

<u>Form of Deposit</u>	<u>Category</u>			<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Deposits held by City:					
Demand deposits	\$200,000	189,183	-	389,183	412,376
Certificates of deposit	-	100,000	-	100,000	100,000
Total deposits	<u>\$200,000</u>	<u>289,183</u>	<u>-</u>	<u>489,183</u>	<u>512,376</u>

CITY OF LA PALMA

Notes to Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments

Investments of cities and other state or local governments are classified in three categories to give an indication of the level of custodial risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or the City's custodial agent (which must be a different institution other than the party through which the City purchased the securities) in the City's name. Investments held "in the City's name" include securities held in a separate custodial or fiduciary account and identified as owned by the City in the custodian's internal accounting records. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer's agent in the City's name (or by the trust department of the dealer if the dealer was a financial institution and another department of the institution purchased the securities for the City). Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer's agent but not in the City's name. Category 3 also includes all securities held by the broker-dealer agent of the City (the party that purchased the securities for the City) regardless of whether or not the securities are being held in the City's name:

<u>Form of Investment</u>	<u>Category</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Investments held by the City:				
Federal agency securities	\$ 57,617	-	-	<u>57,617</u>
	<u>\$ 57,617</u>	<u>-</u>	<u>-</u>	57,617
Investments held by City not subject to categorization:				
Investment in Local Agency Investment Fund				22,458,686
Investments held with fiscal agent not subject to categorization:				
Mutual funds – money market				<u>879,956</u>
Total investments				<u>\$ 23,396,259</u>

The carrying amount of all investments reflected in the above table is at fair value.

CITY OF LA PALMA

Notes to Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City'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. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

(3) Interfund Receivables and Payables

Current interfund receivables and payables as of June 30, 2002 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$747,341	-
Special Revenue Fund:		
Low/Moderate Income Housing	-	439,690
Debt Service Fund	-	231,108
Capital Projects Fund:		
CDC Projects	-	<u>76,543</u>
Total	<u>\$747,341</u>	<u>747,341</u>

CITY OF LA PALMA
Notes to Financial Statements
(Continued)

(3) Interfund Receivables and Payables, (Continued)

Long-term interfund receivables and payables at June 30, 2002 are as follows:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$2,148,376	-
Special Revenue Fund:		
Low/Moderate Income Housing	-	4,871,376
Capital Project Fund:		
Capital Outlay Reserve	500,000	-
Enterprise Funds:		
Water	500,000	-
Sewer	500,000	-
Internal Service Funds:		
Insurance	600,000	-
Employee Benefits	1,000,000	-
General Long Term Debt	<u>-</u>	<u>377,000</u>
Total	<u>\$5,248,376</u>	<u>5,248,376</u>

The terms for significant advances from other funds reflected above are as follows:

During the year ended June 30, 2001, the City Council authorized a \$4,933,000 advance to the Commission. The Commission 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 Commission over the next 30 years. The outstanding balance on the loan at June 30, 2002 is \$4,871,376 and is recorded as an advance from various City funds to the Low/Moderate Income Housing Special Revenue Fund.

The City Council authorized loans to the Commission with an outstanding balance totaling \$367,000 at an interest rate of 10%. The loans are repayable to the City as tax increment funds become available to the Commission. The loans are classified as advances from other funds in the General Long-Term Debt Account Group.

On October 16, 2001, the City authorized a loan to the Commission totaling \$10,000 at an interest rate of 10% to assist the Commission in meeting certain administrative expenses. The loan is repayable to the City as tax increment funds become available to the Commission. The loan is classified as an advance from other funds in the General Long-Term Debt Account Group.

CITY OF LA PALMA

Notes to Financial Statements

(Continued)

(4) Property, Plant and Equipment

A summary of changes in general fixed assets follows:

	<u>Balance at July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2002</u>
Land	\$1,602,281	-	-	1,602,281
Construction in progress	-	406,567	-	406,567
Buildings and improvements	3,257,532	-	-	3,257,532
Equipment	1,156,928	525,994	(147,521)	1,535,401
Vehicles	1,207,506	192,228	(256,994)	1,142,740
Furniture and fixtures	230,631	10,735	(47,637)	193,729
Totals	<u>\$7,454,878</u>	<u>1,135,524</u>	<u>(452,152)</u>	<u>8,138,250</u>

At June 30, 2002, the fixed assets of the Enterprise Funds were as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Land	\$ 754,000	-	754,000
Building and improvements	5,579,049	2,178,463	7,757,512
Machinery and equipment	149,059	625	149,684
Total fixed assets	6,482,108	2,179,088	8,661,196
Less accumulated depreciation	<u>(3,108,625)</u>	<u>(1,646,575)</u>	<u>(4,755,200)</u>
Net fixed assets	<u>\$3,373,483</u>	<u>532,513</u>	<u>3,905,996</u>

(5) Changes in General Long-Term Debt

A summary of changes in general long-term debt for the year ended June 30, 2002 is as follows:

	<u>Balance at July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2002</u>
1991 Tax Allocation Bonds	\$ 5,760,000	-	(5,760,000)	-
1993 Tax Allocation Bonds	4,090,000	-	(135,000)	3,955,000
2001 Tax Allocation Bonds	-	6,200,000	(125,000)	6,075,000
Subtotal	9,850,000	6,200,000	(6,020,000)	10,030,000
Advances from other funds	567,792	10,000	(200,792)	377,000
Compensated absences	499,909	39,526	(2,754)	536,681
Total general long-term debt	<u>\$10,917,701</u>	<u>6,249,526</u>	<u>(6,223,546)</u>	<u>10,943,681</u>

CITY OF LA PALMA
Notes to Financial Statements
(Continued)

(6) Bonds Payable

1993 Tax Allocation Bonds

On December 1, 1993, the Commission 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 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 maturing on or before June 1, 2002 are not subject to call or redemption prior to maturity. Bonds maturing on or after June 1, 2003 may be redeemed at par plus a premium. As of June 30, 2002, \$3,955,000 of the bonds were outstanding.

2001 Refunding Tax Allocation Bonds

On December 1, 2001, the Commission 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 Commission. 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.

The proceeds of \$6,200,000, along with the remaining reserves of the 1991 tax allocation bonds in the amount of \$664,184 were used to purchase United States Treasury securities that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payment on the \$5,760,000 of outstanding 1991 tax allocation bonds. As a result, the 1991 bonds are considered defeased and the liability has been removed from the general long-term debt account group. This current refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$435,585 and a reduction of total debt service payments of \$797,013. On June 1, 2002, all remaining 1991 bonds were called and redeemed by the escrow agent. Therefore as of June 30, 2002, no outstanding amounts exist for the 1991 tax allocation bonds.

As of June 30, 2002, \$6,075,000 of 2001 refunding tax allocation bonds were outstanding.

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, 2002, the reserve was \$879,956.

CITY OF LA PALMA

Notes to Financial Statements

(Continued)

(7) Advances From Other Funds

The City Council authorized loans to the Commission with outstanding balances totaling \$377,000 at an interest rate of 10%. The loans are repayable as tax increment funds become available to the Commission and are classified as advances from other funds.

(8) Debt Service Requirements to Maturity

The annual requirements to amortize outstanding long-term debt of the City, other than advances from other funds and compensated absences, as of June 30, 2002 are as follows:

<u>Year Ending June 30</u>	<u>1993 Tax Allocation Bonds</u>	<u>2001 Tax Allocation Bonds</u>	<u>Total</u>
2003	\$ 383,940	480,380	864,320
2004	380,820	480,567	861,387
2005	382,270	484,988	867,258
2006	377,990	483,432	861,422
2007	383,255	481,218	864,473
Thereafter	<u>4,606,496</u>	<u>7,706,217</u>	<u>12,312,713</u>
Total debt service	6,514,771	10,116,802	16,631,573
Less interest payments	<u>(2,559,771)</u>	<u>(4,041,802)</u>	<u>(6,601,573)</u>
Outstanding principal	<u>\$3,955,000</u>	<u>6,075,000</u>	<u>10,030,000</u>

The above schedule does not include \$377,000 of advances from other funds and the \$536,681 of compensated absences because there are no defined repayment schedules.

(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, 2002.

CITY OF LA PALMA

Notes to Financial Statements

(Continued)

(10) Post Retirement Benefits

In addition to providing pension benefits, the City provides postemployment 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 16 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 \$40,512 for the year ended June 30, 2002.

(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 84 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 coverages. 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 – Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$20,000 of each occurrence is charged directly to the member; costs from \$20,001 to \$500,000 are pooled based on a member's share of costs under \$20,000; costs from \$500,001 to \$5,000,000 are pooled based on payroll. Costs of covered claims above \$5,000,000 are currently paid by reinsurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate.

CITY OF LA PALMA

Notes to Financial Statements

(Continued)

(11) Liability, Property and Workers' Compensation Protection, (Continued)

Workers' compensation – The City also participates in the workers' compensation pool administered by the CJPIA. Pool deposits and retrospective adjustments are valued in a manner similar to the General Liability Pool. The City is charged for the first \$50,000 of each claim. Costs from \$50,001 to \$100,000 per claim are pooled based on the member's losses under its retention level. Costs between \$100,001 and \$500,000 per claim are pooled based on payroll. Costs in excess of \$500,000 are paid by excess insurance purchased by the CJPIA. The excess insurance provides coverage to statutory limits.

Purchased insurance

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. Total all-risk property insurance coverage is \$8,865,844. There is a \$5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and flood insurance – The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the CJPIA. The City's property currently has earthquake protection in the amount of \$6,529,840. 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.

