



City of Bellflower



Comprehensive Annual Financial Report



Year Ended June 30, 2004



CITY OF BELLFLOWER
CALIFORNIA
www.bellflower.org

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2004

PREPARED BY
FINANCE DEPARTMENT

Tae G. Rhee – Finance Director/City Treasurer
Hue C. Quach – Assistant Finance Director
Maurina Lee – Senior Accountant
Noemy Sandoval – Accounting Technician II
Adriana Alatorre – Accounting Technician II

CITY OF BELLFLOWER



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CITY OF BELLFLOWER
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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CITY OF BELLFLOWER



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December 9, 2004

Honorable Mayor, Members of the City Council, and Citizens
City of Bellflower
Bellflower, California

The Comprehensive Annual Financial Report (CAFR) for the City of Bellflower for the fiscal year ended June 30, 2004 is hereby respectfully submitted to you. The CAFR was prepared by the City's Finance Department in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

This is the second year that the City has used the new financial reporting model developed by the Governmental Accounting Standards Board (GASB Statement 34). The new reporting model completely changed the format of the City's financial statements. It was intended to improve reporting by adding significant additional information not previously available in local government financial statements. Implementation was fully completed in the year ended June 30, 2003 with the addition of supplemental information on infrastructure assets.

In addition to the fund-by-fund financial information currently presented in the City's financial statements, we are now including government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net equity of the City including infrastructure and the Statement of Activities that shows the cost of providing government services. These statements have been prepared using the accrual basis of accounting versus the modified accrual method used in the fund financial statements. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. In addition, the new reporting model includes an emphasis on the City's major funds as shown in the Governmental Fund Statements. These new statements combined with other information are further analyzed in a new narrative section called Management's Discussion and Analysis (MD&A). The MD&A provides "financial highlights" and interprets the financial reports by analyzing trends and by explaining changes, fluctuations and variances in the financial data. In addition, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the City.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the 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.

The CAFR is presented in the following four sections:

1. **Introductory Section** – The introductory section includes this letter of transmittal, the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA), the Certificate of Award for Outstanding Financial Reporting from the California Society of Municipal Finance Officers (CSMFO), the Mission Statement, a directory of the City of Bellflower's elected officials and administrative personnel, an organization chart, and City maps.
2. **Financial Section** – The financial section includes the Independent Auditor's Report, Management's Discussion and Analysis, government-wide financial statements, fund financial statements, individual major fund financial statements, notes to the basic financial statements, and combining and individual nonmajor financial statements.
3. **Statistical Section** – The statistical section includes unaudited financial, non-financial, and demographic information for the past ten years, where appropriate and available.
4. **Supplemental Section** – The supplemental section includes information related to the single audit, including the Independent Auditor's Reports, Schedule of Expenditures of Federal Awards, Schedule of Findings and Questioned Costs, and the Status of Prior Year's Findings and Questioned Costs. The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

THE CITY AND ITS SERVICES

Incorporated in 1957, "The Friendly City" of Bellflower is a general law city with a council-administrator form of government. The mayor is elected by the five-member Council each year. The City Administrator, City Clerk and City Attorney are appointed and serve at the will of the Council.

Bellflower is located in Los Angeles County, 18 miles southeast of the City of Los Angeles, 100 miles north of San Diego, and 450 miles south of San Francisco. The City is 6.1 square miles in size and currently houses more than 77,000 residents. Served by numerous freeways including Route 91, 105, 405, 605, and 710, residents of "The Friendly City" have easy access to major attractions all over Southern California. Bellflower is less than 20 miles from the downtown Los Angeles area, the Long Beach port, and Santa Ana.

Bellflower residents and business community appreciate the reality of our City mottos, "The Friendly City" and "Growing Together." The City Council and staff listen and respond to residents and businesses, making their input an integral part of the City's approach to public service. Through this process, the Council and staff have effectively carried out the City mission, "To protect and enrich the quality of life to make Bellflower an excellent place to live, work and play."

Bellflower has a diverse business environment including many fine restaurants, major auto dealerships, an extreme sports theme park, numerous shopping areas, major medical hospitals, and a number of dental and medical practice groups. A large portion of the business sector is devoted to service rather than retail sales. For families, the City offers appealing residential areas, convenient shopping, an excellent school system, and close proximity to several colleges and universities.

Bellflower is a contract city which provides the following municipal services: street maintenance, public transportation, recreation, planning, landscape/park maintenance, lighting, as well as various youth, senior, and other community service programs. The City contracts with the County of Los Angeles for police and certain maintenance services. Sanitation and fire services are provided through County assessment districts. Library and health services are provided by the County.

Bellflower's Parks and Recreation program boasts several outstanding facilities for residents to enjoy. John S. Simms Park is home to the Simms Senior Club, and T. Mayne Thompson Park houses a community center, indoor and outdoor pools, and a weight room. Ruth R. Caruthers Park features several baseball diamonds, batting cages, and the Carpenter House Museum. Built in 1981, the William Bristol Civic Auditorium seats 378 guests and hosts numerous community events, fine arts productions, and City functions.

Bellflower is serviced by Metropolitan Transit Authority and Long Beach Transit bus lines. In addition, the City provides a fixed-route transportation line and Dial-A-Ride services to seniors and the disabled for their shopping and medical needs.

THE REPORTING ENTITY

This report is prepared in compliance with the entity concept from Code Section 2100 of the Government Accounting Standards Board. Accordingly, this report includes all funds and account groups of the City, Bellflower Redevelopment Agency, and Bellflower Public Facilities Corporation. The financial operations of the City, Bellflower Redevelopment Agency, and Bellflower Public Facilities Corporation are closely related. The City Council has continuing responsibility over the City and the Redevelopment Agency as the City Council also serves as the Board of Directors of the Bellflower Redevelopment Agency. Five independent members serve as the Board of Directors of the Bellflower Public Facilities Corporation, which was organized primarily for the purpose of providing financial assistance to the City to construct a civic center and an auditorium complex in addition to making certain park improvements.

ECONOMIC OUTLOOK

The City's financial position remained favorable for fiscal year 2003-04. However, the City's outlook is both optimistic and cautious. A recent article entitled "UCLA Anderson Forecast Reveals California Growth Continues Despite Looming State Budget Issues," published in September 2004, reported that the California's economic growth pattern will improve in 2005 and 2006. While this is positive news, the State's continuing structural deficit problem, as described in the California Legislative Analyst Office's "Fiscal Outlook" published in November 2004, is an ongoing concern for all local governments throughout the State. This concern is also echoed in the UCLA Anderson Forecast article in which the Senior Economist Joseph Hurd highlighted that "the effect of the budget mess will lead to cities and counties having to shed employment due to the 'loans' they are being forced to give the State. This could result in a projection of 45,000 job losses at the state and local level in 2004 and 2005."

Similarly with other local agencies, the State's revenue takeaways have a direct impact on the City's ability to deliver essential services to the community. However, with the recent passage of Proposition 1A ("Protection of Local Government Revenues") by the voters at the November 2, 2004 General Election, the State is now limited in its authority to unilaterally takeaway local governments' revenues. Proposition 1A significantly restricts the practice of State raids on local property taxes by allowing only two loans within a 10-year period. Furthermore, the State can borrow local governments' revenues

beginning in fiscal year 2008-09, provided that the 2003 VLF Gap Loan is first repaid in full. The amount of the new loan is limited to no more than 8% of the total amount of property tax allocated to cities, counties, and special districts in the previous fiscal year. Proposition 1A brings about a much needed, profound change for all local governments throughout California to provide long-term financial planning and stability to better deliver essential public services.

During this fiscal year, the City sustained the State's deferral of payments amounting to \$1.3 million to August 15, 2006 (VLF Gap Loan) and other budget cuts totaling \$500 thousand. Furthermore, beginning in fiscal year 2004-05, the State's swap of the City's VLF and sales tax revenues for its property taxes will cause a combined annual cash flow decrease of \$2.8 million to the City. Although the cash flow decrease is sizable, the City fortunately has a sufficient reserve in the General Fund to provide a near-term remedy. The more permanent solution will be sought at the time the biennial 2005-07 Operating Budget is being considered by the City Council.

With the vote of confidence in local governments by the public, the City Council and City management will continue to be committed to the community by exercising due diligence in preserving the City's overall financial health and essential services.

MAJOR INITIATIVES FOR THE FISCAL YEAR

TownCenter Plaza – The construction of the TownCenter Plaza (Civic Plaza) has been completed. Other upgrades in the vicinity of the TownCenter Plaza are the building facades for the commercial buildings fronting Belmont Street. This construction project has begun and the completion of the project is expected in late December 2004.

Ongoing Downtown Projects – Continued to implement the components of the Downtown Bellflower Revitalization vision strategy. As of June 30, 2004, the preliminary design has been completed. This included the continuation of the construction of public plazas such as the Library Gardens, expansion of Friendship Plaza, and upgrades to key facades and stores within the downtown area.

Laurel Street Project – This project involved the creation of an enhanced sidewalk dining area, distinctive landscaping, and signature City monument signs on Laurel Street immediately west of Bellflower Boulevard. The project completion was commemorated with a kick-off “Pardi-Gras” celebration under New Orleans-themed event features on August 26, 2004. Hundreds of guests, some in costumes and nearly all wearing beads and masks, joined the City Council for the dedication.

Artesia Boulevard Corridor Land Use Study – The purpose of this study is to find opportunities to eliminate noxious uses and replace them with businesses that will better serve the requirements of the community. The study would also look to bring new automobiles and related sales to sites in Bellflower, especially the Artesia Corridor. Fieldwork, mapping, and parcel identification have been completed. Findings and recommendations were brought forth to the City Council and City Planning Commission in the summer of 2004.

91 Freeway Soundwall and Off-Ramps Improvements – CalTrans has completed the installation of the soundwall along the 91 freeway. However, due to uncontrollable delays in the completion of the soundwall, the landscape improvements at the Bellflower off-ramps had to be further delayed into the 2004-05 fiscal year.

Hollywood Sports Park – Continued to market the Hollywood Sports Park to benefit downtown and the redevelopment area.

Street and Sidewalk Improvements – Placed approximately 3,000 tons of slurry and 1,400 tons of asphalt overlay on local streets.

West Branch Greenway Multi-Modal Transit Corridor – During this fiscal year, the design phase of the project occurred and is expected to continue through next fiscal year. The Greenway project consists of the construction of 2.5 miles of bike and pedestrian paths, including security lighting, landscaping, intersection signalization, and crosswalks. The bike path will be part of the Los Angeles Regional Bikeway network connecting to the San Gabriel River Bikeway Path.

Recreation Programs – Continued to expend resources to provide the best possible park facilities and recreation programs to the community. Major initiatives completed during the fiscal year included:

- Co-sponsored with public and private agencies for the development and expansion of recreation opportunities. This year's list of participants included the Bellflower Unified School District, churches, schools and Hollywood Sport Park for volunteer projects and recreation programs.
- Increased volunteer service hours over prior fiscal year by 6,682 hours.
- Partnered with the Chamber of Commerce for the implementation of downtown boulevard special events.
- Increased the Summer Streetfest program from 6 to 10 concerts.

Citywide Customer Service Training – In-house Customer Care trainers began training all full-time and part-time City employees. The goal of this training process is to create an organizational culture that value providing the best possible care to City customers, both external and internal.

Community Outreach – Provided more community outreach through increased production and distribution of public service announcements (PSA), advertising special events on the 91 Freeway car dealership electronic billboards and expanding the distribution list for the E-Newsletter bulletins.

MAJOR INITIATIVES FOR THE FUTURE

New Cable Franchise Agreement – Conclude negotiations for a new franchise agreement with a cable television provider with the goal of offering the best possible service and rates to Bellflower customers.

New Refuse Service Agreement (completed by the writing of this transmittal letter) – On October 25, 2004, the City Council approved a franchise agreement with the new service provider, CR&R Inc. of Stanton, that would provide a combined rate reduction \$1.4 million annually for Bellflower residents and businesses.

Development Impact Fees Studies – Evaluate the possibility of establishing fees tied to new developments that have impacts on the City's infrastructure, facilities, and services.

Woodruff/Artesia Specific Plan – Develop a comprehensive and progressive land use plan and zoning tool for the Woodruff/Artesia intersection.

New 2-year Labor Negotiations – Conclude a new 2-year labor agreement with employee bargaining units for the upcoming biennial budget.

Upgrade of City Web Site – Upgrade the City’s website to include regular streaming videos, downloadable version of the Bellflower Citizen, a community calendar, events calendar for the Bristol Civic Auditorium, and an intranet site.

Design Guidelines – Develop design guidelines for commercial, industrial and residential development projects by March 2005.

Update of Bellflower Municipal Zoning Code – Complete a comprehensive update of the City’s Zoning Ordinance by June 2005.

Environmental Quality Act Manual – Review and update the City’s California Environmental Quality Act Manual by spring of 2005.

Geographic Information System (GIS) – Coordinate with other City departments in the implementation of a GIS that overlays parcel information, street centerlines, addresses, stormwater inventory information, aerial updates, utility system layout, and traffic engineering information.

Belmont Street Façade – Complete the construction of new façades for the commercial building fronting Belmont Street immediately adjacent to the Town Center Civic Plaza.

Town-Center Plaza – Incorporate the next phase of the Town-Center Plaza project by seeking an innovative developer to design a project that meets the “mixed use” objective in providing new residential development and prime commercial property adjacent to the existing Town Plaza open court.

Library Garden Park – Assemble available properties for building a Library Garden Park. The Library Garden plaza is intended to provide an outdoor compliment to the Public Library, as well as a small, intimate formal civic plaza area where small-scale civic gatherings could be held. This space includes a pedestrian “connection” to the Public Library, Civic Center, as well as the downtown area along Bellflower Boulevard.

Bellflower Village – Prepare design work and construction documents for the Bellflower Village component of the Downtown Revitalization Vision Strategy.

Water System Acquisitions – Evaluate the possibility of purchasing certain water systems in the City to improve water quality standards, provide necessary infrastructure improvements, and achieve greater operational efficiency under a fair rate structure.

OTHER INFORMATION

Internal Control. City management is responsible for establishing and maintaining an internal control structure designed to ensure that City assets 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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). 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 controls 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, and auditors of the City. As part of the City's single audit, tests are conducted to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2004 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgeting Controls. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of general, special revenue, debt services and capital projects funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the individual fund level. The City also maintains an encumbrance accounting system as a technique of accomplishing budgetary control. Encumbrances lapse at year-end; however, they are re-appropriated as part of the following year's budget. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Cash Management. The City Treasurer is responsible for investing available cash in accordance with State Government Code and Investment Policy adopted by the City Council. These investments include the State Treasurer's Local Agency Investment Fund, government securities, and money market funds. The cash management system of the City is designed to monitor revenues and expenditures to ensure the investment of monies to the fullest extent possible. The criteria for selecting investments are, in order of priority: (a) safety, (b) liquidity, and (c) yield.

Risk Management. The objective of the City is the conservation of its resources from accidental loss and minimizing the effects of losses when they do occur. The City has continuously demonstrated its efforts to uncover significant loss exposures, to apply reasonable and effective risk controls, and to ensure that the financial integrity of the City is not impaired after a loss.

The City is currently a member of the California Joint Powers Insurance Authority (CJPIA) and participates in its general liability, workers' compensation, fidelity bonds, earthquake and flood, property, boiler and machinery protection programs. The City self-insures up to varying levels and excess coverage is purchased from third-party carriers through CJPIA. Management believes that sufficient funds are being accumulated in the General Fund to meet expenses as they arise.

Independent Audit. State statutes require an annual audit of the City's financial records by independent certified public accountants. As a result, the independent accounting firm of Moss, Levy & Hartzheim was selected to perform the audit for the fiscal year ended June 30, 2004. Because of substantial allocation of Federal Community Development Block Grant funds, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1984 and OMB Circular A-133. The auditors' unqualified (clean) opinion on the basic financial statements and accompanying footnotes is included in the Financial Section of this report. The auditors' reports relating specifically to the single audit are included in the Supplemental Information Section.

Awards. GFOA CERTIFICATE OF ACHIEVEMENT AWARD: 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 Bellflower for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2003. 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 governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR 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 Bellflower has received a Certificate of Achievement for the last ten consecutive years. I believe that our current CAFR continues to conform to the Certificate of Achievement Program's requirements, and I am submitting it to GFOA to determine its eligibility for a Certificate of Achievement for the fiscal year ended June 30, 2004.

CSMFO CERTIFICATE OF AWARD: The California Society of Municipal Finance Officers (CSMFO) awarded a Certificate of Award for Outstanding Financial Reporting to the City of Bellflower for its CAFR for the fiscal year ended June 30, 2003. The City of Bellflower has received a Certificate of Award for the last ten consecutive years. I am also submitting the CAFR to CSMFO to determine its eligibility for a Certificate of Award for the fiscal year ended June 30, 2004.

Acknowledgments. The preparation of the City's comprehensive annual financial report could not have been accomplished without the efficient and dedicated services of the entire Finance Department staff. I would like to express appreciation to all members of the department and to Moss, Levy & Hartzheim, our independent auditors, who assisted and contributed to its preparation.

I would also like to thank the Mayor, members of the City Council and the City Administrator for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner, for the best interest of the citizens of the City of Bellflower.

Respectfully submitted,



Tae G. Rhee
Finance Director/
City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bellflower,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



Nancy L. Zjelke

President

Jeffrey R. Enow

Executive Director

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2002-2003

Presented to the

City of Bellflower

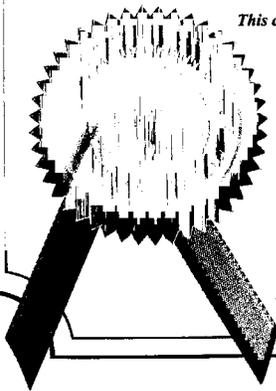
*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

March 1, 2004

Bret M. Plumlee

Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



MISSION STATEMENT

The Mission of the City of Bellflower is:

To protect and enrich the quality of life to make Bellflower an excellent place to live, work and play.

DIRECTORY OF CITY OFFICIALS

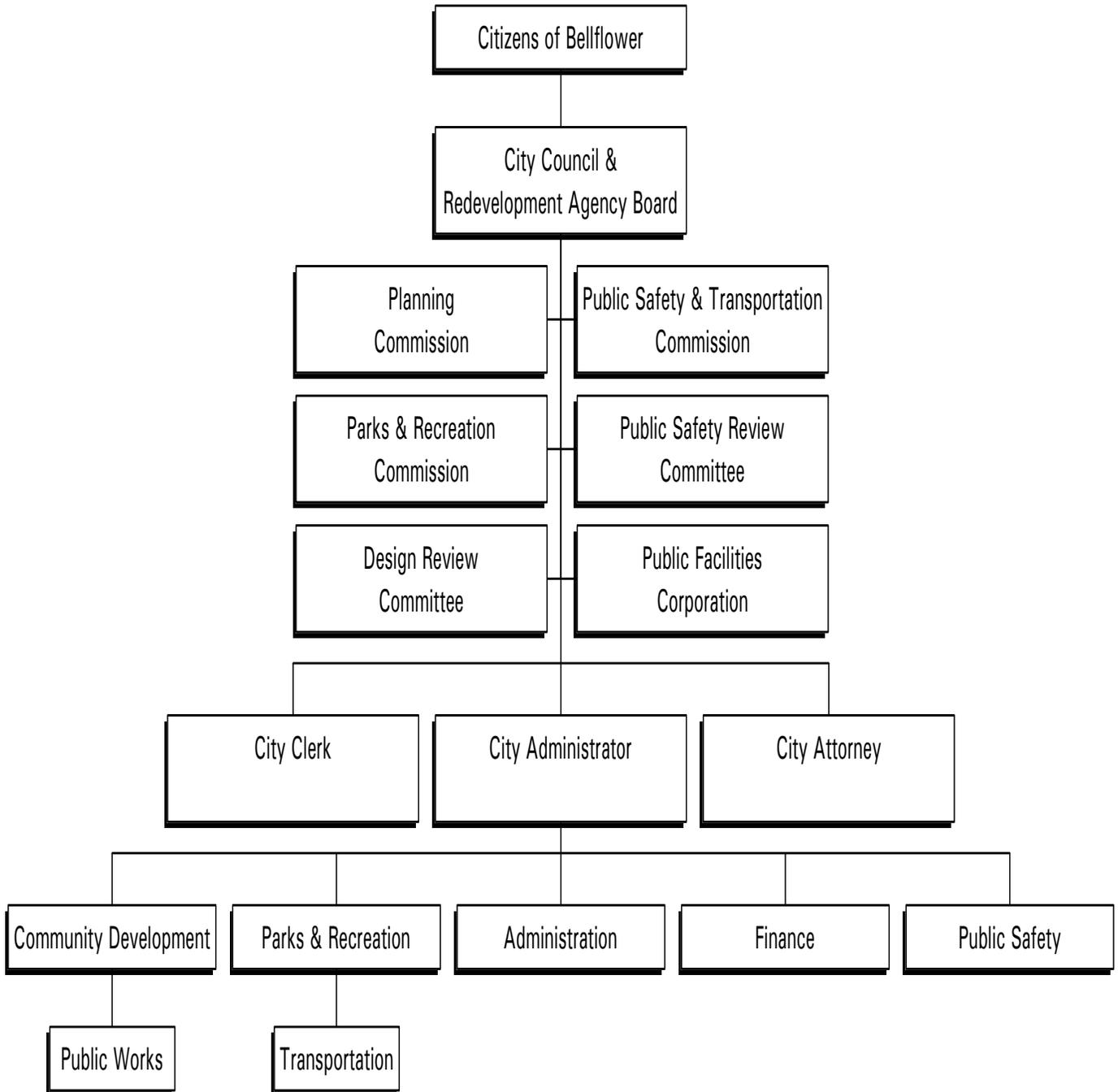
CITY COUNCIL

Dorothy R. King, Mayor
Randall J. Bomgaars, Mayor Pro Tem
Scott A. Larsen, Councilmember
John K. Pratt, Councilmember
Ray T. Smith, Councilmember

PRINCIPAL ADMINISTRATIVE OFFICERS

Michael J. Egan, City Administrator
Debra D. Bauchop, City Clerk
Leo L. Mingle, Assistant City Administrator
Richard A. Pierce, Director of Parks and Recreation
Brian K. Lee, Director of Community Development
Joel D. Hockman, Director of Public Safety
Tae G. Rhee, Director of Finance/City Treasurer

City of Bellflower Organization Chart





BELLFLOWER

CALIFORNIA

CITY OF BELLFLOWER



Families. Businesses. Futures.

"GROWING TOGETHER"

MOSS, LEVY & HARTZHEIM

CERTIFIED PUBLIC ACCOUNTANTS
9107 WILSHIRE BLVD., SUITE 320
BEVERLY HILLS, CALIFORNIA 90210

TELEPHONE (310) 273-2745
FAX (310) 273-1689
E-MAIL: mlhbh@pacbell.net

ROBERT M. MOSS, C.P.A. *
RONALD A. LEVY, C.P.A. *
CRAIG A. HARTZHEIM, C.P.A. *
BRETT I. MILLER, C.P.A.

MEMBER:

AMERICAN INSTITUTE OF C.P.A.S
CALIFORNIA SOCIETY OF C.P.A.S
CALIFORNIA SOCIETY OF
MUNICIPAL FINANCE OFFICERS
CALIFORNIA ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS

OFFICES:

BEVERLY HILLS, CALIFORNIA
SANTA MARIA, CALIFORNIA
SACRAMENTO, CALIFORNIA

HADLEY HUI, C.P.A.
PAUL NIEDERMULLER, C.P.A.
KARAN C. POHL, C.P.A.
ROSEMARY HICKS, C.P.A.
DENOTES PROFESSIONAL CORPORATION

Independent Auditor's Report

Honorable City Council
Of the City of Bellflower
Bellflower, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bellflower, California (City) as of and for the fiscal year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bellflower, California, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2004, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim
Beverly Hills, California
September 30, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the City of Bellflower provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

In general, the term "City," "Citywide" or "Government-wide" refers to the consolidated financial entity, which includes the City of Bellflower, the Bellflower Redevelopment Agency, and the Bellflower Public Facilities Corporation. The City does not have any business-type activities.

Note: Throughout this MD&A, dollar amounts may be expressed in multiples of one thousand or one million dollars using standard rounding conventions. In addition, percentages may be rounded to the nearest tenth or the whole number. As a result, there may be discrepancies with details not adding up to the corresponding totals.

