

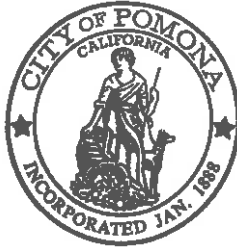
City of Pomona

California



Comprehensive Annual Financial Report

For the year ended June 30, 2003



CITY OF POMONA, CALIFORNIA

COMPREHENSIVE
ANNUAL FINANCIAL
REPORT

Year Ended June 30, 2003

Edward S. Cortez

Mayor

George Hunter

Councilmember, District 1

Marco Robles

Councilmember, District 2

Daniel Rodriguez

Councilmember, District 3

Paula Lantz

Councilmember, District 4

Elliott Rothman

Councilmember, District 5

Norma J. Torres

Councilmember, District 6

Prepared by the City of Pomona Finance Department
Paula Chamberlain, Finance Director

Contents

Introductory Section	
Letter of Transmittal	i–v
Certificate of Achievement for Excellence in Financial Reporting	vi
Organizational Chart	vii
Directory of City Officials	viii
Financial Section	
Independent Auditor's Report	1 and 2
Management's Discussion and Analysis	3–11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	12 and 13
Statement of Activities	14 and 15
Fund Financial Statements:	
Balance Sheet—Governmental Funds	16 and 17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	19 and 20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Assets—Proprietary Funds	22 and 23
Statement of Revenues, Expenditures and Changes in Net Assets—Proprietary Funds	24
Statement of Cash Flows—Proprietary Funds	25 and 26
Statement of Fiduciary Net Assets—Agency Funds	27
Notes to Financial Statements	28–58
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances—Budgetary Comparison—General Fund	59 and 60
Schedule of Revenues, Expenditures and Changes in Fund Balances—Budgetary Comparison—Low- and Moderate-income Housing Fund—Special Revenue	61
Notes to Required Supplementary Information	62
Supplemental Schedules	
Combining Balance Sheet—Nonmajor Governmental Funds	63–65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds	66–68
Schedule of Revenues and Expenditures—Budget and Actual (Budgetary Basis)— Nonmajor Special Revenue Funds	69 and 70
Combining Statement of Net Assets—Internal Service Funds	71
Combining Statement of Revenues, Expenses and Changes in Net Assets—Internal Service Funds	72
Combining Statement of Cash Flows—Internal Service Funds	73
Combining Statement of Fiduciary Net Assets—Agency Funds	74 and 75
Combining Statement of Changes in Fiduciary Net Assets	76 and 77

Contents, Continued

Statistical Section	
Government-wide information:	
Government-wide Expenditures by Function	78
Government-wide Revenues	79
Fund information:	
General Governmental Expenditures by Function	80
General Governmental Revenues by Source	81
Property Tax Levies and Collections	82
Schedule of Assessed Property Values	83
Property Tax Rates—All Direct and Overlapping Governments	84
Top Sales Tax Producers	85
Computation of Legal Debt Margin	86
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Bonded Debt per Capita	87
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures	88
Computation of Direct and Overlapping Bonded Debt	89
Schedule of Water Fund Revenue Bond Coverage	90
Special Assessment Billings and Collections	91
Demographics	92
Building Valuations and Construction Activity	93
Bank Deposits	94
Miscellaneous Statistics	95

INTRODUCTORY SECTION

THE CITY OF POMONA

PAULA CHAMBERLAIN
Finance Director

Finance Department



December 5, 2003

Honorable Mayor and City Council
and Citizens of the City of Pomona

The comprehensive annual financial report of the City of Pomona for the fiscal year ended June 30, 2003 is hereby submitted.

The Comprehensive Annual Financial Report is prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). GASB has primary responsibility for determining current accounting and financial reporting standards for activities and transactions of state and local government entities. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge, the data enclosed is accurate in all material aspects; it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds and account groups; and all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities have been included. The comprehensive annual financial report is presented in three sections:

- Introductory section—** includes this transmittal letter, a list of principal officials, the City's organizational chart, and the Government Finance Officers Association of the United States (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2002.
- Financial section—** includes the basic financial statements, Management's Discussion and Analysis, Fund Financial statements, Notes to the Financial Statements and Required Supplementary Information, as well as the independent auditor's report on the financial statements and schedules.
- Statistical section—** includes a number of tables depicting selected financial and demographic information, generally presented on a multi-year basis.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996, as amended, and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including a schedule of federal financial assistance, findings and recommendations and auditor's report on the internal control structure and compliance with applicable laws and regulations, is provided in a separate single audit report.

REPORTING ENTITY

The primary unit of the government is the City of Pomona, and its component units are described as follows:

The Primary Government

The City of Pomona was founded on January 6, 1888 and became a charter city in 1911. The City operates under a Council-Manager form of municipal government.

The accompanying Comprehensive Annual Financial Report includes the activities of the City of Pomona, the primary government, and its component units, which are the Redevelopment Agency of the City of Pomona, the Pomona Public Financing Authority and the City of Pomona Housing Authority. Financial information for the City and these component units is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The City Council serves as the governing board of the Redevelopment Agency and the Housing Authority. The City Manager, City Attorney, City Clerk, Finance Director, City Treasurer, and the Deputy Executive Director serve as the governing board for the Pomona Financing Authority. All of these component units are presented on a blended basis.

The Redevelopment Agency of the City of Pomona (the Agency) was established August 27, 1966 pursuant to the State of California Health and Safety Code, Section 3300, entitled "Community Redevelopment Law." The Agency was formed for the purpose of preparing and carrying out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City of Pomona. City staff provides management assistance to the Agency. The funds of the Agency have been included in the governmental activities in the financial statements. Separate audited statements are also issued for the Agency and are available for review in the Pomona Public Library.

The Pomona Public Financing Authority (the Authority) is a joint exercise of powers agreement organized under Section 6500 of the California Government Code on October 27, 1988 between the City of Pomona, the Redevelopment Agency of the City of Pomona and the Redevelopment Agency of the City of West Covina. The purpose of the Authority is to act as a vehicle for various financing activities of the City and the Agency. The funds of the Authority have been included in the governmental activities in the financial statements. Separate audited statements are also issued for the Authority and are available for review in the Pomona Public Library.

The Housing Authority of the City of Pomona (the Housing Authority) was organized pursuant to the State of California Health and Safety Code, Section 34242. The Housing Authority exists pursuant to adopted resolution No. 93-114 adopted June 7, 1993. Its purpose is to prepare and carry out plans for improvement to the unsanitary and unsafe inhabited dwelling accommodations that exist in the City of Pomona available to persons of low income at rentals they can afford. The City provides management assistance to the Housing Authority, and the members of the City Council also act as the governing body of the Housing Authority. The Housing Authority's financial data and transactions are blended with the nonmajor governmental funds.

This report includes all funds of the City of Pomona, California, and each of its component units. Component units are legally separate entities for which the primary government is financially accountable. The City provides full services to its residents, including public safety, land use planning and zoning, housing and economic development, building and safety regulation and inspection, water, sewer and refuse services, maintenance of parks, streets and related infrastructure, recreational activities and library services.

THE CITY OF POMONA

The City of Pomona is located at the southeast end of Los Angeles County and borders San Bernardino County's western boundary and is just five miles north of Orange County. Pomona has a population of 154,741 and covers an area of approximately 23 square miles. Pomona is a charter city and is governed by a mayor and six council members. Council members are elected by Council district with the mayor elected from the City at large. Each member of the Council is elected to a term of four years.

OUTLOOK FOR THE FUTURE

The City has adopted a budget for fiscal year 2003/04 that includes the use of reserves earned in recent years. This budget, once again, offers little opportunity for new or expanding programs. It is basically a no-growth budget prudently prepared to match expenditures with available resources in order to maintain the City's fiscal integrity.

The Redevelopment Agency continues its efforts to promote economic development activities to attract, retain and expand industrial and/or manufacturing businesses around the City.

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City 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. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal and state 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 the staff of the City. The City is required to undergo an annual single audit in

conformity with the provisions of the Single Audit Act, as amended in 1996, and the United States Office of Management and Budget Circular A-133. The results of the City's single audit for the fiscal year ended June 30, 2003 is published under a separate cover.

Budgetary Controls. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. The legal level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is at the fund level. For budgeting purposes, the General Fund is composed of several departments while all other budgeted funds are each considered to be a single department. The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control; however, all operating encumbrances lapse at year end unless specifically approved by City Council resolution.

OTHER INFORMATION

Risk Management. The City of Pomona maintains a self-insurance program to provide for general liability, workers' compensation and unemployment benefits claims. These activities are accounted for as an Internal Service Fund, which is a proprietary fund type. The fund revenues are primarily premium charges to other funds.

Independent Audit. The accounting firm of McGladrey and Pullen was selected to perform the annual independent audit. The annual audit is designed to meet the requirements of 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 the Federal Single Audit Act of 1996, as amended, and related OMB Circular A-133. The auditors' report on the basic financial statements is included in the financial section of this report. The auditors' report related specifically to the single audit is included in a separate Single Audit Report.

Certificate of Achievement. 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 Pomona for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002. The City of Pomona has received a Certificate of Achievement for the last ten consecutive years (1993-2002). The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for consideration.

Additional Information. For additional information, please refer to the Management's Discussion and Analysis in the Introductory Section of this report. This discussion and analysis of the City of Pomona's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Acknowledgments. The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire Finance Department staff. Special recognition is given to all the Accounting division staff and our City auditors for their services in the coordination and preparation of this year's report.

In closing, without the leadership and support of the City Council, preparation of this report would not have been possible.

Respectfully submitted,

A handwritten signature in cursive script that reads "Paula Chamberlain".

Paula Chamberlain
Finance Director

CITY OF POMONA
Certificate of Achievement

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 Pomona for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. 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 Pomona has received a Certificate of Achievement for the last ten consecutive years (fiscal years ended 1993-2002) We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for consideration.

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Pomona,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

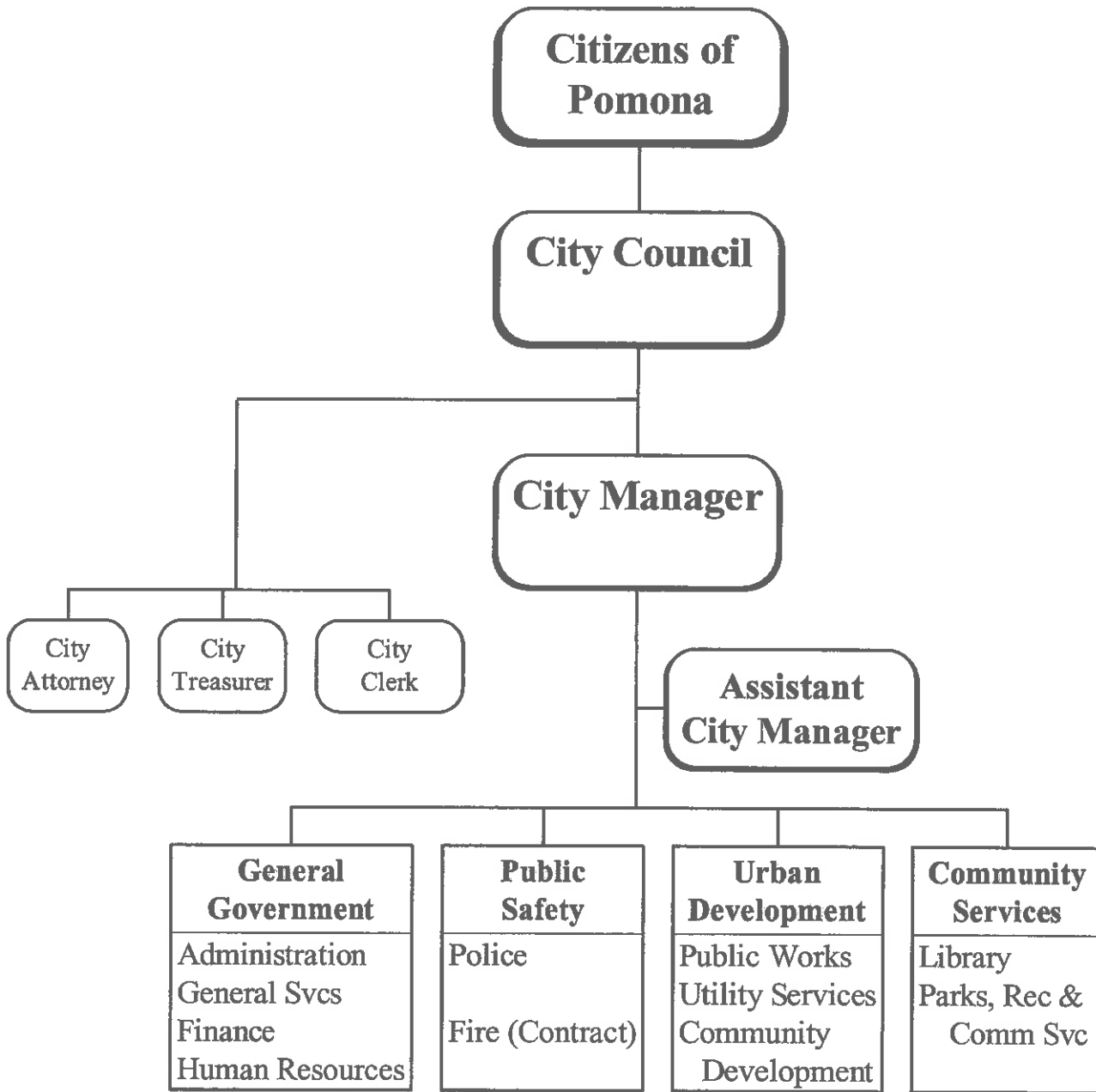
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

Organizational Chart



CITY OF POMONA
DIRECTORY OF CITY OFFICIALS

CITY COUNCIL

Edward Cortez
Mayor

George Hunter
Councilmember
District 1

Marco Robles
Councilmember
District 2

Daniel Rodriguez
Councilmember
District 3

Paula Lantz
Councilmember
District 4

Elliott Rothman
Councilmember
District 5

Norma J. Torres
Councilmember
District 6

APPOINTED ADMINISTRATIVE OFFICIALS

City Manager Douglas Dunlap
City Attorney Arnold Alvarez-Glasman
City Clerk Elizabeth Villeral
City Treasurer Douglas Peterson

DEPARTMENT DIRECTORS

Assistant City Manager Robert Gutierrez
Community Development Rick Gomez
Finance Paula Chamberlain
Fire Chief (Los Angeles County) Fidel (John) Nieto
Human Resources Miles Crafton
Library Greg Shapton
Parks, Recreation, & Community Services Jeff Porter
Police Chief James Lewis
Public Works Chris Vogt
Utility Services Henry Pepper

FINANCIAL SECTION

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

The Honorable Mayor and Members
of the City Council
City of Pomona
Pomona, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pomona, California, (the City), as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 in the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2003 on our consideration of the City of Pomona's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and supplementary budgetary comparison schedules on pages 3 to 11 and 59 to 61, respectively, are not a required part of the basic financial statements but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Pomona's basic financial statements. The accompanying combining nonmajor fund financial statements, schedules of revenues and expenditures—budget and actual, combining internal service fund financial statements and combining fiduciary statements listed as supplemental information in the table of contents are presented for purposes of additional analysis, are not a required part 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 letter of transmittal and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

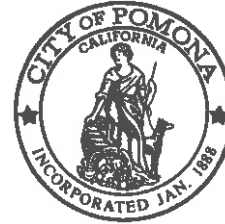
McGladrey & Pullen, LLP

Irvine, California
December 5, 2003

THE CITY OF POMONA

PAULA CHAMBERLAIN
Finance Director

Finance Department



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2003

This discussion and analysis of the City of Pomona's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$130.9 million. Of this amount, \$29.5 million may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$110.4 million.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2.6 million, or approximately 5% of total general fund expenditures.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Pomona (City) and its component units using the integrated approach as prescribed by GASB Statement No. 34.