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.

Prior to becoming a member of the CJPIA effective July 1, 1998, the City was self-insured against risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries to employees. The City's Insurance and Employee Benefits Internal Service Funds are used to account for and finance its uninsured risks of loss. A reconciliation of changes in aggregate liabilities for claim activities filed in the current fiscal year and the prior fiscal year for incidents occurring through June 30, 1998 are as follows:

CITY OF LA PALMA

Notes to Financial Statements

(Continued)

(11) Liability, Property and Workers' Compensation Protection, (Continued)

	<u>Employee Benefits</u>
<u>Workers' Compensation:</u>	
Amount of accrued claims at June 30, 2000	\$ 36,500
Incurred claims, representing the total of a provision for events of the current fiscal year and any changes (increase or decrease) in the provision for events of prior fiscal years	7,752
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(13,990)</u>
Amount of accrued claims at June 30, 2001	30,262
Incurred claims representing the total of a provision for events of the current fiscal year and any changes (increase or decrease) in the provision for events of prior fiscal years	14,572
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(27,437)</u>
Amount of accrued claims at June 30, 2002	<u>\$ 17,397</u>

(12) Segment Information for Enterprise Funds

The City maintains two Enterprise Funds which provide water and sewer services. A summary of the City's enterprise operations at June 30, 2002 is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues	\$1,782,177	209,255	1,991,432
Depreciation	128,488	48,410	176,898
Operating income	225,360	107,494	332,854
Operating transfers out	(307,900)	(35,400)	(343,300)
Net income (loss)	145,138	229,716	374,854
Additions to property, plant and equipment	4,746	-	4,746
Net working capital	4,560,218	3,021,887	7,582,105
Total assets	8,758,206	4,054,616	12,812,822
Total fund equity	8,433,701	4,054,400	12,488,101

CITY OF LA PALMA
Notes to Financial Statements
(Continued)

(13) Fund Balances

The City establishes “reserves” of fund equity to segregate fund balances which are not appropriate 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:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Reserved for:					
Advances to other funds	\$2,148,376	-	-	500,000	2,648,376
Debt service	-	-	974,776	-	974,776
Prepaid items	14,788	-	-	-	14,788
Loans receivable	-	5,016,038	-	-	5,016,038
	<u>2,163,164</u>	<u>5,016,038</u>	<u>974,776</u>	<u>500,000</u>	<u>8,653,978</u>
Unreserved, designated for:					
Maintenance and replacement of fixed assets	1,194,443	-	-	-	1,194,443
Capital projects	-	-	-	5,742,138	5,742,138
	<u>1,194,443</u>	<u>-</u>	<u>-</u>	<u>5,742,138</u>	<u>6,936,581</u>
Unreserved, undesignated	<u>5,448,081</u>	<u>(2,591,021)</u>	<u>-</u>	<u>-</u>	<u>2,857,060</u>
Total fund balances	<u>\$8,805,688</u>	<u>2,425,017</u>	<u>974,776</u>	<u>6,242,138</u>	<u>18,447,619</u>

CITY OF LA PALMA
Notes to Financial Statements
(Continued)

(14) Changes to Contributed Capital

The following summarizes the changes in contributed capital for the Enterprise Funds for the year ended June 30, 2002:

<u>Enterprise Funds:</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Contributed capital at beginning of year	\$2,557,464	530,867	3,088,331
Depreciation on contributed assets	<u>(39,490)</u>	<u>(41,945)</u>	<u>(81,435)</u>
Contributed capital at end of year	<u>\$2,517,974</u>	<u>488,922</u>	<u>3,006,896</u>

(15) Defined Benefit Pension Plan (PERS)

Plan Description

The City of La Palma contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer 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.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. For the year ended June 30, 2002, the amount contributed by the City on behalf of the employees was \$292,390. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the year ended June 30, 2002 was 6.007% for safety employees and 0.000% for miscellaneous employees. Separately funded plans have been established for each employee group. Benefit provisions and all other requirements are established by state statute and city contract with employee bargaining groups.

Annual Pension Cost

For the year ended June 30, 2002, the City's annual pension cost (employer contribution) of \$101,792 for safety and \$0 for miscellaneous employees was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 1999, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed

CITY OF LA PALMA

Notes to Financial Statements

(Continued)

(15) Defined Benefit Pension Plan (PERS), (Continued)

market effect). PERS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. PERS has combined the prior service unfunded liability and the current service unfunded liability into a single initial unfunded liability. The single funding horizon for this initial unfunded liability is June 30, 2017 and June 30, 2038, for safety and miscellaneous plans, respectively.

Safety Employees

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (Employer Contribution)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/00	169,338	100%	-
6/30/01	105,197	100%	-
6/30/02	101,792	100%	-

Required Supplementary Information

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>*UAAL As a % of Payroll</u>
6/30/98	10,890,391	11,909,646	(1,019,255)	109.4%	1,464,107	(69.616%)
6/30/99	12,154,787	13,557,222	(1,402,435)	111.5%	1,617,336	(86.713%)
6/30/00	13,061,886	15,142,222	(2,080,336)	115.9%	1,588,089	(130.996%)

*UAAL refers to *unfunded actuarial accrued liability*.

Miscellaneous Employees

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (Employer Contribution)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/00	-	100%	-
6/30/01	-	100%	-
6/30/02	-	100%	-

CITY OF LA PALMA

Notes to Financial Statements

(Continued)

(15) Defined Benefit Pension Plan (PERS), (Continued)

Required Supplementary Information

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	*UAAL As a % of Payroll
6/30/98	5,690,969	7,848,174	(2,157,205)	137.9%	1,681,815	(128.266%)
6/30/99	6,340,471	8,968,124	(2,627,653)	141.4%	1,862,187	(141.106%)
6/30/00	6,898,355	10,065,977	(3,167,622)	145.9%	1,949,545	(162.480%)

(16) Public Agency Retirement System (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, 2002, the amount contributed by the City was \$7,508. Employees are fully vested at all times. The City has entered into an agreement with Phase II Systems to provide trust administrator services.

(17) 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.

(18) 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 21. 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 Authority's governing board consists of one representative

CITY OF LA PALMA

Notes to Financial Statements

(Continued)

(18) Joint Venture – Orange County Fire Authority, (Continued)

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 participants' proportionate share of fund equity as of June 30, 2002. 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.

(19) Owner Participation Agreements

The City entered into an Owner Participation Agreement in January 1994 with a business owner within the City for the purpose of expanding the owner's facilities. This agreement requires the City to remit property tax increment equal to the amount of sales tax revenue generated by its operation in excess of \$104,284. The agreement limits the amount of increment that can be remitted to a maximum of \$500,000 for a period of ten years. The City remitted \$0 during the year ended June 30, 2002. The total amount remitted by the City under this agreement through June 30, 2002 was approximately \$233,000.

The City also 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 remitted approximately \$26,000 of this amount during the year ended June 30, 2002. The total amount remitted by the City under this agreement through June 30, 2002 was approximately \$104,000.

CITY OF LA PALMA
Notes to Financial Statements
(Continued)

(20) Restatement of Beginning Retained Earnings

The following summarizes the effects of a restatement to the City's Internal Service Funds to beginning retained earnings balances as of June 30, 2002:

	<u>Internal Service</u>		<u>Total</u>
	<u>Insurance</u>	<u>Employee Benefits</u>	
Retained earnings at beginning of year, as previously reported	\$1,219,795	1,720,629	2,940,424
To properly reflect liability for retrospective insurance premium owed by the City for its participation in a public entity risk pool	<u>(209,275)</u>	<u>(181,818)</u>	<u>(391,093)</u>
Retained earnings at beginning of year, as restated	<u>\$1,010,520</u>	<u>1,538,811</u>	<u>2,549,331</u>

(21) Subsequent Events

In July 2002, the City of La Palma loaned \$1,500,000 to the La Palma Community Development Commission for the purpose of assisting the Commission in meeting certain contractual obligations pertaining to the redevelopment of its project area. Interest accrues on the loan at a rate of 10% compounded annually. The loan plus accrued interest are to be repaid to the City out of the Commission's tax increment in fifteen annual installments commencing June 30, 2003.



SUPPLEMENTARY
INFORMATION

GENERAL FUND

To account for all 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.