FISCAL YEAR 2003-04 FINANCIAL HIGHLIGHTS

During the fiscal year ended June 30, 2004, the City continued to maintain its stable financial position, enabling delivery of appropriate services to the community and undertaking necessary economic development and infrastructure projects.

Government-wide:

- ❑ At June 30, 2004, the City's total assets were \$67.9 million and total liabilities were \$25.1 million, resulting in net assets of \$42.8 million. Of this amount, \$17.6 million in unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.
- ❑ For the fiscal year ended June 30, 2004, net assets increased \$2.2 million, resulting from a favorable variance of revenues over expenses. Total revenues from all sources were \$28.2 million and total expenses for all functions/programs were \$26.0 million.
- ❑ Of total revenues of \$28.2 million, program revenues were \$9.7 million and general revenues were \$18.5 million. Program revenues are divided into three categories: Charges for Services, \$2.7 million; Operating Contributions and Grants, \$6.3 million; and Capital Contributions and Grants, \$705 thousand.

Fund Based:

- ❑ At June 30, 2004, the General Fund fund balance was \$16.8 million, an increase of \$1.2 million from the prior year balance of \$15.6 million. The unreserved fund balance (net of cash advances to the Redevelopment Agency and prepaid expenditures) was \$13.8 million.
- ❑ The actual General Fund revenues and operating transfers in of \$21.8 million represented an increase of \$466 thousand from the prior year actual of \$21.3 million and an increase of \$1.3 million from the final budget of \$20.5 million.

- The actual General Fund expenditures and operating transfers out of \$20.6 million represented a decrease of \$134 thousand from the prior year actual of \$20.7 million and a decrease of \$1.2 million from the final budget of \$21.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The Government-wide Financial Statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They typically present governmental activities. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activity, payables, and receivables.

The *Statement of Net Assets* and the *Statement of Activities* report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's roads.

Governmental activities report most of the City's basic service activities that include General Government (City Council, City Administration, City Clerk, Finance, Human Resources, Risk Management, etc.), Public Safety, Public Works, Parks and Recreation, and Community Development. Sales tax, vehicle license fees, property tax, franchise fees, business licenses, fines, user fees, state and federal grants, and interest income finance these activities.

Fund Financial Statements

The Fund Financial Statements include statements for two categories of activities – governmental and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus.

Reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach.

The fund financial statements provide detailed information about the major funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental Funds consist of most of the City's basic services, which focuses on how money flows into and out of those funds and the balances left at fiscal year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental fund financial statements to those in the Government-wide financial statements are explained in a reconciliation schedule following each Governmental Fund financial statement.

Fiduciary Funds involve the City's role as a trustee or fiduciary for certain funds held on behalf of other organizations or districts. These funds are used to account for assets held by the City and are purely custodial in nature, where assets equal liabilities therefore, related results of operations are not measured or reported. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations. In addition, the City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the Basic Financial Statements

Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes can be found immediately following the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain combining statements in connection with non-major governmental funds. These combining and individual fund statements and schedules can be found immediately following the Notes to the Basic Financial Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As the government-wide financial statements represent the City's first statements issued pursuant to GASB 34, this analysis will focus only on the fiscal year ending June 30, 2004, for the net assets and changes in net assets of the City's governmental activities.

Condensed Statement of Net Assets

	Governmental Activities	
	2004	2003
Current and other assets	\$ 38,210,059	\$ 25,901,430
Capital assets	29,677,714	25,966,146
Total assets	<u>67,887,773</u>	<u>51,867,576</u>
Current and other liabilities	4,481,243	3,184,506
Long-term debt	20,569,195	8,101,133
Total liabilities	<u>25,050,438</u>	<u>11,285,639</u>
Net Assets:		
Invested in capital assets, net of related debt	10,751,912	18,597,924
Restricted	14,510,268	4,758,956
Unrestricted	<u>17,575,155</u>	<u>17,225,057</u>
Total net assets	<u>\$ 42,837,335</u>	<u>\$ 40,581,937</u>

Note: Due to rounding, the following dollar and percentage details may not add up to corresponding totals.

The City's Government-wide (Governmental Activities) total net assets were \$42.8 million, with assets of \$67.9 million and liabilities of \$25.1 million. The net investment in capital assets of \$10.8 million represents 25% of the City's total net assets. Another portion of the City's net assets, \$14.5 million, or 34%, represents resources that are subject to external restrictions in how they may be used. The remaining balance of \$17.6 million, or 41%, in unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets.

In compliance with GASB Statement No. 34, the City has reported infrastructure assets retroactive to July 1, 1980. Any infrastructure assets acquired or significantly improved prior to July 1, 1980 are not reflected in the financial statements. Investment in capital assets (e.g., infrastructure, land, buildings, machinery and equipment) for this financial reporting purpose is reduced by any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Furthermore, because the capital assets themselves cannot be used to liquidate any related debt, it should be noted that the resources needed to repay the debt must be provided from other available resources, primarily the unrestricted net assets.

Condensed Statement of Changes in Net Assets

Changes in Net Assets (in millions)		
	Governmental Activities <u>FY 2003-04</u>	Governmental Activities <u>FY 2002-03</u>
Revenues		
Program revenues:		
Charges for services	\$ 2.7	\$ 2.0
Operating contributions and grants	6.3	5.0
Capital contributions and grants	0.7	1.7
Total Program Revenues	<u>9.7</u>	<u>8.7</u>
General Revenues:		
Sales taxes	5.4	5.4
Property taxes	2.9	2.6
Franchise taxes	1.3	1.3
Utilities users taxes	3.4	3.2
Transient occupancy taxes	0.5	0.5
Business license taxes	0.5	0.5
Property transfer taxes	0.2	0.2
Motor vehicle in lieu	3.5	4.5
Earnings on investments	0.2	0.3
Miscellaneous	0.6	0.5
Total General Revenues	<u>18.5</u>	<u>19.0</u>
Total Revenues	<u>28.2</u>	<u>27.7</u>
Expenses:		
General government	3.3	3.8
Public safety	8.3	8.4
Public works	7.0	6.0
Community development	4.3	3.9
Parks and recreation	2.6	2.6
Interest on long-term debt	0.5	0.5
Total Expenses	<u>26.0</u>	<u>25.2</u>
Increase in Net Assets	2.2	2.5
Net Assets - Beginning of Fiscal Year	<u>40.6</u>	<u>38.1</u>
Net Assets - End of Fiscal Year	<u>\$ 42.8</u>	<u>\$ 40.6</u>

Note: Due to rounding, the following dollar and percentage details may not add up to corresponding totals.

Revenues for the City's governmental activities increased 2.2%, from \$27.7million last fiscal year to \$28.2 million this fiscal year. The cost of all governmental activities increased 3.2% from \$25.2 million last fiscal year to \$26.0 million this fiscal year. As shown in the Statement of Activities (page 26 of this Comprehensive Annual Financial Report), the amount that taxpayers ultimately financed for these activities through City taxes was only \$16.3 million because some of the cost was paid by those who directly benefited from the programs (\$2.7 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7.0 million).

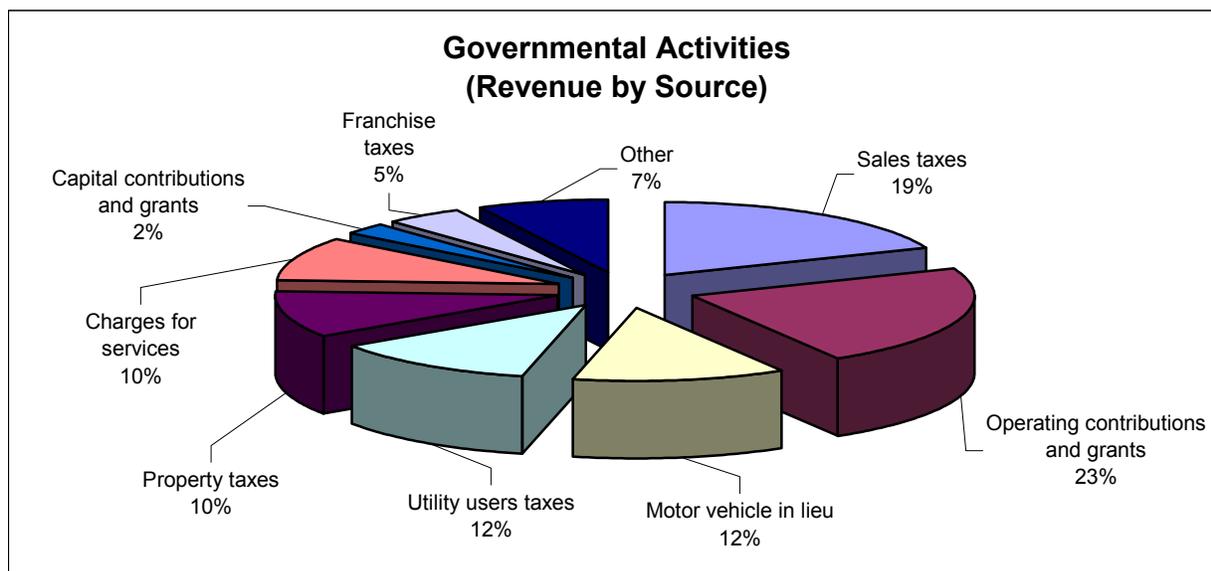
The reasons for significant changes in the revenues of the City's governmental activities presented above are as follows:

- ❑ The largest revenue source was operating contributions and grants, a program revenue, at \$6.3 million, which showed a significant increase of \$1.3 million, or 25.9%, from the prior fiscal year. A significant portion of this increase resulted from the CDBG and HOME entitlement grant funds that grew \$612 thousand and \$577 thousand, respectively. The revenues went directly against the expenses in recovering the costs of providing those services and activities.
- ❑ The second largest revenue source and a general revenue, sales tax, remained static when compared to the prior fiscal year. This year the City received \$5.4 million, which is \$820 less than the preceding fiscal year.
- ❑ The third and fourth largest revenue sources were motor vehicle in lieu fees (also known as VLF) at \$3.5 million and utility users taxes (UUT) at \$3.4 million.

VLF decreased \$1.0 million. As part of the State's budget deficit solution, it unilaterally withheld and deferred VLF backfill payments to cities and counties until August 15, 2006. This deferral, also known as the VLF gap loan, is approximately \$1.3 million for the City of Bellflower.

UUT increased \$119 thousand. A notable increase in this revenue source resulted from a substantial growth in the wireless sector with the annual increase of \$165 thousand.

- ❑ The City's property tax increased \$332 thousand, or 12.8%. Like all other taxing agencies in California, the City has benefited from the real estate market boom and resulting increases in assessed valuations.

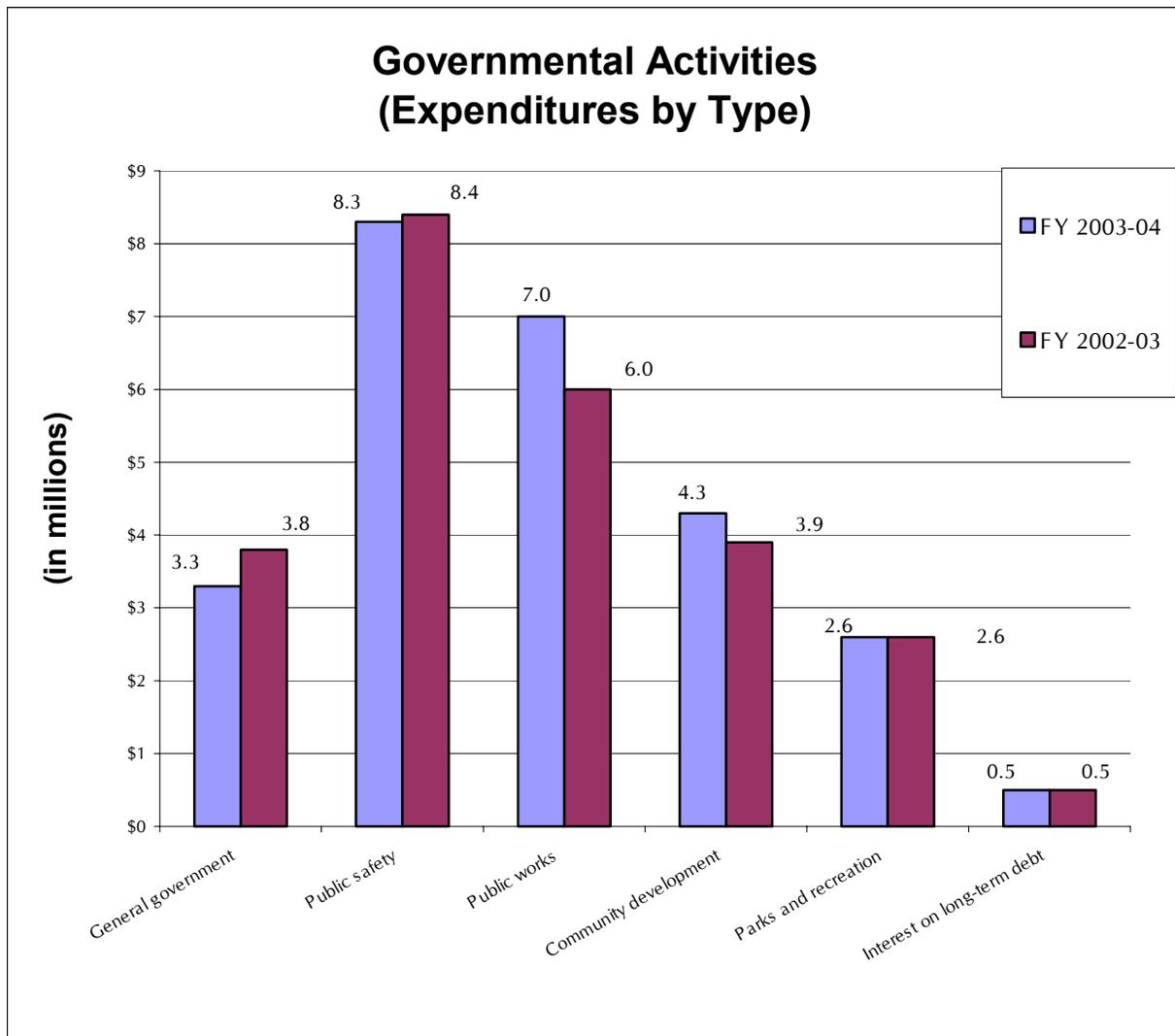


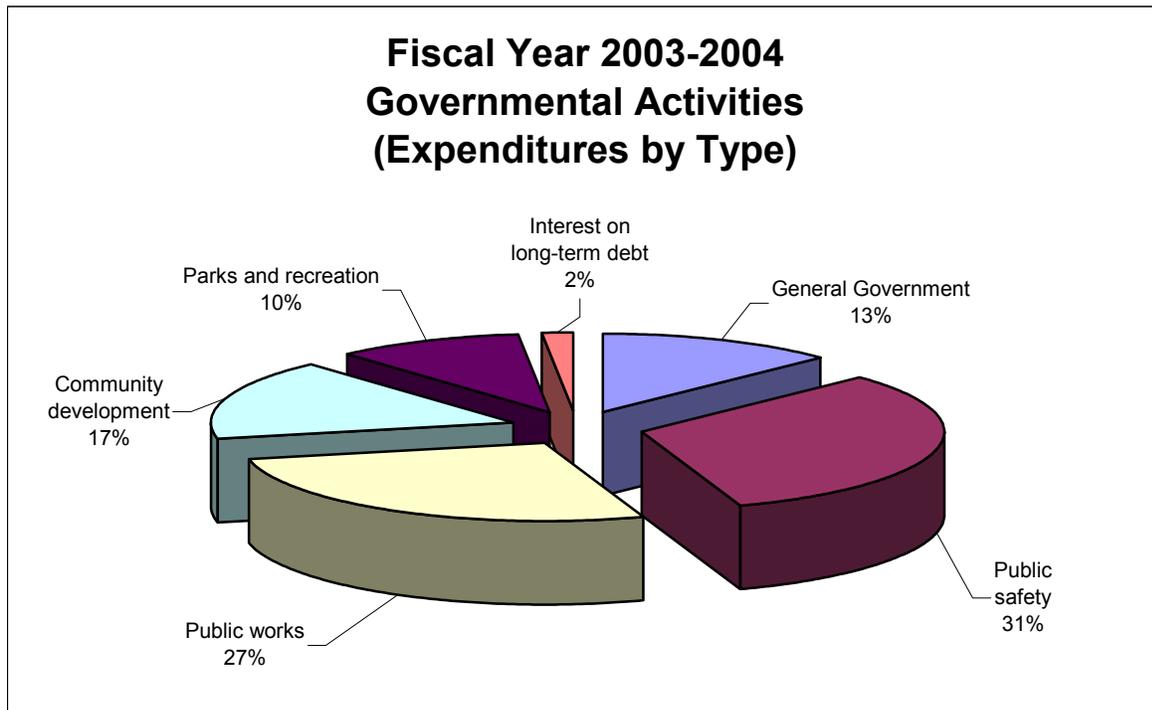
As previously discussed, the cost of providing all governmental activities this year was \$26.0 million before applying program revenues of \$9.7 million. The remaining “public benefit” portion of governmental activities was paid with general revenues. Public Safety, the largest expense category, represented \$8.3 million, or 32% of Governmental Activities, of which approximately \$2.0 million was funded with program revenues. The remaining balance of \$6.3 million was funded with general revenues. Public Works, the second largest expense category, represented \$7.0 million, or 27%, with program revenues of \$4.1 million. Community Development, the third largest expense category, represented \$4.3 million, or 17%, with program revenues of \$3.1 million. General Government had expenses of \$3.3 million, or 12%, with no program revenues. Parks and Recreation had expenses of \$2.6 million, or 10%, with program revenues of \$0.6 million. Interest on long-term debt was \$460 thousand, or 2%, paid entirely with general revenues.

Significant changes in the Governmental Activities expense categories when compared to the prior fiscal year are summarized as follows:

- ❑ General Government expenditures were lower than the previous year by \$528 thousand. The fiscal year 2002-03 expenses included one-time repair and maintenance expenses that were not capitalized.
- ❑ Public Works expenditures were higher than the previous year by \$950 thousand. A substantial portion of the increase was in the Public Works Administration (\$145 thousand), Street Maintenance (\$105 thousand), Storm Water Maintenance (\$158 thousand), and Proposition C – Street Improvements and Transportation (\$293 thousand).
- ❑ Community Development increased \$428 thousand. The notable increases were from two programs offered with the Federal HOME funds. These entitlement grant funds are used to improve and expand the supply of safe, sanitary and affordable housing, to expand the capacity of nonprofit community-based housing development organizations, and to

leverage private sector participation in the financing of affordable housing. During this fiscal year, the City initiated the “Palm Vista Modular Housing Development” project. In conjunction with a private developer, HOME funds were used to provide the initial funding of \$355 thousand for the conversion of an existing trailer park to a 15 modular housing unit development, of which 3 were HOME eligible workforce housing units for qualified low-income families. The second area was the expanded Community Housing Development Organization (CHDO) Set Aside program. The funding increased by \$290 thousand compared to the prior fiscal year. The grant funds were used by the CHDO to acquire vacant lots and substandard properties to either construct or rehabilitate homes within the guidelines of quality housing standards. These homes are then sold to first-time homebuyers at cost or with enough subsidies to insure affordability. Upon sale of the homes, proceeds are returned to CHDO for continuing rehabilitation activities.





FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27.0 million, an increase of \$10.9 million, or 67.1%, in comparison with the prior year balance of \$16.2 million. Approximately 82.4%, or \$22.2 million, constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance of \$4.8 million, or 17.6%, is reserved to indicate that it is not available for new spending because it has already been committed 1) as long-term cash advances to the Redevelopment Agency (\$3.0 million), 2) designation of funds for Low and moderate income housing related projects (\$1.1 million), 3) to pay debt service (\$700 thousand), and 4) for prepaid expenditures (\$5 thousand).

Revenues of governmental funds for the fiscal year ended June 30, 2004 were \$29.1 million, an increase of \$1.1 million, or 3.8%, from the prior year total of \$28.0 million. Expenditures of

governmental funds were \$30.6 million, an increase of \$2.6 million, or 9.4%, from the prior fiscal year total of \$28.0 million. Prior to including Other Financing Sources, expenditures of governmental funds exceeded revenues by \$1.5 million. With Other Financing Sources of \$12.4 million, \$10.9 million was added to the current year's fund balance. The considerable additions came from two financing sources: 1) HUD Section 108 loan of \$7.0 million; and 2) refunding of 1996 Taxable Tax Allocation Bonds with the proceeds of 2004 Taxable Tax Allocation Bonds in the aggregate par amount of \$7.8 million and the net available proceeds of \$4.4 million for future capital projects.

The City has five major governmental funds: General Fund, HUD Section 108, CDBG Capital Projects Fund, HOME Capital Projects Fund, and the Redevelopment Agency Capital Projects Fund. An analysis of significant balances and transactions of the individual major funds has been provided below. With respect to the nonmajor funds, there are no significant balances and transactions that are reportable.

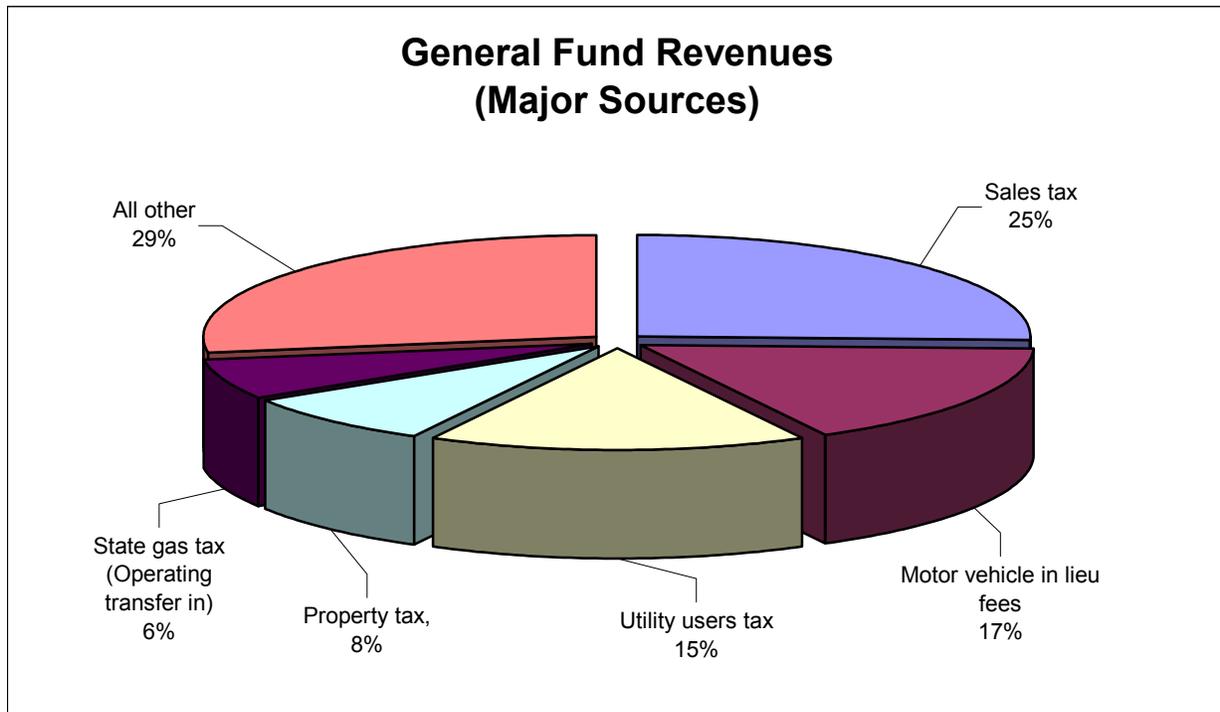
General Fund is the chief operating fund of the City, which is used to account for all discretionary revenues and expenditures necessary to carryout basic government functions that are not accounted for through other special revenue and grant funds.

At the end of the current fiscal year, the City's General Fund fund balance was \$16.8 million, an increase of \$1.2 million, or 7.9%, in comparison with the prior year balance of \$15.6 million. The unreserved fund balance was \$13.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures including recurring operating transfers out. Unreserved fund balance represents 67.1% of total fund expenditures and operating transfers out of \$20.6 million, while total fund balance represents 81.6% of the same amount.