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 present governmental activities and business-type activities separately. These statements include all assets of the City, except for the City's infrastructure, which the City is currently accumulating the data for inclusion in its financial report within the next three years. All liabilities of the City (including long-term debt) are also included in these statements. Additionally, certain eliminations have occurred as prescribed by the Statement in regards to interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the two categories of activities—governmental and business-type. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

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

The Statement of Net Assets and the Statement of Activities

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 revenue 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.

In the Statement of Net Assets and the Statement of Activities, we separate the City activities as follows:

Government activities—Most of the City's basic services are reported in this category, including General Services, Police, Fire, Public Works, Redevelopment, Parks, Recreation and Community Services and the Library. Property taxes, sales taxes, utility taxes, franchise fees, interest income and other state and federal funds finance these activities

Business-type activities—The City charges a fee to customers to cover the services it provides. The City's Water system, Sewer system and Refuse operations are reported in this category.

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant 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 grants and other money.

Governmental funds—Most of the City's basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *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 to determine whether there are more or fewer resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund statements to those in the Government-wide financial statements are explained in a reconciliation schedule following each Governmental Fund financial statement.

Proprietary funds—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Activities and the Statement of Revenues, Expenses and Changes in Fund Net Assets. In fact, the City's enterprise funds are the same as the business-type activities reported in the Government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide services for the City's other programs and activities, such as the City's self-insurance and equipment maintenance funds. The internal service funds are reported with governmental activities in the Government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*, including budgetary comparison schedules for the general fund and each major special revenue fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the net assets for the City as a whole are \$130.9 million at June 30, 2003. Program expenses by function, general revenues by major source and other changes in and total net assets are presented in the Statement of Activities.

CITY OF POMONA

Management's Discussion and Analysis, continued
 Year Ended June 30, 2003

The City's combined Net Assets (in millions) for fiscal year ended June 30, 2003 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 145.6	\$ 148.0	\$ 63.5	\$ 67.8	\$ 209.1	\$ 215.8
Capital assets	122.5	113.0	88.0	78.9	210.5	191.9
Total assets	\$ 268.1	\$ 261.0	\$ 151.5	\$ 146.7	\$ 419.6	\$ 407.7
Other liabilities	\$ 20.0	\$ 10.8	\$ 8.6	\$ 8.1	\$ 28.6	\$ 18.9
Long-term liabilities outstanding	192.6	196.5	67.5	66.7	260.1	263.2
Total liabilities	\$ 212.6	\$ 207.3	\$ 76.1	\$ 74.8	\$ 288.7	\$ 282.1
Net assets:						
Invested in capital assets, net of related debt	\$ 50.2	\$ (43.5)	\$ 51.2	\$ 75.4	\$ 101.4	\$ 31.9
Restricted	69.6	93.8	-	-	69.6	93.8
Unrestricted	(64.3)	3.4	24.2	(3.0)	(40.1)	0.4
Total net assets	\$ 55.5	\$ 53.7	\$ 75.4	\$ 72.4	\$ 130.9	\$ 126.1

The City's programs for governmental activities include General Government, Police, Fire, Public Works, Urban Development, Parks, Recreation and Community Services and Library. The programs for the business-type activities include water utilities, sewer, and refuse operations. A comparison of each program's revenues and expenses (in millions) for the current year is presented below.

CITY OF POMONA

Management's Discussion and Analysis, continued
 Year Ended June 30, 2003

City of Pomona Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	\$ 19.9	\$ 9.5	\$ 29.8	\$ 28.7	\$ 49.7	\$ 38.2
Operating grants and contributions	15.6	12.4	0.1	-	15.7	12.4
Capital grants and contributions	9.0	12.7	0.2	0.2	9.2	12.9
General revenues:						
Taxes:						
Property taxes	29.9	27.6	-	-	29.9	27.6
Sales and use taxes	15.7	11.4	-	-	15.7	11.4
Utility users' tax	16.5	15.9	-	-	16.5	15.9
Transient occupancy	1.3	1.4	-	-	1.3	1.4
Franchises	2.0	2.3	-	-	2.0	2.3
Other taxes	10.5	12.8	-	-	10.5	12.8
Income from property and investment	11.1	1.5	2.2	1.6	13.3	3.1
Gain on sale of capital assets	-	14.8	-	0.8	-	15.6
Other general revenues	-	2.0	-	-	-	2.0
Miscellaneous	3.5	-	0.2	0.9	3.7	0.9
Total revenues	135.0	124.3	32.5	32.2	167.5	156.5
Expenses:						
General government	20.6	21.6	-	-	20.6	21.6
Public safety	54.0	43.2	-	-	54.0	43.2
Community services	11.2	7.2	-	-	11.2	7.2
Urban development	30.1	30.6	-	-	30.1	30.6
Interest on long-term debt	17.2	18.4	-	-	17.2	18.4
Water	-	-	21.7	21.6	21.7	21.6
Sewer	-	-	1.6	2.4	1.6	2.4
Refuse	-	-	6.3	5.8	6.3	5.8
Total expenses	133.1	121.0	29.6	29.8	162.7	150.8
Increase in net assets before transfers	1.9	3.3	2.9	2.4	4.8	5.7
Transfers	(0.1)	1.1	0.1	(1.1)	-	-
Increase (decrease) in net assets	1.8	4.4	3.0	1.3	4.8	5.7
Net assets at beginning of year	53.7	49.3	72.4	71.1	126.1	120.4
Net assets 6/30/03	\$ 55.5	\$ 53.7	\$ 75.4	\$ 72.4	\$ 130.9	\$ 126.1

BUSINESS-TYPE ACTIVITIES

The cost of all Proprietary (Business-type) activities this year was \$29.7 million. As shown in the Statement of Activities and Changes in Net Assets, the amounts paid by users of the systems was \$29.8 million, and grants and contributions were \$0.4 million. Investment earnings were \$2.2 million and miscellaneous revenue was \$0.2 million.

Total resources available during the year to finance Proprietary Fund (Business-type) activities were \$105.0 million consisting of Net Assets at July 1, 2002 of \$72.4 million, program revenues of \$30.1 million and general revenues of \$2.4 million. Total Proprietary Fund (Business-type) activities during the year were \$29.7 million; thus net assets were increased by \$2.9 million to \$75.3 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The fund balance at year end for the City's General Fund of \$9.3 million is an overall increase of \$0.2 million, which is the result of increases in various revenues offset by decreases in other areas.

The Low- and Moderate-income Housing Fund shows an increase of \$0.6 million from the prior year, which is a direct result of an anticipated use of reserves offset by an increase in revenues.

The General Debt Service Funds show an increase of \$1.2 million.

The Public Financing Authority Debt Service Funds show a decrease of \$2.1 million primarily due to a change in the accounting treatment of the debt service for various bond issues due to the implementation of GASB 34.

The Redevelopment Agency Debt Service Funds show an increase of \$1.4 million primarily due to the transfer of funds from the Redevelopment Capital Projects Fund to provide funds for ongoing debt service obligations in the Mountain Meadows project area.

The Redevelopment Agency Capital Project Funds show a decrease of \$5.5 million primarily due to a loss on the sale of land, implementation of a business assistance loan program and ongoing capital improvement projects.

The \$0.1 million decrease in the Other Governmental Funds was primarily due to a \$1.6 million increase in the Proposition C Fund that is earmarked for the Mission/71 interchange project as well as a \$0.7 increase in the Proposition A Fund offset by decreases in the Capital Outlay Fund of \$1.9 million and in the State Gas Tax Fund of \$0.5 as a result of expenditures for various capital projects.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Pomona and its component units (City of Pomona Redevelopment Agency and City of Pomona Public Financing Authority) had total long-term debt outstanding of \$269.6 million.

During the year, the City of Pomona Public Financing Authority issued \$15.2 million of revenue bonds to finance improvements to the sewer enterprise and to refund the Authority's 1996 revenue bonds.

CITY OF POMONA

Management's Discussion and Analysis, continued
Year Ended June 30, 2003

The City of Pomona also entered into new lease agreements totaling \$2.7 million for the replacement of the City's telephone system and various equipment for the Police Department. The terms of the new leases range from three to five years. In addition, several existing leases were refinanced at reduced interest rates.

Additional information on the City of Pomona's long-term debt can be found in Note 6 on pages 41-49 of this report.

	Governmental Activities	Business-type Activities	Total
Bonds	\$ 137,717,449	\$ 65,915,000	\$ 203,632,449
Certificates of participation	7,920,000	-	7,920,000
HUD Section 108 loan	1,500,000	-	1,500,000
Participation agreement	1,090,187	-	1,090,187
LA County deferred tax loan	18,032,542	-	18,032,542
Special assessment debt	11,240,000	-	11,240,000
Claims payable	10,712,384	-	10,712,384
Compensated absences	5,932,869	783,302	6,716,171
Erskine note payable	231,431	-	231,431
Obligations under capital lease	5,366,324	3,186,059	8,552,383
Total	\$ 199,743,186	\$ 69,884,361	\$ 269,627,547

CASH MANAGEMENT

To obtain flexibility in cash management, the City employs a pooled cash system (reference Note 2 in the Notes to the Basic Financial Statements). Under the pooled cash concept, the City invests the cash of all funds with maturities planned to coincide with cash needs. Idle cash is invested in certain eligible securities as constrained by law and further limited by the City's Investment Policy. The goals of the City's Investment Policy are safety, liquidity and yield.

CITY OF POMONA

Management's Discussion and Analysis, continued
 Year Ended June 30, 2003

CAPITAL ASSETS

The capital assets of the City are those assets which are used in the performance of the City's functions including infrastructure assets. At June 30, 2003, net capital assets of the governmental activities totaled \$122.5 million and the net capital assets of the business-type activities totaled \$88.0 million. Depreciation on capital assets is recognized in the Government-wide financial statements.

Description	Original Cost	Accumulated Depreciation	Book Value
Capital Assets, Governmental Activities			
Land	\$ 70,601,615	\$ -	\$ 70,601,615
Buildings and improvements	14,595,737	6,722,119	7,873,618
Improvements other than buildings	30,170,066	6,082,988	24,087,078
Machinery and equipment	5,871,672	3,251,338	2,620,334
Autos and trucks	5,886,019	4,148,839	1,737,180
Equipment under capital leases	7,462,833	5,873,417	1,589,416
Infrastructure	2,223,726	18,854	2,204,872
Construction in progress	11,812,806	-	11,812,806
Total	\$ 148,624,474	\$ 26,097,555	\$ 122,526,919
Capital Assets, Business-type Activities			
Land and water rights	\$ 3,964,303	\$ -	\$ 3,964,303
Construction in progress	21,723,658	-	21,723,658
Buildings	107,427	17,219	90,208
Improvements other than buildings	3,832,009	2,488,888	1,343,121
Machinery and equipment	90,184,048	30,669,182	59,514,866
Autos and trucks	3,622,276	3,042,928	579,348
Equipment under capital leases	3,421,870	2,642,590	779,280
Total	\$ 126,855,591	\$ 38,860,807	\$ 87,994,784

Additional information on the City of Pomona's capital assets can be found in Note 5 on pages 38-40 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the fiscal year 2002-03 original (or adopted) budget of the General Fund of \$67.0 million to the final budget of \$67.1 million shows a net increase of \$0.1 million.

The increase in the budget was due to a correction to the appropriation for the After School Program offset by a transfer of funds from the Community Development Block Grant Fund.

ECONOMIC FACTORS

At the time of this writing, the State of California is facing record budget shortfalls in both the current and coming fiscal years, which many analysts expect will not be readily resolved without a fundamental realignment of State government policies and practices. In so doing, history has demonstrated that there will almost inevitably be a significant impact to the flow of moneys from Sacramento to various local governments, and that the City of Pomona may experience reductions in, or the elimination of, certain revenue streams now being received from the State. Although the magnitude of such changes is unknown at this time, there is valid reason to expect a considerable shift in both the sources and the amounts which will be received from the State, as a long-term solution to the current fiscal crisis is determined by the governor and the legislature.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, separate reports of the City's component units or need any additional financial information contact the City of Pomona Finance Department at P.O. Box 660, Pomona, California, 91769 or phone 909-620-2355.