CITY OF LA PALMA
General Fund

Comparative Balance Sheets

June 30, 2002 and 2001

	2002	2001
<u>Assets</u>		
Cash and investments	\$ 5,227,405	4,307,636
Receivables:		
Taxes	228,208	252,327
Accounts	5,829	2,936
Interest	38,688	69,358
Due from other funds	747,341	720,921
Due from other governments	651,079	565,584
Prepaid items	14,788	1,251
Advances to other funds	2,148,376	2,400,792
	\$ 9,061,714	8,320,805
 <u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts payable	\$ 181,445	312,276
Other accrued liabilities	69,977	71,158
Deferred revenue	4,604	-
	256,026	383,434
Fund balances:		
Reserved for:		
Advances to other funds	2,148,376	2,400,792
Prepaid items	14,788	1,251
Unreserved:		
Designated for maintenance and replacement of fixed assets	1,194,443	1,053,609
Undesignated	5,448,081	4,481,719
	8,805,688	7,937,371
Total fund balances		
	\$ 9,061,714	8,320,805

CITY OF LA PALMA
General Fund

Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual

Year ended June 30, 2002

	Budget	Actual	Variance- Favorable (Unfavorable)	Prior Year Actual
Revenues:				
Taxes	\$ 4,890,800	4,753,508	(137,292)	4,748,251
Intergovernmental	911,300	912,611	1,311	904,933
Licenses and permits	215,000	226,618	11,618	223,556
Fines and forfeitures	180,000	173,375	(6,625)	158,922
Investment income	692,000	528,983	(163,017)	536,710
Charges for services	346,500	416,163	69,663	369,790
Rental income	148,000	257,470	109,470	36,832
Miscellaneous	280,700	302,018	21,318	430,322
Total revenues	<u>7,664,300</u>	<u>7,570,746</u>	<u>(93,554)</u>	<u>7,409,316</u>
Expenditures:				
Current:				
General government	1,770,044	1,523,844	246,200	1,654,224
Public safety	3,753,400	3,602,160	151,240	3,536,085
Public works	563,050	476,244	86,806	470,156
Community development	1,493,550	1,281,333	212,217	1,246,934
Capital outlay	360,900	181,348	179,552	397,959
Total expenditures	<u>7,940,944</u>	<u>7,064,929</u>	<u>876,015</u>	<u>7,305,358</u>
Excess (deficiency) of revenues over (under) expenditures	(276,644)	505,817	782,461	103,958
Other financing sources (uses):				
Operating transfers in	362,500	362,500	-	384,800
Total other financing sources (uses)	<u>362,500</u>	<u>362,500</u>	<u>-</u>	<u>384,800</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	85,856	868,317	782,461	488,758
Fund balances at beginning of year	7,937,371	7,937,371	-	7,448,613
Fund balances at end of year	<u>\$ 8,023,227</u>	<u>8,805,688</u>	<u>782,461</u>	<u>7,937,371</u>



SPECIAL REVENUE FUNDS

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:

Asset Seizure – To account for the City's share of assets seized as a result of narcotics investigations. The monies are used for law enforcement purposes.

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 the 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.

Local Law Enforcement Block Grant – To account for grants received from the United States Department of Justice. The monies are used for law enforcement services.

California (CA) Law Enforcement Equipment Program – To account for grant monies received from the State of California. The monies are used for capital outlay expenditures for law enforcement services.

Low/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
Special Revenue Funds
Combining Balance Sheet
June 30, 2002

	Asset Seizure	Streets	Measure M	Traffic Congestion Relief	Park Development	Air Quality Improvement
<u>Assets</u>						
Cash and investments	\$14,353	134,997	315,482	35,951	115,423	68,640
Receivables:						
Accounts	-	-	-	-	-	-
Interest	139	2,654	1,794	369	4,014	676
Loans	-	-	-	-	-	-
Due from other governments	-	35,115	30,408	3,426	-	4,808
Total assets	<u>\$14,492</u>	<u>172,766</u>	<u>347,684</u>	<u>39,746</u>	<u>119,437</u>	<u>74,124</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ -	5,462	-	-	-	38,398
Other accrued liabilities	-	2,322	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>7,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,398</u>
Fund balances:						
Reserved for:						
Loans receivable	-	-	-	-	-	-
Unreserved, undesignated	<u>14,492</u>	<u>164,982</u>	<u>347,684</u>	<u>39,746</u>	<u>119,437</u>	<u>35,726</u>
Total fund balances	<u>14,492</u>	<u>164,982</u>	<u>347,684</u>	<u>39,746</u>	<u>119,437</u>	<u>35,726</u>
Total liabilities and fund balances	<u>\$14,492</u>	<u>172,766</u>	<u>347,684</u>	<u>39,746</u>	<u>119,437</u>	<u>74,124</u>

Supplemental Law Enforcement Service	Public Safety Augmentation	Abandoned Vehicles	Local Law Enforcement Block Grant	CA Law Enforcement Equipment Program	Low/Moderate Income Housing	Totals	
						2002	2001
9,217	97,544	12,183	59,599	120,926	1,709,859	2,694,174	4,113,749
-	-	-	-	-	60,610	60,610	-
240	993	125	611	1,357	11,455	24,427	50,233
-	-	-	-	-	5,326,038	5,326,038	4,360,201
-	9,702	925	-	-	6,429	90,813	94,093
<u>9,457</u>	<u>108,239</u>	<u>13,233</u>	<u>60,210</u>	<u>122,283</u>	<u>7,114,391</u>	<u>8,196,062</u>	<u>8,618,276</u>
-	1,435	-	-	10,023	3,722	59,040	89,067
1,822	1,152	-	-	-	-	5,296	3,708
-	-	-	-	-	439,690	439,690	420,567
-	-	-	-	-	395,643	395,643	310,000
-	-	-	-	-	4,871,376	4,871,376	4,933,000
<u>1,822</u>	<u>2,587</u>	<u>-</u>	<u>-</u>	<u>10,023</u>	<u>5,710,431</u>	<u>5,771,045</u>	<u>5,756,342</u>
-	-	-	-	-	5,016,038	5,016,038	4,050,201
7,635	105,652	13,233	60,210	112,260	(3,612,078)	(2,591,021)	(1,188,267)
<u>7,635</u>	<u>105,652</u>	<u>13,233</u>	<u>60,210</u>	<u>112,260</u>	<u>1,403,960</u>	<u>2,425,017</u>	<u>2,861,934</u>
<u>9,457</u>	<u>108,239</u>	<u>13,233</u>	<u>60,210</u>	<u>122,283</u>	<u>7,114,391</u>	<u>8,196,062</u>	<u>8,618,276</u>

CITY OF LA PALMA
Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2002

	Asset Seizure	Streets	Measure M	Traffic Congestion Relief	Park Development	Air Quality Improvement
Revenues:						
Taxes	\$ -	-	-	-	-	-
Intergovernmental	1,454	297,948	148,460	39,073	-	17,812
Investment income	589	11,756	10,398	673	17,371	2,772
Charges for services	-	-	-	-	-	-
Rental income	-	-	-	-	-	-
Miscellaneous	-	2,430	-	-	-	-
Total revenues	<u>2,043</u>	<u>312,134</u>	<u>158,858</u>	<u>39,746</u>	<u>17,371</u>	<u>20,584</u>
Expenditures:						
Current:						
Public safety	-	-	-	-	-	-
Public works	-	252,093	1,051	-	-	3,640
Community development	-	-	-	-	-	-
Capital outlay	-	139,392	203,230	-	275,924	38,359
Debt service:						
Interest	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>391,485</u>	<u>204,281</u>	<u>-</u>	<u>275,924</u>	<u>41,999</u>
Excess (deficiency) of revenues over expenditures	<u>2,043</u>	<u>(79,351)</u>	<u>(45,423)</u>	<u>39,746</u>	<u>(258,553)</u>	<u>(21,415)</u>
Other financing sources (uses):						
Operating transfers out	-	(16,800)	(600)	-	-	(700)
Total other financing sources (uses)	<u>-</u>	<u>(16,800)</u>	<u>(600)</u>	<u>-</u>	<u>-</u>	<u>(700)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>2,043</u>	<u>(96,151)</u>	<u>(46,023)</u>	<u>39,746</u>	<u>(258,553)</u>	<u>(22,115)</u>
Fund balances at beginning of year	<u>12,449</u>	<u>261,133</u>	<u>393,707</u>	<u>-</u>	<u>377,990</u>	<u>57,841</u>
Fund balances at end of year	<u><u>\$ 14,492</u></u>	<u><u>164,982</u></u>	<u><u>347,684</u></u>	<u><u>39,746</u></u>	<u><u>119,437</u></u>	<u><u>35,726</u></u>

Supplemental Law Enforcement Service	Public Safety Augmentation	Abandoned Vehicles	Local Law Enforcement Block Grant	CA Law Enforcement Equipment Program	Low/Moderate Income Housing	Totals	
						2002	2001
-	-	-	-	-	382,563	382,563	418,580
100,087	122,495	6,652	-	34,839	-	768,820	949,630
2,952	5,074	373	2,645	5,676	63,884	124,163	345,537
-	-	-	-	-	-	-	47,880
-	-	-	-	-	60,610	60,610	-
-	-	-	-	-	-	2,430	1,450
<u>103,039</u>	<u>127,569</u>	<u>7,025</u>	<u>2,645</u>	<u>40,515</u>	<u>507,057</u>	<u>1,338,586</u>	<u>1,763,077</u>
144,887	81,690	-	-	31,129	-	257,706	194,705
-	-	-	-	-	-	256,784	276,459
-	-	-	-	-	263,701	263,701	112,128
-	33,661	-	-	2,847	-	693,413	342,572
-	-	-	-	-	284,699	284,699	418,935
<u>144,887</u>	<u>115,351</u>	<u>-</u>	<u>-</u>	<u>33,976</u>	<u>548,400</u>	<u>1,756,303</u>	<u>1,344,799</u>
(41,848)	12,218	7,025	2,645	6,539	(41,343)	(417,717)	418,278
-	(1,100)	-	-	-	-	(19,200)	(94,900)
-	(1,100)	-	-	-	-	(19,200)	(94,900)
(41,848)	11,118	7,025	2,645	6,539	(41,343)	(436,917)	323,378
49,483	94,534	6,208	57,565	105,721	1,445,303	2,861,934	2,538,556
<u>7,635</u>	<u>105,652</u>	<u>13,233</u>	<u>60,210</u>	<u>112,260</u>	<u>1,403,960</u>	<u>2,425,017</u>	<u>2,861,934</u>

CITY OF LA PALMA
Asset Seizure Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2002