General Fund revenues and operating transfers in for the fiscal year were \$21.8 million, an increase of \$470 thousand, or 2.2%, from the prior year total of \$21.3 million. The five largest General Fund revenue sources were sales tax, motor vehicle in lieu fees, utility users tax, property tax, and the State gas tax transfer. These revenues, in aggregate, amounted to 72% of the General Fund revenues and operating transfers in.

- ❑ Sales tax, the largest revenue source, was \$5.54 million, or 25.4% of General Fund revenues and operating transfers, an increase of \$350 thousand, or 6.7%, when compared to the prior year amount of \$5.20 million. A substantial portion of the increase was attributable to a one-time corrective adjustment.
- ❑ Motor vehicle in lieu fees, the second largest revenue source, was \$3.69 million, or 16.9% of General Fund revenues and operating transfers, a decrease of \$823 thousand, or 18.2%, when compared to the prior year amount of \$4.51 million. As discussed previously, the State withheld and deferred backfill payments of \$1.3 million until August 15, 2006.
- ❑ Utility users tax, the third largest revenue source, was \$3.36 million, or 15.4% of General Fund revenues and operating transfers, an increase of \$119 thousand, or 3.7%, when compared to the prior year amount of \$3.24 million. The revenue from the wireless service providers increased \$165 thousand.

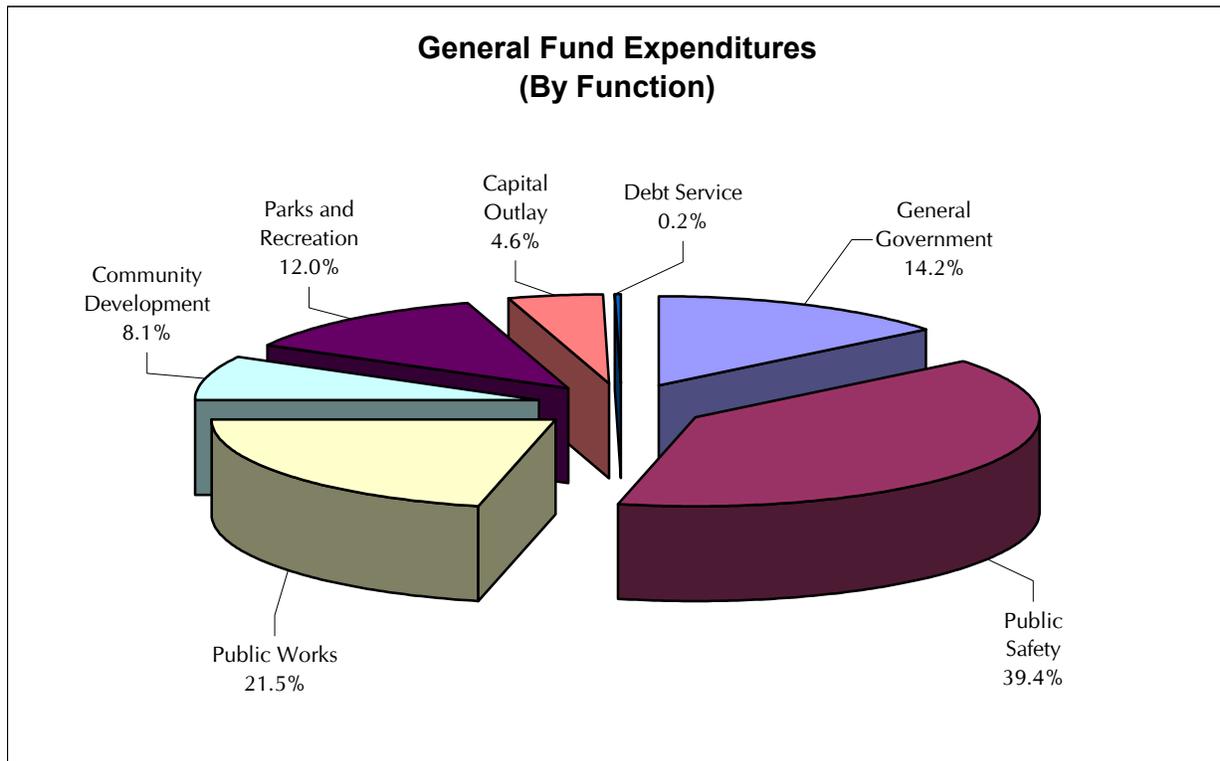
- Property tax, the fourth largest revenue source, was \$1.82 million, or 8.1% of General Fund revenues and operating transfers, an increase of \$145 thousand, or 8.7%, when compared to the prior year amount of \$1.68 million. The City of Bellflower has benefited from the real estate market boom and the resulting increases in assessed valuations.
- State gas tax (operating transfer in), the fifth largest revenue source, remained static at \$1.4 million, which was 6.2% of General Fund revenues and operating transfers.



General Fund expenditures and operating transfers out were \$20.6 million, a decrease of \$134 thousand, or 0.6%, from the prior year total of \$20.7 million. Key elements of the increases and decreases can be briefly summarized as follows:

- Public safety was the largest General Fund function at \$7.89 million, or 38.4% of General Fund expenditures and operating transfers out, a decrease of \$144 thousand, or 1.8%, from the prior year total of \$8.0 million. Savings were mostly from temporary personnel vacancies and reprogramming of certain aspects of contract services with the Los Angeles County Sheriff's Department.
- Public works was the second largest General Fund function at \$4.3 million, or 20.9% of General Fund expenditures and operating transfers out, an increase of \$445 thousand, or 11.5%, from the prior year total of \$3.86 million. The notable increases were from Administration (\$145 thousand), Street Maintenance (\$105 thousand), Storm Water Maintenance (\$158 thousand), and Facility Maintenance (\$92 thousand).

- ❑ General government (City Council, City Commissions, City Administration, City Clerk's Office, City Attorney, Finance, Personnel, Risk Management, and Non-departmental) was the third largest General Fund function at \$2.84 million, or 13.8% of General Fund expenditures and operating transfers out, a decrease of \$150 thousand, or 5.0%, from the prior year total of \$2.99 million. This year, there were no expenditures related to a general municipal election and other internal charges were reformulated.
- ❑ Parks and recreation was the fourth largest General Fund function at \$2.40 million, or 11.7% of General Fund expenditures and operating transfers out, a decrease of \$37 thousand, or 1.5%, from the prior year total of \$2.45 million.
- ❑ Community development was the fifth largest General Fund function at \$1.62 million, or 7.8% of General Fund expenditures and operating transfers out, an increase of \$134 thousand, or 9.1%, from the prior year total of \$1.48 million. The increased costs resulted from additional staffing in Community Development relative to Code Enforcement, Planning, and other front counter services.
- ❑ Capital outlay expenditures were \$929 thousand, or 4.5% of General Fund expenditures and operating transfers out, a decrease of \$413 thousand, or 30.8%, from the prior year total of \$1.3 million. The decrease was caused by the City Council's action to defer some of the capital projects to mitigate various State funding cuts and revenue shifts from local governments. Funded capital projects included street improvements, sidewalks, curbs, gutters, trees, City facilities improvements, and pocket parks.
- ❑ Operating transfers out totaled \$545 thousand, or 2.7% of General Fund expenditures and operating transfers out, a decrease of \$9 thousand, or 1.7%, from the prior year total of \$555 thousand. Of the total operating transfers out, \$471 thousand was for the payment of interest, principal, and the trustee's administrative fees on the City's 1999 Refunding Certificates of Participation, \$41 thousand was expended to fund special public safety services, and \$33 thousand was expended to subsidize maintenance of a parking district.



CDBG Capital Projects Fund accounts for the City’s entitlements of the Federal Community Development Block Grant (CDBG) funds and related expenditures. The U.S. Department of Housing and Urban Development (HUD) provides annual allocations of CDBG funds that can be used to revitalize neighborhoods, prevent or eliminate slums or blight, expand affordable housing and economic opportunities, and improve community facilities and services, principally to benefit low- and moderate-income persons.

The City generally draws down CDBG program costs from its HUD-approved line of credit on a reimbursement basis only (as expenditures are made). As a result, the fund balance of the CDBG Capital Projects Fund is generally \$0 even though there may be funds available in the line of credit. At the end of the current fiscal year, the City’s CDBG Capital Projects Fund fund balance was \$0, while the line of credit had an available balance of \$1.08 million. The annual CDBG entitlement for the fiscal year grew to \$1.48 million, an increase of \$398 thousand, or 37%, due primarily to the favorable revision in the population data from the 2000 Census.

Like most grants, CDBG is a reimbursement grant (also known as an expenditure-driven grant). As a result, revenues are recognized based on 1) incurrence of allowable expenditures, 2) compliance with any and all contingent requirements, and 3) the related amounts becoming available. CDBG expenditures were \$1.83 million, an increase of \$612 thousand, or 50.4%, from the prior fiscal year total of \$1.22 million. CDBG funds were expended on public services, special economic development assistance programs, residential and commercial property rehabilitation grant programs, code enforcement, and certain public improvements.

HUD Section 108 Fund is a temporary capital projects fund to account for the use of the proceeds of the HUD-issued and guaranteed loans that are also secured with the City's current and future CDBG entitlement grant funds and other City-owned property. Section 108 loan proceeds have the same program restrictions as the CDBG grant funds. HUD's Section 108 Guarantee Loan Program provides communities with greater resources to finance much needed economic development, housing rehabilitation, public facility improvements, and other large-scale physical development projects.

In fiscal year 2003-04, the City qualified for the HUD Section 108 Guarantee Loan in the amount of \$7,000,000. The loan bears interest ranging from 2.31% to 6.01% and is repayable over 20 years with the average annual debt service payment of \$579 thousand. In accordance with the applicable HUD guidelines, the City has devised plans for a number of projects in the City's downtown area for revitalization with private investment. During this fiscal year, the City has commenced the following projects:

- ❑ Laurel Street Improvements – This project involved the creation of enhanced sidewalk dining on Laurel Street, immediately west of Bellflower Boulevard. The project also included signature monumentation, distinctive landscaping and hardscape. Expenditures relating to this project were \$217 thousand for this fiscal year.
- ❑ Belmont Street Façade Improvements – This ongoing project makes aesthetic improvements to the business buildings and signage along Belmont Street. The goal is to draw interest from quality retail businesses to the City. Expenditures relating to this project were \$104 thousand for this fiscal year. Belmont Façade improvements are expected to be completed in fiscal year 2004-05 at an estimated project cost of \$1.4 million.
- ❑ “Belmont Building” Rehabilitation – This building is centrally located in downtown with the potential to draw in a major or national chain store to serve as an anchor retailer to assist with the City's overall revitalization effort. The City acquired this building with the intent to renovate it with either a two or three story mix use. At this time, the City has received a letter of interest from Starbucks to occupy a portion of the building. Excluding the cost of property acquisition, expenditures relating this project were \$43 thousand for this fiscal year.
- ❑ Friendship Square – Friendship Square is an open seating area, which is also centrally located in downtown (adjacent to the Belmont Building). This area has potential with organized events to draw in community interest. The City plans to make certain improvements including landscaping and structural improvements to better market the area. Expenditures relating to this project were \$10 thousand for this fiscal year. The project has a budget of \$1.3 million.
- ❑ Property Acquisition – The City continually seeks blighted or under-utilized properties that can be improved to make them more desirable to retail businesses. Expenditures relating to project acquisition were \$472 thousand for this fiscal year, expended for the acquisition of the above-discussed Belmont Building.

At the end of the current fiscal year, the available Section 108 Loan proceeds were \$6.1 million.

HOME Capital Projects Fund accounts for the City's entitlements of the Federal HOME Investment Partnerships Program (HOME) funds and related expenditures. HUD provides annual allocations of HOME funds that can be used for a wide range of activities (often in partnership with Community Housing Development Organizations – CHDO) that build, buy, and rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income residents.

Similar to CDBG, HOME program costs are generally drawn down from the HUD-approved line of credit on a reimbursement basis only (as expenditures are made). As a result, the fund balance of the HOME Capital Projects Fund is generally \$0 even though there may be funds available in the line of credit. At the end of the current fiscal year, the City's HOME Capital Projects Fund fund balance was \$0, while the line of credit had an available balance of \$790 thousand. The annual HOME entitlement for the fiscal year was \$660 thousand, an increase of \$158 thousand, or 31.5%, when compared to the prior year entitlement of \$502 thousand, due primarily to the favorable revision in the population data from the 2000 Census.

Like CDBG, HOME is a reimbursement grant (an expenditure-driven grant). HOME expenditures were \$879 thousand, an increase of \$577 thousand, or 191.1%, from the prior fiscal year total of \$302 thousand. The notable increases were from two programs offered with HOME Fund. During the fiscal year 2003-04, the City initiated a program called, "Palm Vista Modular Housing Development." In conjunction with a private developer, HOME funds were used to provide the initial funding of \$355 thousand for the conversion of an existing trailer park to a 15-modular housing unit development, of which 3 were HOME eligible workforce housing units for qualified low-income families. The City also increased funding for the Community Housing Development Organization (CHDO) Set Aside program by \$290 thousand compared to the prior fiscal year. The funds were used by the CHDO to acquire vacant lots and substandard properties to either construct or rehabilitate homes within the guidelines of quality housing standards. These homes will then sell to first-time homebuyers at cost or with enough subsidies to insure affordability. Upon sale of the homes, proceeds will be returned to CHDO for continuing rehabilitation activities.

Redevelopment Agency Capital Projects Fund, under California Redevelopment Law, finances activities that help remove blight, including but not limited to physical deterioration, lack of economic vitality, increase of negative social trends such as crime, aging infrastructure, and high business vacancies. The primary financing sources of the Redevelopment Agency are the property tax increment generated from the project area, tax allocation bonds, and cash advances and loans from the City. This Fund does not include low and moderate income housing activities that are separately accounted for in the Redevelopment Agency Housing Set Aside Fund, a capital projects fund.

At the end of the current fiscal year, the Redevelopment Agency Capital Projects Fund had a fund balance of \$530 thousand, as opposed to the prior fiscal year deficit of \$1.97 million. The reversal of the fund deficit was due to the refunding of the 1996 Taxable Tax Allocation Bonds in April 2004. The refunding provided net bond proceeds of \$3.56 million for the Fund. The bond funds are currently invested in the State of California Local Agency Investment Fund. The Fund's cash flow and operational deficits are generally covered with the loans from the City's General Fund.

The tax increment financing sources for the fiscal year was \$612 thousand, an increase of \$83 thousand, or 15.6%, from the prior year total of \$529 thousand. In general, property tax increment revenue, net of annual debt service payments and 20% set-aside for low and moderate income housing, is transferred from the Redevelopment Agency Debt Service Fund to the Redevelopment Agency Capital Projects Fund to finance authorized projects.

Redevelopment project expenditures were \$1.7 million, an increase of \$732 thousand, or 42.4%, from the prior fiscal year total of \$993 thousand. Capital projects expenditures, by their nature, can fluctuate significantly from year to year due to funding availability. This fiscal year's notable activities include acquisition of properties strategically located in various areas of the City for the purpose of rehabilitating and remarketing to attract leading retailers and private investments. During the fiscal year, the Redevelopment Agency expended \$842 thousand in acquiring three properties in its continued effort to revitalize the Redevelopment Project Area. Some of the other projects included the TownCenter Plaza construction, main artery median improvements, private development subsidy, and planning and design of key corridors.

GENERAL FUND BUDGETARY HIGHLIGHTS

In any fiscal year, the City Council and the City Administrator (with limited authority) may revise the budget from time to time to accommodate certain changes to the community's needs and requirements for programs and activities and to take necessary measures to address significant changes to the fiscal condition of the City resulting from emergencies and other unforeseen events.

Revenues and Operating Transfers In – The final budgeted revenues were \$19.0 million, a decrease of \$910 thousand from the original budget. The Motor Vehicle In-Lieu Fees was the sole source of the decrease due to the State's unfunded backfill previously discussed as the "VLF Gap Loan."

Appropriations and Operating Transfers Out – The final appropriations were \$21.8 million, a decrease of \$15 thousand from the original appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for governmental activities as of June 30, 2004, was \$29.7 million (net of accumulated depreciation). Infrastructure assets have been reported retroactive to July 1, 1980, in compliance with GASB Statement No. 34. Any infrastructure assets acquired or significantly improved prior to July 1, 1980 are not included. For additional information on capital assets, please refer to the notes to the basic financial statements.

	Capital Assets (in thousands)	
	Governmental Activities	
	FY 2003-04	FY 2002-03
Land	\$ 10,076	\$ 9,031
Buildings and improvements	7,858	7,859
Equipment and furniture and fixtures	1,235	1,258
Infrastructure	6,787	6,876
Construction in progress	3,656	875
Water rights	66	67
Total Capital Assets	\$ 29,678	\$ 25,966

During the fiscal year 2003-04, the City added \$4.4 million in capital assets excluding equipment and furniture and fixtures. The following were major capital projects for the fiscal year:

- ❑ Civic Plaza Improvements \$821 thousand
- ❑ TownCenter Plaza Improvement Project \$188 thousand
 (HUD Section 108 Loan, CDBG, Redevelopment Agency)
- ❑ Laurel Street Improvements \$217 thousand
- ❑ Belmont Façade Improvements \$104 thousand
- ❑ Property Acquisition \$472 thousand
 (HUD Section 108 Loan)
- ❑ Property Acquisition \$843 thousand
 (Redevelopment Agency)
- ❑ Various street improvements \$487 thousand
- ❑ Various City facilities improvements \$364 thousand
- ❑ Railroad crossing removal project \$375 thousand
- ❑ Handicap Ramps at various locations \$86 thousand

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

Long-Term Debt. At June 30, 2004, the City had \$21.1 million in outstanding long-term debt for Governmental Activities, an increase of \$12.7 million, or 151.2%, from the preceding fiscal year. This increase was caused primarily by the City's receipt of \$7 million in HUD Section 108 Loan funds and the Redevelopment Agency's refunding of the 1996 Taxable Tax Allocation Bonds in April 2004, which increased the principal amount by \$5.8 million. Compensated absences also increased due to the growth in unused vacation and sick leave hours. For additional information on long-term debt, please refer to the notes to the basic financial statements.

	Long-Term Debt (in thousands)			
	Governmental Activities			
	2004	2003	Variance Increase/ (Decrease)	% Change
Certificates of participation	\$ 5,170	\$ 5,390	(\$ 220)	-4.1%
1996 tax allocation bonds	0	2,000	(2,000)	-100.0%
2004 Refunding tax allocation bonds	7,815	0	7,815	n/a
California Energy Commission Loan	95	129	(34)	-26.4%
HUD Section 108 loan	7,000	0	7,000	n/a
Compensated absences	976	861	115	13.4%
Total Long-Term Debt	<u>\$ 21,056</u>	<u>\$ 8,380</u>	<u>\$ 12,676</u>	<u>151.2%</u>

Under the California Government Code Section 43605, the City's legal bonded debt limit for fiscal year 2003-04 was \$107 million based on the assessed value of all real and personal property of the City. The City had no bonded indebtedness during the fiscal year.

ECONOMIC FACTORS AND OUTLOOK FOR NEXT YEAR

According to certain major financial indicators, the economy is improving with related revenue streams also strengthening. However, according to the "Fiscal Outlook" report released by the State of California Legislative Analyst Office (LAO) in November 2004, while the State's tax revenues are improving, there are continuing budget challenges for the State of California as we approach the 2005-06 fiscal year. The LAO has projected that the State may face a deficit of \$7.3 billion by the end of the 2005-06 fiscal year. It is unfortunate that the State continues to operate with the unmanageable structural deficits and have relied on one-time and short-term solutions that involved borrowings, spending deferrals, accounting shifts, and other revenue raids. As a result, we expect continuing budget cuts to local governments. However, unlike prior fiscal years, the State is now limited in its ability to unilaterally takeaway local governments' revenues with the recent passage of Proposition 1A ("Protection of Local Government Revenues") by the voters at the November 2, 2004 General Election.

- Proposition 1A limits the practice of State raids on local property taxes by allowing only two loans within a 10-year period, provided only if the State meets certain criteria:
 - The State can borrow local governments' revenues beginning in fiscal year 2008-09.
 - The 2003 VLF Gap Loan must first have been repaid prior to any new borrowing.
 - The Governor must issue a proclamation to declare a "severe State fiscal hardship."
 - The Legislature must approve a statute with a 2/3 vote.
 - The amount of the loan is limited to no more than 8% of the total amount of property tax allocated to cities, counties, and special districts in the previous fiscal year.
 - The loan must be repaid with interest within 3 years, and prior loans must be repaid before borrowing could occur a second time within 10 years

- ❑ The State cannot reduce local sales tax rates or alter the method of allocation. The measure prohibits the State from reducing any local sales tax rate, limiting existing local government authority to levy a sales tax rate, or changing the allocation of local sales tax revenues. For example, the State could not reduce a city's uniform or optional sales tax rate, or enact laws that shift sales taxes from a city to the county in which it is located.
- ❑ The State cannot shift property taxes from local governments to schools or community colleges. The measure generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year under the laws in effect as of November 3, 2004. The measure also specifies that any change in how property tax revenues are shared among local governments within a county must be approved by two-thirds of both houses and Legislature (instead of by majority vote).
- ❑ The State cannot decrease vehicle license fees (VLF) without providing replacement funding. If the State reduces the VLF rate below its current level, the measure requires the State to provide local governments with equal replacement revenues. The measure also requires the State to allocate VLF revenues to county health and social services programs and local governments.

Given the frequency and magnitude of the State's prior actions that negatively affected local governments' revenues and their ability to deliver services, Proposition 1A's restrictions on the State's authority over local finances provide a positive change for all local governments throughout California to provide long-term financial planning and stability to better address provision of essential services in their communities.

During this fiscal year, the City sustained the State's deferral of payments amounting to \$1.3 million to August 15, 2006 (VLF Gap Loan) and other budget cuts totaling \$500 thousand. Furthermore, beginning in fiscal year 2004-05, the State's swap of the City's VLF and sales tax revenues for its property taxes will cause a combined annual cash flow decrease of \$2.8 million to the City. VLF and sales tax revenues are paid monthly, but property taxes are paid semiannually in January and May. While the VLF for property tax swap is permanent, the sales tax for property tax swap (also known as the "Triple-Flip") is a long-term, but temporary measure until the State's deficit recovery bonds are repaid in full in approximately 14 years. Although the cash flow decrease is sizable, the City fortunately has a sufficient reserve in the General Fund to provide a near-term remedy. The more permanent solution will be sought at the time the biennial 2005-07 Operating Budget is being considered by the City Council.

The question of how local governments' revenues will continue to be negatively impacted by the State's ongoing budget crisis is a recurrent concern of the City Council and City management, as it could severely impact the City's ability to provide essential services. However, with the passage of Proposition 1A, local governments' finances have become much more stable and manageable. With this vote of confidence in local governments by the public, the City Council and City management will continue to be committed to the community by exercising due diligence in preserving the City's overall financial health and essential services.

REQUEST FOR FINANCIAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors, creditors, and other interested parties with a general overview of the City's finances and to demonstrate the City's accountability for the public funds it receives and manages. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Bellflower, 16600 Civic Center Drive, Bellflower, CA 90706, or by phone at (562) 804-1424. Additional financial information is also available at the City's official website at www.bellflower.org.