City of Pomona, California

Statement of Net Assets
June 30, 2003

Assets	Governmental Activities	Business-type Activities	Total
Cash and Investments	\$ 39,603,714	\$ 21,376,555	\$ 60,980,269
Receivables			
Accrued interest	206,924	82,275	289,199
Accounts, net	1,638,589	8,047,825	9,686,414
Special assessment receivables	9,263,348	-	9,263,348
Internal Balances	358,757	(358,757)	-
Due from Other Governments	12,319,194	9,746	12,328,940
Inventory	479,614	217,212	696,826
Prepaid Items	523,810	-	523,810
Deferred Charges	-	1,788,756	1,788,756
Land Held for Resale	22,604,377	-	22,604,377
Loans Receivable	19,118,048	-	19,118,048
Restricted Cash and Investments	39,482,633	32,293,132	71,775,765
	<u>145,599,008</u>	<u>63,456,744</u>	<u>209,055,752</u>
Capital Assets			
Land and water rights	70,601,615	3,964,303	74,565,918
Buildings and improvements	14,595,737	107,427	14,703,164
Improvements other than buildings	30,170,066	3,832,009	34,002,075
Machinery and equipment	5,871,672	90,184,048	96,055,720
Autos and trucks	5,886,019	3,622,276	9,508,295
Infrastructure	2,223,726	-	2,223,726
Construction in progress	11,812,806	21,723,658	33,536,464
Equipment under capital leases	7,462,833	3,421,870	10,884,703
Less accumulated depreciation	(26,097,555)	(38,860,807)	(64,958,362)
Total capital assets (net of accumulated depreciation)	<u>122,526,919</u>	<u>87,994,784</u>	<u>210,521,703</u>
Total assets	<u>\$ 268,125,927</u>	<u>\$ 151,451,528</u>	<u>\$ 419,577,455</u>

See Notes to Financial Statements.

Liabilities	Governmental Activities	Business-type Activities	Total
Accounts Payable and Accrued Liabilities	\$ 4,234,646	\$ 3,278,731	\$ 7,513,377
Accrued Interest Payable	3,204,635	505,401	3,710,036
Due to Other Governments	1,161,823	-	1,161,823
Notes Payable	208,782	-	208,782
Deposits Payable	150,326	2,045,291	2,195,617
Retentions Payable	88,119	365,191	453,310
Deferred Revenue	3,756,106	19,449	3,775,555
Noncurrent Liabilities			
Due within one year	7,105,946	2,406,799	9,512,745
Due in more than one year	192,637,240	67,477,562	260,114,802
Total liabilities	212,547,623	76,098,424	288,646,047
Invested in Capital Assets, net of related debt	50,247,574	51,170,354	101,417,928
Restricted for:			
Community development	14,080,472	-	14,080,472
Public safety	4,600,924	-	4,600,924
Public works	11,470,604	-	11,470,604
Debt service	39,482,633	-	39,482,633
Unrestricted	(64,303,903)	24,182,750	(40,121,153)
Total net assets	\$ 55,578,304	\$ 75,353,104	\$ 130,931,408

City of Pomona, California

Statement of Activities
Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 20,586,309	\$ 9,534,912	\$ 3,774,093	\$ 4,090	\$ 13,313,095
Urban development	30,080,994	2,499,344	10,679,129	8,268,261	21,446,734
Public safety	54,029,511	2,271,919	906,161	502,277	3,680,357
Community Services	11,253,597	5,568,279	205,302	238,592	6,012,173
Interest on long-term debt	17,218,724	-	-	-	-
Total governmental activities	133,169,135	19,874,454	15,564,685	9,013,220	44,452,359
Business-type activities:					
Water	21,770,977	20,350,752	77,524	217,129	20,645,405
Sewer	1,649,229	2,519,070	-	-	2,519,070
Refuse	6,280,528	6,935,134	63,329	-	6,998,463
Total business-type activities	29,700,734	29,804,956	140,853	217,129	30,162,938
Total government	\$ 162,869,869	\$ 49,679,410	\$ 15,705,538	\$ 9,230,349	\$ 74,615,297

General revenues:

Taxes:

Property

Sales and use taxes

Utility Users tax

Transient occupancy taxes

Franchise

Motor vehicle in lieu

Other taxes

Income from property and investments

Gain (loss) on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

See Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (7,273,214)	\$ -	\$ (7,273,214)
(8,634,260)	-	(8,634,260)
(50,349,154)	-	(50,349,154)
(5,241,424)	-	(5,241,424)
(17,218,724)	-	(17,218,724)
(88,716,776)	-	(88,716,776)
-	(1,125,572)	(1,125,572)
-	869,841	869,841
-	717,935	717,935
-	462,204	462,204
(88,716,776)	462,204	(88,254,572)

29,915,221	-	29,915,221
15,647,492	-	15,647,492
16,492,851	-	16,492,851
1,348,863	-	1,348,863
1,980,304	-	1,980,304
8,866,986	-	8,866,986
1,624,406	-	1,624,406
11,130,241	2,206,094	13,336,335
144,553	(6,987)	137,566
3,523,822	140,860	3,664,682
(105,625)	105,625	-
90,569,114	2,445,592	93,014,706
1,852,338	2,907,796	4,760,134
53,725,966	72,445,308	126,171,274
\$ 55,578,304	\$ 75,353,104	\$ 130,931,408

City of Pomona, California

Balance Sheet—Governmental Funds
June 30, 2003

	General Fund	Low- and Moderate-income Housing	General Debt Service	Public Financing Authority Debt Service
Assets				
Assets				
Cash and investments	\$ 1,037,780	\$ 2,845,180	\$ 1,417,958	\$ 115,098
Receivables:				
Accrued interest	29,825	9,687	10,406	481
Accounts, net	840,750	701,713	-	-
Assessments	-	-	9,263,348	-
Due from other funds	463,037	171,480	-	-
Due from other governments	5,031,342	-	-	-
Inventory	155,261	-	-	-
Prepaid items	13,650	-	-	-
Restricted cash and investments	-	837,589	3,116,644	-
Loans receivable, net of allowance	800,000	5,072,066	-	-
Installment sales receivable	-	-	-	-
Advances to other funds	5,568,547	790,570	7,200,000	133,515,000
Property held for resale	-	3,383,758	-	-
Total assets	\$ 13,940,192	\$ 13,812,043	\$ 21,008,356	\$ 133,630,579
Liabilities				
Liabilities				
Accounts payable	\$ 867,443	\$ 57,597	\$ -	\$ -
Accrued liabilities	1,078,308	29,108	-	-
Due to other funds	-	-	-	-
Deposits payable	-	-	-	-
Retentions payable	-	-	-	-
Notes payable	-	-	-	-
Due to other governments	-	-	-	-
Advances from other funds	704,280	-	21,625,000	-
Deferred revenue	2,033,389	5,072,066	9,817,896	-
Total liabilities	4,683,420	5,158,771	31,442,896	-
Fund Balances				
Reserved for:				
Loans receivable	800,000	-	-	-
Property held for resale	-	3,383,758	-	-
Inventory	155,261	-	-	-
Prepaid items	13,650	-	-	-
Debt service	-	-	3,116,644	-
Advances to other funds	5,568,547	790,570	7,200,000	133,515,000
Low- and moderate-income housing	-	4,468,462	-	-
Encumbrances	113,427	10,482	2,168	9,000
Unreserved, designated for contingencies	2,605,887	-	-	-
Unreserved, undesignated (deficits):				
General	-	-	-	-
Special revenue	-	-	-	-
Debt service	-	-	(20,753,352)	106,579
Capital projects	-	-	-	-
Total fund balances (deficits)	9,256,772	8,653,272	(10,434,540)	133,630,579
Total liabilities and fund balances	\$ 13,940,192	\$ 13,812,043	\$ 21,008,356	\$ 133,630,579

See Notes to Financial Statements.

Redevelopment Agency Debt Service	Redevelopment Agency Capital Project	Other Governmental Funds	Total Governmental Funds
\$ 570,654	\$ 10,975,903	\$ 22,367,990	\$ 39,330,563
11,327	48,239	96,959	206,924
24,838	2,744	56,229	1,626,274
-	-	-	9,263,348
894	792,569	-	1,427,980
5,486,366	-	1,801,485	12,319,193
-	-	-	155,261
-	2,750	507,410	523,810
13,419,406	20,451,704	1,657,290	39,482,633
-	1,889,612	11,356,370	19,118,048
-	-	-	-
-	-	600,000	147,674,117
-	19,220,619	-	22,604,377
\$ 19,513,485	\$ 53,384,140	\$ 38,443,733	\$ 293,732,528

\$ 6,856	\$ 212,533	\$ 1,624,238	\$ 2,768,667
-	34,186	109,160	1,250,762
964,943	-	-	964,943
-	103,173	47,153	150,326
-	-	88,119	88,119
-	208,782	-	208,782
218,038	-	943,785	1,161,823
116,590,000	6,383,418	-	145,302,698
3,166,106	1,240,000	10,077,715	31,407,172
120,945,943	8,182,092	12,890,170	183,303,292

-	649,612	11,356,370	12,805,982
-	19,220,619	-	22,604,377
-	-	-	155,261
-	2,750	507,410	523,810
13,419,406	-	-	16,536,050
-	-	600,000	147,674,117
-	-	-	4,468,462
-	401,619	1,308,942	1,845,638
-	-	-	2,605,887
-	-	-	-
-	-	11,086,632	11,086,632
(114,851,864)	-	-	(135,498,637)
-	24,927,448	694,209	25,621,657
(101,432,458)	45,202,048	25,553,563	110,429,236
\$ 19,513,485	\$ 53,384,140	\$ 38,443,733	\$ 293,732,528

City of Pomona, California

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
For the Year Ended June 30, 2003

Total fund balances, governmental funds.	\$ 110,429,236
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	122,456,542
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	(3,204,635)
Revenues that are not available to pay current period expenditures are deferred in the funds.	27,651,066
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(12,931,961)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(188,821,944)
Net assets of governmental activities	<u>\$ 55,578,304</u>

See Notes to Financial Statements.

THIS PAGE IS INTENTIONALLY LEFT BLANK

City of Pomona, California

Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds
Year Ended June 30, 2003

	General Fund	Low- and Moderate-income Housing	General Debt Service	Public Financing Authority Debt Service
Revenues:				
Taxes	\$ 44,834,700	\$ -	\$ 1,109,396	\$ -
Special assessments	-	-	-	-
Intergovernmental	8,957,981	769,314	-	-
Charges for services	1,423,754	-	-	-
Fines and forfeitures	1,608,473	-	-	-
Licenses and permits	6,595,853	-	-	-
Income from property and investments	1,065,803	1,059,575	199,961	6,809,843
Miscellaneous	446,946	73,921	264,608	-
Total revenues	64,933,510	1,902,810	1,573,965	6,809,843
Expenditures:				
Current:				
General government	1,846,229	-	6,192	7,000
Public safety	46,889,903	-	-	-
Urban development	8,169,021	3,438,930	-	-
Community services	7,825,417	-	184,898	-
Capital outlay	131,013	-	-	-
Debt service:				
Principal retirement	1,328,041	107,619	275,000	1,835,000
Administrative charges	-	178,043	-	-
Pass-through payments	-	-	-	-
Interest and fiscal charges	284,713	24,697	1,976,621	7,072,391
Total expenditures	66,474,337	3,749,289	2,442,711	8,914,391
Excess (deficiency) of revenues over expenditures	(1,540,827)	(1,846,479)	(868,746)	(2,104,548)
Other financing sources (uses):				
Proceeds of loans and notes payable	-	57,123	-	-
Proceeds on sale of capital assets	-	166,486	-	-
Debt issuance costs	(22,000)	-	-	-
Transfers in	2,092,671	3,744,628	2,047,140	-
Transfers out	(366,201)	(1,563,116)	(18,713)	-
Total other financing sources (uses)	1,704,470	2,405,121	2,028,427	-
Net change in fund balances	163,643	558,642	1,159,681	(2,104,548)
Fund balances (deficits) at beginning of year	9,093,128	8,094,630	(11,594,220)	135,735,127
Fund balances (deficits) at end of year	\$ 9,256,771	\$ 8,653,272	\$ (10,434,539)	\$ 133,630,579

See Notes to Financial Statements.

Redevelopment Agency Debt Service	Redevelopment Agency Capital Project	Other Governmental Funds	Total Governmental Funds
\$ 18,726,227	\$ -	\$ -	\$ 64,670,323
-	-	1,229,393	1,229,393
3,100,000	-	20,617,596	33,444,891
-	-	41,807	1,465,561
-	-	568,248	2,176,721
-	-	337,575	6,933,428
776,883	721,805	1,084,624	11,718,494
271,000	196,074	1,440,087	2,692,636
22,874,110	917,879	25,319,330	124,331,447
-	-	869,201	2,728,622
-	-	2,541,398	49,431,301
1,129,461	6,198,238	16,812,452	35,748,102
-	-	3,197,175	11,207,490
-	144,021	3,290,586	3,565,620
852,323	161,431	5,174,794	9,734,208
-	-	-	178,043
7,931,767	-	-	7,931,767
6,461,981	16,054	397,512	16,233,969
16,375,532	6,519,744	32,283,118	136,759,122
6,498,578	(5,601,865)	(6,963,788)	(12,427,675)
717,280	310,255	6,838,060	7,922,718
-	-	-	166,486
-	-	-	(22,000)
1,468,116	3,682,947	5,152,602	18,188,104
(7,313,129)	(3,907,923)	(5,124,647)	(18,293,729)
(5,127,733)	85,279	6,866,015	7,961,579
1,370,845	(5,516,586)	(97,773)	(4,466,096)
(102,803,303)	50,718,634	25,651,336	114,895,332
\$ (101,432,458)	\$ 45,202,048	\$ 25,553,563	\$ 110,429,236

City of Pomona, California

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2003

Net change in fund balances, total governmental funds.	\$ (4,466,096)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period net of amounts transferred between categories.	12,275,273
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(2,683,393)
The issuance of long-term debt (e.g., bonds, leases) 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. Neither transaction, however, has any effect on net assets. 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,141,871
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	52,708
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,748,814
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue of the internal service funds is reported with governmental activities.	(6,216,839)
Change in net assets of governmental activities	<u>\$ 1,852,338</u>

See Notes to Financial Statements.