	Budget	Actual	Variance- Favorable (Unfavorable)	Prior Year Actual
Revenues:				
Intergovernmental	\$ -	1,454	1,454	978
Investment income	800	589	(211)	817
Total revenues	800	2,043	1,243	1,795
Expenditures:				
Current:				
Public safety	-	-	-	10,599
Total expenditures	-	-	-	10,599
Excess (deficiency) of revenues over (under) expenditures	800	2,043	1,243	(8,804)
Other financing sources (uses):				
Operating transfers out	-	-	-	(300)
Total other financing sources (uses)	-	-	-	(300)
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	800	2,043	1,243	(9,104)
Fund balances at beginning of year	12,449	12,449	-	21,553
Fund balances at end of year	\$ 13,249	14,492	1,243	12,449

CITY OF LA PALMA
Streets Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2002

	Budget	Actual	Variance- Favorable (Unfavorable)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 314,100	297,948	(16,152)	423,830
Investment income	17,000	11,756	(5,244)	16,368
Miscellaneous	-	2,430	2,430	-
Total revenues	<u>331,100</u>	<u>312,134</u>	<u>(18,966)</u>	<u>440,198</u>
Expenditures:				
Current:				
Public works	308,700	252,093	56,607	255,458
Capital outlay	175,000	139,392	35,608	83,081
Total expenditures	<u>483,700</u>	<u>391,485</u>	<u>92,215</u>	<u>338,539</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(152,600)</u>	<u>(79,351)</u>	<u>73,249</u>	<u>101,659</u>
Other financing sources (uses):				
Operating transfers out	<u>(16,800)</u>	<u>(16,800)</u>	<u>-</u>	<u>(93,600)</u>
Total other financing sources (uses)	<u>(16,800)</u>	<u>(16,800)</u>	<u>-</u>	<u>(93,600)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>(169,400)</u>	<u>(96,151)</u>	<u>73,249</u>	<u>8,059</u>
Fund balances at beginning of year	<u>261,133</u>	<u>261,133</u>	<u>-</u>	<u>253,074</u>
Fund balances at end of year	<u><u>\$ 91,733</u></u>	<u><u>164,982</u></u>	<u><u>73,249</u></u>	<u><u>261,133</u></u>

CITY OF LA PALMA
Measure M Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2002

	Budget	Actual	Variance- Favorable (Unfavorable)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 120,000	148,460	28,460	96,443
Investment income	24,700	10,398	(14,302)	21,941
Total revenues	<u>144,700</u>	<u>158,858</u>	<u>14,158</u>	<u>118,384</u>
Expenditures:				
Current:				
Public works	28,600	1,051	27,549	18,465
Capital outlay	442,200	203,230	238,970	132,469
Total expenditures	<u>470,800</u>	<u>204,281</u>	<u>266,519</u>	<u>150,934</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(326,100)</u>	<u>(45,423)</u>	<u>280,677</u>	<u>(32,550)</u>
Other financing sources (uses):				
Operating transfers out	(600)	(600)	-	(200)
Total other financing sources (uses)	<u>(600)</u>	<u>(600)</u>	<u>-</u>	<u>(200)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>(326,700)</u>	<u>(46,023)</u>	<u>280,677</u>	<u>(32,750)</u>
Fund balances at beginning of year	<u>393,707</u>	<u>393,707</u>	<u>-</u>	<u>426,457</u>
Fund balances at end of year	<u><u>\$ 67,007</u></u>	<u><u>347,684</u></u>	<u><u>280,677</u></u>	<u><u>393,707</u></u>

CITY OF LA PALMA
Traffic Congestion Relief Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>	<u>Prior Year Actual</u>
Revenues:				
Intergovernmental	\$ -	39,073	39,073	-
Investment income	-	673	673	-
Total revenues	<u>-</u>	<u>39,746</u>	<u>39,746</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	39,746	39,746	-
Fund balances at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ -</u></u>	<u><u>39,746</u></u>	<u><u>39,746</u></u>	<u><u>-</u></u>

CITY OF LA PALMA
Park Development Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>	<u>Prior Year Actual</u>
Revenues:				
Investment income	\$ 20,000	17,371	(2,629)	18,396
Charges for services	-	-	-	47,880
Total revenues	<u>20,000</u>	<u>17,371</u>	<u>(2,629)</u>	<u>66,276</u>
Expenditures:				
Capital outlay	309,000	275,924	33,076	-
Total expenditures	<u>309,000</u>	<u>275,924</u>	<u>33,076</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(289,000)	(258,553)	30,447	66,276
Fund balances at beginning of year	<u>377,990</u>	<u>377,990</u>	<u>-</u>	<u>311,714</u>
Fund balances at end of year	<u><u>\$ 88,990</u></u>	<u><u>119,437</u></u>	<u><u>30,447</u></u>	<u><u>377,990</u></u>

CITY OF LA PALMA
Air Quality Improvement Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2002

	Budget	Actual	Variance- Favorable (Unfavorable)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 15,000	17,812	2,812	18,311
Investment income	2,900	2,772	(128)	2,932
Total revenues	17,900	20,584	2,684	21,243
Expenditures:				
Current:				
Public works	4,300	3,640	660	2,536
Capital outlay	50,000	38,359	11,641	6,977
Total expenditures	54,300	41,999	12,301	9,513
Excess (deficiency) of revenues over (under) expenditures	(36,400)	(21,415)	14,985	11,730
Other financing sources (uses):				
Operating transfers out	(700)	(700)	-	-
Total other financing sources (uses)	(700)	(700)	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	(37,100)	(22,115)	14,985	11,730
Fund balances at beginning of year	57,841	57,841	-	46,111
Fund balances at end of year	\$ 20,741	35,726	14,985	57,841

CITY OF LA PALMA
Supplemental Law Enforcement Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2002

	Budget	Actual	Variance- Favorable (Unfavorable)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 100,000	100,087	87	100,000
Investment income	7,000	2,952	(4,048)	6,127
Total revenues	<u>107,000</u>	<u>103,039</u>	<u>(3,961)</u>	<u>106,127</u>
Expenditures:				
Current:				
Public safety	169,100	144,887	24,213	120,243
Total expenditures	<u>169,100</u>	<u>144,887</u>	<u>24,213</u>	<u>120,243</u>
Excess (deficiency) of revenues over (under) expenditures	(62,100)	(41,848)	20,252	(14,116)
Fund balances at beginning of year	<u>49,483</u>	<u>49,483</u>	-	<u>63,599</u>
Fund balances at end of year	<u><u>\$ (12,617)</u></u>	<u><u>7,635</u></u>	<u><u>20,252</u></u>	<u><u>49,483</u></u>

CITY OF LA PALMA
Public Safety Augmentation Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2002

	Budget	Actual	Variance- Favorable (Unfavorable)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 122,000	122,495	495	127,826
Investment income	4,100	5,074	974	3,956
Total revenues	<u>126,100</u>	<u>127,569</u>	<u>1,469</u>	<u>131,782</u>
Expenditures:				
Current:				
Public safety	93,800	81,690	12,110	63,863
Capital outlay	40,000	33,661	6,339	35,583
Total expenditures	<u>133,800</u>	<u>115,351</u>	<u>18,449</u>	<u>99,446</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,700)</u>	<u>12,218</u>	<u>19,918</u>	<u>32,336</u>
Other financing sources (uses):				
Operating transfers out	<u>(1,100)</u>	<u>(1,100)</u>	<u>-</u>	<u>(800)</u>
Total other financing sources (uses)	<u>(1,100)</u>	<u>(1,100)</u>	<u>-</u>	<u>(800)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>(8,800)</u>	<u>11,118</u>	<u>19,918</u>	<u>31,536</u>
Fund balances at beginning of year	<u>94,534</u>	<u>94,534</u>	<u>-</u>	<u>62,998</u>
Fund balances at end of year	<u><u>\$ 85,734</u></u>	<u><u>105,652</u></u>	<u><u>19,918</u></u>	<u><u>94,534</u></u>

CITY OF LA PALMA
Abandoned Vehicles Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2002

	Budget	Actual	Variance- Favorable (Unfavorable)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 6,000	6,652	652	4,196
Investment income	1,000	373	(627)	811
Total revenues	<u>7,000</u>	<u>7,025</u>	<u>25</u>	<u>5,007</u>
Expenditures:				
Capital outlay	-	-	-	14,000
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,000</u>
Excess (deficiency) of revenues over (under) expenditures	7,000	7,025	25	(8,993)
Fund balances at beginning of year	<u>6,208</u>	<u>6,208</u>	<u>-</u>	<u>15,201</u>
Fund balances at end of year	<u><u>\$ 13,208</u></u>	<u><u>13,233</u></u>	<u><u>25</u></u>	<u><u>6,208</u></u>

CITY OF LA PALMA
Local Law Enforcement Block Grant Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2002

	Budget	Actual	Variance- Favorable (Unfavorable)	Prior Year Actual
Revenues:				
Intergovernmental	\$ -	-	-	27,863
Investment income	3,000	2,645	(355)	2,224
Total revenues	3,000	2,645	(355)	30,087
Expenditures:				
Current:				
Public safety	42,000	-	42,000	-
Total expenditures	42,000	-	42,000	-
Excess (deficiency) of revenues over (under) expenditures	(39,000)	2,645	41,645	30,087
Fund balances at beginning of year	57,565	57,565	-	27,478
Fund balances at end of year	\$ 18,565	60,210	41,645	57,565

CITY OF LA PALMA
California Law Enforcement Equipment Program Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2002