CITY OF BELLFLOWER



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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF BELLFLOWER
STATEMENT OF NET ASSETS
June 30, 2004**

	<u>Total Governmental Activities</u>
ASSETS	
Cash and investments	\$ 20,765,045
Cash and investments with fiscal agents	7,597,756
Receivables:	
Accounts receivable - net	4,053,965
Notes/Contract receivable	4,551,211
Interest receivable	82,115
Prepaid expenses	5,357
Deferred charges - net of accumulated amortization	648,791
Deferred losses on refunding	505,819
Capital assets not being depreciated	13,731,620
Capital assets - net of accumulated depreciation	<u>15,946,094</u>
 Total assets	 <u>67,887,773</u>
LIABILITIES	
Accounts payable	3,071,719
Interest payable	144,548
Accrued expenses	595,698
Deferred revenue	170,615
Deposits	11,348
Noncurrent liabilities:	
Due within one year	487,315
Due in more than one year	<u>20,569,195</u>
 Total liabilities	 <u>25,050,438</u>
NET ASSETS	
Invested in capital assets, net of related debt	10,751,912
Restricted for:	
Construction of capital assets	6,650,087
Debt service	543,087
Streets, highways, bikeways, public transit, and other related purposes	1,270,463
Housing	1,377,891
Community development	4,655,926
Public safety	12,814
Unrestricted	<u>17,575,155</u>
 Total net assets	 <u>\$ 42,837,335</u>

See Notes to the Basic Financial Statements

**CITY OF BELLFLOWER
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2004**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
General government	\$ 3,314,466	\$ -	\$ -	\$ -
Public safety	8,329,356	1,588,548	357,051	21,576
Public works	6,967,996	111,191	3,393,166	550,200
Community development	4,307,424	559,775	2,576,749	
Parks and recreation	2,599,166	445,630		133,506
Interest on long-term debt	460,854			
	<u>460,854</u>	<u> </u>	<u> </u>	<u> </u>
Total Governmental Activities	<u>\$ 25,979,262</u>	<u>\$ 2,705,144</u>	<u>\$ 6,326,966</u>	<u>\$ 705,282</u>

General Revenues:

Taxes:

- Sales taxes
- Property taxes
- Franchise taxes
- Utility users taxes
- Transient occupancy taxes
- Business license taxes
- Property transfer taxes
- Motor vehicle in lieu
- Earnings on investments
- Miscellaneous

Total general revenues

Change in net assets

Net assets - July 1

Net assets - June 30

See Notes to the Basic Financial Statements

Net (Expense)
Revenue and Change
in Net Assets

\$ (3,314,466)
(6,362,181)
(2,913,439)
(1,170,900)
(2,020,030)

(460,854)

(16,241,870)

5,366,684
2,918,170
1,298,670
3,358,180
518,838
503,318
213,839
3,476,915
219,649

623,005

18,497,268

2,255,398

40,581,937

\$ 42,837,335

See Notes to the Basic Financial Statements

**CITY OF BELLFLOWER
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004**

	General Fund	HUD Section 108 Fund	CDBG Capital Projects Fund	HOME Capital Projects Fund
ASSETS				
Cash and investments	\$ 12,513,723	\$ -	\$ -	\$ -
Cash and investments with fiscal agents		6,966,880		
Accounts receivable - net	2,300,613		492,280	379,236
Due from other funds	1,525,929			
Interest receivable	54,643			
Notes/Contract receivable	139,606		1,863,675	1,914,246
Prepaid expenditures	3,057			
Advances receivable	2,967,523			
Total assets	\$ 19,505,094	\$ 6,966,880	\$ 2,355,955	\$ 2,293,482
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,928,862	\$ 86,547	\$ 178,058	\$ 272,710
Accrued expenditures	504,596		18,226	3,171
Due to other funds		759,341	291,457	103,355
Deposits	10,498			
Deferred revenue	274,255		1,868,214	1,914,246
Advances payable				
Total liabilities	2,718,211	845,888	2,355,955	2,293,482
Fund balances				
Reserved:				
Debt service				
Low and moderate income housing				
Prepaid expenditures	3,057			
Advances to redevelopment agency	2,967,523			
Unreserved:				
Designated - special revenue funds				
Undesignated - general fund	13,816,303			
Undesignated - capital projects funds		6,120,992		
Total fund balances	16,786,883	6,120,992		
Total liabilities and fund balances	\$ 19,505,094	\$ 6,966,880	\$ 2,355,955	\$ 2,293,482

See Notes to the Basic Financial Statements

Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,560,000	\$ 3,073,480	\$ 19,147,203
119	630,757	7,597,756
1,650	880,186	4,053,965
		1,525,929
7,280	12,019	73,942
347,487	286,197	4,551,211
	2,300	5,357
		2,967,523
<u>\$ 3,916,536</u>	<u>\$ 4,884,939</u>	<u>\$ 39,922,886</u>
\$ 58,335	\$ 547,207	\$ 3,071,719
12,023	56,431	594,447
	371,776	1,525,929
650	200	11,348
347,487	317,624	4,721,826
2,967,523		2,967,523
<u>3,386,018</u>	<u>1,293,238</u>	<u>12,892,792</u>
	687,635	687,635
	1,091,694	1,091,694
	2,300	5,357
		2,967,523
	1,649,405	1,649,405
		13,816,303
530,518	160,667	6,812,177
<u>530,518</u>	<u>3,591,701</u>	<u>27,030,094</u>
<u>\$ 3,916,536</u>	<u>\$ 4,884,939</u>	<u>\$ 39,922,886</u>

See Notes to the Basic Financial Statements

CITY OF BELLFLOWER



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**CITY OF BELLFLOWER
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2004**

Fund balances of governmental funds	\$	27,030,094
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets net of accumulated depreciation have not been included as financial resources in governmental funds.		29,201,461
Certain notes receivable are not available to pay for current period expenditures and, therefore are offset by deferred revenue in the governmental funds.		4,551,211
Long-term debt and compensated absences have not been included in the governmental funds:		
Long-term debt		(20,080,412)
Compensated absences		(976,098)
Deferred charges, net of accumulated amortization for debt issuance costs and discounts on long-term debt have not been reported in the governmental funds.		648,791
Deferred losses on refunding, net of accumulated amortization for long-term debt issuance have not been reported in the governmental funds.		505,819
Accrued interest payable from the current portion of interest due on long-term debt has not been reported in the governmental funds.		(144,548)
The internal service fund is used by management to charge the costs of certain equipment replacement to individual funds. The assets and liabilities of the internal service fund must be added to the statement of net assets.		<u>2,101,017</u>
Net assets of governmental activities	\$	<u><u>42,837,335</u></u>

See Notes to the Basic Financial Statements

CITY OF BELLFLOWER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2004

	General Fund	HUD Section 108 Fund	CDBG Capital Projects Fund	HOME Capital Projects Fund
REVENUES				
Taxes	\$ 13,259,982	\$ -	\$ -	\$ -
Licenses and permits	29,583			
Fines, forfeitures, and penalties	1,526,371			
Investment earnings	611,939		294,128	22,806
Charges for current services	629,087			
Intergovernmental revenue	3,782,622		1,429,779	856,026
Other revenues	492,115		103,394	
Total revenues	20,331,699		1,827,301	878,832
EXPENDITURES				
Current:				
General government	2,844,794			
Public safety	7,894,270			
Public works	4,306,029			
Community development	1,615,161		997,545	878,832
Parks and recreation	2,409,121			
Capital outlay	928,584	845,888	829,756	
Debt service:				
Principal retirement	33,090			
Interest and other charges	6,811			
Debt issuance costs		33,120		
Pass-through payments				
Total expenditures	20,037,860	879,008	1,827,301	878,832
Excess of revenues over (under) expenditures	293,839	(879,008)		
OTHER FINANCING SOURCES (USES)				
Proceed from issuance of long term debt		7,000,000		
Payment to refunded debt escrow				
Original issuance discount				
Operating transfers in	1,478,819			
Operating transfers out	(545,457)			
Total other financing sources (uses)	933,362	7,000,000		
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	1,227,201	6,120,992		
Fund balances - July 1, 2003	15,559,682			
Fund balances - June 30, 2004	<u>\$ 16,786,883</u>	<u>\$ 6,120,992</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to the Basic Financial Statements

Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Total Governmentals Funds
\$ -	\$ 1,126,025	\$ 14,386,007
	496,348	525,931
		1,526,371
46,124	85,978	1,060,975
	8,514	637,601
	4,307,833	10,376,260
958	3,747	600,214
<u>47,082</u>	<u>6,028,445</u>	<u>29,113,359</u>
		2,844,794
	404,013	8,298,283
	1,998,692	6,304,721
343,161	556,599	4,391,298
		2,409,121
1,381,964	1,092,101	5,078,293
	245,000	278,090
	441,798	448,609
	503,683	536,803
	28,548	28,548
<u>1,725,125</u>	<u>5,270,434</u>	<u>30,618,560</u>
<u>(1,678,043)</u>	<u>758,011</u>	<u>(1,505,201)</u>
	7,815,000	14,815,000
	(2,380,002)	(2,380,002)
	(75,954)	(75,954)
4,172,440	1,478,266	7,129,525
	(6,584,068)	(7,129,525)
<u>4,172,440</u>	<u>253,242</u>	<u>12,359,044</u>
2,494,397	1,011,253	10,853,843
<u>(1,963,879)</u>	<u>2,580,448</u>	<u>16,176,251</u>
<u>\$ 530,518</u>	<u>\$ 3,591,701</u>	<u>\$ 27,030,094</u>

See Notes to the Basic Financial Statements

CITY OF BELLFLOWER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2004

Net change in fund balances - total governmental funds	\$	10,853,843
Amounts reported for governmental activities in the statement of activities differ because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.		3,685,904
Certain taxes and fees in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds		(392,237)
Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. Likewise when the note is collected it is reflected in revenue. This is the net change in between notes receivable collected and issued.		(358,833)
The issuance of long-term debt provides current financial resources to governmental funds while repayment of the principal and issuance cost of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal and issuance cost are an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net assets. This is the net change in issuance of long-term debt net of issuance cost.		(12,084,772)
Debt issuance costs are expenditures in the governmental funds, but these costs are capitalized on the statement of net assets. This is net change in debt issuance costs in the current period.		536,803
Accrued interest is interest due on long-term debt payable. This is the net change in accrued interest for the current period.		(8,427)
Compensated absence expenditures reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in a governmental fund. This is the net change in compensated absences for the current period.		(115,378)
The internal service fund is used by management to charge the costs of equipment replacement to individual funds. The net revenues (expenses) of the internal service fund is reported with governmental activities.		138,495
Change in net assets of governmental activities	\$	2,255,398

See Notes to the Basic Financial Statements

CITY OF BELLFLOWER
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 12,511,000	\$ 12,511,000	\$ 13,259,982	\$ 748,982
Licenses and permits	53,800	53,800	29,583	(24,217)
Fines, forfeitures, and penalties	1,212,000	1,212,000	1,526,371	314,371
Investment earnings	583,332	583,332	611,939	28,607
Intergovernmental revenue	4,625,860	3,715,860	3,782,622	66,762
Charges for current services	581,150	581,150	629,087	47,937
Other revenues	319,054	319,054	492,115	173,061
Total revenues	<u>19,886,196</u>	<u>18,976,196</u>	<u>20,331,699</u>	<u>1,355,503</u>
EXPENDITURES				
Current:				
General government:				
City council	197,022	197,022	184,511	12,511
City clerk	301,553	306,149	268,805	37,344
Election	20,000	20,000	244	19,756
City administrator	458,394	432,624	436,267	(3,643)
Parks and rec. commission	3,100	3,100	3,495	(395)
Planning commission	14,650	14,650	9,442	5,208
Finance	721,529	730,517	654,957	75,560
City attorney	220,000	220,000	163,831	56,169
Personnel/risk management	277,838	280,601	256,947	23,654
Non-departmental	925,837	911,775	866,295	45,480
Total general government	<u>3,139,923</u>	<u>3,116,438</u>	<u>2,844,794</u>	<u>271,644</u>
Public safety:				
Administration	1,112,599	1,079,403	1,078,116	1,287
Crossing guard	152,535	152,535	152,448	87
Sheriff	6,468,815	6,351,130	6,256,627	94,503
Support services	358,260	358,260	400,027	(41,767)
Emergency management	4,700	9,500	7,052	2,448
Total public safety	<u>8,096,909</u>	<u>7,950,828</u>	<u>7,894,270</u>	<u>56,558</u>
Public works:				
Administration	\$ 357,133	\$ 616,509	\$ 509,961	\$ 106,548
Street maintenance	1,987,468	1,993,826	1,961,074	32,752
Stormwater maintenance	550,040	550,940	292,059	258,881
Graffiti removal	10,100	10,100	16,463	(6,363)
Lighting and landscaping	482,284	482,284	421,303	60,981
Maintenance	1,148,598	1,164,860	1,105,169	59,691
Total public works	<u>4,535,623</u>	<u>4,818,519</u>	<u>4,306,029</u>	<u>512,490</u>

Continued

See Notes to the Basic Financial Statements

CITY OF BELLFLOWER
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Community development:				
Administration	382,768	381,860	383,993	(2,133)
Planning	363,881	367,146	355,640	11,506
Building and safety -				
L.A. County contract	28,000	28,000	21,291	6,709
Farmers' market	17,908	17,908	16,748	1,160
Community promotion	680,013	670,895	615,700	55,195
Human services	35,700	35,700	35,385	315
Code enforcement	216,331	218,346	186,404	31,942
Total community development	<u>1,724,601</u>	<u>1,719,855</u>	<u>1,615,161</u>	<u>104,694</u>
Parks and recreation:				
Administration	748,246	755,907	684,086	71,821
Simms park	406,877	408,238	411,241	(3,003)
Thompson park	304,397	305,079	303,609	1,470
Caruthers park	252,122	254,134	247,625	6,509
Aquatic center	330,386	330,386	332,442	(2,056)
Civic center	71,598	71,598	72,207	(609)
City-school recreation	202,488	202,488	195,038	7,450
Youth-teen program	120,032	120,032	98,156	21,876
Carpenter house	500	500	495	5
Batting cages	8,744	8,744	8,393	351
Preschool program	32,059	32,059	33,335	(1,276)
Share tri-cities	25,235	25,235	22,494	2,741
Total parks and recreation	<u>2,502,684</u>	<u>2,514,400</u>	<u>2,409,121</u>	<u>105,279</u>
Capital outlay	<u>1,251,830</u>	<u>1,116,969</u>	<u>928,584</u>	<u>188,385</u>
Debt service:				
Principal retirement	33,090	33,090	33,090	
Interest and other charges	6,811	6,811	6,811	
Total debt service	<u>39,901</u>	<u>39,901</u>	<u>39,901</u>	
Total expenditures	<u>21,291,471</u>	<u>21,276,910</u>	<u>20,037,860</u>	<u>1,239,050</u>
Excess of revenues over (under) expenditures	<u>(1,405,275)</u>	<u>(2,300,714)</u>	<u>293,839</u>	<u>2,594,553</u>

Continued

See Notes to the Basic Financial Statements

CITY OF BELLFLOWER
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES				
(USES):				
Transfers in	\$ 1,487,458	\$ 1,485,163	\$ 1,478,819	\$ (6,344)
Transfers out	(534,777)	(534,777)	(545,457)	(10,680)
Total other financing sources (uses)	<u>952,681</u>	<u>950,386</u>	<u>933,362</u>	<u>(17,024)</u>
Excess of revenues and other sources over (under) expenditures and other (uses)	(452,594)	(1,350,328)	1,227,201	2,577,529
Fund balance - July 1, 2003	<u>15,559,682</u>	<u>15,559,682</u>	<u>15,559,682</u>	
Fund balance - June 30, 2004	<u>\$ 15,107,088</u>	<u>\$ 14,209,354</u>	<u>\$ 16,786,883</u>	<u>\$ 2,577,529</u>

See Notes to the Basic Financial Statements

CITY OF BELLFLOWER
INTERNAL SERVICE FUND FINANCIAL STATEMENTS
June 30, 2004

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

Equipment Replacement Fund - This fund was established to account for the cost of providing vehicles and equipment to operating funds. Costs are recovered by user charges.

**CITY OF BELLFLOWER
STATEMENT OF NET ASSETS
INTERNAL SERVICE FUND
June 30, 2004**

	<u>Equipment Replacement Fund</u>
ASSETS	
Current assets:	
Cash and investments	\$ 1,617,842
Interest receivable	<u>8,173</u>
Total current assets	<u>1,626,015</u>
Noncurrent assets:	
Capital assets	
Depreciable furniture and fixtures, and equipment, net	<u>476,253</u>
Total noncurrent assets	<u>476,253</u>
Total assets	<u>2,102,268</u>
 LIABILITIES	
Current liabilities:	
Accrued liabilities	<u>1,251</u>
Total liabilities	<u>1,251</u>
 NET ASSETS	
Invested in capital assets	476,253
Unrestricted	<u>1,624,764</u>
Total net assets	<u><u>\$ 2,101,017</u></u>

See Notes to the Basic Financial Statements

**CITY OF BELLFLOWER
STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUND
For the Fiscal Year Ended June 30, 2004**

	<u>Equipment Replacement Fund</u>
OPERATING REVENUES	
Department charges	<u>\$ 382,536</u>
Total operating revenues	<u>382,536</u>
OPERATING EXPENSES	
Administration	42,829
Depreciation	<u>228,413</u>
Total operating expenses	<u>271,242</u>
Operating income	<u>111,294</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	<u>27,201</u>
Total non-operating revenues and expenses	<u>27,201</u>
Changes in net assets	138,495
Total net assets, July 1, 2003	<u>1,962,522</u>
Total net assets, June 30, 2004	<u><u>\$ 2,101,017</u></u>

See Notes to the Basic Financial Statements

**CITY OF BELLFLOWER
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
For the Fiscal Year Ended June 30, 2004**

	<u>Equipment Replacement Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to employees	\$ (43,626)
Payments to suppliers	(197)
Internal activity - receipts from other funds	<u>383,091</u>
Net cash provided (used) by operating activities	<u>339,268</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	<u>(254,077)</u>
Net cash provided (used) by capital and related financing activities	<u>(254,077)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	<u>25,951</u>
Net cash provided by investing activities	<u>25,951</u>
Net increase (decrease) in cash and cash equivalents	111,142
Cash and cash equivalents, July 1, 2003	<u>1,506,700</u>
Cash and cash equivalents, June 30, 2004	<u><u>\$ 1,617,842</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income	\$ 111,294
Adjustments to reconcile operating income to net cash provided (used)	
Depreciation	228,413
Changes in assets and liabilities:	
Receivables, net	555
Accounts and other payables	<u>(994)</u>
Net cash provided (used) by operating activities	<u><u>\$ 339,268</u></u>

See Notes to the Basic Financial Statements

CITY OF BELLFLOWER
FIDUCIARY FUND FINANCIAL STATEMENTS
June 30, 2004

Agency funds are generally used to account for assets held by the City for other funds, governments or individuals.

Agency Fund

Bellflower property owners who need to access utilities, and in doing so have to damage sidewalks or other pavements, are required to deposit a form of bond to ensure that they will fix the pavement. These monies are recorded in this fund.

CITY OF BELLFLOWER
STATEMENT OF FIDUCIARY FUND NET ASSETS
AGENCY FUND
June 30, 2004

	<u>Agency Fund</u>
ASSETS	
Cash and investments	<u>\$ 455,773</u>
LIABILITIES	
Deposits payable	<u>455,773</u>
NET ASSETS	<u><u>\$ -</u></u>

See Notes to the Basic Financial Statements

CITY OF BELLFLOWER
AGENCY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Fiscal Year ended June 30, 2004

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2004</u>
<u>Agency Fund</u>				
Assets:				
Cash and investments	<u>\$ 273,444</u>	<u>\$ 252,685</u>	<u>\$ 70,356</u>	<u>\$ 455,773</u>
Liabilities:				
Deposits payable	<u>\$ 273,444</u>	<u>\$ 252,685</u>	<u>\$ 70,356</u>	<u>\$ 455,773</u>

See Notes to the Basic Financial Statements

CITY OF BELLFLOWER



Families. Businesses. Futures.

"GROWING TOGETHER"

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Bellflower (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental 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 government's accounting policies are described below.

A. Reporting Entity

The City of Bellflower, incorporated in 1957, is a general law city covering approximately 6.1 square miles. The City is governed by a city council of five members. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the City of Bellflower (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Units. The Redevelopment Agency of the City of Bellflower (the "Agency") is governed by the City Council of the City of Bellflower. Although it is legally separate from the City, the Agency is reported as if it were part of the primary government because the City Council is the governing board, and is able to impose its will on the Agency. The Agency is reported as separate funds in the Capital Projects and Debt Service Funds.

The Bellflower Public Facilities Corporation (the "Corporation") is governed by City officers. Although it is legally separate from the City, the Corporation is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public facilities. The Corporation is reported as a separate fund in the Debt Service Funds.

Separate Redevelopment Agency and Public Facilities Corporation financial statements may be obtained by writing to the Finance Director, City of Bellflower, 16600 Civic Center Drive, Bellflower, CA 90706, or by calling (562) 804-1424.

Discretely Presented Component Units. There are no entities which meet the *Governmental Accounting Standards Board Statement No. 14* as amended by GASB Statement No. 39, criteria for discrete disclosure within these financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Certain taxes, interest, subventions, and grants associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund are charges to other departments or agencies of the City for sales and services. Operating expenses for the Internal Service Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental funds:

General Fund

The General Fund is used to account for all financial resources traditionally associated with government activities which are not required legally to be accounted for in another fund.

HUD Section 108 Fund

The HUD Section 108 Fund is used to account for the expenditures associated with the City's major capital projects funded with loans.

CDBG Capital Projects Fund

The CDBG Capital Projects Fund is used to account for the Federal Community Development Block Grant funds and selected program income expended for commercial, multifamily and single-family rehabilitation, economic development, and public service.

HOME Capital Projects Fund

The HOME Capital Projects Fund is used to account for the Federal HOME funds expended to increase the supply of safe, sanitary, and affordable housing, to strengthen the ability of states and local governments to provide housing, to expand the capacity of nonprofit community-based housing development organizations, and to leverage private sector participation in the financing of affordable housing.

Redevelopment Agency Capital Projects Fund

The Redevelopment Agency Capital Projects Fund is used to account for the expenditures incurred by the Bellflower Redevelopment Agency on redevelopment projects.

Additionally, the City reports the following fund types:

Proprietary Fund

The Internal Service Fund (Equipment Replacement Fund) is used to account for the cost of providing vehicles and equipment to operating funds. Costs are recovered by user charges.

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fiduciary Fund

The Agency Fund (Agency Fund) is used to account for assets held by the City for Bellflower property owners who need to access utilities, and in doing so have to damage sidewalks or other pavements, are required to deposit a form of bond to ensure that they will fix the pavement.

D. Assets, Liabilities, Net Assets, or Equity

Cash and Investments

The City pools idle cash from all funds for the purpose of increasing income through investment. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balances of each fund.

In compliance with the applicable State statute, the Statement of Investment Policy is adopted annually by the City Council. Investments authorized under the Investment Policy included:

- Local Agency Investment Fund (LAIF) - State of California Investment Pool
- U.S. Treasury Obligations
- Federal Agency Securities
- Certificates of Deposit
- Money Market Accounts
- Savings Accounts
- Commercial Paper
- Mutual Funds

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

The City's investments are carried at fair value which equal cost. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or NASDAQ dealers. LAIF determines the fair value of its portfolio quarterly and reports a factor to the City; the City applies that factor to convert its share of LAIF from amortized cost to fair value. Changes in fair value are allocated to each participating fund.

For purposes of the statement of cash flows for the internal service fund, all highly liquid investments (including restricted assets) with maturity of three months or less when purchased are considered cash equivalents.

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Net Assets, or Equity (Continued)

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as interfund receivables or interfund payables.

Advances between funds, as reported in the fund financial statements, are offset by a fund reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and tax receivables are shown net of an allowance for uncollectible accounts if applicable, and estimated refunds due.

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations - are established by the Assessor of the County of Los Angeles for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies - are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates - are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Net Assets, or Equity (Continued)

Receivables and Payables (Continued)

Tax Collections - are the responsibility of the county tax collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

Tax Levy Apportionments - Due to the nature of the Citywide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under state legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees - The State of California FY 1990-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld during the fiscal year.

Prepaid Items

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

Capital Assets

Capital assets which include land, buildings and improvements, furniture and fixtures, machinery and equipment, infrastructure (e.g., roads, bridges, sidewalks, traffic lights and signals, street lights, and similar items), and water rights assets are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. Infrastructure assets are capitalized if the original cost exceeds \$20,000. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2004.

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Net Assets, or Equity (Continued)

Capital Assets (Continued)

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Infrastructure	40-65
Machinery and equipment	3-20
Furniture and fixtures	5-20
Water rights	99

Periodic restoration and maintenance costs on particular items are charged to expense as incurred.

Compensated Absences

Vacation time may be accumulated up to 1,040 hours per non-represented employee and 320 hours per represented employee. Cash compensation for accrued vacations is generally not payable until the employee terminates employment with the City. Sick leave may be accumulated to a maximum of 160 hours. Cash compensation for unused sick leave in excess of 160 hours for employees is payable to an employee on the last payday in November. Cash compensation for the balance of sick leave is payable to an employee upon termination of employment with the City.

Long-Term Obligations

In the government-wide financial statements, and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs and underwriters' discount are reported as deferred bond issuance costs. Amortization of bond premiums or discounts and issuance costs is included in interest expense.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Net Assets, or Equity (Continued)

Net Assets and Fund Equity

In the government-wide financial statements and proprietary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Undesignated fund balance represents that portion of fund balance which is available for budgeting in future periods.

F. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

G. Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets:

The governmental funds balance sheet includes a reconciliation between fund balance – governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term debt and compensated absences from the general long-term debt account group have not been included in the governmental fund activity”. The detail of the \$20,080,412 long-term debt difference is as follows:

Long-term debt	
Refunding certificates of participation payable	\$ 5,170,000
Refunding taxable tax allocation bonds payable	7,815,000
Section 108 loan payable	7,000,000
California energy commission loan payable	<u>95,412</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u>\$ 20,080,412</u>

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Reconciliation of Government-wide and Fund Financial Statements (Continued)

Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – of total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$3,685,904 difference are as follows:

Capital outlay	
Capital outlay	\$ 5,078,293
Depreciation	(879,253)
Capital outlay recorded in governmental funds but not meeting the capitalization policy of the City	<u>(513,136)</u>
Net adjustment to increase net changes in fund balances of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 3,685,904</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds”. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$(12,084,772) difference are as follows:

Debt issued or incurred:	
Refunding taxable allocation bonds	\$ (7,815,000)
Section 108 loan	(7,000,000)
Principal repayments:	
Refunding certificates of participation	220,000
Taxable tax allocation bonds	25,000
CEC loan	33,090
Debt refunding:	
Payment to refunded debt escrow	2,380,002
Amortization on deferred losses on refunding	(3,818)
Original issuance discount	
Refunding taxable allocation bonds	<u>75,954</u>
Net adjustment to decrease net changes in fund balances of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (12,084,772)</u>

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. General Budget Policies

The City Council has the responsibility for adoption of the City's budget. Budgets are adopted for governmental funds. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during each fiscal year. The city administrator is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the City are subject to annual review by the City Council; hence, they legally are one-year contracts with an option for renewal for another fiscal year.

Budgetary comparison is provided in the accompanying financial statements for the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds. Budgeted revenue and expenditure amounts shown represent the City's originally-adopted legal budget and originally-adopted legal budget adjusted for unanticipated revenues and appropriations during the course of the fiscal year. Budget amounts, as adjusted, reported for the governmental funds of the City are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Supplementary budgetary appropriations were \$5,934,358 for the fiscal year.

B. Excess Expenditures over Appropriations

The following are funds in which certain expenditures exceeded appropriations for the fiscal year ended June 30, 2004.

<u>Fund/Function</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
Non-major Funds:			
Drug forfeiture			
Public safety	\$ 10,000	\$ 12,450	\$ 2,450
Proposition C			
Capital outlay	53,000	134,762	81,762
Parking district No. 1			
Public works	9,087	41,850	32,763
Redevelopment agency			
debt service			
Community development	21,300	21,939	639

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 3 - CASH AND INVESTMENTS

On June 30, 2004, the City had the following cash and investments on hand:

	<u>Carrying Amount</u>
Petty cash	\$ 3,610
Pooled cash	480,983
Pooled investments	20,736,225
Cash and investments with fiscal agents	<u>7,597,756</u>
Total cash and investments	<u>\$ 28,818,574</u>

On June 30, 2004, cash and investments were reported in the accompanying financial statements as follows:

	Cash and Investments	Cash and Investments with Fiscal Agents	Total
Governmental Activities	\$ 20,765,045	\$ 7,597,756	\$ 28,362,801
Fiduciary Fund	<u>455,773</u>		<u>455,773</u>
	<u>\$ 21,220,818</u>	<u>\$ 7,597,756</u>	<u>\$ 28,818,574</u>

Pooled Cash

Pooled cash includes cash on hand, commercial bank accounts, and certificates of deposit. All pooled cash is entirely insured or collateralized. The California Government Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of a city's deposits. California law also allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits. The City may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

Cash is classified in three categories of credit risk as follows:

- Category 1 - insured or collateralized with securities held by the entity or by its agent in the City's name;
- Category 2 - collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; and
- Category 3 - uncollateralized.

The carrying amount of the City's deposits was \$7,447,863. The bank's balances were \$7,915,070. The difference is due to the normal deposits in transit and outstanding checks. The City's deposits by category as of June 30, 2004 were as follow:

	Category			Bank Balance	Carrying Amount
	1	2	3		
Deposits:					
Demand Accounts	\$ 589,689	\$ 353,962	\$ -	\$ 943,651	\$ 476,444
Fiscal Agent Cash		6,966,880		6,966,880	6,966,880
Certificates of Deposit	<u>4,539</u>			<u>4,539</u>	<u>4,539</u>
Total Deposits	<u>\$ 594,228</u>	<u>\$ 7,320,842</u>	<u>\$ -</u>	<u>\$ 7,915,070</u>	<u>\$ 7,447,863</u>

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investment

Investments are also classified in three categories of credit risk as follows:

- Category 1 - insured or registered, with securities held by entity or its agent in the City's name;
- Category 2 - uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and
- Category 3 - uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

Investments in pools managed by other governments or in mutual funds are not required to be categorized.

The City's investments by category as of June 30, 2004 were as follows:

	Category			Carrying Amount/ Fair Value
	1	2	3	
Investments Controlled by the City:				
Federal Home Loan Bank (FHLB)	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Federal Home Loan Mtge Corp (FHLMC)	1,000,000			1,000,000
Corporate Bond	99,000			99,000
State of California Local Agency Investment Fund	N/A	N/A	N/A	17,637,225
Total Investments Controlled by the City	3,099,000			20,736,225
Investments with Fiscal Agents:				
U.S. Government Money Market Fund	N/A	N/A	N/A	182,876
Federal National Mtge Assn Mtnium	250,000			250,000
Certificates of Deposit	100,000	98,000		198,000
Total Investments with Fiscal Agents	350,000	98,000		630,876
Total Investments	\$ 3,449,000	\$ 98,000	\$ -	\$ 21,367,101

During the fiscal year ended June 30, 2004, the City did not invest in repurchase agreements.

Local Agency Investment Fund (LAIF)

The LAIF is a special fund of the California State Treasury through which local governments may pool investments. It is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State Statute. The State Treasurer's Office audits the fund annually. The City may invest up to \$40,000,000 in the fund for the City and \$40,000,000 for the Redevelopment Agency. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. Investments with LAIF are secured by the full faith and credit of the State of California.

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investment (Continued)

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. Interest is allocated on a monthly basis based on the ending cash balances of the previous month in each fund receiving interest.

NOTE 4 - ACCOUNTS RECEIVABLE

The following is a list of accounts receivable at June 30, 2004

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities –			
Accounts	\$ 896,149	\$ -	\$ 896,149
Due from other governments	<u>3,157,816</u>		<u>3,157,816</u>
Total Governmental Activities	<u>\$ 4,053,965</u>	<u>\$ -</u>	<u>\$ 4,053,965</u>

NOTE 5 - NOTES AND CONTRACT RECEIVABLE

	<u>Amount</u>
Notes receivable from mortgage loans for housing and commercial property rehabilitation and construction:	
Major Funds	
Redevelopment Agency Capital Projects Fund	\$ 347,487
Community Development Block Grant Fund	1,840,281
HOME Fund	1,914,246
Nonmajor Funds	
Redevelopment Agency Housing Set-Aside Fund	<u>286,197</u>
Total Notes Receivable	<u>4,388,211</u>
Contract receivable from the sale of the City's Water system:	
Major Funds	
General Fund	139,606
Community Development Block Grant Fund	<u>23,394</u>
Total Contract Receivable	<u>163,000</u>
Total Notes and Contract Receivable	<u>\$ 4,551,211</u>

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 6 - DEFERRED CHARGES

Deferred charges consist of issuance costs and discounts for debt issues. The following is the list of deferred charges at June 30, 2004

	<u>Amortization Period</u>	<u>Deferred Charges</u>	<u>Accumulated Amortization</u>	<u>Amortization for the Fiscal Year</u>
2004 Tax Allocation Refunding Bonds	358	\$ 579,637	\$ 3,238	\$ 3,238
Section 108 Loan	241	33,120		
1999 Refunding Certification of Participation	252	51,542	12,270	2,454
		<u>\$ 664,299</u>	<u>\$ 15,508</u>	<u>\$ 5,692</u>

Note 7 - Deferred Losses on Refunding

The City recorded deferred loss on the refunding of its 1996 tax allocation bonds in the amount of \$509,637. The amortization period is 267 months which is the lesser of the remaining period of the old debt or the remaining period of the new debt. Accumulated amortization as of June 30, 2004 was \$3,818 with amortization expense for the fiscal year of \$3,818.

NOTE 8 - INTERFUND ACTIVITY

The following represents the interfund activity of the City for the fiscal year ended June 30, 2004

A. Due To/From Other Funds

Current interfund balances arise in the normal course of business and to assist funds with negative cash balance at the fiscal year end. They are expected to be repaid shortly after the end of the fiscal year.

<u>Due to/Due from</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds		
To: General Fund	\$ 1,525,929	\$ -
From: HUD Section 108 Fund		759,341
From: CDBG Capital Projects Fund		291,457
From: HOME Capital Projects Fund		103,355
Nonmajor Funds		
From: Gas Tax Fund		132,308
From: AQMD Fund		22,520
From: Lighting Assessment Fund		7
From: Capital Projects Fund		216,941
	<u>\$ 1,525,929</u>	<u>\$ 1,525,929</u>

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 8 - INTERFUND ACTIVITY (Continued)

The following represents the interfund activity of the City for the fiscal year ended June 30, 2004
(Continued)

B. Advances Receivable/Payable

At June 30, 2004, the funds below have made/received advances that were not expected to be repaid within one year.

<u>Advances Receivable/Payable</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds		
General Fund	\$ 2,967,523	\$ -
Redevelopment Agency Capital Projects Fund	<u> </u>	<u>2,967,523</u>
	<u>\$ 2,967,523</u>	<u>\$ 2,967,523</u>

The advances payable to the General Fund bear an interest at 12% per annum. There is no repayment schedule as repayment will be made when funds are available.

C. Transfers

With council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made an expenditure on behalf of another fund.

<u>Funds</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
General Fund	\$ 2,139,238	\$ 1,205,876
Capital Projects Funds:		
Redevelopment Agency Fund	4,172,440	
Non Major Funds		
Special Revenue Funds:		
Gas Tax Fund		1,396,798
Traffic Congestion Fund		7
Lighting Assessment Fund		226
Parking District No. 1 Fund	33,562	
Building and Safety Fund		81,789
Fed – LLEBG Fund	24,150	
CA – COPS Grant Fund	17,216	
Debt Service Funds:		
Public Facilities Corporation Fund	470,530	
Redevelopment Agency Fund	42,808	5,062,440
Capital Projects Fund:		
Redevelopment Agency Housing Fund	<u>890,000</u>	<u>42,808</u>
	<u>\$ 7,789,944</u>	<u>\$ 7,789,944</u>

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 9 – CAPITAL ASSETS

Governmental Activities

Changes in capital assets for governmental activities for the year ended June 30, 2004 were as follows:

	Balance July 1, 2003	Additions	Deletion	Balance June 30, 2004
Capital Assets, not being depreciated				
Land	\$ 9,031,076	\$ 1,044,980	\$ -	\$ 10,076,056
Construction in progress	874,951	2,909,095	128,482	3,655,564
Total	<u>9,906,027</u>	<u>3,954,075</u>	<u>128,482</u>	<u>13,731,620</u>
Capital Assets, being depreciated:				
Building and improvements	13,243,623	300,559		13,544,182
Water rights	94,010			94,010
Equipment and furniture and fixtures	5,182,610	521,316	62,310	5,641,616
Infrastructure	<u>10,582,861</u>	<u>171,766</u>		<u>10,754,627</u>
Total	<u>29,103,104</u>	<u>993,641</u>	<u>62,310</u>	<u>30,034,435</u>
Less accumulated depreciation for:				
Buildings and improvements	5,384,481	301,354		5,685,835
Water rights	27,064	950		28,014
Equipment and furniture and fixtures	3,924,861	544,468	62,310	4,407,019
Infrastructure	<u>3,706,579</u>	<u>260,894</u>		<u>3,967,473</u>
Total	<u>13,042,985</u>	<u>1,107,666</u>	<u>62,310</u>	<u>14,088,341</u>
Total, net of accumulated depreciation	<u>16,060,119</u>	<u>(114,025)</u>		<u>15,946,094</u>
Total Capital Assets, Net	<u>\$ 25,966,146</u>	<u>\$ 3,840,050</u>	<u>\$ 128,482</u>	<u>\$ 29,677,714</u>

Depreciation expense was charged to functions/programs of the City's governmental activities as follow:

General government	\$ 498,601
Public safety	66,655
Public works	301,399
Community development	11,632
Parks and recreation	<u>229,379</u>
Total	<u>\$ 1,107,666</u>

Depreciation expense for governmental activities (governmental funds) is \$879,253.

Depreciation expense for governmental activities (internal service fund) is \$228,413.

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 10 – LONG-TERM DEBT

A. The following is a summary of changes in the City’s long-term liabilities for the fiscal year ended June 30, 2004:

	Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2004</u>	Due Within <u>One Year</u>
Governmental Activities:					
1999 Refunding Certificates of Participation	\$ 5,390,000	\$ -	\$ 220,000	\$ 5,170,000	\$ 225,000
1996 Tax Allocation Bonds	2,000,000		2,000,000		
2004 Refunding Tax Allocation Bonds		7,815,000		7,815,000	225,000
California Energy Commission Loan	128,502		33,090	95,412	37,315
Section 108 Loan		7,000,000		7,000,000	
Compensated Absences	<u>860,720</u>	<u>561,664</u>	<u>446,286</u>	<u>976,098</u>	
	<u>\$ 8,379,222</u>	<u>\$ 15,376,664</u>	<u>\$ 2,699,376</u>	<u>\$ 21,056,510</u>	<u>\$ 487,315</u>

B. Refunding Certificates of Participation

The 1999 Refunding Certificates of Participation (COPS) issued by the Bellflower Public Facilities Corporation and outstanding at June 30, 2004 bear interest at 3.60% to 5.00% a year and mature serially in increasing amounts on each October 1, through 2019. The 1989 Refunding COPS, 1983 Refunding COPS, and 1981 Leasehold Mortgage Revenue Serial Bonds were retired on October 1, 1999, December 1, 1992, and September 1, 1992, respectively. The COPS balance outstanding as of June 30, 2004 was \$5,170,000.

C. Tax Allocation Bonds

i. 1996 Tax Allocation Bonds

The 1996 Tax Allocation Bonds issued by the Bellflower Redevelopment Agency (Agency) and outstanding at June 30, 2004 bear interest at 8.70% to 9.625% a year and mature serially in increasing amounts on each August 1, through 2026. On April 28, 2004, the Agency issued \$7,815,000 of 2004 Tax Allocation Bonds with an initial interest rate of 1.55% to advance refund 1996 Tax Allocation Bonds. As a result, the 1996 Tax Allocation Bonds are considered to be defeased and the liability for these bonds has been removed from the accompanying financial statements. The outstanding principal amount of the defeased debt as of June 30, 2004 was \$1,975,000.

ii. 2004 Refunding Tax Allocation Bonds

The 2004 Tax Allocation Bonds issued by the Bellflower Redevelopment Agency (Agency) and outstanding at June 30, 2004 bear interest at 1.55% to 6.60% a year and mature serially in increasing amounts on each February 1, through 2034. The principal amount less original issue discount and reserve funds from the 1996 issue were used to pay costs of issuance, fund redevelopment projects, fund a reserve account, and fund an escrow account for future debt

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

service payment on the 1996 Tax Allocation Bonds.

NOTE 10 – LONG-TERM DEBT (Continued)

C. Tax Allocation Bonds (Continued)

ii. 2004 Refunding Tax Allocation Bonds (Continued)

The Agency refunding of the 1996 Tax Allocation Bonds resulted in an increase of its total debt service payments by \$519,611 and an economic gain (difference between the presents values of the old and new debt) of \$109,705.

The outstanding balance as of June 30, 2004 was \$7,815,000.

D. Loan Payable

i. California Energy Commission Loan

In August, 2002, the City entered into a loan agreement with the California Energy Commission. The loan bears interest at 3.0% a year with semi-annual principal payments due on each June and December. The loan balance outstanding as of June 30, 2004 was \$95,412.

ii. Section 108 Loan

In June 30, 2004, the City entered into a loan agreement with U.S. Department of Housing and Urban Development. The loan bears interest at 5.0% a year with annual principal payment due on each August. The loan balance outstanding as of June 30, 2004 was \$7,000,000.

E. General Long-Term Debt Amortization

The annual requirements to amortize long-term debt outstanding at June 30, 2004 (other than compensated absences) are as follows:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>1999 Refunding Certificates of Participation</u>		
	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Amount</u>	<u>Total</u>
2005	\$ 225,000	\$ 240,285	\$ 465,285
2006	240,000	230,865	470,865
2007	245,000	220,739	465,739
2008	260,000	209,943	469,943
2009	265,000	198,522	463,522
2010-2014	1,530,000	792,246	2,322,246
2015-2019	1,955,000	366,375	2,321,375
2020	<u>450,000</u>	<u>11,250</u>	<u>461,250</u>
	<u>\$ 5,170,000</u>	<u>\$ 2,270,225</u>	<u>\$ 7,440,225</u>

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 10 – LONG-TERM DEBT (Continued)

E. General Long-Term Debt Amortization (Continued)

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>2004 Refunding Tax Allocation Bonds</u>		
	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Amount</u>	<u>Total</u>
2005	\$ 225,000	\$ 367,017	\$ 592,017
2006	110,000	480,491	590,491
2007	110,000	477,696	587,696
2008	115,000	474,176	589,176
2009	120,000	469,818	589,818
2010-2014	700,000	2,248,722	2,948,722
2015-2019	935,000	2,009,589	2,944,589
2020-2024	1,285,000	1,657,074	2,942,074
2025-2029	1,770,000	1,172,160	2,942,160
2030-2034	<u>2,445,000</u>	<u>504,900</u>	<u>2,949,900</u>
	<u>\$ 7,815,000</u>	<u>\$ 9,861,643</u>	<u>\$17,676,643</u>

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>California Energy Commission Loan</u>		
	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Amount</u>	<u>Total</u>
2005	\$ 37,315	\$ 2,585	\$ 39,900
2006	38,443	1,457	39,900
2007	<u>19,654</u>	<u>296</u>	<u>19,950</u>
	<u>\$ 95,412</u>	<u>\$ 4,338</u>	<u>\$ 99,750</u>

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Section 108 Loan</u>		
	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Amount</u>	<u>Total</u>
2005	\$ -	\$ 213,997	\$ 213,997
2006	203,000	362,769	565,769
2007	225,000	356,948	581,948
2008	236,000	349,200	585,200
2009	248,000	339,969	587,969
2010-2014	1,433,000	1,516,288	2,949,288
2015-2019	1,818,000	1,098,942	2,916,942
2020-2024	2,306,000	513,382	2,819,382
2025-2029	<u>531,000</u>	<u>15,957</u>	<u>546,957</u>
	<u>\$ 7,000,000</u>	<u>\$ 4,767,452</u>	<u>\$11,767,452</u>

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 10 – LONG-TERM DEBT (Continued)

E. General Long-Term Debt Amortization (Continued)

Fiscal Year Ended June 30,	Total Governmental Activities		
	Principal Amount	Interest Amount	Total
2005	\$ 487,315	\$ 823,884	\$ 1,311,199
2006	591,443	1,075,582	1,667,025
2007	599,654	1,055,679	1,655,333
2008	611,000	1,033,319	1,644,319
2009	633,000	1,008,309	1,641,309
2010-2014	3,663,000	4,557,256	8,220,256
2015-2019	4,708,000	3,474,906	8,182,906
2020-2024	4,041,000	2,181,706	6,222,706
2025-2029	2,301,000	1,188,117	3,489,117
2030-2034	<u>2,445,000</u>	<u>504,900</u>	<u>2,949,900</u>
	<u>\$ 20,080,412</u>	<u>\$ 16,903,658</u>	<u>\$36,984,070</u>

NOTE 11 - CITY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

Plan Description

The City of Bellflower contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, 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. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The City of Bellflower selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance. PERS issues a separate comprehensive annual financial report. Copies of the PERS' annual financial report may be obtained from the PERS Executive Office - 400 P Street, Sacramento, CA 95814.

Funding Policy

Active participants are required to contribute 7% 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, 2004, the amount contributed by the City on behalf of the employees was \$325,408. The City is also required to contribute at an actuarially determined rate calculated as a percentage of covered payrolls. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. The required employer contribution rate for the year ended June 30, 2004 was 0% for miscellaneous employees. Benefit provisions and contribution requirements of participants are established by State statute and city contract with employee bargaining groups, and the employer contribution rate is established and may be amended by PERS.

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 11 - CITY EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)
(Continued)

Annual Pension Cost

For the year ended June 30, 2004, the City's annual pension cost (employer contribution) of \$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, 2001, actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included (a) 8.25% long term investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary from 3.75% to 14.20% depending on age, service, and type of employment, (c) long term inflation of 3.50% which is a component of both the long term rate of return and the salary scale, (d) overall payroll growth of 3.75% which consists of inflation and worker productivity, and (e) individual salary growth that varies by duration of employment coupled with an assumed annual inflation component of 3.50% and an annual production growth of 0.25%. 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. PERS unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. PERS has combined the prior service unfunded liability and current service unfunded liability into a single initial unfunded liability.

Three-Year Trend Information for PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC) *</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$ 0	100%	\$ 0
6/30/03	0	100%	0
6/30/04	0	100%	0

* Employer contribution.

Schedule of Funding Progress for PERS

<u>Actuarial Valuation Date</u>	<u>Entry Age Normal Accrued Liability (A)</u>	<u>Actuarial Value of Assets (B)</u>	<u>Unfunded Liability (Excess Assets) (A-B)</u>	<u>Funded Status (B/A)</u>	<u>Annual Covered Payroll (C)</u>	<u>UAAL** As a % of Covered Payroll [(A-B)/C]</u>
6/30/01	\$14,915,052	\$20,922,173	\$(6,007,121)	140.3%	\$3,284,340	(182.9%)
6/30/02	16,463,074	19,778,076	(3,315,002)	120.1%	3,950,796	(83.9%)
6/30/03	19,550,806	20,219,374	(668,568)	103.4%	4,382,258	(15.3%)

** UAAL - Unfunded actuarial accrued liability

NOTE 12 - DEFERRED COMPENSATION PLAN AND TRUST

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employees. Accordingly, the plan/trust assets have been excluded from the City's reported assets.

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 11, the City provides postemployment medical benefits in accordance with the Public Employee's Medical and Hospital Care Act and the State Employee's Medical and Hospital Care Act to all employees who retire from the City. The same benefits are provided to the active employees through the Public Employees' Retirement System (PERS). During the fiscal year, expenditures of \$330,335 were recognized for postemployment medical benefits, covering 45 retirees. Postemployment benefits are funded on a pay-as-you-go basis.

NOTE 14 - CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CJPIA)

The City of Bellflower is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 106 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority 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 Authority'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 which operates through a 9-member Executive Committee.

General Liability

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

Workers' Compensation Coverage

The City of Bellflower also participates in the workers' compensation pool administered by the Authority. Pool deposits and retrospective adjustments are valued in a manner similar to the General Liability pool. City of Bellflower 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 to \$2,000,000 per claim are pooled based on payroll. Costs in excess of \$2,000,000 to \$50,000,000 are paid by excess insurance purchased by the Authority. Costs in excess of \$50,000,000 are pooled by the members based on payroll.

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 14 - CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CJPIA) (Continued)

Environmental Insurance

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

Property Insurance

The City of Bellflower participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City of Bellflower property is currently insured according to a schedule of covered property submitted by the City to the Authority. Total all-risk property insurance coverage is \$19,828,357. 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 of Bellflower purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City of Bellflower property currently has earthquake protection in the amount of \$14,866,519. 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.

As of June 30, 2004, no claims exceeded insurance coverage in the last three years.