THIS PAGE IS INTENTIONALLY LEFT BLANK

City of Pomona, California

Statement of Net Assets—Proprietary Funds
June 30, 2003

Assets	Business-type Activities—Enterprise Funds				Governmental Activities— Internal Service Funds
	Water Utility	Sewer	Refuse	Totals	
Current Assets					
Cash and investments	\$ 11,154,457	\$ 6,768,060	\$ 3,454,038	\$ 21,376,555	\$ 273,152
Receivables:					
Accrued interest	40,654	28,878	12,743	82,275	-
Accounts, net	8,024,556	12,500	10,769	8,047,825	12,315
Due from other governments	9,746	-	-	9,746	-
Due from other funds	14,085	384,820	1,018,959	1,417,864	-
Inventory	217,212	-	-	217,212	324,353
Deferred charges	-	1,788,756	-	1,788,756	-
Total current assets	19,460,710	8,983,014	4,496,509	32,940,233	609,820
Noncurrent Assets					
Restricted assets, cash and investments	27,043,557	5,249,575	-	32,293,132	-
Advances to other funds	104,280	-	-	104,280	-
	27,147,837	5,249,575	-	32,397,412	-
Capital assets:					
Property and equipment	86,289,246	15,495,187	3,347,500	105,131,933	257,501
Construction in progress	14,605,299	7,118,359	-	21,723,658	-
Less accumulated depreciation	(31,506,035)	(4,489,712)	(2,865,060)	(38,860,807)	(187,124)
Total capital assets (net of accumulated depreciation)	69,388,510	18,123,834	482,440	87,994,784	70,377
Total noncurrent assets	96,536,347	23,373,409	482,440	120,392,196	70,377
Total assets	\$ 115,997,057	\$ 32,356,423	\$ 4,978,949	\$ 153,332,429	\$ 680,197

See Notes to Financial Statements.

Liabilities	Business-type Activities—Enterprise Funds				Governmental
	Water Utility	Sewer	Refuse	Totals	Activities— Internal Service Funds
Current Liabilities					
Accounts payable	\$ 2,652,186	\$ 18,680	\$ 300,576	\$ 2,971,442	\$ 168,054
Accrued liabilities	234,027	12,136	61,126	307,289	47,163
Accrued interest	449,956	55,384	61	505,401	-
Due to other funds	1,866,816	3,861	10,224	1,880,901	-
Compensated absences	596,994	58,274	128,034	783,302	198,262
Claims payable, current portion	-	-	-	-	2,200,000
Obligation under long-term debt, current portion	935,000	165,000	-	1,100,000	-
Obligation under capital leases, current portion	312,223	201,151	10,123	523,497	8,446
Retentions payable	365,191	-	-	365,191	-
Deposits payable	2,045,291	-	-	2,045,291	-
Deferred revenue	-	19,449	-	19,449	-
Total current liabilities	9,457,684	533,935	510,144	10,501,763	2,621,925
Noncurrent Liabilities					
Claims payable, long-term portion	-	-	-	-	8,512,384
Obligation under long-term debt, long-term portion	50,195,000	14,620,000	-	64,815,000	-
Obligation under capital leases, long-term portion	2,608,792	51,193	2,577	2,662,562	2,150
Advances from other funds	-	-	-	-	2,475,699
Total noncurrent liabilities	52,803,792	14,671,193	2,577	67,477,562	10,990,233
Total liabilities	62,261,476	15,205,128	512,721	77,979,325	13,612,158
Net Assets					
Invested in capital assets, net of related debt	66,467,495	17,871,490	469,740	84,808,725	59,781
Unrestricted (deficit)	(12,731,914)	(720,195)	3,996,488	(9,455,621)	(12,991,742)
Total net assets (deficit)	\$ 53,735,581	\$ 17,151,295	\$ 4,466,228	\$ 75,353,104	\$ (12,931,961)

City of Pomona, California

Statement of Revenues, Expenditures and Changes in Net Assets—Proprietary Funds
Year Ended June 30, 2003

	Business-type Activities—Enterprise Funds				Governmental Activities— Internal Service Funds
	Water Utility	Sewer	Refuse	Totals	
Operating revenues:					
Charges for services	\$ 20,350,752	\$ 2,519,070	\$ 6,935,134	\$ 29,804,956	\$ 8,069,351
Miscellaneous	191,478	84	90,151	281,713	831,186
Total operating revenues	20,542,230	2,519,154	7,025,285	30,086,669	8,900,537
Operating expenses:					
Personnel services	4,240,609	485,986	1,970,536	6,697,131	1,660,042
Operations	12,876,473	785,438	4,128,145	17,790,056	2,123,361
Claims expense	-	-	-	-	10,291,164
Depreciation	2,349,453	266,510	180,401	2,796,364	52,427
Insurance	-	-	-	-	992,128
Total operating expenses	19,466,535	1,537,934	6,279,082	27,283,551	15,119,122
Operating income (loss)	1,075,695	981,220	746,203	2,803,118	(6,218,585)
Nonoperating revenues (expenses):					
Interest income	1,493,166	222,712	54,591	1,770,469	1,746
Interest expense and fees	(2,304,442)	(111,295)	(1,446)	(2,417,183)	-
Sale of land and capital items	9,408	(16,792)	397	(6,987)	-
Sale of surplus water	435,625	-	-	435,625	-
Total nonoperating revenues (expenses)	(366,243)	94,625	53,542	(218,076)	1,746
Income before transfers and contributions	709,452	1,075,845	799,745	2,585,042	(6,216,839)
Transfers in	100,000	1,055,839	-	1,155,839	-
Transfers out	(633,214)	(417,000)	-	(1,050,214)	-
Capital contributions	217,129	-	-	217,129	-
Change in net assets	393,367	1,714,684	799,745	2,907,796	(6,216,839)
Total net assets (deficit) at beginning of year	53,342,214	15,436,611	3,666,483	72,445,308	(6,715,122)
Total net assets (deficit) at end of year	\$ 53,735,581	\$ 17,151,295	\$ 4,466,228	\$ 75,353,104	\$ (12,931,961)

See Notes to Financial Statements.

City of Pomona, California

Statement of Cash Flows—Proprietary Funds
Year Ended June 30, 2003

	Business-type Activities—Enterprise Funds				Governmental Activities— Internal Service Funds
	Water Utility	Sewer	Refuse	Totals	
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 20,711,268	\$ 737,263	\$ 6,939,247	\$ 28,387,778	\$ 8,057,036
Payments to suppliers	(12,983,512)	(2,179,479)	(4,028,379)	(19,191,370)	(3,058,823)
Payments to employees	(4,196,949)	(488,081)	(1,968,149)	(6,653,179)	(1,676,460)
Claims paid	-	-	-	-	(5,912,665)
Other receipts (payments)	293,205	84	90,151	383,440	868,209
Net cash provided by (used in) operating activities	3,824,012	(1,930,213)	1,032,870	2,926,669	(1,722,703)
Cash Flows from Noncapital Financing					
Transfers in	108,163	3,853,106	72,313	4,033,582	1,790,815
Transfers out	(766,010)	(3,177,881)	(689)	(3,944,580)	-
Net cash provided by (used in) noncapital related financing activities	(657,847)	675,225	71,624	89,002	1,790,815
Cash Flows from Capital and Related Financing Activities					
Purchases of capital assets	(10,101,219)	(1,497,094)	(19,613)	(11,617,926)	(19,194)
Sale of land and capital items	445,033	-	20,010	465,043	1,495
Principal paid on capital debt	(1,039,388)	(10,978,592)	(9,490)	(12,027,470)	(7,919)
Proceeds of debt	-	15,205,000	-	15,205,000	-
Interest and other fees paid	(2,375,774)	(150,025)	(1,533)	(2,527,332)	-
Net cash provided by (used in) capital and related financing activities	(13,071,348)	2,579,289	(10,626)	(10,502,685)	(25,618)
Cash Flows from Investing Activities, interest on investments					
Net increase (decrease) in cash and cash equivalents	1,510,888	244,780	57,340	1,813,008	1,746
Net increase (decrease) in cash and cash equivalents	(8,394,295)	1,569,081	1,151,208	(5,674,006)	44,240
Cash and Cash Equivalents at Beginning of Year					
	46,592,309	10,448,554	2,302,830	59,343,693	228,912
Cash and Cash Equivalents at End of Year	\$ 38,198,014	\$ 12,017,635	\$ 3,454,038	\$ 53,669,687	\$ 273,152

See Notes to Financial Statements.

City of Pomona, California

Statement of Cash Flows—Proprietary Funds, Continued
Year Ended June 30, 2003

	Business-type Activities—Enterprise Funds				Governmental Activities— Internal Service Funds
	Water Utility	Sewer	Refuse	Totals	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income	\$ 1,075,695	\$ 981,220	\$ 746,203	\$ 2,803,118	\$ (6,218,585)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	2,349,453	266,510	180,401	2,796,364	52,427
(Increase) decrease in receivables	378,238	(12,500)	4,113	369,851	(12,315)
Decrease in inventory	39,628	-	-	39,628	101,094
Increase (decrease) in accrued liabilities and accounts payable	3,904	(1,396,136)	102,153	(1,290,079)	(23,823)
(Increase) in due from other funds (and transfers in/out)	(124,633)	-	-	(124,633)	-
Increase in claims payable	-	-	-	-	4,378,499
Increase in deposits payable	101,727	-	-	101,727	-
Increase in deferred revenue	-	19,449	-	19,449	-
(Increase) in deferred charges	-	(1,788,756)	-	(1,788,756)	-
Net cash provided by (used in) operating activities	\$ 3,824,012	\$ (1,930,213)	\$ 1,032,870	\$ 2,926,669	\$ (1,722,703)
Noncash Capital Financing Activities, contributed capital assets					
	\$ 217,129	\$ -	\$ -	\$ 217,129	\$ -
Reconciliation of Cash and Cash Equivalents to Amounts Reported on the Balance Sheet					
Cash and investments	\$ 11,154,457	\$ 6,768,060	\$ 3,454,038	\$ 21,376,555	\$ 273,152
Restricted assets, cash and investments	27,043,557	5,249,575	-	32,293,132	-
Cash and Cash Equivalents at End of Year	\$ 38,198,014	\$ 12,017,635	\$ 3,454,038	\$ 53,669,687	\$ 273,152

See Notes to Financial Statements.

City of Pomona, California

Statement of Fiduciary Net Assets—Agency Funds
June 30, 2003

Assets

Cash and Investments	\$ 4,136,302
Accrued Interest Receivable	5,637
Accounts Receivable	5,074
Due from Other Governments	1,165
Total assets	\$ 4,148,178

Liabilities

Accounts Payable	\$ 965,672
Deposits Payable	1,611,172
Due to Bondholders	1,571,334
Total liabilities	\$ 4,148,178

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

The City of Pomona, California, (Pomona or the City) was incorporated in 1888 as a "Charter Law" City under the laws of the State of California. The City operates under the Council-Manager form of government. The City principally provides general administrative services; public safety services; street, highway and bridge repairs and maintenance; and water and sanitation services.

The accounting policies of Pomona and its component units conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

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

Based upon the above criteria, the component units of the City are the Housing Authority of the City of Pomona (the Housing Authority), the City of Pomona Public Financing Authority (the Authority) and the Redevelopment Agency of the City of Pomona (the Agency).

Since the City Council and/or other City officials serve as the Governing Board for these component units, all of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units is reported with the interfund data of the primary government. Only the Authority and the Agency issue separate component unit financial statements. Upon their completion, the financial statements of these component units can be obtained from the Finance Department.

Government-wide and fund financial statements: The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City and its blended component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to 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 restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly classified as program revenues are reported 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 and major individual enterprise funds are reported in separate columns in the fund financial statements.

Note 1. Summary of Significant Accounting Policies, Continued

The City reports the following major governmental funds:

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

The **Low- and Moderate-income Housing Fund** is a special revenue fund that accounts for monies received and expended to assist low- and moderate-income households.

The **General Debt Service Fund** accounts for the payment of interest and principal on debt incurred by the City.

The **Pomona Public Financing Authority Debt Service Fund** accounts for the payment of interest and principal on the local agency revenue bonds, notes payable and other debt of the Authority.

The **Redevelopment Agency Debt Service Fund** accounts for tax increment and investment revenue and for the payment of interest and principal on the tax allocation bonds, loans payable, participation agreements and other debt of the Agency.

The **Redevelopment Agency Capital Project Fund** accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The City reports the following major enterprise funds:

The **Water Utility Enterprise Fund** accounts for activities associated with the distribution and transmission of potable water to users.

The **Sewer Enterprise fund** is used to account for the operation and maintenance of the City's sewer network and the removal of graffiti.

The **Refuse Enterprise Fund** accounts for activities associated with refuse collection, curbside collection of recycling materials, sweeping of streets and abatement of weeds.

Additionally, the City reports the following fund types:

The **Internal Service funds** account for the maintenance and repair of City vehicles and equipment, risk management, general liability and workers' compensation services provided to other departments or agencies of the City.