	Budget	Actual	Variance- Favorable (Unfavorable)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 100,000	34,839	(65,161)	105,721
Investment income	14,000	5,676	(8,324)	-
Total revenues	<u>114,000</u>	<u>40,515</u>	<u>(73,485)</u>	<u>105,721</u>
Expenditures:				
Current:				
Public safety	90,000	31,129	58,871	-
Capital outlay	10,000	2,847	7,153	-
Total expenditures	<u>100,000</u>	<u>33,976</u>	<u>66,024</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	14,000	6,539	(139,509)	105,721
Fund balances at beginning of year	<u>105,721</u>	<u>105,721</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 119,721</u></u>	<u><u>112,260</u></u>	<u><u>(139,509)</u></u>	<u><u>105,721</u></u>

CITY OF LA PALMA
Low/Moderate Income Housing Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2002

	Budget	Actual	Variance- Favorable (Unfavorable)	Prior Year Actual
Revenues:				
Taxes	\$ 410,000	382,563	(27,437)	418,580
Investment income	105,000	63,884	(41,116)	271,965
Rental income	-	60,610	60,610	-
Miscellaneous	-	-	-	1,450
Total revenues	<u>515,000</u>	<u>507,057</u>	<u>(7,943)</u>	<u>691,995</u>
Expenditures:				
Current:				
Community development	335,400	263,701	71,699	112,128
Capital outlay	-	-	-	26,000
Debt service:				
Interest	285,000	284,699	301	418,935
Total expenditures	<u>620,400</u>	<u>548,400</u>	<u>72,000</u>	<u>557,063</u>
Excess (deficiency) of revenues over (under) expenditures	(105,400)	(41,343)	64,057	134,932
Fund balances at beginning of year	<u>1,445,303</u>	<u>1,445,303</u>	<u>-</u>	<u>1,310,371</u>
Fund balances at end of year	<u><u>\$ 1,339,903</u></u>	<u><u>1,403,960</u></u>	<u><u>64,057</u></u>	<u><u>1,445,303</u></u>



DEBT SERVICE FUND

To account for the accumulation for resources of, and the payment of, general long-term debt principal and interest.

CITY OF LA PALMA
Debt Service Fund

Comparative Balance Sheets

June 30, 2002 and 2001

	Totals	
	2002	2001
<u>Assets</u>		
Cash and investments	\$ 351,272	16,928
Cash and investments with fiscal agent	879,956	1,041,729
Interest receivable	2,559	8,961
Due from other governments	25,714	52,811
Total assets	\$ 1,259,501	1,120,429
 <u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts payable	\$ 53,617	137,925
Due to other funds	231,108	75,528
Total liabilities	284,725	213,453
Fund balances:		
Reserved for debt service	974,776	906,976
Total fund balances	974,776	906,976
Total liabilities and fund balances	\$ 1,259,501	1,120,429

CITY OF LA PALMA
Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2002

	Budget	Actual	Variance- Favorable (Unfavorable)	Prior Year Actual
Revenues:				
Taxes	\$ 1,640,000	1,530,252	(109,748)	1,674,319
Investment income	84,000	27,401	(56,599)	83,625
Total revenues	<u>1,724,000</u>	<u>1,557,653</u>	<u>(166,347)</u>	<u>1,757,944</u>
Expenditures:				
Current:				
General government	31,000	24,291	6,709	23,142
Debt service:				
Principal	250,000	460,792	(210,792)	235,000
Interest	765,000	647,126	117,874	752,409
Refunding bond issuance costs	223,000	222,179	821	-
Advance refunding escrow	664,184	664,184	-	-
Pass-through payments	313,000	175,464	137,536	191,241
Total expenditures	<u>2,246,184</u>	<u>2,194,036</u>	<u>52,148</u>	<u>1,201,792</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(522,184)</u>	<u>(636,383)</u>	<u>(114,199)</u>	<u>556,152</u>
Other financing sources (uses):				
Proceeds of refunding bonds, net	6,000,000	6,035,897	35,897	-
Payment to refunded bond escrow agent	<u>(5,335,816)</u>	<u>(5,331,714)</u>	<u>4,102</u>	<u>-</u>
Total other financing sources (uses)	<u>664,184</u>	<u>704,183</u>	<u>39,999</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	142,000	67,800	(74,200)	556,152
Fund balances at beginning of year	<u>906,976</u>	<u>906,976</u>	<u>-</u>	<u>350,824</u>
Fund balances at end of year	<u>\$ 1,048,976</u>	<u>974,776</u>	<u>(74,200)</u>	<u>906,976</u>



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 fixed assets.

The City of La Palma has two 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.

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

CITY OF LA PALMA
Capital Projects Funds

Combining Balance Sheet

June 30, 2002

	CDC Projects	Capital Outlay Reserve	Totals	
			2002	2001
<u>Assets</u>				
Cash and investments	\$ 2,436,333	3,653,918	6,090,251	5,721,033
Interest receivable	17,527	-	17,527	60,336
Due from other governments	9,048	-	9,048	-
Advances to other funds	-	500,000	500,000	500,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 2,462,908</u>	<u>4,153,918</u>	<u>6,616,826</u>	<u>6,281,369</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 230,980	66,955	297,935	30,201
Other accrued liabilities	210	-	210	240
Due to other funds	76,543	-	76,543	224,826
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>307,733</u>	<u>66,955</u>	<u>374,688</u>	<u>255,267</u>
 Fund balances:				
Reserved for advances to other funds	-	500,000	500,000	500,000
Unreserved, designated for capital projects	2,155,175	3,586,963	5,742,138	5,526,102
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>2,155,175</u>	<u>4,086,963</u>	<u>6,242,138</u>	<u>6,026,102</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 2,462,908</u>	<u>4,153,918</u>	<u>6,616,826</u>	<u>6,281,369</u>

CITY OF LA PALMA
Capital Projects Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	CDC Projects	Capital Outlay Reserve	Totals	
			2002	2001
Revenues:				
Taxes	\$ -	1,323,821	1,323,821	1,087,765
Intergovernmental	-	-	-	51,582
Investment income	103,341	4,258	107,599	352,849
Miscellaneous	9,064	27,570	36,634	56,008
Total revenues	112,405	1,355,649	1,468,054	1,548,204
Expenditures:				
Current:				
Community development	319,969	-	319,969	284,937
Capital outlay	678,517	263,532	942,049	424,671
Total expenditures	998,486	263,532	1,262,018	709,608
Excess (deficiency) of revenues over (under) expenditures	(886,081)	1,092,117	206,036	838,596
Other financing sources (uses):				
Proceeds of advance	10,000	-	10,000	-
Total other financing sources (uses)	10,000	-	10,000	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(876,081)	1,092,117	216,036	838,596
Fund balances at beginning of year	3,031,256	2,994,846	6,026,102	5,187,506
Fund balances at end of year	\$ 2,155,175	4,086,963	6,242,138	6,026,102



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 City of La Palma has two 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, capital improvements, billing collection and depreciation.

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

CITY OF LA PALMA
Enterprise Funds
Combining Balance Sheet
June 30, 2002

	Water	Sewer	Totals	
			2002	2001
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 4,398,557	2,939,285	7,337,842	6,729,869
Receivables:				
Accounts	441,959	53,199	495,158	527,075
Interest	44,207	29,619	73,826	86,593
Total current assets	<u>4,884,723</u>	<u>3,022,103</u>	<u>7,906,826</u>	<u>7,343,537</u>
Property, plant and equipment:				
Land	754,000	-	754,000	754,000
Buildings and improvements	5,579,049	2,178,463	7,757,512	7,757,512
Machinery and equipment	149,059	625	149,684	144,938
Accumulated depreciation	<u>(3,108,625)</u>	<u>(1,646,575)</u>	<u>(4,755,200)</u>	<u>(4,578,302)</u>
Net property, plant and equipment	<u>3,373,483</u>	<u>532,513</u>	<u>3,905,996</u>	<u>4,078,148</u>
Other assets:				
Advances to other funds	<u>500,000</u>	<u>500,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total assets	<u>\$ 8,758,206</u>	<u>4,054,616</u>	<u>12,812,822</u>	<u>12,421,685</u>
<u>Liabilities and Fund Equity</u>				
Current liabilities:				
Accounts payable	\$ 319,355	-	319,355	302,692
Other accrued liabilities	<u>5,150</u>	<u>216</u>	<u>5,366</u>	<u>5,746</u>
Total current liabilities	<u>324,505</u>	<u>216</u>	<u>324,721</u>	<u>308,438</u>
Fund equity:				
Contributed capital	2,517,974	488,922	3,006,896	3,088,331
Retained earnings	<u>5,915,727</u>	<u>3,565,478</u>	<u>9,481,205</u>	<u>9,024,916</u>
Total fund equity	<u>8,433,701</u>	<u>4,054,400</u>	<u>12,488,101</u>	<u>12,113,247</u>
Total liabilities and fund equity	<u>\$ 8,758,206</u>	<u>4,054,616</u>	<u>12,812,822</u>	<u>12,421,685</u>

CITY OF LA PALMA
Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Retained Earnings