NOTE 15 - NET ASSETS – GOVERNMENTAL ACTIVITIES

The government-wide statement of net assets includes three equity categories entitled net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The invested in capital assets, net of related debt category presents the City's equity interest in capital assets less outstanding principal of related debt. The restricted net assets category is designed to reflect net assets that are subject to restrictions beyond the City's control (externally imposed or imposed by law). The unrestricted net assets category equals any remaining balance and can be subdivided into designated and undesignated portions. Designations reflect the City's self-imposed limitations on the use of otherwise available current financial resources. Detail of the three categories is as follows:

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

	Governmental Activities
Net Assets	
Invested in capital assets, net of related debt:	
Total capital assets, net depreciation	\$ 29,201,461
Less: total capital related debt	(18,449,549)
Invested in capital assets, net of related debt	10,751,912
Restricted for:	
Construction of capital assets	6,650,087
Debt service	543,087
Street, highways, bikeways, public transit, and other purposes	1,270,463
Housing	1,377,891
Community development	4,655,926
Public safety	12,814
Total Restricted	14,510,268
Unrestricted	17,575,155
Total net assets	\$ 42,837,335

NOTE 16 - MULTIFAMILY HOUSING REVENUE BONDS (SERIES 2002A & 2002B)

On May 29, 2001, the Bellflower Redevelopment Agency and 9920 Flora Vista, L.P. (Developer) entered into a Disposition and Development/Affordable Housing Agreement (DDA) to construct 180 low-income rental units for seniors, at an approximate cost of \$17,640,985. Under the terms of the DDA, subsequently amended and restated, the Agency along with the City's HOME fund agreed to certain financial commitments including the purchase of vacant land, a developer loan in the amount of \$2,124,776, and tax-exempt bond financing. In April 2001, the Agency purchased vacant land required for the development and ground lease from the Los Angeles County Metropolitan Transportation Authority at the cost of \$1,051,075. In April 2002, the City's HOME fund loaned \$1,238,000 to the developer. As of June 30, 2004, the Agency loaned \$110,847 to the development, leaving an outstanding loan commitment of \$665,082. This balance is payable by the Agency in six annual installments of \$110,847, with the next payment due on January 15, 2005. The total developer loan of \$2,124,776 is evidenced by two promissory notes, bearing 7% interest and repayable with residual rent receipts.

To fulfill its bond financing commitment, the Agency adopted a resolution on March 25, 2002, to authorize the sale and issuance of conduit Multifamily Housing Revenue Bonds (Bellflower Terrace Seniors), Series 2002A and 2002B, in the aggregate amount of \$9,000,000 as allocated in private activity bonds by the California Debt Limit Allocation Committee. In April 2002, Series 2002A bonds in the amount of \$8,595,000 and Series 2002B bonds in the amount of \$405,000 were issued to fund the project. The Series 2002A bonds are senior bonds that are credit enhanced by Fannie Mae and secured by certain property. The senior bonds bear 5% to 5.5% interest with the maturity date of June 1, 2035 and mandatory remarketing date of June 1, 2023. The Series 2002B bonds are subordinate bonds that are not credit enhanced by Fannie Mae, but are secured by certain property. These subordinate bonds bear 8% interest with the maturity date of August 20, 2035.

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 16 - MULTIFAMILY HOUSING REVENUE BONDS (SERIES 2002A & 2002B) (Continued)

Neither the faith, credit nor the taxing power of the City or the Agency is pledged to the repayment of the bonds. Accordingly, no liability has been recorded in the basic financial statements. As of June 30, 2004, the amounts of principal outstanding on the bonds were \$8,595,000 for Series 2002A and \$405,000 for Series 2002B, for a total of \$9,000,000.

NOTE 17 - COMMITMENTS

Multifamily Low-Income Rental Housing Development for Seniors

In connection with the low-income housing project described in Note 16, the Redevelopment Agency and the City's HOME Fund made certain financial commitments to the developer, specifically land purchase, \$2,124,776 in loans and \$9,000,000 in conduit bond financing. At June 30, 2004, the only outstanding commitment was the \$665,082 balance remaining on the developer loan, payable in six annual installments of \$110,847, with the next payment due on January 15, 2005.

Hollywood Sports Park

On March 21, 2000, the City of Bellflower, Redevelopment Agency, and Hollywood Sports Park, LLC entered into a Disposition and Development Agreement (DDA) to construct a 23-acre extreme sports theme park providing paintball, rock climbing, BMX biking, skateboarding, in-line skating, and other activities. Under the terms of the DDA, subsequently amended and restated, the City agreed to lease its land to the developer, and the Agency agreed to provide certain improvements and financial assistance, including \$650,000 for the construction of a parking lot. At June 30, 2004, the remaining balance on the parking lot construction commitment was \$199,614.

Other Construction Commitments

The City has other construction contracts-in-progress as follows:

<u>Vendor</u>	<u>Project</u>	<u>Project Authorization</u>	<u>Expended to June 30, 2004</u>	<u>Committed</u>
Crane Architectural Group	Thompson park snack shack	\$ 13,985	\$ 10,780	\$ 3,205
Green Giant Landscape	Bellflower civic plaza construction	860,089	797,027	63,062
Green Giant Landscape	Laurel street improvement	250,416	154,246	96,170
Green Giant Landscape	Carruthers parks lighting improvement	132,028		132,028
Native Engineering Inc.	91 Freeways ramp beautification	248,791		248,791
Sully-Miller Contracting Co.	Resurfacing and cold planning	<u>83,587</u>		<u>83,587</u>
Totals		<u>\$ 1,588,896</u>	<u>\$ 962,053</u>	<u>\$ 626,843</u>

CITY OF BELLFLOWER
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

NOTE 18 - CONTINGENCIES

According to the City's attorneys, no contingent liabilities are outstanding and no lawsuits of any real financial consequence are pending. The City has also received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HUD SECTION 108 Fund
For the Fiscal Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Vairance with Final Budget Positive (Negative)</u>
REVENUES			
Other revenues	\$ -	\$ -	\$ -
Total revenues	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES			
Capital outlay	939,416	845,888	93,528
Debt service:			
Loan issuance costs	<u>70,000</u>	<u>33,120</u>	<u>36,880</u>
Total expenditures	<u>1,009,416</u>	<u>879,008</u>	<u>130,408</u>
Excess of revenues over (under) expenditures	<u>(1,009,416)</u>	<u>(879,008)</u>	<u>130,408</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from loan	<u>7,000,000</u>	<u>7,000,000</u>	<u> </u>
Total other financing sources (uses)	<u>7,000,000</u>	<u>7,000,000</u>	<u> </u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	5,990,584	6,120,992	130,408
Fund balance - July 1, 2003	<u> </u>	<u> </u>	<u> </u>
Fund balance - June 30, 2004	<u>\$ 5,990,584</u>	<u>\$ 6,120,992</u>	<u>\$ 130,408</u>

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CDBG CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Investment earnings	\$ 75,000	\$ 294,128	\$ 219,128
Intergovernmental revenue	1,918,227	1,429,779	(488,448)
Other revenues	<u>23,394</u>	<u>103,394</u>	<u>80,000</u>
Total revenues	<u>2,016,621</u>	<u>1,827,301</u>	<u>(189,320)</u>
EXPENDITURES			
Current:			
Community development	1,153,544	997,545	155,999
Capital outlay	<u>870,000</u>	<u>829,756</u>	<u>40,244</u>
Total expenditures	<u>2,023,544</u>	<u>1,827,301</u>	<u>196,243</u>
Excess of revenues over (under) expenditures	(6,923)		6,923
Fund balance - July 1, 2003	<u> </u>	<u> </u>	<u> </u>
Fund balance - June 30, 2004	<u>\$ (6,923)</u>	<u>\$ -</u>	<u>\$ 6,923</u>

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HOME CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Investment earnings	\$ 15,000	\$ 22,806	\$ 7,806
Intergovernmental revenue	<u>1,011,428</u>	<u>856,026</u>	<u>(155,402)</u>
Total revenues	<u>1,026,428</u>	<u>878,832</u>	<u>(147,596)</u>
EXPENDITURES			
Current:			
Community development	<u>1,527,528</u>	<u>878,832</u>	<u>648,696</u>
Total expenditures	<u>1,527,528</u>	<u>878,832</u>	<u>648,696</u>
Excess of revenues over (under) expenditures	(501,100)		501,100
Fund balance - July 1, 2003	<u> </u>	<u> </u>	<u> </u>
Fund balance - June 30, 2004	<u>\$ (501,100)</u>	<u>\$ -</u>	<u>\$ 501,100</u>

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ -	\$ 46,124	\$ 46,124
Other revenue		958	958
Total revenues		47,082	47,082
EXPENDITURES			
Current:			
Community development	623,289	343,161	280,128
Capital outlay	3,955,900	1,381,964	2,573,936
Total expenditures	4,579,189	1,725,125	2,854,064
Excess of revenues over (under) expenditures	(4,579,189)	(1,678,043)	2,901,146
OTHER FINANCING SOURCES (USES)			
Transfer in	4,124,758	4,172,440	47,682
Total other financing sources (uses)	4,124,758	4,172,440	47,682
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(454,431)	2,494,397	2,948,828
Fund balance - July 1, 2003	(1,963,879)	(1,963,879)	
Fund balance - June 30, 2004	<u>\$ (2,418,310)</u>	<u>\$ 530,518</u>	<u>\$ 2,948,828</u>

**COMBINING AND INDIVIDUAL NONMAJOR GOVERNMENTAL
FUND STATEMENTS AND SCHEDULES**

CITY OF BELLFLOWER
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2003

Special Revenue Funds:

Drug Forfeiture Fund - Revenues that are disbursed by the county relating to drug offenses are accounted for in this fund. Expenditures of these revenues are restricted to law enforcement.

Transportation Fund - Monies received from the half-cent tax authorized under Proposition A are received and expended from this fund. The use of the fund is restricted to providing transportation services.

Proposition C Fund - This fund shall receipt the City's allocation of California voter-approved Proposition C Sales Tax Funds which is administered through the LACTC (Los Angeles County Transportation Commission).

Gas Tax Fund - The City's share of the state gas tax allocations is recorded in this fund. These funds are expended for street maintenance expenditures.

Traffic Congestion Relief Fund - In fiscal year 2000-01, Assembly Bill 2928 established the Traffic Congestion Relief Fund (TCRF) in the State Treasury for the purpose of aiding cities and counties in maintaining and reconstructing local streets and roads. To expend the funds, certain maintenance of efforts requirements must be met.

AQMD Fund (AB 2766) - This allotment of fees is distributed by the AQMD to the City on a population basis. The funds originate from motor vehicle registration fees, collected by the California Department of Motor Vehicles (DMV). AB 2766 funds are used for the reduction of air pollution from motor vehicles.

Sewer Reconstruction Fund - The City charges developers fees to increase the existing capacity of the sewer system as required. All revenues and expenditures related to this end are accounted for in this fund.

Lighting Assessment Fund - From the fiscal year 1991-92 to 1996-97, the City charges residences and commercial properties to maintain street lights and pay related energy costs. Since fiscal year 1997-98, no new assessments were charged for this purpose.

CITY OF BELLFLOWER
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2003

Special Revenue Funds (Continued):

Parking District No. 1 Fund - Property tax levied and collected by Los Angeles County assessor, on property along the west side of Bellflower Boulevard between Mayne and Flower Streets, for maintenance of Parking District No. 1.

Building and Safety Fund - This fund is used to account for the City's buildings and safety operations with a private company. The types of fees charged by the City include various permit fees (building, electrical, plumbing, mechanical and miscellaneous) and plan check fees.

FED-LLEBG Fund - Under the Fiscal Year 1996 Omnibus Appropriations Act, the City receives and expends Federal funds under the Local Law Enforcement Block Grant (LLEBG) Program established within the Bureau of Justice Assistance.

CA-COPS Grant Fund - Under Assembly Bill 3229 (Brulte), the City receives Citizens Option for Public Safety funds from the State General Fund to supplement front line municipal law enforcement services.

Debt Service Funds:

Public Facilities Corporation Debt Service Fund - This fund is used to account for the payment of interest and principal on certificates of participation issued by the Bellflower Public Facilities Corporation.

Redevelopment Agency Debt Service Fund - This fund is used to account for the payment of interest and principal on taxable tax allocation bonds issued by the Redevelopment Agency.

Capital Projects Fund:

Capital Projects Fund - This fund accounts for the expenditures associated with the City's major capital projects funded with grants and restricted monies.

Redevelopment Agency Housing Set-Aside Fund - This fund accounts for the activities for the 20% housing set-aside for low and moderate income housing.

**CITY OF BELLFLOWER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004**

	Special Revenue Funds			
	Drug Forfeiture Fund	Transportation Fund	Proposition C Fund	Gas Tax Fund
ASSETS				
Cash and investments	\$ 12,749	\$ 310,490	\$ 1,135,885	\$ -
Cash and investments with fiscal agents				
Accounts receivable - net				132,308
Interest receivable	65	1,492	5,734	
Prepaid expenditures			2,300	
Notes receivable				
Total assets	<u>\$ 12,814</u>	<u>\$ 311,982</u>	<u>\$ 1,143,919</u>	<u>\$ 132,308</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 66,603	\$ 68,630	\$ -
Accrued expenditures		26,308	25,445	
Deposit payable				
Due to other funds				132,308
Deferred revenue				
Total Liabilities		<u>92,911</u>	<u>94,075</u>	<u>132,308</u>
Fund Balances:				
Reserved:				
Debt service				
Low and moderate income housing				
Prepaid expenditures			2,300	
Unreserved:				
Designated for special revenue purposes	12,814	219,071	1,047,544	
Undesignated				
Total fund balances	<u>12,814</u>	<u>219,071</u>	<u>1,049,844</u>	
Total liabilities and fund balances	<u>\$ 12,814</u>	<u>\$ 311,982</u>	<u>\$ 1,143,919</u>	<u>\$ 132,308</u>

Special Revenue Funds

Traffic Congestion Fund	AQMD Fund	Sewer Reconstruction Fund	Lighting Assessment Fund	Parking District No. 1 Fund
\$ -	\$ -	\$ 366,589	\$ -	\$ 2,351
	24,068	1,839	7	115
<u>\$ -</u>	<u>\$ 24,068</u>	<u>\$ 368,428</u>	<u>\$ 7</u>	<u>\$ 2,466</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,162
	22,520		7	1,304
<u>\$ -</u>	<u>\$ 22,520</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 2,466</u>
	1,548	368,428		
<u>\$ -</u>	<u>\$ 1,548</u>	<u>\$ 368,428</u>	<u>\$ 7</u>	<u>\$ 2,466</u>

Continued

CITY OF BELLFLOWER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004
(Continued)

	Special Revenue Funds			Debt Service Funds
	Building and Safety Fund	FED-LLEBG Fund	CA-COPS Grant Fund	Public Facilities Corporation Fund
ASSETS				
Cash and investments	\$ 75,855	\$ 60,278	\$ 19,767	\$ -
Cash and investments with fiscal agents				14
Accounts receivable - net				
Interest receivable		403	115	
Prepaid expenditures				
Notes receivable				
Total assets	\$ 75,855	\$ 60,681	\$ 19,882	\$ 14
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 72,281	\$ 40,251	\$ 19,882	\$ -
Accrued expenditures	3,374			
Deposit payable	200			
Due to other funds				
Deferred revenue		20,430		
Total Liabilities	75,855	60,681	19,882	
Fund Balances:				
Reserved:				
Debt service				14
Low and moderate income housing				
Prepaid expenditures				
Unreserved:				
Designated for special revenue purposes				
Undesignated				
Total fund balances				14
Total liabilities and fund balances	\$ 75,855	\$ 60,681	\$ 19,882	\$ 14

<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>		
Redevelopment Agency Fund	Capital Projects Fund	Redevelopment Agency Housing Fund	<u>Totals</u>
\$ 12,488	\$ -	\$ 1,077,028	\$ 3,073,480
630,713		30	630,757
46,289	654,029	23,370	880,186
4		2,367	12,019
		286,197	2,300
			286,197
<u>\$ 689,494</u>	<u>\$ 654,029</u>	<u>\$ 1,388,992</u>	<u>\$ 4,884,939</u>
\$ 1,873	\$ 276,421	\$ 104	\$ 547,207
			56,431
			200
	216,941		371,776
		297,194	317,624
<u>1,873</u>	<u>493,362</u>	<u>297,298</u>	<u>1,293,238</u>
687,621			687,635
		1,091,694	1,091,694
			2,300
			1,649,405
	160,667		160,667
<u>687,621</u>	<u>160,667</u>	<u>1,091,694</u>	<u>3,591,701</u>
<u>\$ 689,494</u>	<u>\$ 654,029</u>	<u>\$ 1,388,992</u>	<u>\$ 4,884,939</u>

CITY OF BELLFLOWER
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2004

	Special Revenue Funds			
	Drug Forfeiture Fund	Transportation Fund	Proposition C Fund	Gas Tax Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits				
Investment earnings	329	5,302	18,718	
Charges for current services				
Intergovernmental revenue		1,041,702	867,308	1,396,798
Other revenues				
Total revenues	<u>329</u>	<u>1,047,004</u>	<u>886,026</u>	<u>1,396,798</u>
EXPENDITURES				
Current:				
Public safety	12,450			
Public works		1,149,558	807,284	
Community development				
Capital outlay		31,764	134,762	
Debt service:				
Principal retirement				
Interest and other charges				
Debt issuance costs				
Pass-through payments				
Total expenditures	<u>12,450</u>	<u>1,181,322</u>	<u>942,046</u>	
Excess of revenues over (under) expenditures	<u>(12,121)</u>	<u>(134,318)</u>	<u>(56,020)</u>	<u>1,396,798</u>
OTHER FINANCING SOURCES (USES)				
Proceed from issuance of long term debt				
Payment to refunded debt escrow				
Original issuance discount				
Transfers in				
Transfers out				(1,396,798)
Total other financing sources (uses)				<u>(1,396,798)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(12,121)	(134,318)	(56,020)	
Fund balances - July 1, 2003	<u>24,935</u>	<u>353,389</u>	<u>1,105,864</u>	
Fund balances - June 30, 2004	<u>\$ 12,814</u>	<u>\$ 219,071</u>	<u>\$ 1,049,844</u>	<u>\$ -</u>

Special Revenue Funds

Traffic Congestion Fund	AQMD Fund	Sewer Reconstruction Fund	Lighting Assessment Fund	Parking District No. 1 Fund
\$ -	\$ -	\$ -	\$ -	\$ -
1,086		6,132	226	8,288
	89,476			
	2,885	609		
<u>1,086</u>	<u>92,361</u>	<u>6,741</u>	<u>226</u>	<u>8,288</u>
				41,850
289,796	59,011			
<u>289,796</u>	<u>59,011</u>			<u>41,850</u>
(288,710)	33,350	6,741	226	(33,562)
<u>(7)</u>			(226)	33,562
<u>(7)</u>			(226)	<u>33,562</u>
(288,717)	33,350	6,741		
<u>288,717</u>	<u>(31,802)</u>	<u>361,687</u>		
<u>\$ -</u>	<u>\$ 1,548</u>	<u>\$ 368,428</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

CITY OF BELLFLOWER
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2004
(Continued)

	Special Revenue Funds			Debt Service Funds
	Building and Safety Fund	FED-LLEBG Fund	CA-COPS Grant Fund	Public Facilities Corporation Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	496,348			
Investment earnings		2,133	567	39
Charges for current services				
Intergovernmental revenue		215,223	113,808	
Other revenues				
Total revenues	<u>496,348</u>	<u>217,356</u>	<u>114,375</u>	<u>39</u>
EXPENDITURES				
Current:				
Public safety		241,506	150,057	
Public works				
Community development	414,559			
Capital outlay				
Debt service:				
Principal retirement				220,000
Interest and other charges				250,575
Debt issuance costs				
Pass-through payment				
Total expenditures	<u>414,559</u>	<u>241,506</u>	<u>150,057</u>	<u>470,575</u>
Excess of revenues over (under) expenditures	<u>81,789</u>	<u>(24,150)</u>	<u>(35,682)</u>	<u>(470,536)</u>
OTHER FINANCING SOURCES (USES)				
Proceed from issuance of long term debt				
Payment to refunded debt escrow				
Original issuance discount				
Transfers in		24,150	17,216	470,530
Transfers out	(81,789)			
Total other financing sources (uses)	<u>(81,789)</u>	<u>24,150</u>	<u>17,216</u>	<u>470,530</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)			(18,466)	(6)
Fund balances - July 1, 2003			18,466	20
Fund balances - June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>

<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>		
Redevelopment Agency Fund	Capital Projects Fund	Redevelopment Agency Housing Fund	Totals
\$ 888,133	\$ -	\$ 237,892	\$ 1,126,025
			496,348
14,378		37,294	85,978
			8,514
	583,518		4,307,833
		253	3,747
<u>902,511</u>	<u>583,518</u>	<u>275,439</u>	<u>6,028,445</u>
			404,013
			1,998,692
21,939		120,101	556,599
	576,768		1,092,101
25,000			245,000
191,223			441,798
503,683			503,683
28,548			28,548
<u>770,393</u>	<u>576,768</u>	<u>120,101</u>	<u>5,270,434</u>
<u>132,118</u>	<u>6,750</u>	<u>155,338</u>	<u>758,011</u>
7,815,000			7,815,000
(2,380,002)			(2,380,002)
(75,954)			(75,954)
42,808		890,000	1,478,266
(5,062,440)		(42,808)	(6,584,068)
<u>339,412</u>		<u>847,192</u>	<u>253,242</u>
471,530	6,750	1,002,530	1,011,253
<u>216,091</u>	<u>153,917</u>	<u>89,164</u>	<u>2,580,448</u>
<u>\$ 687,621</u>	<u>\$ 160,667</u>	<u>\$ 1,091,694</u>	<u>\$ 3,591,701</u>

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DRUG FORFEITURE SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 100	\$ 329	\$ 229
Intergovernmental revenue	5,000		(5,000)
Total revenues	<u>5,100</u>	<u>329</u>	<u>(4,771)</u>
EXPENDITURES			
Current:			
Public safety	<u>10,000</u>	<u>12,450</u>	<u>(2,450)</u>
Total expenditures	<u>10,000</u>	<u>12,450</u>	<u>(2,450)</u>
Excess of revenues over (under) expenditures	(4,900)	(12,121)	(7,221)
Fund balance - July 1, 2003	<u>24,935</u>	<u>24,935</u>	
Fund balance - June 30, 2004	<u><u>\$ 20,035</u></u>	<u><u>\$ 12,814</u></u>	<u><u>\$ (7,221)</u></u>

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TRANSPORTATION SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 5,000	\$ 5,302	\$ 302
Intergovernmental revenue	<u>1,014,900</u>	<u>1,041,702</u>	<u>26,802</u>
Total revenues	<u>1,019,900</u>	<u>1,047,004</u>	<u>27,104</u>
EXPENDITURES			
Current:			
Public works	1,171,298	1,149,558	21,740
Capital outlay	<u>38,000</u>	<u>31,764</u>	<u>6,236</u>
Total expenditures	<u>1,209,298</u>	<u>1,181,322</u>	<u>27,976</u>
Excess of revenues over (under) expenditures	(189,398)	(134,318)	55,080
Fund balance - July 1, 2003	<u>353,389</u>	<u>353,389</u>	
Fund balance - June 30, 2004	<u>\$ 163,991</u>	<u>\$ 219,071</u>	<u>\$ 55,080</u>

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PROPOSITION C SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 10,000	\$ 18,718	\$ 8,718
Intergovernmental revenue	841,500	867,308	25,808
Total revenues	<u>851,500</u>	<u>886,026</u>	<u>34,526</u>
EXPENDITURES			
Current:			
Public works	1,663,005	807,284	855,721
Capital outlay	53,000	134,762	(81,762)
Total expenditures	<u>1,716,005</u>	<u>942,046</u>	<u>773,959</u>
Excess of revenues over (under) expenditures	(864,505)	(56,020)	808,485
Fund balance - July 1, 2003	<u>1,105,864</u>	<u>1,105,864</u>	<u> </u>
Fund balance - June 30, 2004	<u>\$ 241,359</u>	<u>\$ 1,049,844</u>	<u>\$ 808,485</u>