The City's fiduciary fund types are agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The **Agency funds** account for assets held by the City for other funds, governments or individuals. These funds include receipts and disbursements of funds for the debt service activity to the 1911 Act assessment districts, cash deposits collected for street and sidewalk encroachment permits, debt service activity related to debt without government commitment for various assessment district improvements, cash guarantees (deposits) collected by the City for various construction improvement projects, deposits of miscellaneous, self-supporting City projects, payment of various employee benefits and deductions, including, but not limited to, health and dental insurance premiums, federal and state withholding taxes, life insurance and other withholdings from regular compensation.

Note 1. Summary of Significant Accounting Policies, Continued

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 a liability is incurred, regardless of the timing of related cash flows. Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources, such as taxes, are reported as general revenues rather than as program revenues.

Net assets are reported as restricted when constraints placed on their use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through local enabling legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of 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 a liability is incurred, as under accrual accounting. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Revenues that are accrued generally include real property taxes, sales tax, transient occupancy taxes, franchise taxes, vehicle license fees, highway users tax, interest, and some state and federal grants.

Real property taxes are levied for the period from July 1 to June 30 against property owners of record on January 1. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01 a.m. on the first day of January in the fiscal year for which the taxes are levied. Under the provisions of NCGA Interpretation 3, property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the fiscal year, in the fund financial statements.

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 City's proprietary funds are charges to customers for sales and services. The City also recognizes as operating revenue for new account charges, late fees and contributions from other agencies. Operating expenses for enterprise and internal service funds include the cost of sales and services, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and Proprietary Fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected to follow the standards set by the GASB as opposed to subsequently issued private-sector guidance. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Note 1. Summary of Significant Accounting Policies, Continued

Budgetary data: The budget is prepared by the executive director in accordance with Municipal Code Sections 1103 through 1107 and adopted by the Board of Directors. Public hearings are held prior to its adoption. All appropriations lapse at fiscal year end. The Board of Directors has the legal authority to amend the budget at any time during the fiscal year. The executive director is authorized to make budget transfers within departments.

The budget is legally adopted for the special revenue (low- and moderate-income housing), debt service and capital projects funds on a basis which does not differ materially from accounting principles generally accepted in the United States of America. The Board of Directors can revise the budget periodically during the year when deemed necessary.

Cash and investments: Cash includes amounts in demand and time deposits. Investments are reported in the accompanying balance sheet at fair value, except for certain money market and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as income from property and investments reported for that fiscal year. Income from property and investments includes interest earnings; changes in fair value; any gains or losses realized upon the liquidation, maturity or sale of investments; property rentals and the sale of City-owned property.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds on a monthly basis, based on each fund's average cash and investments balance, except for investment income associated with funds not legally required to receive pooled investment income which has been assigned to and recorded as revenue of the General Fund, as provided by California Government Code Section 53647.

Restricted cash and investments represent amounts that are restricted under the terms of debt agreements.

Property taxes: Incremental property tax revenues are established pursuant to California Community Redevelopment Law and result from the excess of taxes levied and collected each year in designated project areas over and above the amount which would have been produced, at current rates, by the assessed value as shown on the last equalized property tax assessment roll prior to the effective date of the ordinance establishing the designated project areas.

Loans receivable: Loans receivable at June 30, 2003 are comprised of a revolving line of credit with Tri-City in the amount of \$800,000 and loans to residents and developers of \$18,318,048, consisting of \$5,072,066 of monies provided to low- and moderate-income residents in the City for home improvements or mortgage assistance, \$1,889,612 for loans to developers under various owner participation agreements and \$11,356,370 in deferred home loans for housing rehabilitation projects.

Property for resale: Land held for resale is valued at the lower of cost or estimated net realizable value. The amount of land held for resale outstanding at June 30, 2003 was \$22,604,377.

Unbilled services: Unbilled water revenue of the enterprise funds is recognized as earned when the water is consumed.

Note 1. Summary of Significant Accounting Policies, Continued

Inventories and prepaid items: Inventories consist of materials and supplies that are valued at cost and are recorded as expenses or expenditures on a first-in first-out basis when consumed.

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

Capital assets: Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., roads, bridges, traffic signals and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized.

Costs associated with construction in progress are recorded in their respective fixed asset category upon approval by the City Council, which approximates the completion date.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. The estimated useful lives of depreciable assets are as follows:

	<u>Years</u>
Autos and trucks	3-5
Buildings and improvements	30-50
Improvements other than buildings	30-80
Machinery and equipment	10
Infrastructure	10-50
Leasehold improvements	30-50

During the years ended June 30, 2003 and 2002, the City capitalized general infrastructure assets acquired during the years. No retroactive infrastructure assets have been capitalized prior to July 1, 2001. As per GASB Statement No. 34, the City has until its year ended June 30, 2006 to record its retroactive general infrastructure assets.

Compensated absences: Vacation and sick leave pay are payable to employees at the time used or upon termination of employment. All vacation and sick leave pay are accrued when incurred in the government-wide level, proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured or will be paid from available resources of the current period. For proprietary funds, the cost of vacation is recorded as a liability when earned. For compensated absences recorded at June 30, 2003, all balances are not expected to be paid within the following 12 months.

Risk management: The City accounts for its general liability, unemployment insurance and workers' compensation activities in its self-insurance internal service fund. The fund is responsible for collecting premiums from other City funds and departments and paying claims settlements and insurance premiums. Interfund premiums are based on the insured fund's claims experience. Incurred but not reported claims are accrued at year end, if material.

Note 1. Summary of Significant Accounting Policies, Continued

Deferred revenue: The deferred revenue reported in the City's financial statements represents money received during the current or previous fiscal years that has not been earned by, or is not available to, the City as of the end of the fiscal year. These monies will be recognized as revenues in subsequent fiscal years, once the revenue has been earned. In addition, deferred revenue on the entity-wide financial statements includes monies received in advance from the fiscal agent on the amounts deposited in the reserve funds for 1998 Refunding Revenue Bonds, Series W and amounts received from the Pomona Unified School District (PUSD) on the proposed sale of vacant land (see Note 14). The City will recognize the interest received in advance as revenue, using the interest method over the term of the bonds. The City recognizes amounts received from the PUSD upon the actual sale of the land.

Interfund transactions: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (short-term interfund loans) or "advances to/from other funds" (long-term interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

Receivables: All trade, service and tax receivables are shown net of an allowance for uncollectible amounts.

Long-term obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund equity: In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans and are subject to change.

Net assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

Use of restricted/unrestricted net assets: When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the policy is to apply restricted net assets first.

Note 1. Summary of Significant Accounting Policies, Continued

Unrestricted net assets: The City's unrestricted net assets are in a deficit position for business-type activities primarily because long-term debt is in excess of assets owned. The City issues debt for construction and/or acquisition of assets.

GASB Statement No. 39: Beginning with the fiscal year ending June 30, 2004, the City will be adopting the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. Accordingly, the Agency will consider the effects of this Statement when determining whether certain organizations should be reported as component units.

GASB Statement No. 40: Beginning with the fiscal year ending June 30, 2005, the City will be adopting the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This Statement amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* to address common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair value that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this Statement also should be disclosed. Accordingly, the Commission has not yet revised the cash and investments footnote disclosure to conform to the provisions of GASB Statement No. 40.

Note 2. Cash and Investments

Cash resources of the individual funds are combined to form a pool of cash and investments. The City values all of its cash and invested cash at fair value on a portfolio basis. The City manages its pooled idle cash and investments under a formal investment policy that is reviewed by the Investment Committee and adopted annually by the City Council, and that follows the guidelines of the California Government Code. Individual investments cannot be identified with any single fund because the City may be required to liquidate its investments at any time to cover large cash outlays required in excess of normal operating needs. Funds must request large outlays in advance in order that the City Treasurer will have the funding available.

City of Pomona, California

Notes to Financial Statements

Note 2. Cash and Investments, Continued

The carrying amounts of the City's cash and investments at June 30, 2003 are as follows:

Unrestricted cash and investments:	
Cash and deposits	\$ 2,382,300
Petty cash	9,181
Total unrestricted cash	<u>2,391,481</u>
U.S. government securities	2,000,000
Pooled investments	61,290,291
Total unrestricted investments	<u>63,290,291</u>
Total unrestricted cash and investments	<u>65,681,772</u>
Restricted cash and investments, cash deposits held in trust	<u>1,049,296</u>
Money market accounts	16,427,519
U.S. government securities	13,165,102
Banker's investment agreement	40,568,647
Total restricted investments	<u>70,161,268</u>
Total restricted cash and investments	<u>71,210,564</u>
	<u>\$ 136,892,336</u>

At June 30, 2003, the carrying amount of the City's cash deposits, including those held in trust, totaled \$3,431,596 and the bank balance of the City's cash deposits maintained in financial institutions was \$2,730,381. The cash deposits are held by the City's agent in the City's name. Of the \$2,730,381 maintained in financial institutions, \$100,000 is insured by the Federal Deposit Insurance Corporation (FDIC) and the remainder is collateralized with securities held by the pledging financial institution, or by its Trust Department or agent but not in the City's name. The primary difference between the carrying amount and the bank balance are deposits in transit and outstanding checks. In accordance with state statutes, the City maintains deposits at those depository institutions insured by the FDIC. The California Government Code requires California banks and savings and loan associations to collateralize the deposits of governmental entities by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of those deposits. California law also allows financial institutions to secure the deposits of governmental entities by pledging first trust deed mortgage notes having a collateral value of 150% of a corporation's total deposits.

The City is authorized by its investment policy, in accordance with Section 53601 of the California Government Code, to invest in the following instruments:

- Securities issued or guaranteed by the federal government or its agencies
- Bankers' acceptances that are eligible for purchase by the Federal Reserve System
- Commercial paper, rated A-1/P-1, secured by an irrevocable line of credit or government securities
- Certificates of deposit with national and state licensed or chartered banks; federal or state savings and loan associations
- Medium-term corporate notes, rated AAA or AA
- Money market funds

Notes to Financial Statements

Note 2. Cash and Investments, Continued

In accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*, the City's investments are categorized, according to the following criteria, to give an indication of the level of risk assumed by the City at year end.

Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust Department or agent in the City's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its Trust Department or agent, but not in the City's name.

The following is the summary of investment as of June 30, 2003:

	Category			Uncategorized	Fair Value
	1	2	3		
City-held investments, U.S. government securities	\$ 2,000,000	\$ -	\$ -	\$ -	\$ 2,000,000
Trustee-held investments:					
U.S. government securities	13,165,102	-	-	-	13,165,102
Money market accounts	16,427,519	-	-	-	16,427,519
Banker's investment agreements	40,568,647	-	-	-	40,568,647
Investment in pool, California State Local Agency Investment Fund (LAIF)	-	-	-	61,290,291	61,290,291
Total investments	\$ 72,161,268	\$ -	\$ -	\$ 61,290,291	\$ 133,451,559

Investments: State statutes authorize the City to invest any available funds in securities issued or guaranteed by the United States Treasury or agencies of the United States, bank certificates of deposit, bankers' acceptances, negotiable certificates of deposit, the LAIF, commercial paper and bonds, and registered warrants or treasury notes of the State of California and its agencies. An advisory board has been established to monitor LAIF's compliance with regulations and investment alternatives established by the State.

The City participates in a voluntary external investment pool, LAIF, which is managed by the State Treasurer. LAIF has oversight provided by the Local Agency Investment Advisory Board. The Board consists of five members as designated by State statute. The Chairman of the Board is the State Treasurer or his designated representative. The fair value of the City's shares in the pool approximates the fair value of the position in the pool.

At June 30, 2003, the City's pooled investments in LAIF in the amount of \$61,290,291 are not subject to custodial credit risk categorization. The total estimated fair value invested by all public agencies in LAIF is \$55,709,492,881. Of that amount, 100% is invested in nonderivative financial products.

Notes to Financial Statements

Note 2. Cash and Investments, Continued

Cash with fiscal agents: The City has monies held by trustees pledged to the payment or security of certain bonds. These are subject to the same risk category as the invested cash. The California Government Code provides that these monies, in absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions or indentures are generally more restrictive than the City's general investment policy.