Year ended June 30, 2002

	Water	Sewer	Totals	
			2002	2001
Operating revenue:				
Charges for services	\$ 1,781,849	209,255	1,991,104	2,058,655
Miscellaneous	328	-	328	1,368
Total operating revenues	<u>1,782,177</u>	<u>209,255</u>	<u>1,991,432</u>	<u>2,060,023</u>
Operating expenses:				
Personnel services	371,113	16,735	387,848	362,865
Maintenance and operations	954,438	20,280	974,718	933,393
Contractual services	46,570	11,036	57,606	56,581
Depreciation	128,488	48,410	176,898	189,901
Settlement, claims and insurance	53,400	5,300	58,700	31,100
Administration	2,808	-	2,808	2,081
Total operating expenses	<u>1,556,817</u>	<u>101,761</u>	<u>1,658,578</u>	<u>1,575,921</u>
Operating income (loss)	<u>225,360</u>	<u>107,494</u>	<u>332,854</u>	<u>484,102</u>
Nonoperating revenues (expenses):				
Investment income	<u>227,678</u>	<u>157,622</u>	<u>385,300</u>	<u>466,010</u>
Total nonoperating revenues (expenses)	<u>227,678</u>	<u>157,622</u>	<u>385,300</u>	<u>466,010</u>
Income (loss) before operating transfers	<u>453,038</u>	<u>265,116</u>	<u>718,154</u>	<u>950,112</u>
Operating transfers:				
Operating transfers out	<u>(307,900)</u>	<u>(35,400)</u>	<u>(343,300)</u>	<u>(289,900)</u>
Total operating transfers	<u>(307,900)</u>	<u>(35,400)</u>	<u>(343,300)</u>	<u>(289,900)</u>
Net income (loss)	<u>145,138</u>	<u>229,716</u>	<u>374,854</u>	<u>660,212</u>
Add depreciation on assets acquired with capital grants	39,490	41,945	81,435	81,435
Retained earnings at beginning of year	<u>5,731,099</u>	<u>3,293,817</u>	<u>9,024,916</u>	<u>8,283,269</u>
Retained earnings at end of year	<u>\$ 5,915,727</u>	<u>3,565,478</u>	<u>9,481,205</u>	<u>9,024,916</u>

CITY OF LA PALMA
Enterprise Funds
Combining Statement of Cash Flows
Year ended June 30, 2002

	Water	Sewer	Totals	
			2002	2001
Cash flows from operating activities:				
Cash received from customers	\$1,810,307	212,714	2,023,021	2,094,169
Cash payments to suppliers for goods and services	(1,037,707)	(36,654)	(1,074,361)	(1,086,676)
Cash payments to employees for services	(374,276)	(16,760)	(391,036)	(367,416)
Cash received from other operating activities	328	-	328	1,368
Net cash provided by (used for) operating activities	<u>398,652</u>	<u>159,300</u>	<u>557,952</u>	<u>641,445</u>
Cash flows from noncapital financing activities:				
Cash advanced to other funds	-	-	-	(1,000,000)
Cash paid to other funds	(307,900)	(35,400)	(343,300)	(289,900)
Net cash provided by (used for) noncapital financing activities	<u>(307,900)</u>	<u>(35,400)</u>	<u>(343,300)</u>	<u>(1,289,900)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(4,746)	-	(4,746)	(19,333)
Net cash provided by (used for) capital and related financing activities	<u>(4,746)</u>	<u>-</u>	<u>(4,746)</u>	<u>(19,333)</u>
Cash flows from investing activities:				
Interest income received	235,844	162,223	398,067	479,841
Net cash provided by (used for) investing activities	<u>235,844</u>	<u>162,223</u>	<u>398,067</u>	<u>479,841</u>
Net increase (decrease) in cash and cash equivalents	321,850	286,123	607,973	(187,947)
Cash and cash equivalents at beginning of year	4,076,707	2,653,162	6,729,869	6,917,816
Cash and cash equivalents at end of year	<u>\$4,398,557</u>	<u>2,939,285</u>	<u>7,337,842</u>	<u>6,729,869</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 225,360	107,494	332,854	484,102
Adjustments to reconcile operating income (loss) to net income provided by (used for) operating activities:				
Depreciation	128,488	48,410	176,898	189,901
(Increase) decrease in accounts receivable	28,458	3,459	31,917	35,514
Increase (decrease) in accounts payable	16,701	(38)	16,663	(65,602)
Increase (decrease) in other accrued liabilities	(355)	(25)	(380)	(2,470)
Total adjustments	<u>173,292</u>	<u>51,806</u>	<u>225,098</u>	<u>157,343</u>
Net cash provided by (used for) operating activities	<u>\$ 398,652</u>	<u>159,300</u>	<u>557,952</u>	<u>641,445</u>

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.

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 workers' compensation insurance costs and claims.

CITY OF LA PALMA
Internal Service Funds

Combining Balance Sheet

June 30, 2002

	Insurance	Employee Benefits	Totals	
			2002	2001
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 601,009	712,353	1,313,362	1,375,136
Receivables:				
Interest	-	-	-	18,546
Loans	-	22,674	22,674	20,579
Total current assets	601,009	735,027	1,336,036	1,414,261
Other assets:				
Advances to other funds	600,000	1,000,000	1,600,000	1,600,000
Total assets	\$ 1,201,009	1,735,027	2,936,036	3,014,261
<u>Liabilities and Fund Equity</u>				
Current liabilities:				
Accounts payable	\$ -	24,795	24,795	38,908
Other accrued liabilities	-	22,677	22,677	34,929
Due to other governmental agencies - current portion	126,376	147,639	274,015	-
Total current liabilities	126,376	195,111	321,487	73,837
Due to other governmental agencies - noncurrent portion	141,717	221,734	363,451	-
Total noncurrent liabilities	141,717	221,734	363,451	-
Total liabilities	268,093	416,845	684,938	73,837
Fund equity:				
Retained earnings	932,916	1,318,182	2,251,098	2,940,424
Total liabilities and fund equity	\$ 1,201,009	1,735,027	2,936,036	3,014,261

CITY OF LA PALMA
Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Retained Earnings

Year ended June 30, 2002

	Insurance	Employee Benefits	Totals	
			2002	2001
Operating revenues:				
Charges for services	\$ 209,300	1,463,500	1,672,800	1,576,100
Miscellaneous	-	1,198	1,198	390
Total operating revenues	<u>209,300</u>	<u>1,464,698</u>	<u>1,673,998</u>	<u>1,576,490</u>
Operating expenses:				
Personnel services	-	693,510	693,510	700,170
Maintenance and operations	-	11,640	11,640	21,405
Contractual services	-	32,240	32,240	87,349
Settlement, claims and insurance	286,904	948,187	1,235,091	832,006
Total operating expenses	<u>286,904</u>	<u>1,685,577</u>	<u>1,972,481</u>	<u>1,640,930</u>
Operating income (loss)	<u>(77,604)</u>	<u>(220,879)</u>	<u>(298,483)</u>	<u>(64,440)</u>
Nonoperating revenues (expenses):				
Investment income	-	250	250	185,002
Net income (loss)	<u>(77,604)</u>	<u>(220,629)</u>	<u>(298,233)</u>	<u>120,562</u>
Retained earnings at beginning of year, as restated	<u>1,010,520</u>	<u>1,538,811</u>	<u>2,549,331</u>	<u>2,819,862</u>
Retained earnings at end of year	<u>\$ 932,916</u>	<u>1,318,182</u>	<u>2,251,098</u>	<u>2,940,424</u>

CITY OF LA PALMA
Internal Service Funds

Combining Statement of Cash Flows

Year ended June 30, 2002

	Insurance	Employee Benefits	Totals	
			2002	2001
Cash flows from operating activities:				
Cash received from user departments	\$ 209,300	1,463,500	1,672,800	1,576,100
Cash payments to suppliers for goods and services	(228,086)	(831,490)	(1,059,576)	(728,378)
Cash payments to employees for services	-	(692,897)	(692,897)	(700,170)
Cash received from (used for) other operating activities	-	(897)	(897)	1,433
Net cash provided by (used for) operating activities	(18,786)	(61,784)	(80,570)	148,985
Cash flows from noncapital financing activities:				
Cash paid to other funds	-	-	-	(1,600,000)
Net cash provided by (used for) noncapital financing activities	-	-	-	(1,600,000)
Cash flows from investing activities:				
Interest income received	8,127	10,669	18,796	211,003
Net cash provided by (used for) investing activities	8,127	10,669	18,796	211,003
Net increase (decrease) in cash and cash equivalents	(10,659)	(51,115)	(61,774)	(1,240,012)
Cash and cash equivalents at beginning of year	611,668	763,468	1,375,136	2,615,148
Cash and cash equivalents at end of year	\$ 601,009	712,353	1,313,362	1,375,136
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (77,604)	(220,879)	(298,483)	(64,440)
Adjustments to reconcile operating income (loss) to net income provided by (used for) operating activities:				
(Increase) decrease in loans receivable	-	(2,095)	(2,095)	1,043
(Increase) decrease in prepaid items	-	-	-	191,045
Increase (decrease) in accounts payable	-	(14,113)	(14,113)	26,304
Increase (decrease) in other accrued liabilities	-	(12,252)	(12,252)	(4,967)
Increase (decrease) in due to other governmental agencies	58,818	187,555	246,373	-
Total adjustments	58,818	159,095	217,913	213,425
Net cash provided by (used for) operating activities	\$ (18,786)	(61,784)	(80,570)	148,985

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.

The City of La Palma has two Agency Funds:

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

800 MHz Communication System – To account for assets held by the City for the installation of the 800 MHz coordinated law enforcement, public works and fire radio communications system.