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GAS TAX SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental revenue	\$ 1,416,200	\$ 1,396,798	\$ (19,402)
Total revenues	<u>1,416,200</u>	<u>1,396,798</u>	<u>(19,402)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(1,416,200)</u>	<u>(1,396,798)</u>	<u>19,402</u>
Total other financing sources (uses)	<u>(1,416,200)</u>	<u>(1,396,798)</u>	<u>19,402</u>
Excess of revenues and other financing sources over (under) other financing uses			
Fund balance - July 1, 2003	<u> </u>	<u> </u>	<u> </u>
Fund balance - June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TRAFFIC CONGESTION SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 500	\$ 1,086	\$ 586
Total revenues	<u>500</u>	<u>1,086</u>	<u>586</u>
EXPENDITURES			
Capital outlay	<u>290,000</u>	<u>289,796</u>	<u>204</u>
Total expenditures	<u>290,000</u>	<u>289,796</u>	<u>204</u>
Excess of revenues over (under) expenditures	<u>(289,500)</u>	<u>(288,710)</u>	<u>790</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u></u>	<u>(7)</u>	<u>(7)</u>
Total other financing sources (uses)	<u></u>	<u>(7)</u>	<u>(7)</u>
Excess of revenues and other financing sources over (under) other financing (uses)	(289,500)	(288,717)	783
Fund balance - July 1, 2003	<u>288,717</u>	<u>288,717</u>	<u></u>
Fund balance - June 30, 2004	<u>\$ (783)</u>	<u>\$ -</u>	<u>\$ 783</u>

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
AQMD SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Investment earnings	\$ 500	\$ -	\$ (500)
Intergovernmental revenue	94,000	89,476	(4,524)
Other revenues	<u> </u>	<u>2,885</u>	<u>2,885</u>
Total revenues	<u>94,500</u>	<u>92,361</u>	<u>(2,139)</u>
EXPENDITURES			
Capital outlay	<u>91,000</u>	<u>59,011</u>	<u>31,989</u>
Total expenditures	<u>91,000</u>	<u>59,011</u>	<u>31,989</u>
Excess of revenues over (under) expenditures	3,500	33,350	29,850
Fund balance - July 1, 2003	<u>(31,802)</u>	<u>(31,802)</u>	<u> </u>
Fund balance - June 30, 2004	<u><u>\$ (28,302)</u></u>	<u><u>\$ 1,548</u></u>	<u><u>\$ 29,850</u></u>

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SEWER RECONSTRUCTION SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 9,000	\$ 6,132	\$ (2,868)
Other revenues		609	609
Total revenues	<u>9,000</u>	<u>6,741</u>	<u>(2,259)</u>
Excess of revenues over (under) expenditures	9,000	6,741	(2,259)
Fund balance - July 1, 2003	<u>361,687</u>	<u>361,687</u>	
Fund balance - June 30, 2004	<u><u>\$ 370,687</u></u>	<u><u>\$ 368,428</u></u>	<u><u>\$ (2,259)</u></u>

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
LIGHTING ASSESSMENT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for current services	\$ -	\$ 226	\$ 226
Total revenues		226	226
OTHER FINANCING SOURCES (USES)			
Transfers out		(226)	(226)
Total other financing sources (uses)		(226)	(226)
Excess of revenues and other financing sources over (under) other financing (uses)			
Fund balance - July 1, 2003			
Fund balance - June 30, 2004	\$ -	\$ -	\$ -

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PARKING DISTRICT NO. 1 SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for current services	\$ 106	\$ 8,288	\$ 8,182
Total revenues	<u>106</u>	<u>8,288</u>	<u>8,182</u>
EXPENDITURES			
Current:			
Public works	<u>9,087</u>	<u>41,850</u>	<u>(32,763)</u>
Total expenditures	<u>9,087</u>	<u>41,850</u>	<u>(32,763)</u>
Excess of revenues over (under) expenditures	<u>(8,981)</u>	<u>(33,562)</u>	<u>(24,581)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>33,562</u>	<u>33,562</u>	<u></u>
Total other financing sources (uses)	<u>33,562</u>	<u>33,562</u>	<u></u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	24,581		(24,581)
Fund balance - July 1, 2003	<u></u>	<u></u>	<u></u>
Fund balance - June 30, 2004	<u>\$ 24,581</u>	<u>\$ -</u>	<u>\$ (24,581)</u>

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
BUILDING AND SAFETY SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Licenses and permits	\$ 504,700	\$ 496,348	\$ (8,352)
Total revenues	<u>504,700</u>	<u>496,348</u>	<u>(8,352)</u>
EXPENDITURES			
Current:			
Community development	435,737	414,559	21,178
Total expenditures	<u>435,737</u>	<u>414,559</u>	<u>21,178</u>
Excess of revenues over (under) expenditures	<u>68,963</u>	<u>81,789</u>	<u>12,826</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(68,963)</u>	<u>(81,789)</u>	<u>(12,826)</u>
Total other financing sources (uses)	<u>(68,963)</u>	<u>(81,789)</u>	<u>(12,826)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)			
Fund balance - July 1, 2003	<u> </u>	<u> </u>	<u> </u>
Fund balance - June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FED - LLEBG SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 4,000	\$ 2,133	\$ (1,867)
Intergovernmental revenue	221,445	215,223	(6,222)
Total revenues	<u>225,445</u>	<u>217,356</u>	<u>(8,089)</u>
EXPENDITURES			
Current:			
Public safety	<u>250,050</u>	<u>241,506</u>	<u>8,544</u>
Total expenditures	<u>250,050</u>	<u>241,506</u>	<u>8,544</u>
Excess of revenues over (under) expenditures	<u>(24,605)</u>	<u>(24,150)</u>	<u>455</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>24,605</u>	<u>24,150</u>	<u>(455)</u>
Total other financing sources (uses)	<u>24,605</u>	<u>24,150</u>	<u>(455)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)			
Fund balance - July 1, 2003	<u> </u>	<u> </u>	<u> </u>
Fund balance - June 30, 2004	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CA - COPS GRANT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 1,500	\$ 567	\$ (933)
Intergovernmental revenue	<u>114,000</u>	<u>113,808</u>	<u>(192)</u>
Total revenues	<u>115,500</u>	<u>114,375</u>	<u>(1,125)</u>
EXPENDITURES			
Current:			
Public safety	<u>160,000</u>	<u>150,057</u>	<u>9,943</u>
Total expenditures	<u>160,000</u>	<u>150,057</u>	<u>9,943</u>
Excess of revenues over (under) expenditures	(44,500)	(35,682)	8,818
OTHER FINANCING SOURCES (USES)			
Transfers in	<u> </u>	<u>17,216</u>	<u>17,216</u>
Total other financing sources (uses)	<u> </u>	<u>17,216</u>	<u>17,216</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(44,500)	(18,466)	26,034
Fund balance - July 1, 2003	<u>18,466</u>	<u>18,466</u>	<u> </u>
Fund balance - June 30, 2004	<u><u>\$ (26,034)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 26,034</u></u>

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC FACILITIES CORPORATION DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ -	\$ 39	\$ 39
Total revenues	<u> </u>	<u> 39</u>	<u> 39</u>
EXPENDITURES			
Debt service:			
Principal retirement		220,000	(220,000)
Interest and other charges		250,575	(250,575)
Total expenditures		<u> 470,575</u>	<u> (470,575)</u>
Excess of revenues over (under) expenditures		<u> (470,536)</u>	<u> (470,536)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u> 1,500</u>	<u> 470,530</u>	<u> 469,030</u>
Total other financing sources (uses)	<u> 1,500</u>	<u> 470,530</u>	<u> 469,030</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u> 1,500</u>	<u> (6)</u>	<u> (1,506)</u>
Fund balance - July 1, 2003	<u> 20</u>	<u> 20</u>	
Fund balance - June 30, 2004	<u><u> 1,520</u></u>	<u><u> 14</u></u>	<u><u> (1,506)</u></u>

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
REDEVELOPMENT AGENCY DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 762,500	\$ 888,133	\$ 125,633
Investment earnings	10,000	14,378	4,378
Total revenues	772,500	902,511	130,011
EXPENDITURES			
Current:			
Community development	21,300	21,939	(639)
Debt service:			
Principal retirement	25,000	25,000	
Interest and other charges	191,545	191,223	322
Bond issuance costs	519,046	503,683	15,363
Pass-through payments	24,460	28,548	(4,088)
Total expenditures	781,351	770,393	10,958
Excess of revenues over (under) expenditures	(8,851)	132,118	140,969
OTHER FINANCING SOURCES (USES)			
Proceed from tax allocation refunding bonds	7,815,000	7,815,000	
Payment to refunded debt escrow	(2,380,002)	(2,380,002)	
Original issuance discount	(75,954)	(75,954)	
Transfers in	43,309	42,808	(501)
Transfers out	(5,003,504)	(5,062,440)	(58,936)
Total other financing sources (uses)	398,849	339,412	(59,437)
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	389,998	471,530	81,532
Fund balance - July 1, 2003	216,091	216,091	
Fund balance - June 30, 2004	\$ 606,089	\$ 687,621	\$ 81,532

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental revenue	\$ 3,453,116	\$ 583,518	\$ (2,869,598)
Total revenues	<u>3,453,116</u>	<u>583,518</u>	<u>(2,869,598)</u>
EXPENDITURES			
Capital outlay	<u>3,511,692</u>	<u>576,768</u>	<u>2,934,924</u>
Total expenditures	<u>3,511,692</u>	<u>576,768</u>	<u>2,934,924</u>
Excess of revenues over (under) expenditures	(58,576)	6,750	65,326
Fund balance - July 1, 2003	<u>153,917</u>	<u>153,917</u>	<u></u>
Fund balance - June 30, 2004	<u>\$ 95,341</u>	<u>\$ 160,667</u>	<u>\$ 65,326</u>

CITY OF BELLFLOWER
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
REDEVELOPMENT AGENCY HOUSING CAPITAL PROJECT FUND
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 190,600	\$ 237,892	\$ 47,292
Investment earnings	100	37,294	37,194
Other revenues	11,254	253	(11,001)
Total revenues	<u>201,954</u>	<u>275,439</u>	<u>73,485</u>
EXPENDITURES			
Current:			
Community development	<u>237,847</u>	<u>120,101</u>	<u>117,746</u>
Total expenditures	<u>237,847</u>	<u>120,101</u>	<u>117,746</u>
Excess of revenues over (under) expenditures	<u>(35,893)</u>	<u>155,338</u>	<u>191,231</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	890,000	890,000	
Transfers out	<u>(54,563)</u>	<u>(42,808)</u>	11,755
Total other financing sources (uses)	<u>835,437</u>	<u>847,192</u>	<u>11,755</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	799,544	1,002,530	202,986
Fund balance - July 1, 2003	<u>89,164</u>	<u>89,164</u>	
Fund balance - June 30, 2004	<u>\$ 888,708</u>	<u>\$ 1,091,694</u>	<u>\$ 202,986</u>

CITY OF BELLFLOWER



Families. Businesses. Futures.

"GROWING TOGETHER"

**STATISTICAL SECTION
(UNAUDITED)**

CITY OF BELLFLOWER

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works (1)	Parks & Recreation	Community Development	Capital Outlay	Debt Service	Total
2003-04	\$ 2,844,794	\$ 8,298,283	\$ 6,304,721	\$ 2,409,121	\$ 4,419,846	\$ 5,078,293	\$ 1,263,502	\$ 30,618,560
2002-03	2,994,450	8,361,304	5,598,487	2,446,395	3,808,610	4,048,727	727,960	27,985,933
2001-02	2,735,896	7,991,080	5,199,187	2,270,664	4,203,269	5,587,972	723,930	28,711,998
2000-01	2,580,453	7,766,193	6,412,466	1,905,992	3,049,791	3,514,889	724,267	25,954,051
1999-00	2,198,650	7,493,235	5,900,080	1,696,505	2,478,172	1,371,988	977,394	22,116,024
1998-99	2,030,988	7,247,832	6,573,090	1,576,844	2,607,867	974,431	719,892	21,730,944
1997-98	1,548,215	7,258,907	6,406,753	1,629,262	2,348,599	1,038,591	719,476	20,949,803
1996-97	1,813,446	7,418,756	5,538,223	1,686,927	2,028,609	1,809,937	671,621	20,967,519
1995-96	2,055,473	6,905,123	5,357,989	2,273,574	2,685,196	2,118,422	493,259	21,889,036
1994-95	1,786,716	6,937,306	4,736,531	2,022,710	1,680,115	1,260,804	500,276	18,924,458

NOTE: Includes General, Special Revenue, Debt Service and Capital Projects Funds

(1) Includes pass-through water operations sold in May 2001.

SOURCE: City Finance Department

CITY OF BELLFLOWER

GENERAL GOVERNMENTAL REVENUES BY SOURCE Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses and permits	Fines and penalties	Investment revenue	Inter-governmental revenue	Charges for current services	Other	Total
2003-04	\$ 14,386,007	\$ 525,931	\$ 1,526,371	\$ 1,060,975	\$ 10,376,260	\$ 637,601	\$ 600,214	\$ 29,113,359
2002-03	13,434,204	454,720	953,120	1,160,279	10,704,674	610,335	727,449	28,044,781
2001-02	13,108,206	640,057	816,619	975,559	11,379,955	500,371	501,834	27,922,601
2000-01	12,773,814	647,811	814,744	1,191,166	10,195,797	1,635,140	577,697	27,836,169
1999-00	11,524,762	357,217	866,297	1,432,147	7,965,810	1,510,844	544,749	24,201,826
1998-99	11,066,593	373,674	704,405	948,842	7,999,213	2,461,741	335,941	23,890,409
1997-98	10,293,947	314,897	432,971	864,593	7,419,807	2,343,572	153,671	21,823,458
1996-97	10,042,897	377,456	465,767	914,354	6,787,077	2,746,086	164,977	21,498,614
1995-96	10,763,576	483,049	545,278	857,772	7,627,404	2,886,471	93,075	23,256,625
1994-95	10,076,660	522,787	559,447	713,199	5,455,245	2,849,447	59,356	20,236,141

NOTE: Includes General, Special Revenue, Debt Service and Capital Projects Funds

SOURCE: City Finance Department

CITY OF BELLFLOWER

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE Last Ten Fiscal Years

Fiscal Year	Sales & Use (1)	Utility Users (2)	Property (3)	Franchise	Transient Occupancy	Business License	Other	Total
2003-04	\$ 5,546,444	\$ 3,358,180	\$ 2,946,718	\$ 1,298,670	\$ 518,838	\$ 503,318	\$ 213,839	\$ 14,386,007
2002-03	5,196,540	3,239,040	2,609,828	1,254,579	499,837	481,278	153,102	13,434,204
2001-02	5,523,843	2,818,491	2,452,283	1,241,640	505,666	438,995	127,288	13,108,206
2000-01	5,561,785	2,838,923	2,106,280	1,280,342	474,991	409,389	102,104	12,773,814
1999-00	5,026,873	2,551,194	2,007,127	1,057,004	386,802	386,961	108,801	11,524,762
1998-99	4,667,089	2,634,142	1,941,087	998,691	322,363	419,369	83,852	11,066,593
1997-98	4,280,040	2,525,611	1,742,070	961,305	312,094	388,793	84,034	10,293,947
1996-97	4,190,847	2,470,010	1,744,709	930,338	285,763	358,567	62,663	10,042,897
1995-96	4,722,126	2,536,002	1,839,103	932,890	295,787	384,416	53,252	10,763,576
1994-95	4,330,197	2,406,304	1,651,986	882,511	343,447	407,427	54,788	10,076,660

NOTES: Includes General, Special Revenue, Debt Service and Capital Projects Funds

(1) Sales tax revenue for fiscal year 1995-96 includes a one-time accounting adjustment of \$432,600. Without this adjustment, the revenue would have been \$4,289,526.

(2) A five percent (5%) utility users' tax was implemented in November 1993.

(3) With the passage of Assembly Bill No. 1197, the City began receiving property tax allocations in fiscal year 1989-90.

(4) The Redevelopment Agency began receiving property tax increment in fiscal year 1994-95.

SOURCE: City Finance Department

CITY OF BELLFLOWER

SPECIAL ASSESSMENT COLLECTIONS Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Lighting District No. 70</u>	<u>Vehicle Parking District No. 1</u>	<u>Total</u>
2003-04	\$ 226	\$ 8,288	\$ 8,514
2002-03	673	8,953	9,626
2001-02	2,160	8,501	10,661
2000-01	4,590	8,139	12,729
1999-00	13,598	13,053	26,651
1998-99	11,158	7,414	18,572
1997-98	26,802	7,124	33,926
1996-97	509,885	6,615	516,500
1995-96	514,108	6,582	520,690
1994-95	499,073	6,894	505,967

- NOTES:
- (1) Beginning in fiscal year 1991-92, the Lighting District charged a special assessment to residential and commercial property owners to provide and maintain street lights throughout the City. However, the City Council subsequently took action to cease the lighting assessment by providing all related energy and maintenance costs out of the General Fund beginning with the fiscal year 1997-98. The amounts shown above for 1997-98 and subsequent fiscal years are delinquent taxes and related penalties and interest for 1996-97 and prior fiscal years.
 - (2) The Vehicle Parking District charges owners of property along the west side of Bellflower Boulevard between Mayne and Flower Streets for the maintenance of parking lots within the District.

SOURCE: City Finance Department

CITY OF BELLFLOWER

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY Last Ten Fiscal Years

Fiscal Year	Land	Improvements	Personal Property	Gross Value	Exemptions	Net Taxable Value	Percent Change	Assessed to Property Value
2003-04	\$ 1,319,412,000	\$ 1,581,642,802	\$ 74,629,981	\$ 2,975,684,783	\$ 118,716,061	\$ 2,856,968,722	7.86%	100%
2002-03	1,213,028,016	1,431,248,147	152,900,682	2,797,176,845	148,336,054	2,648,840,791	6.32%	100%
2001-02	1,131,802,098	1,423,226,763	77,724,389	2,632,753,250	141,341,517	2,491,411,733	5.66%	100%
2000-01	1,066,098,292	1,346,905,544	80,936,931	2,493,940,767	135,999,931	2,357,940,836	5.82%	100%
1999-00	1,006,767,852	1,290,295,895	77,455,036	2,374,518,783	146,343,611	2,228,175,172	3.12%	100%
1998-99	974,649,004	1,251,812,453	75,519,358	2,301,980,815	141,240,459	2,160,740,356	1.80%	100%
1997-98	950,130,061	1,226,385,344	69,101,560	2,245,616,965	123,075,179	2,122,541,786	-0.54%	100%
1996-97	947,209,871	1,244,610,566	66,475,258	2,258,295,695	124,218,776	2,134,076,919	-0.39%	100%
1995-96	949,751,809	1,239,384,417	41,634,154	2,230,770,380	88,390,050	2,142,380,330	0.85%	100%
1994-95	932,235,143	1,242,462,150	67,041,212	2,241,738,505	117,432,458	2,124,306,047	2.47%	100%

SOURCE: Los Angeles County Auditor-Controller

CITY OF BELLFLOWER

PROPERTY TAX RATES FOR ALL DIRECT AND OVERLAPPING GOVERNMENTS Last Ten Fiscal Years

Fiscal Year	Los Angeles County	Los Angeles County Flood Control District	Metropolitan Water District	ABC Unified School District	Downey Unified School District	Paramount Unified School District	General (1)	Total (2)
2003-04	0.000992	0.000462	0.006700	0.024905	0.051297	0.055867	1.000000	\$ 1.140223
2002-03	0.001033	0.000881	0.006700	0.027792	0.031029	0.055659	1.000000	1.123094
2001-02	0.001128	0.001073	0.007700	0.024963	0.032329	0.055645	1.000000	1.122838
2000-01	0.001314	0.001552	0.008800	0.025668	0.022793	0.056877	1.000000	1.117004
1999-00	0.001422	0.001765	0.008900	0.025778	0.023764	0.063709	1.000000	1.125338
1998-99	0.001451	0.001953	0.008900	0.026393	0.021035	0.064974	1.000000	1.124706
1997-98	0.001584	0.002197	0.008900	0.030676	0.016232	-	1.000000	1.059589
1996-97	0.001604	0.001991	0.008900	-	-	-	1.000000	1.012495
1995-96	0.001814	0.000963	0.008900	-	-	-	1.000000	1.011677
1994-95	0.001993	0.006041	0.008900	-	-	-	1.000000	1.016934

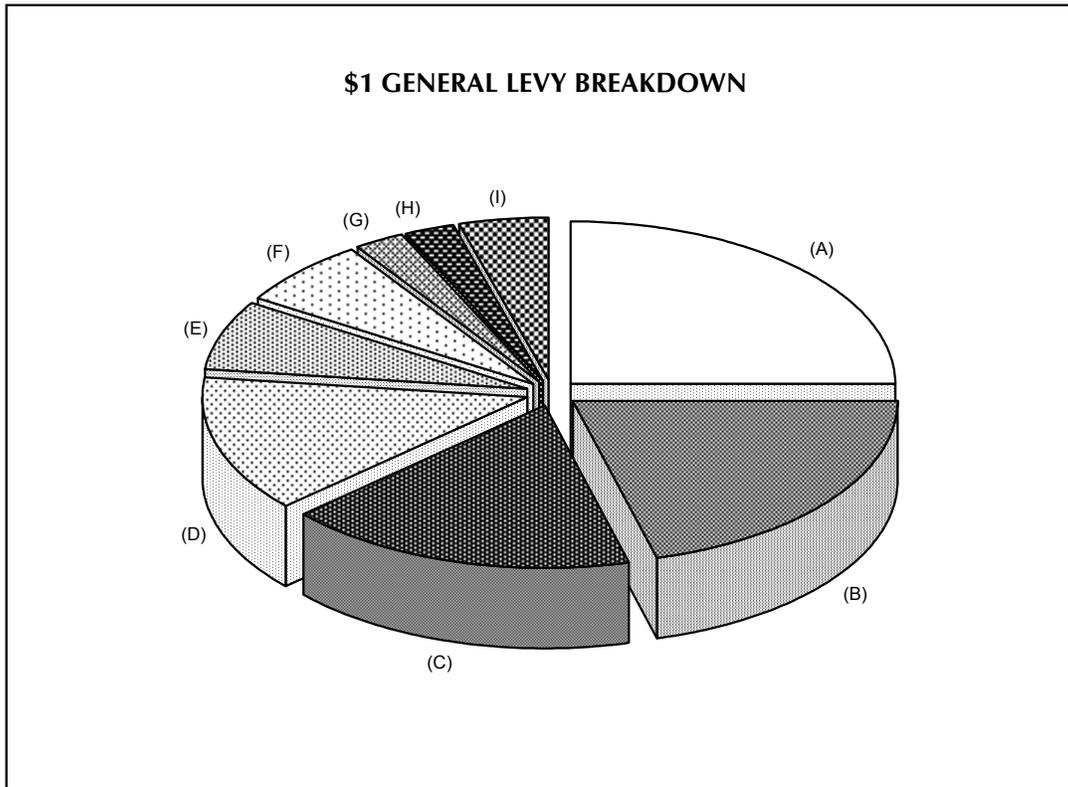
NOTE: (1) The breakdown of \$1 base levy per \$100 of assessed valuation is shown on the following page.

(2) Tax rates are based on per \$100 of assessed valuation.

SOURCES: HdL Coren & Cone for 1995-96 and subsequent fiscal years
California Municipal Statistics, Inc. for 1994-95 and prior fiscal years

CITY OF BELLFLOWER

PROPERTY TAX DOLLAR BREAKDOWN Fiscal Year Ended June 30, 2004



Los Angeles County General	(A)	\$ 0.2500	Other:	
Bellflower Unified School District	(B)	0.2090	County Sanitation Dist. No. 2 Operating	0.0134
Consolidated Fire Protection District of L.A. Co.	(C)	0.1760	L.A. County Flood Control Maintenance	0.0099
Educational Augmentation Fund Impound	(D)	0.1350	County School Service Fund Bellflower	0.0075
Educational Revenue Augmentation Fund	(E)	0.0690	L.A. County - FFW	0.0073
City of Bellflower Tax District 1	(F)	0.0670	Children's Institutional Tuition Fund	0.0028
Cerritos Community College District	(G)	0.0260	L.A. Co. Flood Control Imp. Dist. Maint.	0.0018
L.A. County Library	(H)	0.0240	County School Services	0.0014
Other	(I)	0.0448	Greater L.A. Co. Vector Control	0.0004
Total		1.0008	Water Replenishment Dist. of So. Calif.	0.0002
Rounding		(0.0008)	L.A. Co. Accumulative Capital Outlay	0.0001
\$1 general levy		<u>\$ 1.0000</u>	Total Other	<u>0.0448</u>

NOTE: Annual tax increment ratios for tax rate area 02336, excluding redevelopment factors and additional debt service.