Note 3. Due to and from Other Funds

The following table shows amounts due from funds within the City to other funds within the City at June 30, 2003:

	Due to Other Funds	Due from Other Funds
General	\$ -	\$ 463,037
Special Revenue Funds, Low- and Moderate-income Housing Fund	-	171,480
Redevelopment Agency Debt Service	964,943	894
Capital Project Funds, Redevelopment Agency Capital Project Fund	-	792,569
Enterprise Funds:		
Water	1,866,816	14,085
Sewer	3,861	384,820
Refuse	10,224	1,018,959
	\$ 2,845,844	\$ 2,845,844

Notes to Financial Statements

Note 4. Advances to and from Other Funds

The following table shows amounts advanced from funds to other funds at June 30, 2003:

Advances from	Advances to	Amount
General Fund	Redevelopment Agency Capital Projects Fund	\$ 3,092,848
	Self Insurance Fund	2,475,699
Low- and Moderate-income Housing Fund	Redevelopment Agency Capital Projects Fund	790,570
General Debt Service	Redevelopment Agency Capital Projects Fund	7,200,000
Pomona Public Financing Debt Service	Debt Service Funds:	
	General Debt Service	21,625,000
	Redevelopment Agency Debt Service	111,890,000
Other nonmajor governmental funds	General Fund	600,000
Water Utility	General Fund	104,280
		<u>\$ 147,778,397</u>

City of Pomona, California

Notes to Financial Statements

Note 5. Capital Assets

Capital asset activity was as follows for the year ended June 30, 2003:

	Balance at July 1, 2002	Increases	Decreases	Balance at June 30, 2003
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 70,521,425	\$ 80,190	\$ -	\$ 70,601,615
Construction in progress	3,691,649	10,503,283	(2,382,126)	11,812,806
Total capital assets not being depreciated	74,213,074	10,583,473	(2,382,126)	82,414,421
Capital assets being depreciated:				
Buildings and improvements	14,224,978	484,725	(113,966)	14,595,737
Improvements other than building	28,964,773	1,205,293	-	30,170,066
Machinery and equipment	7,256,601	1,359,739	(2,744,668)	5,871,672
Autos and trucks	6,605,158	1,361,376	(2,080,515)	5,886,019
Equipment under capitalized lease	9,209,077	56,138	(1,802,382)	7,462,833
Infrastructure	516,126	1,707,600	-	2,223,726
Total capital assets being depreciated	66,776,713	6,174,871	(6,741,531)	66,210,053
Less accumulated depreciation for:				
Buildings and improvements	(6,410,072)	(423,831)	111,784	(6,722,119)
Improvements other than building	(5,374,944)	(708,044)	-	(6,082,988)
Machinery and equipment	(5,470,587)	(336,824)	2,556,073	(3,251,338)
Autos and trucks	(5,363,450)	(754,941)	1,969,552	(4,148,839)
Equipment under capital leases	(5,402,788)	(491,505)	20,876	(5,873,417)
Infrastructure	-	(18,854)	-	(18,854)
Total accumulated depreciation	(28,021,841)	(2,733,999)	4,658,285	(26,097,555)
Total capital assets being depreciated, net	38,754,872	3,440,872	(2,083,246)	40,112,498
Governmental activities capital assets, net	\$ 112,967,946	\$ 14,024,345	\$ (4,465,372)	\$ 122,526,919

City of Pomona, California

Notes to Financial Statements

Note 5. Capital Assets, Continued

	Balance at July 1, 2002	Increases	Decreases	Balance at June 30, 2003
Business-type activities:				
Capital assets not being depreciated:				
Land and water rights	\$ 3,744,919	\$ 219,384	\$ -	\$ 3,964,303
Construction in progress	19,790,856	13,504,027	(11,571,225)	21,723,658
Total capital assets, not being depreciated	23,535,775	13,723,411	(11,571,225)	25,687,961
Capital assets being depreciated:				
Buildings	402,033	-	(294,606)	107,427
Improvements other than buildings	3,766,696	301,084	(235,771)	3,832,009
Machinery and equipment	80,070,345	10,727,946	(614,243)	90,184,048
Autos and trucks	4,362,141	731,142	(1,471,007)	3,622,276
Equipment under capitalized lease	5,634,902	-	(2,213,032)	3,421,870
Total capital assets being depreciated	94,236,117	11,760,172	(4,828,659)	101,167,630
Less accumulated depreciation for:				
Buildings	(15,070)	(2,149)	-	(17,219)
Improvements other than building	(2,203,134)	(321,120)	35,366	(2,488,888)
Machinery and equipment	(30,179,290)	(2,011,959)	1,522,067	(30,669,182)
Autos and trucks	(3,887,102)	(140,301)	984,475	(3,042,928)
Equipment under capital leases	(2,511,586)	(320,835)	189,831	(2,642,590)
Total accumulated depreciation	(38,796,182)	(2,796,364)	2,731,739	(38,860,807)
Total capital assets being depreciated, net	55,439,935	8,963,808	(2,096,920)	62,306,823
Business-type activities capital assets, net	\$ 78,975,710	\$ 22,687,219	\$ (13,668,145)	\$ 87,994,784

City of Pomona, California

Notes to Financial Statements

Note 5. Capital Assets, Continued

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

Governmental activities:	
General government	\$ 1,702,734
Parks and recreation	248,520
Public safety	405,999
Urban development	376,746
Total depreciation expense, governmental activities	<u>\$ 2,733,999</u>

Note 6. Long-term Debt

The following is a summary of changes in the principal balance of long-term debt for the year ended June 30, 2003:

	Principal Balance at June 30, 2002	Additions	Reductions	Principal Balance at June 30, 2003	Due Within One Year
Governmental activities:					
Participation agreement	\$ 1,090,187	\$ -	\$ -	\$ 1,090,187	\$ -
County deferred tax loan	16,653,399	1,379,143	-	18,032,542	-
Obligations under capital lease	4,426,428	7,009,412	6,069,516	5,366,324	2,014,543
Claims payable	6,333,885	10,291,164	5,912,665	10,712,384	2,200,000
Compensated absences	6,301,365	6,994,531	7,363,027	5,932,869	198,262
Notes payable:					
Erskine note	248,182	-	16,751	231,431	18,141
HUD Section 108 Loan	2,165,000	-	665,000	1,500,000	125,000
Revenue bonds	126,912,449	-	1,760,000	125,152,449	1,840,000
Tax allocation bonds	12,890,000	-	325,000	12,565,000	340,000
Special assessment debt	11,515,000	-	275,000	11,240,000	290,000
Certificates of participation	7,995,000	-	75,000	7,920,000	80,000
Total governmental activities	<u>196,530,895</u>	<u>25,674,250</u>	<u>22,461,959</u>	<u>199,743,186</u>	<u>7,105,946</u>
Business-type activities:					
Obligations under capital lease	3,593,529	3,430,225	3,837,695	3,186,059	523,497
Compensated absences*	739,354	1,135,747	1,091,799	783,302	783,302
Revenue bonds	62,330,000	15,205,000	11,620,000	65,915,000	1,100,000
Total business- type activities	<u>66,662,883</u>	<u>19,770,972</u>	<u>16,549,494</u>	<u>69,884,361</u>	<u>2,406,799</u>
Entity-wide total	<u>\$ 263,193,778</u>	<u>\$ 45,445,222</u>	<u>\$ 39,011,453</u>	<u>\$ 269,627,547</u>	<u>\$ 9,512,745</u>

* Current portion is recorded as a current fund liability.

Note 6. Long-term Debt, Continued

Long-term debt is comprised of the following issues at June 30, 2003:

Governmental activities:

Participation agreement: The Agency entered into a participation agreement dated April 1, 1989 with the Los Angeles County Fair Association (the Association) whereby the Agency agreed to provide financial assistance to the Association. The participation agreement was amended on April 15, 1994, which resulted in the Agency assuming an obligation of \$2,834,485, plus interest of approximately 10% per annum. The Agency has pledged tax increment of the Mountain Meadows Project Area as the source of repayment. Payment to the Association is required under the terms of the agreement when the tax increment is received by the Agency for the Mountain the Meadows Project Area. The Agency is in arrears on payments for this agreement; therefore, \$218,037 of the outstanding balance has been reflected as a fund liability as of June 30, 2003.

\$ 1,090,187

County deferred tax loan: The Agency entered into an agreement with the County of Los Angeles whereby a portion of the County's share of tax increment revenues from the Southwest Pomona Project Area is loaned annually to the Agency. Interest on the Southwest Pomona Project Area loan will accrue at 7% per year, compounded annually. The Agency will commence repayment of the loan when excess funds become available.

18,032,542

Obligations under capital lease: The City has entered into equipment lease-purchase agreements with leasing companies whereby the lessor acquired certain equipment and leased it to the City with an option to purchase. The leases mature from 2002 to 2004.

5,366,324

Claims payable: Represents estimated costs payable on outstanding claims against the City. This amount is recorded in the Internal Service Funds.

10,712,384

Compensated absences: The City's policies relating to compensated absences are described in Note 1 to the financial statements. This liability will be paid in future years from future resources.

5,932,869

Notes payable:

The Erskine note: The Erskine note payable was entered into by the Agency on August 9, 1976, for \$425,000, with an 8% interest rate. The note is being repaid in monthly payments of \$3,000, including interest, over 36 years.

231,431

Subtotal notes payable

231,431

Note 6. Long-term Debt, Continued

Governmental activities, continued:

Notes payable, continued:

Subtotal notes payable carried forward	\$ 231,431
--	------------

HUD Section 8 loan: The City received \$2,945,000 for notes with Chase Manhattan Bank. The notes are guaranteed by the U.S. Department of Housing and Urban Development (HUD) under Section 108 of the Community Development Act and are payable from future CDBG entitlements. Principal payments are due annually in amounts ranging from \$40,000 to \$125,000 beginning August 1, 1997 through 2016. Interest is payable on August 1 and February 1 at rates ranging from 5.8% to 7.08%.

Total notes payable	<table border="0"> <tr> <td style="text-align: right;">1,500,000</td> </tr> <tr> <td style="border-top: 1px solid black; text-align: right;">1,731,431</td> </tr> </table>	1,500,000	1,731,431
1,500,000			
1,731,431			

Revenue bonds:

On February 1, 1994, the Authority issued \$57,075,000 1993 Local Agency Revenue Bonds, Series L, for the purpose of making an advance to the Agency for the refunding of the 1991 Local Agency Revenue Bonds, Series K. Interest on the bonds is payable semiannually on February 1 and August 1, commencing August 1, 1994. The rate of interest varies from 3.4% to 5.75% per annum. Principal is payable in annual installments, commencing February 1, 1995 and ending February 1, 2020. With the issuance of Series W, the legal reserve requirement of Series L is maintained in conjunction with Series W, as noted below. A portion of Series L was defeased in 2001 with the issuance of Revenue Bonds Series AD.

21,610,000

On March 9, 1995, the Authority issued \$18,395,000 1995 Lease Revenue Bonds, Refunding Series P, for the purpose of making an advance to the City for the refunding of the 1990 Lease-Purchase Revenue Bonds, Series J. Interest on the bonds is payable semiannually on each April 1 and October 1, commencing October 1, 1995. Interest rates range from 4.375% to 6.6%. Principal is payable in annual installments ranging from \$485,000 to \$870,000. Term bonds of \$4,020,000 and \$6,490,000 mature on October 1, 2010 and October 1, 2015, respectively, and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$920,000 to \$1,445,000, as outlined in the bond's official statement. The legal reserve requirement is \$1,523,515. The balance held in the reserve account as of June 30, 2003 was \$1,548,238.

Subtotal revenue bonds	<table border="0"> <tr> <td style="text-align: right;">13,705,000</td> </tr> <tr> <td style="border-top: 1px solid black; text-align: right;">35,315,000</td> </tr> </table>	13,705,000	35,315,000
13,705,000			
35,315,000			

Note 6. Long-term Debt, Continued

Governmental activities, continued:

Revenue bonds, continued:

Subtotal revenue bonds carried forward	\$ 35,315,000
--	---------------

On March 12, 1998, the Authority issued \$52,335,000 1998 Refunding Revenue bonds, Series W, for the purpose of making an advance to the Agency for refunding the 1983 Refunding Southwest Pomona RDA Tax Allocation Bonds and a portion of the 1993 Local Agency Revenue Bonds, Series L, as well as to provide financing for certain improvements in the Southwest Pomona Redevelopment Area. Interest on the bonds is payable semiannually on each August 1 and February 1, commencing August 1, 1998. The rates of interest range from 3.8% to 5% per annum. Principal is payable in annual installments ranging from \$100,000 to \$515,000. Term bonds of \$3,005,000, \$16,690,00 and \$29,285,000 mature on February 1, 2018, February 1, 2024 and February 1, 2030, respectively, and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$545,000 to \$5,495,000, as outlined in the bond's official statement. MBIA has issued a municipal bond insurance policy that insures the payment of the principal and interest on the bonds when due. The legal reserve requirement in conjunction with the remaining 1993 Local Agency Revenue Bonds, Series L, is \$5,772,575. The balance held in the reserve account for Series L and Series W as of June 30, 2003 was \$9,603,637.

51,600,000

On April 1, 2001, the Authority issued \$39,165,000 2001 Revenue Bonds, Series AD, for the purpose of making an advance to the Agency to refinance certain prior bonds and to make an additional advance to the Agency to provide financing for certain improvements in the merged project area. Tax Allocation Bonds defeased include the 1997 Refunding RDA Series S, 1997 Refunding Series T, 1998 Refunding Series U, 1998 Refunding Subordinate Series V and 1998 Refunding Series Z; 1993 Refunding Series L Revenue Bonds were partially defeased. Interest on the bonds is payable semiannually on each August 1 and February 1, commencing on August 1, 2001. Rates of interest range from 3.25% to 5.39% per annum. Principal is payable in annual installments ranging from \$95,000 to \$2,020,000. Term bonds of \$10,550,000, \$10,115,000 and \$7,525,000 mature on February 1, 2021, February 1, 2027 and February 1, 2033, respectively, and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$445,000 to \$2,470,000, as outlined in the bond's official statement. The legal reserve requirement is \$2,850,034. The balance held in the reserve account as of June 30, 2003 was \$2,850,034.

Subtotal revenue bonds	38,680,000
Less deferred charges	442,551
Total revenue bonds	125,152,449

Note 6. Long-term Debt, Continued

Governmental activities, continued:

Tax allocation bonds:

On November 12, 1998, the Agency issued \$5,055,000 of 1998 Tax Allocation Refunding Bonds, Series X, for the Mountain Meadows Redevelopment Project to refund \$4,360,000 of the Authority's 1994 Refunding Revenue Bonds, Series N. Interest on the bonds is payable semiannually on June 1 and December 1, commencing December 1, 1998. The rate of interest varies from 4.3% to 5.1% per annum. Principal is payable in annual installments ranging from \$95,000 to \$300,000, commencing December 1, 1998 and ending December 1, 2013. Term bonds of \$1,000,000 and \$460,000 mature on December 1, 2016 and December 1, 2024, respectively, and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$45,000 to \$350,000, as outlined in the bond's official statement. MBIA has issued a municipal bond insurance policy that insures payment of the principal and interest on the bonds when due. The legal reserve requirement is \$382,018. The balance held in the reserve account as of June 30, 2003 was \$382,018.

\$ 4,195,000

On November 12, 1998, the Agency issued \$8,980,000 of 1998 Tax Allocation Refunding Bonds, Series Y, for the West Holt Avenue Redevelopment Project to refund \$7,130,000 of the Authority's 1994 Refunding Revenue Bonds, Series N, and to finance certain redevelopment activities within the West Holt Avenue Project Area. Interest on the bonds is payable semiannually on November 1 and May 1, commencing May 1, 1999. The rate of interest varies from 4.4% to 5% per annum. Principal is payable in annual installments commencing May 1, 1999 and ending May 1, 2011. Term bonds of \$390,000, \$2,360,000 and \$4,380,000 mature on May 1, 2013, May 1, 2022 and May 1, 2032, respectively, and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$190,000 to \$550,000, as outlined in the bond's official statement. Bonds maturing subsequent to May 1, 2009 are subject to redemption prior to maturity as a whole or in part, at the option of the Agency, on any date on or after May 1, 2008 at redemption prices ranging from 100% to 101% of principal. MBIA has issued a municipal bond insurance policy that insures the payment of principal and interest on the bonds when due. The legal reserve requirement is \$583,123. The balance held in the reserve account as of June 30, 2003 was \$583,213.