CITY OF LA PALMA
Agency Funds

Combining Balance Sheet

June 30, 2002

	City Trust	800 MHz Communication System	Totals	
			2002	2001
<u>Assets</u>				
Cash and investments	\$ 21,429	669	22,098	47,650
Interest receivable	-	7	7	9
Total assets	<u>\$ 21,429</u>	<u>676</u>	<u>22,105</u>	<u>47,659</u>
<u>Liabilities</u>				
Liabilities:				
Other accrued liabilities	\$ -	676	676	647
Deposits payable	21,429	-	21,429	47,012
Total liabilities	<u>\$ 21,429</u>	<u>676</u>	<u>22,105</u>	<u>47,659</u>

CITY OF LA PALMA
Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	Balance at July 1, 2001	Additions	Deletions	Balance at June 30, 2002
<u>City Trust</u>				
Assets:				
Cash and investments	\$ 47,012	44,284	(69,867)	21,429
Liabilities:				
Deposits payable	\$ 47,012	44,284	(69,867)	21,429
<u>800 MHz Communication System</u>				
Assets:				
Cash and investments	\$ 638	679	(648)	669
Interest receivable	9	7	(9)	7
Total assets	\$ 647	686	(657)	676
Liabilities:				
Other accrued liabilities	\$ 647	47	(18)	676
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 47,650	44,963	(70,515)	22,098
Interest receivable	9	7	(9)	7
Total assets	\$ 47,659	44,970	(70,524)	22,105
Liabilities:				
Other accrued liabilities	\$ 647	47	(18)	676
Deposits payable	47,012	44,284	(69,867)	21,429
Total liabilities	\$ 47,659	44,331	(69,885)	22,105



GENERAL FIXED ASSET ACCOUNT GROUP

To account for the capital assets of the City and its blended component unit, other than those accounted for in the Proprietary Fund types.

CITY OF LA PALMA
General Fixed Asset Account Group

Comparative Schedules of General Fixed Assets by Source

June 30, 2002

	Totals	
	2002	2001
<u>General Fixed Assets</u>		
Land	\$ 1,602,281	1,602,281
Construction in progress	406,567	-
Building and improvements	3,257,532	3,257,532
Equipment	1,535,401	1,156,928
Vehicles	1,142,740	1,207,506
Furniture and fixtures	193,729	230,631
	\$ 8,138,250	7,454,878

Investment in General Fixed Assets by Source

General fund and other sources	\$ 6,863,594	5,769,778
Civic Center Authority	650,773	650,773
Federal and state grants	503,148	503,148
Donations	120,735	120,735
	\$ 8,138,250	7,044,434

CITY OF LA PALMA
General Fixed Asset Account Group

Schedule of General Fixed Assets by Function and Activity

June 30, 2002

	Land	Buildings and Improvements	Equipment	Vehicles	Furniture and Fixtures	Totals	
						2002	2001
General							
government	\$ 1,218,281	246,421	232,247	10,797	117,616	1,825,362	1,888,111
Public safety	-	345,794	768,613	498,265	43,251	1,655,923	1,328,329
Public works	79,000	273,235	301,333	585,584	20,369	1,259,521	1,209,224
Recreation	305,000	2,392,082	233,208	48,094	12,493	2,990,877	3,029,214
	<u>\$ 1,602,281</u>	<u>3,257,532</u>	<u>1,535,401</u>	<u>1,142,740</u>	<u>193,729</u>	7,731,683	7,454,878
Construction in progress						406,567	-
Totals						<u>\$ 8,138,250</u>	<u>7,454,878</u>

CITY OF LA PALMA
General Fixed Asset Account Group

Schedule of Changes in General Fixed Assets by Function

Year ended June 30, 2002

	Balance at July 1, 2001	Additions	Deletions	Balance at June 30, 2002
General government	\$ 1,888,111	48,170	(110,919)	1,825,362
Public safety	1,328,329	533,726	(206,132)	1,655,923
Public works	1,209,224	137,740	(87,443)	1,259,521
Recreation	3,029,214	9,321	(47,658)	2,990,877
	<u>\$ 7,454,878</u>	<u>728,957</u>	<u>(452,152)</u>	7,731,683
Construction in progress				<u>406,567</u>
Totals				<u>\$ 8,138,250</u>

STATISTICAL SECTION



CITY OF LA PALMA
 General Governmental Revenues and Expenditures
 by Source and Function (1)
 Last Ten Fiscal Years

Revenues:	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Taxes and assessments	\$ 7,990,144	\$ 7,928,915	\$ 7,142,913	\$ 6,704,952
Licenses and permits	226,618	223,556	237,631	225,096
Intergovernmental revenue	1,681,431	1,906,145	1,490,200	1,531,033
Charges for services	416,163	417,670	408,602	378,288
Fines and forfeitures	173,375	158,922	195,618	139,357
Interest income	788,146	1,318,721	1,147,400	1,034,786
Rental income	318,080	36,832	48,073	47,530
Other revenue	341,082	487,780	110,095	300,160
Total Revenues	<u>\$ 11,935,039</u>	<u>\$ 12,478,541</u>	<u>\$ 10,780,532</u>	<u>\$ 10,361,202</u>

Expenditures:	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
General government	\$ 1,548,135	\$ 1,677,366	\$ 1,655,420	\$ 1,184,060
Public safety	3,859,866	3,730,790	3,595,537	3,387,223
Public works	733,028	746,615	796,478	1,090,235
Community development	1,865,003	1,643,999	2,219,238	1,406,926
Loss on litigation claim	-	-	149,061	-
Payments to other agencies	175,464	191,241	237,527	208,101
Capital outlay	1,816,810	1,165,202	2,964,685	1,136,135
Debt service	2,278,980	1,406,344	2,332,690	1,340,211
Total Expenditures	<u>\$ 12,277,286</u>	<u>\$ 10,561,557</u>	<u>\$ 13,950,636</u>	<u>\$ 9,752,891</u>

(1) Includes General, Special Revenue, Debt Service and Capital Projects funds.

Source: City Finance Department

<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
\$ 6,276,527	\$ 5,645,091	\$ 5,300,781	\$ 4,793,574	\$ 5,305,824	\$ 4,832,449
305,016	117,005	130,863	147,626	211,292	195,630
1,399,329	1,364,095	1,376,573	1,319,574	1,415,889	1,499,497
503,585	1,690,499	1,779,393	1,567,581	1,571,785	1,495,148
66,853	71,031	22,195	23,131	24,870	23,526
771,277	994,369	891,704	709,883	891,260	907,967
33,773	28,107	13,540	17,793	22,603	24,210
164,139	172,262	215,243	188,966	408,360	233,408
<u>\$ 9,520,499</u>	<u>\$ 10,082,459</u>	<u>\$ 9,730,292</u>	<u>\$ 8,768,128</u>	<u>\$ 9,851,883</u>	<u>\$ 9,211,835</u>

<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
\$ 969,834	\$ 925,248	\$ 1,344,137	\$ 1,199,776	\$ 1,086,806	\$ 1,132,434
3,368,348	3,040,463	2,812,797	2,692,243	2,689,943	2,684,804
1,214,267	2,294,248	2,078,519	2,209,559	2,231,376	2,491,727
1,175,296	1,452,833	1,192,251	2,236,860	2,977,160	1,500,779
-	-	-	-	-	-
120,313	135,281	119,190	390,871	756,481	440,445
857,538	532,967	324,938	185,639	410,016	180,233
1,265,738	1,494,819	1,568,809	1,566,609	2,424,994	2,206,332
<u>\$ 8,971,334</u>	<u>\$ 9,875,859</u>	<u>\$ 9,440,641</u>	<u>\$ 10,481,557</u>	<u>\$ 12,576,776</u>	<u>\$ 10,636,754</u>

CITY OF LA PALMA
Secured Tax Levies, Collections and Delinquencies
Last Ten Fiscal Years

Fiscal Year	Secured Ending Tax Levy (1)	Amount Collected	Delinquency as of June 30	
			Amount	Percent
1993	\$ 1,124,265	\$ 1,071,826	\$ 52,439	4.66%
1994	907,134	907,134	- (2)	0%
1995	914,519	914,519 (3)	- (2)	0%
1996	915,309	915,309	- (2)	0%
1997	905,533	905,533	- (2)	0%
1998	974,545	974,545	- (2)	0%
1999	939,497	939,497	- (2)	0%
2000	977,556	977,556	- (2)	0%
2001	965,776	965,776	- (2)	0%
2002	1,100,772	1,100,772	- (2)	0%

(1) Includes only City of La Palma General Fund.

(2) Through an agreement with Orange County, effective for fiscal years beginning 1993-94, the City of La Palma will receive 100% of its property tax levy in the current fiscal year.

(3) Includes \$6,427 in secured property taxes collected by County withheld from the City of La Palma as of June 30, 1996 because of the County bankruptcy. The City has filed a claim for the funds in Federal Court.