SOURCE: HdL Coren & Cone (based on 2003-04 property tax data provided by the Los Angeles County Assessor)

CITY OF BELLFLOWER

SECURED PROPERTY TAX LEVIES AND COLLECTIONS Last Ten Fiscal Years

Fiscal Year	CITY (1)			REDEVELOPMENT AGENCY (2)		
	Total Current Levy	Total Current Collections	Percent of Levy Collected	Total Current Levy	Total Current Collections	Percent of Levy Collected
2003-04	\$ 1,655,832	\$ 1,621,084	97.9%	\$ 698,270	\$ 675,386	96.7%
2002-03	1,540,995	1,504,116	97.6%	608,522	592,430	97.4%
2001-02	1,427,697	1,391,526	97.5%	550,369	540,985	98.3%
2000-01	1,353,946	1,316,044	97.2%	443,085	430,405	97.1%
1999-00	1,278,105	1,239,153	97.0%	420,919	412,446	98.0%
1998-99	1,238,027	1,202,729	97.1%	392,608	371,141	94.5%
1997-98	1,222,737	1,186,162	97.0%	296,532	281,245	94.8%
1996-97	1,256,740	1,206,265	96.0%	328,833	322,669	98.1%
1995-96	1,268,727	1,214,211	95.7%	374,300	341,367	91.2%
1994-95	1,156,209	1,156,209	100.0%	383,651	334,292	87.1%

NOTES: (1) Since fiscal year 1989-90, the City of Bellflower, a "no" property tax city, began receiving property tax allocations under Assembly Bill No. 1197 . The Assembly Bill allowed for a 7-year phase-in period in which the qualifying cities received property tax allocations at an annual increment of 1% of the base levy (\$1 per \$100 of assessed valuation), with a maximum allocation of 7% in the 7th and subsequent years. The City received the 7% maximum in fiscal year 1995-96.

Unlike previous years, the City began sharing in the property tax delinquencies and redemptions in fiscal year 1995-96. Furthermore, instead of reporting the combined total of secured and unsecured taxes, only secured property tax collections are reported beginning in fiscal year 1995-96.

(2) The Redevelopment Agency's property tax levy and collection amounts are net of the County's 2% base year adjustments under the Health and Safety Code Section 33676.

SOURCE: Los Angeles County Auditor-Controller

CITY OF BELLFLOWER

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE, NET BONDED DEBT PER CAPITA, AND COMPUTATION OF LEGAL DEBT MARGIN Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	General Bonded Debt (3)	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2003-04	77,002	\$ 2,856,968,722	\$ -	\$ -	\$ -	0.0%	\$ -
2002-03	76,428	2,648,840,791	-	-	-	0.0%	-
2001-02	75,057	2,491,411,733	-	-	-	0.0%	-
2000-01	74,893	2,357,940,836	-	-	-	0.0%	-
1999-00	68,345	2,228,175,172	-	-	-	0.0%	-
1998-99	67,574	2,160,740,356	-	-	-	0.0%	-
1997-98	66,640	2,122,541,786	-	-	-	0.0%	-
1996-97	65,990	2,134,076,919	-	-	-	0.0%	-
1995-96	65,264	2,142,380,330	-	-	-	0.0%	-
1994-95	64,458	2,124,306,047	-	-	-	0.0%	-

COMPUTATION OF LEGAL DEBT MARGIN:

Assessed Valuation	<u>\$ 2,856,968,722</u>
Legal Debt Limit - 3.75% of Assessed Valuation	\$ 107,136,327
Amount of Debt Applicable to Debt Limit	-
LEGAL DEBT MARGIN	<u>\$ 107,136,327</u>

NOTE: California Government Code Section 43605 requires a legal debt limit of 15% of the assessed value of all real and personal property of the City. This provision was enacted when assessed valuation was established at 25% of market value. Because taxable property is assessed at 100% of market value as of fiscal year 1981-1982, the percentage has been proportionately adjusted to 3.75% in order to reflect the intent of the debt limit stipulation. The City currently has no bonded indebtedness.

SOURCES: (1) State Department of Finance
(2) Los Angeles County Auditor-Controller
(3) City Finance Department

CITY OF BELLFLOWER

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT Fiscal Year Ended June 30, 2004

	Percent Applicable	Debt at June 30, 2004
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Los Angeles County	0.430%	\$ 100,921
Los Angeles County Flood Control District	0.452%	623,511
Metropolitan Water District	0.222%	993,395
Compton Community College District	2.851%	1,168,910
Downey Unified School District	3.944%	2,568,934
Norwalk-La Mirada Unified School District	0.021%	12,600
Paramount Unified School District	10.999%	3,698,411
Los Angeles County Regional Park and Open Space Assessment District	0.430%	1,617,703
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 10,784,385
 <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Los Angeles County General Fund Obligations	0.430%	\$ 6,240,818
Los Angeles County Pension Obligations	0.430%	5,679,665
Los Angeles County Superintendent of Schools Certificates of Participation	0.430%	110,742
Los Angeles County Sanitation District No.2 Authority	10.424%	4,586,604
Los Angeles County Sanitation District No.3 Authority	0.247%	82,580
Los Angeles County Sanitation District No.18 Authority	0.006%	1,476
Cerritos Community College District Certificates of Participation	12.467%	1,983,500
Bellflower Unified School District Certificates of Participation	68.582%	11,096,568
Paramount Unified School District Certificates of Participation	10.999%	3,370,094
City of Bellflower Certificates of Participation	100.000%	5,170,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 38,322,047
Less: Los Angeles County Certificates of Participation (100% self-supporting from leasehold revenues on properties in Marina Del Rey)		299,517
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 38,022,530
GROSS COMBINED TOTAL DEBT		\$ 49,106,432 (1)
NET COMBINED TOTAL DEBT		\$ 48,806,915

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

Ratios to 2003-04 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 0.38%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$5,170,000) 0.19%
Gross Combined Total Debt 1.81%
Net Combined Total Debt 1.80%

2003-04 Assessed Valuation	\$ 2,856,968,722
Redevelopment Incremental Valuation	144,289,122
Adjusted Assessed Valuation	\$ 2,712,679,600

STATE SCHOOL BUILDING AID REPAYABLE AS OF JUNE 30, 2004: \$0

SOURCE: California Municipal Statistics, Inc.

CITY OF BELLFLOWER

RATIO OF ANNUAL DEBT SERVICE OF GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to General Expenditures</u>
2003-04	\$ -	\$ -	\$ -	\$ 30,618,560	0.0%
2002-03	-	-	-	27,985,933	0.0%
2001-02	-	-	-	28,711,998	0.0%
2000-01	-	-	-	25,954,051	0.0%
1999-00	-	-	-	22,116,024	0.0%
1998-99	-	-	-	21,730,944	0.0%
1997-98	-	-	-	20,949,803	0.0%
1996-97	-	-	-	20,967,519	0.0%
1995-96	-	-	-	21,889,036	0.0%
1994-95	-	-	-	18,924,458	0.0%

NOTE: Includes General, Special Revenue, Debt Service and Capital Projects Funds

SOURCE: City Finance Department

CITY OF BELLFLOWER

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Number of Commercial Permits (1)</u>	<u>Number of Residential Permits (1)</u>	<u>Total Number of Permits</u>	<u>Total Valuation (1) (\$000)</u>	<u>Bank Deposits (2) (\$000)</u>
2003-04	222	1,145	1,367	\$ 43,312	\$ 473,020
2002-03	255	1,166	1,421	30,907	461,790
2001-02	315	986	1,301	62,151	447,860
2000-01	201	920	1,121	34,179	424,850
1999-00	220	759	979	24,797	415,292
1998-99	278	696	974	36,235	405,933
1997-98	270	637	907	18,068	431,400
1996-97	352	565	917	10,521	440,660
1995-96	275	504	779	8,742	458,676
1994-95	170	470	640	11,917	472,577

SOURCES: (1) City Community Development Department
(2) FDIC website at <http://www2.fdic.gov/sod/> for FY 2000-01 and subsequent fiscal years.
The Findley Reports on California Financial Institutions for 1999-00 and prior fiscal years

CITY OF BELLFLOWER

TOP 25 PROPERTY TAXPAYERS Fiscal Year Ended June 30, 2004

** Listed Alphabetically

	Owner (Number of Parcels)	Assessed Value	Estimated Total Tax	Average Tax Ratio
1	A T & T Broadband LLC Comcast Corporation (1)	\$ 4,416,746	\$ 18,079	0.409%
2	Ahern Rentals Inc. (1)	2,658,647	16,174	0.608%
3	Bellflower Shopping Center LLC (2)	5,462,099	22,154	0.406%
4	Belmont Place Bellflower Associates (3)	8,628,500	34,884	0.404%
5	Bruce H. & Mia M. Kang (2)	2,866,465	11,585	0.404%
6	Chin Star Inc. (3)	2,581,813	10,420	0.404%
7	Cleveland Development Inc./Kenneth Cleveland (10)	6,421,496	12,639	0.197%
8	Comcast of Los Angeles Inc. (2)	28,432,844	124,952	0.439%
9	Dan Top U S A Inc. (4)	3,485,551	12,313	0.353%
10	Ford West Properties LLC (3)	6,317,366	25,497	0.404%
11	Haagen GDH Partnership (1)	12,990,800	52,503	0.404%
12	Hollywood Sports Park LLC (3)	4,999,549	24,703	0.494%
13	Hufcor Airwall Inc. (3)	2,563,302	10,853	0.423%
14	KUVE Limited (4)	4,614,494	12,901	0.280%
15	Lorin S. Wong Family Trust, Et. Al. (9)	7,158,102	20,472	0.286%
16	Lyons Stockton LLC (2)	2,664,403	10,878	0.408%
17	Pep Boys Many Moe And Jack (1)	2,760,479	11,141	0.404%
18	Ronald D. Slate Company (5)	3,580,812	14,445	0.403%
19	Ronen & Joanne Armony Trust (3)	7,000,000	28,370	0.405%
20	Shadrall Associates (1)	3,578,670	14,463	0.404%
21	Stephen & Mary Sandberg Trust (1)	3,414,551	13,800	0.404%
22	Universal Care Inc. (2)	3,225,238	15,697	0.487%
23	Walgreen Company (2)	2,655,116	11,686	0.440%
24	William J. Wade Trust (1)	6,813,814	27,500	0.404%
25	WRI Golden State LLC (5)	4,747,967	19,189	0.404%

SOURCE: HdL Coren & Cone (based on Los Angeles County Assessor 2003-04 Combined Tax Rolls)

CITY OF BELLFLOWER

TOP 25 SALES TAX PRODUCERS Fiscal Year Ended June 30, 2004

** Listed Alphabetically

	Name of Business	Type of Business
1	21st Century Oil	Service Stations
2	99 Cents Only Stores	Variety Stores
3	Bellflower Yamaha & Watercraft	Boats/Motorcycles
4	Delphin Computer Supply	Office Supplies/Furniture
5	Dennys	Restaurants Liquor
6	Don A Vee Jeep Suzuki	New Motor Vehicle Dealers
7	Empresa Motors	Used Automotive Dealers
8	Ford Credit Titling Trust	Auto Lease
9	Ford West	New Motor Vehicle Dealers
10	G & M Oil	Service Stations
11	George Chevrolet	New Motor Vehicle Dealers
12	Jack In The Box	Fast Food
13	K Mart	Discount Department Stores
14	Kaiser Foundation Hospitals	Health Services
15	McDonalds	Fast Food
16	Mikes Am Pm	Service Stations
17	Norm Reeves	Used Automotive Dealers
18	Pep Boys	Automotive Supply Stores
19	Rapid Gas	Service Stations
20	Rons Mini Mart & Gas	Service Stations
21	Simaan Chevron	Service Stations
22	Staples	Office Supplies/Furniture
23	Stater Bros	Grocery Stores Liquor
24	Tci Materials Management	Electrical Equipment
25	Walgreens	Drug Stores

Percent of total sales tax paid by
the top 25 producers: 53%

SOURCE: Hinderliter de Llamas & Associates (based on sales tax data from the State Board of Equalization)

CITY OF BELLFLOWER

SCHEDULE OF INSURANCE IN FORCE Fiscal Year Ended June 30, 2004

Carrier	Type of Insurance	Policy Number	Effective Date	Liability Limits	Annual Premium
California Joint Powers Insurance Authority (CJPIA)	Comprehensive General and Automobile Liability	Pooled Insurance	07/01/03-06/30/04	Per Claim: \$ 50,000,000 Annual: \$ 50,000,000 Deductible: \$ 20,000	\$ 425,735
CJPIA	Workers' Compensation	Pooled Insurance	07/01/03-06/30/04	Per Claim: \$ 5,000,000 Annual: \$ 5,000,000 Deductible: \$ 50,000	\$ 172,729
CJPIA	All Risk Property	Pooled Insurance	01/01/04-01/01/05	Insured Value: \$ 20,128,697 Deductible: \$ 5,000	\$ 5,797
CJPIA	Boiler & Machinery	Pooled Insurance	01/01/04-01/01/05	Insured Value: \$ 15,912,569 Deductible: \$ 5,000	\$ 1,750
CJPIA	Earthquake and Flood	Pooled Insurance	01/01/04-01/01/05	Per Claim: \$ 15,090,590 Aggregate: \$ 15,090,590 Earthquake Deductible: 5% (\$100,000 minimum) Flood Deductible: \$ 25,000	\$ 70,775
CJPIA	Environmental Liability	Pooled Insurance	07/01/03-06/30/04	Aggregate: \$ 10,000,000 Deductible: \$ 50,000	\$ 10,545
National Notary Association	Notary Errors and Omissions				
	City Clerk	21289324	12/11/03-12/10/04	Maximum: \$ 100,000	\$ 156
	Deputy City Clerk	21346531	10/16/03-10/15/04	Maximum: \$ 100,000	\$ 156
Driver Alliant Insurance Service	General Liability for Special Events	CCL0040170	07/01/03-06/30/04	Coverage Limit: \$ 1,000,000 Per Claim: \$ 1,000,000 Aggregate: \$ 1,000,000	\$ 9,834
Driver Alliant Insurance Service (Hartford Fire Insurance Co.) (National Union Fire Insurance Company of Pittsburgh)	Commercial Crime	72BPBQ8642 001533806	04/01/04-04/01/05	Maximum: \$ 1,000,000 Deductible: \$ 2,500	\$ 1,991
Williams Insurance Brokers (US Plate Glass Insurance Co.)	Plate Glass	04-29319	09/12/03-09/12/04	Per Claim: Unspecified Aggregate: Unspecified Deductible: \$ 857	\$ 857

SOURCE: City Finance Department

CITY OF BELLFLOWER

DEMOGRAPHIC STATISTICS AND OTHER MISCELLANEOUS STATISTICAL DATA Fiscal Year Ended June 30, 2004

Date of Incorporation	September 3, 1957	Police Protection: *	
Location	County of Los Angeles, 18 miles southeast of the City of Los Angeles, 100 miles north of San Diego and 450 miles south of San Francisco.	Officers:	
Form of Government	Council - Administrator	Lieutenant	1
Type of Government	General Law	Sergeants	3
Physical Area	6.1 square miles	Special Assignment	9
Population:		Detectives	5
2004 State Estimate	77,002	Community Services	14 (5 full-time & 9 part-time)
2000 U.S. Census	72,878	Probation	1
1990 U.S. Census	61,815	Deputy District Attorney	1
1980 U.S. Census	53,441	40-Hour Patrol Cars	26
Race Per 2000 U.S. Census:		Patrol Helicopter	1 (shared among six cities)
Hispanic	31,503 43.2%	Hotels and Motels:	18 facilities; 685 rooms
White	22,403 30.7%	Transportation:	
Black	9,540 13.1%	Rail	Amtrak; Southern Pacific and Santa Fe (freight only)
Asian	7,062 9.7%	Air	Long Beach Airport, 5 miles; Los Angeles International Airport (LAX), 20 miles; John Wayne International Airport (Orange County), 24 miles
Other	2,370 3.3%	Bus	The Bus (City of Bellflower); Dial-A-Ride; Long Beach Transit Company; Norwalk Transit Company; Metropolitan Transportation Authority (MTA)
Streets	97.4 miles	Water	Long Beach and Los Angeles Ports
Parks	8	Highways	I-105, I-605, S-91 and S-710
Employees	86 full-time 153 part-time	Major Thoroughfares	Alondra, Artesia, Bellflower and Lakewood Boulevards and Rosecrans Avenue
Education	10 Elementary Schools 3 High Schools 1 Adult School 7 Private Institutions	Occupied City Dwellings:	
Library *	1	2004 (State Estimate)	23,633
Fire Protection: *		2000 (U.S. Census)	23,367
Number of Stations	2	1984	23,250
		1960	15,035
* Services provided by the Los Angeles County			

CITY OF BELLFLOWER



Families. Businesses. Futures.

"GROWING TOGETHER"

CITY OF BELLFLOWER
SINGLE AUDIT REPORT
FOR THE FISCIAL YEAR ENDED JUNE 30, 2004

MOSS, LEVY & HARTZHEIM

CERTIFIED PUBLIC ACCOUNTANTS
9107 WILSHIRE BLVD., SUITE 320
BEVERLY HILLS, CALIFORNIA 90210

TELEPHONE (310) 273-2745
FAX (310) 273-1689
E-MAIL: mlhbh@pacbell.net

ROBERT M. MOSS, C.P.A.*
RONALD A. LEVY, C.P.A.*
CRAIG A. HARTZHEIM, C.P.A.*
BRETT I. MILLER, C.P.A.

MEMBER:

AMERICAN INSTITUTE OF C.P.A.S
CALIFORNIA SOCIETY OF C.P.A.S
CALIFORNIA SOCIETY OF
MUNICIPAL FINANCE OFFICERS
CALIFORNIA ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS

OFFICES:

BEVERLY HILLS, CALIFORNIA
SANTA MARIA, CALIFORNIA
SACRAMENTO, CALIFORNIA

HADLEY HUI, C.P.A.
PAUL NIEDERMULLER, C.P.A.
KARAN C. POHL, C.P.A.
ROSEMARY HICKS, C.P.A.
DENOTES PROFESSIONAL CORPORATION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of City Council
Of the City of Bellflower
Bellflower, California

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregated remaining fund information of the City of Bellflower (City) as of and for the fiscal year ended June 30, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 30, 2004. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council and management, the State Controller's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim
Beverly Hills, California
September 30, 2004

MOSS, LEVY & HARTZHEIM

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9107 WILSHIRE BLVD., SUITE 320
BEVERLY HILLS, CALIFORNIA 90210

TELEPHONE (310) 273-2745
FAX (310) 273-1689
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DENOTES PROFESSIONAL CORPORATION

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Members of City Council
Of the City of Bellflower
Bellflower, California

Compliance

We have audited the compliance of the City of Bellflower (City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable of its major federal programs for the fiscal year ended June 30, 2004. The City's major federal programs are identified in the summary of the auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstance. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2004.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City's governmental activities, each major fund, and the aggregate remaining fund information of the City as of and for the fiscal year ended June 30, 2004, and have issued our report thereon dated September 30, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council and management, the State Controller's Office, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim
Beverly Hills, California
September 30, 2004

**CITY OF BELLFLOWER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2004**

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Program Number	Federal Expenditures
Department of Transportation			
Federal-Aid Project No. 07-5348	20.205	STPLH-5348 (008)	\$ 10,639
"You Drink and Drive, You Lose"	20.000	AM04052	5,490
Transportation Efficiency Act	20.000	STPLER-5348 (009)	<u>51,941</u>
Total Department of Transportation			<u>68,070</u>
Department of Housing and Urban Development:			
Section 108 Loan Guarantees	14.248	B 03 MC 060512	879,008
Community Development Block Grant	14.218	B 02 MC 060512	1,035,348
Community Development Block Grant	14.218	B 03 MC 060512	394,432
HOME	14.239	M 01 MC 060547	483,569
HOME	14.239	M 02 MC 060547	<u>372,457</u>
Total Department of Housing and Urban Development			<u>3,164,814</u>
Department of Justice:			
Local Law Enforcement Block Grant	16.710	01 LBBX 1858	5,262
Local Law Enforcement Block Grant	16.710	02 LBBX 0551	143,756
Local Law Enforcement Block Grant	16.710	03 LBBX 0549	66,205
Juvenile Accountability Incentive Grant	16.523	IP 02 016219	<u>17,451</u>
Total Department of Justice			<u>232,674</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 3,465,558</u></u>

See notes to the schedule of expenditures of federal awards

CITY OF BELLFLOWER
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2004

1. REPORTING ENTITY

The financial reporting entity consists of (a) the primary government, City of Bellflower (City), and (b) component units which include organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units of the City are:

- Bellflower Community Redevelopment Agency
- Bellflower Public Facilities Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Funds received under the various grant programs have been recorded within special revenue and capital projects funds of the City. The City utilizes the modified accrual method of accounting for the special revenue and capital project funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

Schedule of Expenditures of Federal Awards

The accompanying schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California and the County of Los Angeles are also included in the schedule.

The schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

3. PROGRAM DESCRIPTIONS

Department of Transportation

Highway Planning and Construction (Federal-Aid Highway Program)

The objectives of the Highway Planning and Construction Cluster and Transportation Enhancement Act are to: (1) assist states in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing and rehabilitating the National Highway System, including interstate highways and most other public roads; (2) provide aid for the repair of roads following disasters; (3) foster safe highway design, and to replace or rehabilitate structurally deficient or functionally obsolete bridges; and (4) to provide for other special purposes.

CITY OF BELLFLOWER
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended June 30, 2004

3. PROGRAM DESCRIPTIONS (Continued)

Department of Transportation (Continued)

“You Drink and Drive, You Lose”

The objective of the “You Drink and Drive, You Lose” is to warn motorists about the dangers of drinking and driving.

Transportation Efficiency Act

The objectives of the Transportation Efficiency Act are to develop a national intermodal surface transportation system, to construct highways, for highway safety programs, and for mass transit programs.

Department of Housing and Urban Development

Section 108 Loan Guarantees

The objectives of the Section 108 Loan Guarantees are to provide communities with a source of financing for economic development, housing rehabilitation, public facilities, and large scale physical development projects.

Community Development Block Grant (CDBG)

The Community Development Block Grant (CDBG) Program was authorized under Title I of the Housing and Community Development Act of 1974. The primary objective of the CDBG Program is the development of viable urban communities, including adequate housing, a suitable living environment, and expansion of economic opportunities, principally for persons of low to moderate income. Under this program, the Department of Housing and Urban Development (HUD) distributes funds based upon approved applications to eligible local governmental units for the purpose of community improvement and betterment. The City uses CDBG funds to finance a comprehensive home improvement program that assists low and moderate-income residents through low interest subsidies and deferred loans.

CITY OF BELLFLOWER
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended June 30, 2004

3. PROGRAM DESCRIPTIONS (Continued)

Department of Housing and Urban Development (Continued)

Home Investment Partnerships Program (HOME)

The objectives of the Home Investment Partnerships Program include: expanding the supply of decent and affordable housing, particularly housing for low and very low-income Americans; strengthening the abilities of state and local governments to design and implement strategies for achieving adequate supplies of decent, affordable housing; providing financial and technical assistance to participating jurisdictions, including the development of model programs for affordable low-income housing; and extending and strengthening partnerships among all levels of government and the private sector, including for-profit and non-profit organizations, in the production and operation of affordable housing.

Department of Justice

Local Law Enforcement Block Grant

The purpose of the Local Law Enforcement Block Grant is to procure equipment to be used in the operation of the police department.

Juvenile Accountability Incentive Block Program (JAIBG)

The objective of the Juvenile Accountability Incentive Program is to provide states and units of local government with funds to develop programs to promote greater accountability in the juvenile justice system; to survey the field and identify projects that would benefit from research, demonstration, and evaluation in the 12 purpose areas identified in the JAIBG program; to provide training and technical assistance to states and units of local governments so they may develop programs outlined in the 12 program areas to promote greater accountability in the juvenile justice system.

**CITY OF BELLFLOWER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2004**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Bellflower.
2. No reportable conditions relating to the audit of the financial statements were reported in the basic financial statements.
3. No instances of noncompliance material to the financial statements of the City of Bellflower were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs were reported in the basic financial statements.
5. The auditor's report on compliance for the major federal award programs for the City of Bellflower expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City of Bellflower are reported in Part C of this Schedule.
7. The program tested as a major program is:

Section 108 Loan Guarantees	CFDA No. 14.248
Community Development Block Grant	CFDA No. 14.218
8. The threshold for distinguishing Type A and B programs is \$300,000.
9. The City of Bellflower was determined to be a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None

**CITY OF BELLFLOWER
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2004**

NONE



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