8,370,000

Total tax allocation bonds

12,565,000

Note 6. Long-term Debt, Continued

Governmental activities, continued:

Special assessment debt with government commitment: In July 1996, the City issued \$12,453,214 of Refunding Improvement Bonds on behalf of Assessment District No. 294. The proceeds of the refunding bonds were used to refund two of the Assessment District's outstanding bonds that were originally issued to finance public infrastructure improvements within the District. The old refunded debt was without government commitment and was recorded in the Assessment District fund Agency fund type. The new refunding debt is with government commitment and the debt service activity is recorded in the General Debt Service Fund. The bonds bear interest at 7.39% per annum, payable semiannually on March 2 and September 2, commencing on March 2, 1997; the principal matures from 1997 to 2021 in annual installments of \$250,000 to \$1,045,000. The legal reserve requirement is \$622,661. The balance held in the reserve account as of June 30, 2003 was \$924,704.

\$ 11,240,000

Certificates of participation:

On July 1, 1999, the Authority issued \$3,295,000 City of Pomona Certificates of Participation, 1999 Series AB, to provide funds to the City to make future advances to the Agency to finance certain redevelopment activities. Term certificates of \$2,340,000 mature on August 1, 2024, with an interest rate of 5.8%. Serial certificates are due in annual installments ranging from \$75,000 to \$245,000, beginning August 1, 2002. The serial certificates bear interest ranging from 4.4% to 5.8%, payable semiannually on February 1 and August 1, commencing February 1, 2000.

3,220,000

On January 9, 2002, the Authority issued \$4,700,000 City of Pomona Certificates of Participation, 2002 Series AE, to provide funds to the City to make an advance to the Agency to finance certain redevelopment activities. Term certificates of \$1,130,000 and \$2,995,000 mature on October 1, 2019 and October 1, 2032, respectively, with an interest of 5.375%. Serial certificates are due in annual installments ranging from \$70,000 to \$95,000, beginning October 1, 2004. The serial certificates bear an interest rate of 5%, payable semiannually on October 1 and April 1, commencing on October 1, 2002.

4,700,000

Total certificates of participation

7,920,000

Subtotal governmental activities long-term debt

199,743,186

Less current portion

7,105,946

Total governmental activities long-term debt

\$ 192,637,240

Note 6. Long-term Debt, Continued

Business-type activities

Obligations under capital leases:

Water Utility Fund: The City has entered into equipment lease-purchase agreements with a leasing company whereby the lessors acquired certain equipment and leased it to the City with an option to purchase. The leases mature from 2001 to 2005. \$ 2,921,015

Sewer: The City has entered into equipment lease-purchase agreements with leasing companies whereby the lessors acquired certain equipment and leased it to the City with an option to purchase. The leases mature from 2001 to 2005. 252,344

Refuse: The City has entered into equipment lease-purchase agreements with leasing companies whereby the lessors acquired certain equipment and leased it to the City with an option to purchase. The leases mature from 2001 to 2005. 12,700

Total obligations under capital leases 3,186,059

Compensated absences:

Enterprise funds: The City's policies relating to compensated absences are described in Note 1 to the financial statements. This liability will be paid from future years' operations. 783,302

Revenue bonds:

On December 1, 2002, the Authority issued \$15,205,000 2002 Sewer Refunding Revenue Bonds, Series AF, for the purpose of making an advance to the City's Sewer Fund for refunding the 1996 Revenue Bonds, Series Q, as well as provide funds to refinance certain sewer obligations of the City of Pomona and to finance certain improvements to the City's sewer enterprise project. Interest on the bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2002. The rates of interest range from 1.3% to 4.2% on serial bonds of \$3.9 million. Principal is payable in annual installments ranging from \$165,000 to \$420,000 through December, 2019. Term bonds of \$1,210,000, \$1,075,000, \$2,620,000, \$2,815,000 and \$3,585,000 mature on December 1, 2023, 2026, 2032, 2037 and December 1, 2042, respectively. The legal reserve requirement is \$822,725. The balance held in the reserve account for Series AF as of June 30, 2003 was \$822,875.

This advance refunding has increased the aggregate debt service payments that were required for the Refunded Bonds by approximately \$1.588 million and provided economic loss (difference between the present value of the new and old debt service payments) of approximately \$1.548 million. 14,785,000

Subtotal revenue bonds 14,785,000

Note 6. Long-term Debt, Continued

Business-type activities, continued:

Revenue bonds, continued:

Subtotal revenue bonds carried forward \$ 14,785,000

On May 12, 1999, the Authority issued \$26,555,000 1999 Refunding Revenue Bonds, Series AA, for the purpose of making an advance to the City for refunding the 1992 Revenue Bonds, Series A, in aggregate principal amount of \$6,915,000, as well as to provide financing for construction of certain water system improvements and related facilities located within the City. Interest on the bonds is payable semiannually on each May 1 and November 1, commencing November 1, 1999. The rates of interest range from 3.3% to 5% per annum. Principal is payable in annual installments ranging from \$455,000 to \$780,000, beginning May 1, 2000. Term bonds of \$4,515,000 and \$13,100,000 mature on May 1, 2019 and May 1, 2029, respectively, and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$815,000 to \$1,615,000, as outlined in the bond's official statement. Bonds maturing after May 1, 2009 are subject to redemption prior to maturity as a whole or in part, at the option of the Authority, on any date on or after May 1, 2009 at redemption prices ranging from 100% to 101% of principal. Financial Security Assurance, Inc. has issued a municipal bond insurance policy that insures the payment of the principal and interest on the bonds when due. As of June 30, 2003, the legal reserve requirement of Series AA was \$1,700,000. The balance held in the reserve account as of June 30, 2003 was \$1,700,000.

24,645,000

On September 1, 1999, the Authority issued \$27,615,000 1999 Revenue Bonds, Series AC, for the purpose of making an advance to the City of Pomona for the construction of certain water system improvements within the City. Interest on the bonds is payable semiannually on each May 1 and November 1, commencing November 1, 1999. The rates of interest range from 4% to 5.25% per annum. Principal is payable in annual installments ranging from \$330,000 to \$1,830,000, beginning May 1, 2001. Term bonds of \$4,835,000 and \$14,565,000 mature on May 1, 2019 and 2029, respectively, and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$865,000 to \$1,830,000, as outlined in the bond's official statements. Bonds maturing after May 1, 2010 are subject to redemption prior to maturity as a whole or in part, at the option of the Authority, on any date on or after May 1, 2009 at redemption prices ranging from 100% to 101% of principal. Financial Security Assurance, Inc. has issued a municipal bond insurance policy that insures the payment of the principal and interest on the bonds when due. As of June 30, 2003, the legal reserve requirement of Series AC was \$1,935,368. The balance held in the reserve account as of June 30, 2003 was \$1,984,683.

	26,485,000
Total revenue bonds	65,915,000
Subtotal business-type activities long-term debt	69,884,361
Less current portion	2,406,799
Total business-type activities long-term debt	\$ 67,477,562

Notes to Financial Statements

Note 6. Long-term Debt, Continued

At June 30, 2003, debt service requirements to maturity for governmental activities long-term debt (excluding Participation Agreement, county deferred tax loans, claims payable and compensated absences) for which minimum annual debt service payments have not been established are as follows:

Years Ending June 30,	Governmental Activities	
	Principal	Interest
2004	\$ 4,564,543	\$ 8,552,195
2005	3,619,187	8,354,944
2006	3,610,720	8,180,085
2007	3,742,377	7,997,297
2008	3,523,074	7,805,591
2009–2013	23,681,423	35,802,191
2014–2018	32,205,000	27,824,079
2019–2023	32,660,000	19,018,034
2024–2028	35,245,000	10,433,103
2029–2033	19,835,000	1,996,038
Less deferred charges	(442,551)	-
	<u>\$ 162,243,773</u>	<u>\$ 135,963,557</u>

At June 30, 2003, debt service requirements to maturity for business-type activities long-term debt (excluding compensated absences) for which minimum annual debt service payments have not been established are as follows:

Years Ending June 30,	Business-type Activities	
	Principal	Interest
2004	\$ 1,623,497	\$ 3,350,732
2005	1,574,489	3,292,909
2006	1,566,329	3,230,289
2007	1,631,157	3,171,440
2008	1,691,334	3,105,270
2009–2013	9,419,253	14,405,228
2014–2018	10,025,000	12,203,390
2019–2023	12,890,000	9,365,233
2024–2028	16,605,000	5,653,363
2029–2033	5,675,000	2,070,975
2034–2038	2,815,000	1,290,000
2039–2043	3,585,000	519,500
	<u>\$ 69,101,059</u>	<u>\$ 61,658,329</u>

Note 7. Debt without Government Commitment

Special assessment bonds: As of June 30, 2003, the City has one series of Assessment District Bonds (AD No. 297) outstanding in the amount of \$1,715,000. Bonds issued for improvements in certain special assessment districts in accordance with the provisions of the Municipal Improvement Acts of 1911, 1913 and 1915 are liabilities of the property owners and are secured by liens against the assessed property. The City Treasurer acts as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, if applicable. Since this debt does not constitute an obligation of the City, it is not reflected as long-term debt in the accompanying basic financial statements.

Mortgage revenue bonds: Single family and multifamily housing revenue bonds are issued to provide construction and permanent financing to developers of multifamily residential rental projects located in the City to be partially occupied by persons of low or moderate income. The total amount of mortgage revenue bonds outstanding as of June 30, 2003 is \$19,183,249. These bonds are secured by first trust deeds and private mortgage insurance. The bonds, together with interest thereon, are limited obligations of the City payable solely from bond proceeds, revenues and other amounts derived solely from home mortgage and developer loans secured by first deeds of trust, irrevocable letters of credit and irrevocable surety bonds.

Accordingly, since this debt does not constitute an obligation of the City, it is not reflected as long-term debt in the accompanying basic financial statements.

Note 8. Accumulated Fund Deficits/Negative Net Assets

The following funds reported deficits in fund balances or net assets as of June 30, 2003:

	<u>Deficit Balance</u>
Debt Service funds:	
General	\$ (10,434,540)
Redevelopment Agency	(101,432,458)
Internal Service funds, self-insurance	(13,264,611)
	<u>\$ (125,131,609)</u>

City of Pomona, California

Notes to Financial Statements

Note 9. Interfund Transfers

Interfund transfers for the year ended June 30, 2003 consisted of the following:

Transfers to	Transfers from	Amount
General Fund	Nonmajor other governmental funds	\$ 2,092,671
Low- and Moderate-income Housing Fund	Redevelopment Agency Debt Service Fund	3,709,246
	Nonmajor other governmental funds	35,382
	Nonmajor other governmental funds	29,257
General Debt Service	General Fund	285,000
	Water Utility Fund	600,000
	Sewer Fund	417,000
	Low- and Moderate-income Housing Fund	95,000
	Redevelopment Agency Debt Service Fund	620,883
Redevelopment Agency Debt Service Fund	Low- and Moderate-income Housing Fund	1,468,116
Redevelopment Agency Capital Projects Fund	Redevelopment Agency Debt Service Fund	2,983,000
	Nonmajor other governmental funds	681,234
	General Debt Service	18,713
Nonmajor other governmental funds	General Fund	81,201
	Redevelopment Agency Capital Projects Fund	3,907,923
	Nonmajor other governmental funds	1,130,264
	Water Utility Fund	33,214
Water Utility Fund	Nonmajor other governmental funds	100,000
Sewer Fund	Nonmajor other governmental funds	1,055,839
		<u>\$ 19,343,943</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) move receipts collected in debt service to other funds after debt service requirements have been met.

Notes to Financial Statements

Note 10. Risk Management

The City is exposed to various risks of loss related to its operations, including losses associated with errors and omissions and injuries to employees and members of the public. The City maintains self-insurance programs for unemployment insurance, workers' compensation and general liability. The City uses the Self-insurance Fund (internal service fund) to account for and finance its uninsured risks of loss. All funds of the City make payments based on estimates of the amounts needed to pay prior and current year claims. The plans provide for general liability claims up to \$25 million dollars (\$1 million self-insured reserve funded by the City) and for workers' compensation claims up to statutory limits. Workers' compensation claims in excess of the self-insured level are insured by a commercial carrier up to statutory limits. General liability claims in excess of the self-insured level are covered through the Big Independent Cities Excess Pool Joint Powers Authority (BICEP). The City is a participating member of BICEP, a risk-management pool for workers' compensation excess coverage and general liability claims. Under this program, BICEP's general liability pool provides coverage up to \$25,000,000 per claim. Settled claims have not exceeded this coverage in any of the past three fiscal years. At June 30, 2003, the unencumbered fund deficit for the Self-insurance Fund was approximately \$13,264,611.

BICEP was formed under a joint exercise of powers agreement between local governments for the purpose of jointly funding an insurance program. BICEP is composed of five cities with equal governing powers and no management authority. In December 1988, the City initiated BICEP with the other four member cities in order to achieve long-term premium stability for general liability insurance.

As of June 30, 2003, claims payable amounted to \$10,712,384.