Source: Orange County Auditor-Controller

CITY OF LA PALMA
Assessed Value of Taxable Property
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Secured Value</u>	<u>Public Utility</u>	<u>Unsecured Value</u>	<u>Total Assessed Value</u>	<u>% Change</u>
1993	815,900,448	55,041	89,929,034	905,884,523	6.6%
1994	834,369,201	50,762	61,592,304	896,012,267	-1.1%
1995	820,676,140	58,957	52,702,338	873,437,435	-2.5%
1996	815,164,055	68,047	56,163,614	871,395,716	-0.2%
1997	812,214,126	58,505	54,820,879	867,093,510	-0.5%
1998	826,506,630	82,230	63,058,188	889,647,048	2.6%
1999	880,835,784	100,784	56,142,832	937,079,400	5.3%
2000	931,096,721	68,858	61,650,338	992,815,917	5.9%
2001	991,205,259	63,654	81,876,472	1,073,145,385	8.1%
2002	1,059,594,685	69,689	66,839,950	1,126,504,324	5.0%

Source: Orange County Auditor-Controller

CITY OF LA PALMA
Property Tax Rate - Direct and Overlapping Governments
(Per \$100 of Assessed Valuation)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>School Districts</u>	<u>Basic County City School Levy</u>	<u>Orange County</u>	<u>County Flood Control</u>	<u>Metropolitan Water District</u>	<u>Total</u>
1993	0.0000	1.0000	0.0001	0.0008	0.0089	1.0098
1994	0.0000	1.0000	0.0001	0.0007	0.0089	1.0097
1995	0.0000	1.0000	0.0001	0.0007	0.0089	1.0097
1996	0.0000	1.0000	0.0001	0.0004	0.0089	1.0094
1997	0.0000	1.0000	0.0001	0.0000	0.0089	1.0090
1998	0.0000	1.0000	0.0000	0.0000	0.0089	1.0089
1999	0.0000	1.0000	0.0000	0.0000	0.0089	1.0089
2000	0.0000	1.0000	0.0000	0.0000	0.0089	1.0089
2001	0.0000	1.0000	0.0000	0.0000	0.0088	1.0088
2002	0.0000	1.0000	0.0000	0.0000	0.0077	1.0077

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

CITY OF LA PALMA
 Ten Largest Property Taxpayers
 within the City Boundaries
 June 30, 2002

Property Owner's Name	Assessed Valuation of Property	Number of Taxable Parcels	Percentage of Market Value
1. Arden Realty Limited	\$ 84,009,637	11	7.21%
2. Steadfast Mc Cord	23,114,639	1	1.98%
3. Unisource Worldwide Inc.	18,004,284	2	1.54%
4. ADP Inc.	16,611,677	6	1.43%
5. Anaheim Union High School District	13,069,312	5	1.12%
6. Sepulveda Zombar Royale Limited Partnership	12,444,000	1	1.07%
7. Huntington-Humboldt	11,672,249	1	1.00%
8. Casa La Veta Associates	11,025,258	1	0.95%
9. La Quinta Development Partners	10,079,495	1	0.86%
10. Wallace Computer Services	9,912,411	1	0.85%
	<u>\$209,942,962</u>		<u>18.01%</u>

Source: Orange County Assessor

CITY OF LA PALMA
Ratio of Net Bonded Debt to
Assessed Value and Net Bonded Debt per Capita
Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Values	Net Bonded Debt Per Capital
1993	15,635	\$ 905,884,523	\$ 11,260,000	\$ 2,258,625	\$ 9,001,375	0.99	575.72
1994	15,682	896,012,267	11,315,000	1,152,789	10,162,211	1.13	648.02
1995	15,781	873,437,435	11,090,000	805,062	10,284,938	1.18	651.73
1996	15,504	871,395,716	10,910,000	486,806	10,423,194	1.20	672.29
1997	15,761	867,093,510	10,720,000	40,637	10,679,363	1.23	677.58
1998	15,987	889,647,048	10,520,000	-	10,520,000	1.18	658.03
1999	15,967	937,079,400	10,310,000	175,015	10,134,985	1.08	634.75
2000	15,392	992,815,917	10,085,000	350,824	9,734,176	0.98	632.42
2001	15,408	1,073,145,385	9,850,000	906,976	8,943,024	0.83	580.41
2002	15,845	1,126,504,324	10,030,000	974,776	9,055,224	0.80	571.49

Source: City Finance Department

CITY OF LA PALMA
Computation of Legal Debt Margin
June 30, 2002

Assessed value:	<u>\$1,126,504,324</u>
Debt limit: 15% of assessed value	\$ 168,975,649
Total amount of debt applicable to debt limit	<u>0</u>
Legal debt margin	<u>\$ 168,975,649</u>

Source: City Finance Department

CITY OF LA PALMA
Water Revenue Bonds and Sewer Bonds Coverage
Last Ten Fiscal Years

WATER:

Fiscal Year	Gross Revenue	Direct Operating Expense (1)	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
1993	1,354,249	910,534	443,715	50,000	8,213	58,213	7.62
1994	1,771,400	897,666	873,734	55,000	7,050	62,050	14.08
1995	1,831,961	995,777	836,184	55,000	4,800	59,800	13.98
1996	1,889,288	1,177,184	712,104	30,000	2,550	32,550	21.88
1997	1,952,206	1,309,356	642,850	30,000	1,345	31,345	20.51
1998	1,805,690	1,124,844	680,846	-	-	-	N/A
1999	1,904,596	1,397,828	506,768	-	-	-	N/A
2000	1,939,929	1,076,205	863,724	-	-	-	N/A
2001	1,817,877	1,350,729	467,148	-	-	-	N/A
2002	1,782,177	1,428,329	353,848	-	-	-	N/A

SEWER:

Fiscal Year	Gross Revenue	Direct Operating Expense (1)	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
1993	232,857	27,585	205,272	30,000	1,875	31,875	6.44
1994	231,688	32,756	198,932	30,000	2,340	32,340	6.15
1995	225,334	37,404	187,930	30,000	1,170	31,170	6.03
1996	258,418	34,483	223,935	-	-	-	N/A
1997	237,841	51,859	185,982	-	-	-	N/A
1998	183,600	27,553	156,047	-	-	-	N/A
1999	225,934	31,943	193,991	-	-	-	N/A
2000	238,308	42,463	195,845	-	-	-	N/A
2001	242,146	35,291	206,855	-	-	-	N/A
2002	209,255	53,351	155,904	-	-	-	N/A

(1) Direct operating expenses includes operating expenses less depreciation.

Source: City Finance Department

CITY OF LA PALMA
 Estimated Direct and Overlapping Bonded Debt
 As of June 30, 2002

2001-02 Assessed Valuation: \$926,908,626 (after deducting \$199,595,698 redevelopment incremental valuation)

<u>Direct and Overlapping Tax and Assessment Debt:</u>	<u>% Applicable</u>	<u>Debt 6/30/02</u>
Orange County Teeter Plan Obligations	0.414	\$ 518,432
Metropolitan Water District	0.088	442,706
North Orange County Joint Community College District	1.876	2,607,640
Anaheim Union High School District	3.722	3,424,225
Buena Park School District	8.539	1,160,449
City of La Palma	100.000	-
Total Direct and Overlapping Tax and Assessment Debt		<u>\$ 8,153,452</u>
<u>Overlapping Lease Obligation Debt:</u>		
Orange County General Fund Obligations	0.414	\$ 4,205,780
Orange County Pension Obligations	0.414	557,296
Orange County Transit District Authority	0.414	32,727
Municipal Water District of Orange County Water Facilities Corporation	0.623	334,520
Orange County Sanitation District No. 3 Certificates of Participation	2.521	1,309,957
Orange County Water District Certificates of Participation	0.731	1,565,802
Anaheim Union High School District Certificates of Participation	3.722	1,004,940
Fullerton Joint Union High School District Certificates of Participation	1.634	110,458
Centralia School District Certificates of Participation	19.677	918,916
Cypress School District Certificates of Participation	1.009	283,125
Total Gross Overlapping Lease Obligation Debt		<u>\$ 10,323,521</u>
Less: Orange County Transit Authority (80% self-supporting)		26,181
Orange County Water District Certificates of Participation		1,565,802
MWDOC Water Facilities Corporation		334,520
Total Net Overlapping Lease Obligation Debt		<u>\$ 8,397,018</u>
Gross Combined Total Debt		\$ 18,476,973 (1)
Net Combined Total Debt		\$ 16,550,470

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

Ratios to 2001-02 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	0.72%

Ratios to Adjusted Assessed Valuation:

Gross Combined Total Debt	1.99%
Net Combined Total Debt	1.79%

State School Building Aid Repayable as of 6/30/02: \$0

Source: California Municipal Statistics, Inc.

CITY OF LA PALMA
Construction Activity
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Number of Building Permits Issued</u>	<u>Percent Change</u>	<u>Estimated Valuation</u>	<u>Percent Change</u>
1993	422	-10.0%	3,823,493	-39.8%
1994	365	-13.5%	4,683,521	22.5%
1995	297	-18.6%	3,988,844	-14.8%
1996	377	26.9%	12,074,587	202.7%
1997	381	1.1%	5,345,164	-55.7%
1998	397	4.2%	14,271,886	167.0%
1999	358	-9.8%	1,432,482	-90.0%
2000	524	46.4%	6,648,167	364.1%
2001	372	-29.0%	2,573,237	-61.3%
2002	371	-0.3%	3,219,126	25.1%

Source: City Building Department

CITY OF LA PALMA
Miscellaneous Statistics
June 30, 2002

Date of incorporation	October 26, 1955
Form of government	Council-Manager
Area	2.0 square miles
Miles of street	34.8
Registered voters	7,420
Fire protection	Orange County Fire Authority
Police protection:	
Number of stations	1
Number of police officers	24
Recreation and culture:	
Number of parks	2
Number of libraries	1
Municipal Water Utility:	
Average monthly consumption per family	1600 cubic feet
Miles of water mains	33
Sewers:	
Miles of sanitary sewers	33
Employees:	
Full-time	64
Part-time	36
Electrical utility	Southern California Edison Company
Gas utility	Southern California Gas Company
Telephone	Pacific Bell and GTE

Source: City Finance Department