The estimated claims payable reported at June 30, 2003 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the estimated claims payable amounts in fiscal years 2002 and 2003 for the three internal service funds are as follows:

	Claims Payable			
	Beginning Balance	Expense and Changes in Estimates	Claim Payments	Ending Balance
Self-insurance Fund:				
2001-2002	\$ 6,154,152	\$ 4,083,706	\$ 3,903,973	\$ 6,333,885
2002-2003	6,333,885	10,291,164	5,912,665	10,712,384

Note 11. Joint Powers Agreement

The City participates in the Pomona-Walnut-Rowland (PWR) Joint Water Line Commission (the Commission) joint venture, which provides for the acquisition, construction, maintenance, repair and operation of a water transmission pipeline for the benefit of member agencies. The Pomona-Walnut-Rowland Joint Water Line Commission's governing board is comprised of an appointed representative from each of the three member agencies.

Notes to Financial Statements

Note 11. Joint Powers Agreement, Continued

The cost of providing water to the member agencies is financed through user charges. The Commission purchases water for resale to the member agencies at a price sufficient to provide reserve funds for emergencies. In addition, the member agencies are billed for the costs of maintenance and operation of the pipeline. The City paid the joint venture \$3,692,766 during the year ended June 30, 2003. Assets are divided based on the proportionate equity share at the time the joint venture dissolves. The City's share in the equity of the Commission at June 30, 2003 was \$612,770, which is reported as an asset of the Water Utility Enterprise Fund at June 30, 2003.

As of June 30, 2003, the City and Districts have the following approximate ownership equity interest:

<u>Member</u>	<u>Percentages</u>	<u>Agreement Balance</u>
City of Pomona	29	\$ 612,770
Walnut Valley Water	43	919,209
Rowland Water District	28	592,346
		<u>\$ 2,124,325</u>

The Commission's financial statements for the fiscal year ended June 30, 2003 (the latest available) reflect the implementation of GASB 34 and reflect the following:

Total assets	\$ 4,767,188
Total liabilities	<u>2,744,939</u>
Net assets	<u>\$ 2,022,249</u>

The Commission does not recognize net income or loss. Net operating expenditures in excess of users' assessments are treated as accounts receivable on the Commission's books and charged to users' accounts in the following year. Conversely, users' assessments in excess of net operating expenditures are treated as a liability and credited against users' accounts, also in the following year. Under this basis, net operating expenses for the Commission totaled \$14,574,835 compared to net operating revenues of \$14,550,679 in fiscal year 2003. Complete financial statements can be obtained from the Pomona-Walnut-Rowland Joint Water Line Commission, P.O. Box 508, Walnut, California 91789.

Note 12. Retirement Plan

Plan description: The City 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. Benefit provisions, and all other requirements, are established by State statutes and City ordinances. Copies of PERS' annual financial report may be obtained from their executive office: Lincoln Plaza, 400 P Street, Sacramento, California 95814.

Notes to Financial Statements

Note 12. Retirement Plan, Continued

Funding policy: Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The amount paid by the City on behalf of employees for the year ended June 30, 2003 was \$2,727,881. The City is required to contribute at an actuarially determined rate calculated as a percentage of covered payroll. The employer contribution rate for the year ended June 30, 2003 was 0.0% for non-safety employees and 0.0% for safety employees. Separately funded plans have been established for each employee group. Benefit provisions and all other requirements are established by State statute and City contract with employee bargaining groups. The contribution requirements of plan members and the City are established by PERS.

Annual pension cost: For 2003 the City's annual pension cost (employer contribution to PERS) of \$0.0 for safety and \$0.0 for miscellaneous was equal to the City's required and actual contributions. For 2003 the member contributions paid by the City were \$989,659 for safety and \$1,738,222 for miscellaneous. The required contribution was determined as part of the June 30, 2000 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.75%, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period for miscellaneous employees at June 30, 2003 is through June 30, 2011; for safety employees at June 30, 2003, it is through June 30, 2011.

Three-year trend information for PERS (safety)

<u>Fiscal Year Ended June 30,</u>	Annual Pension		
	Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
2001	\$ 31,169	100	\$ -
2002	-	100	-
2003	-	100	-

Three-year trend information for PERS (miscellaneous)

<u>Fiscal Year Ended June 30,</u>	Annual Pension		
	Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
2001	\$ -	100	\$ -
2002	-	100	-
2003	-	100	-

City of Pomona, California

Notes to Financial Statements

Note 12. Retirement Plan, Continued

Required supplementary information

Funded status of plan (safety)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
June 30, 2000	\$ 150,507,319	\$ 175,321,546	\$ (24,814,227)	116%	\$ 10,540,219	235%
2001	171,689,480	179,759,125	(8,069,645)	105%	11,255,322	72%
2002	180,777,071	159,934,717	20,842,354	88%	11,827,959	(176)%

Funded status of plan (miscellaneous)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
June 30, 2000	\$ 107,217,082	\$ 150,177,184	\$ (42,960,102)	140%	\$ 19,901,091	216%
2001	113,779,573	150,061,010	(36,281,437)	132%	21,542,378	168%
2002	122,519,381	137,637,115	(15,117,734)	112%	23,753,677	64%

Part-time employee retirement plans: The City provides pension benefits for all of its nonregular employees either through an arrangement with PERS described above or through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The plan is administered as part of the City's Section 457 plan. All nonregular employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan. Employees contribute 100% of this requirement. All contributions vest immediately.

For the year ended June 30, 2003, the City's covered payroll was \$1,823,997. The employees contributed \$136,800 (7.5% of current covered payroll). These amounts are now held in trust for the exclusive benefit of the participants and their beneficiaries.

Note 13. Post employment Benefits

Approximately 402 employees are eligible to receive post-employment benefits at June 30, 2003. Retirees are eligible for one type of benefit if they retire after July 1, 1987 with at least 20 years of service with the City. This benefit terminates when the affected retiree becomes eligible for Medicare insurance at age 65. An additional benefit provides funding for a portion of health insurance premiums. These premiums are paid directly to the health insurance provider and do not terminate until the retiree is deceased. The City finances these post-employment benefits on a pay-as-you-go basis by recognizing expenditures based on its share of the annual premiums for these benefits as they become due. However, the GASB is currently working on an exposure draft to address the accounting and disclosure treatment for this type of plan. For the fiscal year ended June 30, 2003, \$1,099,690 of post-employment benefit expenditures was recognized.

Note 14. Commitments and Contingencies

Agreement to sell land: On November 22, 2000, the Agency entered into a Developer Disposition Agreement (DDA) with the Pomona Unified School District (PUSD) in which the City agreed to sell to PUSD certain vacant land from its Land Held for Resale stock, for the purpose of PUSD constructing a new school facility. For consideration of the land, PUSD agreed to a down payment of \$295,000 (which was paid in August 2001), a payment at the close of escrow of \$1,705,000 and an installment payment plan in the amount of \$3,295,000 at 6.443% interest over a period of 22 years. The land held for resale has a cost basis of \$4,174,270. Currently, this property is involved in a litigation dispute with the former owner.

Since the property is involved in a legal dispute, the Agency and PUSD decided on February 15, 2001 to enter into a lease agreement to extend the time period within which the property would be sold for a period of three years. The lease agreement is for a period of three years at which time escrow is expected to close. The lease agreement calls for the same terms as the DDA (i.e., \$295,000 up front and the installment payment plan in the amount of \$3,295,000). The \$1,705,000 one-time payment will be due when escrow closes at the end of the three-year lease. During the three-year term of the lease, the Agency has given PUSD the authority to improve the site and construct a new school facility. PUSD is responsible for the cost of all improvements to the property, the utilities on the property, obtaining bodily injury and property damage insurance with a combined single limit of at least \$1 million per occurrence, and for any personal property taxes that may be assessed. The Agency waives any lien rights concerning the improvements and school facilities that are deemed PUSD's personal property. In addition, the Agency disclaims any interest in the improvements and school facilities and agrees the improvements are exempt from execution, foreclosure, sale, levy, attachment or distress for any rent due, and that the improvements may be removed at any time without recourse.

In accordance with the lease agreement, all monies paid to the Agency from PUSD will be refunded to PUSD if the transfer of title does not occur. As a result, all monies paid to the Agency under the lease agreement, and prior to the transfer of title to PUSD, will be included in deferred revenue in the Agency's Capital Projects Fund. Through June 30, 2003, the amount received by the Agency from PUSD was \$259,548.

Agreement for allocation of tax increment funds: On December 5, 1988, the Agency entered into an agreement with the County of Los Angeles whereby the County has agreed to provide for sufficient allocation of tax increment to allow the Agency to meet its debt service requirements on debt it has incurred in connection with the Southwest Pomona Project Area. Beginning in fiscal year 1988-89 and thereafter for the life of the project, the County will provide a grant to the Agency for any "deficiencies" of tax increment revenues allocated to the Agency as described in the agreement. During the year, the Agency received a grant in the amount of \$3,100,000.

Note 14. Commitments and Contingencies, Continued

Agency participation agreement: The Agency entered into a participation agreement dated April 1, 1989 with the Los Angeles County Fair Association whereby the Agency has agreed to provide financial assistance to the Association. The participation agreement was amended on April 15, 1994, which resulted in the Agency assuming an obligation of \$2,834,485, which already includes interest at 10% per annum. The Agency has pledged tax increment as the source of repayment, which is required under the terms of the agreement when the tax increment is received by the Agency. The Agency is in arrears on payments for this agreement; therefore, \$727,384 of the outstanding balance has been reflected as a fund liability at June 30, 2003.

Contingencies: The Agency is a defendant in a certain legal proceeding alleging breach of contract, wrongful foreclosure, fraud, inverse condemnation and defamation. The Agency's management has concluded that the risk of loss is reasonably possible and could range from \$1,000,000 to \$5,000,000. Approximately \$1,800,000 has been accrued for this matter in the self-insurance fund in the City's financial statements at June 30, 2003. Besides this matter, the City is a defendant in two cases where the risk of loss could possibly range up to \$3,000,000.

In addition, the City is a defendant in certain other legal actions arising in the normal course of operations. In the opinion of management and legal counsel, any liability resulting from these actions will not result in a material adverse effect on the City's financial position, because the City has set aside sufficient monies to cover confirmed adverse actions.

Other contingency: In November 2001, an Orange County Superior Court Judge ruled that the Orange County Assessor's Office violated Proposition 13 by increasing the taxable value of a Seal Beach residence by 4% in a single year (1998). County attorneys argued that the assessment was legal because it made up for years in which the property value did not increase. The county maintains it was merely "recapturing" the full tax value of the property, charging 2% for each of the years the property values did not rise. On December 12, 2002, the Superior Court certified class action status for this case and the Court and Tax Collector are currently addressing when and if notification to the taxpayers should be executed.

In 2002, two other local courts (Los Angeles and San Diego) ruled differently on the same issue and both affirmed the current statewide practice of property assessment restoration (i.e., the local courts differ on this issue). Property tax laws are applied on a statewide basis and the contradicting ruling with two other local courts on the same legal issue require a uniformity review at the appellate level. With this notice, the Court of Appeal will establish a briefing and hearing schedule and that process may take several months to complete. Based on the Court of Appeal's briefing schedule, the respondent is required to submit a reply brief by October 17, 2003. Then, the appellants will answer the respondent's reply brief by November 7, 2003. The Court of Appeal has schedule a hearing on December 16, 2003. If the Judge's decision is upheld on appeal, it could have financial ramifications throughout the State of California. The City's management is unable to reasonably estimate the financial effect to it, or the Redevelopment Agency, if the Orange County Superior Court's decision is upheld. The financial effect would be dependent upon how the court decides to apply its ruling.

Note 15. Subsequent Events

On July 23, 2003, the Authority issued \$13,985,000 Certificates of Participation 2003 Series AG to provide funds to the City to finance certain public improvements, including street improvements throughout the City, which are part of the City's capital improvement plan. The improvements are expected to commence in December 2003, with an expected completion date of December 2006. Principal payments will be made once a year beginning June 1, 2004. Interest is payable on December 1 and June 1 of each year, commencing December 1, 2003. The bonds are set to mature on June 1, 2034. The Authority realized an original premium of approximately \$918,600 and incurred cost of issuance of approximately \$725,000.

On December 3, 2003, the Authority issued \$46,650,000 2003 Revenue Bonds, Series AH and \$23,425,000 Subordinate Revenue Bonds, Series AI to provide funds for a loan to the Agency for certain improvements and to refinance certain Agency obligations to the Authority. Interest on the bonds, including the term bonds, is payable semiannually on each February 1 and August 1, commencing February 1, 2004. Interest rates range from 2.05% to 5.75%. Principal on \$34,095,000 of the revenue bonds is payable in annual installments ranging from \$390,000 to \$3,270,000, commencing on February 1, 2007 and on \$7,310,000 of the subordinate revenue bonds in annual installments from \$450,000 to \$915,000, commencing on February 1, 2007. The term bonds from Series AH of \$2,410,000 and \$10,145,000 mature on February 28, 2028 and 2034, respectively. The term bonds from Series AI of \$4,900,000, \$6,220,000 and \$4,995,000 are due February 1, 2023, 2028 and 2034, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

City of Pomona, California

Required Supplementary Information
 Schedule of Revenues, Expenditures and Changes in Fund Balances—
 Budgetary Comparison—General Fund
 Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget—
	Original	Final		Positive (Negative)
Revenues:				
Taxes	\$ 44,434,121	\$ 44,434,121	\$ 44,834,700	\$ 400,579
Intergovernmental	9,778,835	9,778,835	8,957,981	(820,854)
Licenses and permits	5,793,254	5,793,254	6,595,853	802,599
Charges for services	1,660,616	1,330,416	1,423,754	93,338
Fines and forfeitures	961,941	1,556,941	1,608,473	51,532
Income from property and investments	765,965	765,965	1,065,803	299,838
Miscellaneous	2,283,916	348,500	446,946	98,446
Total revenues	65,678,648	64,008,032	64,933,510	925,478
Expenditures:				
Current:				
General government	1,738,818	1,721,869	1,959,656	(237,787)
Public safety	47,101,172	46,987,172	46,889,903	97,269
Urban development	8,330,434	8,346,534	8,169,021	177,513
Community services	7,942,087	8,014,722	7,825,417	189,305
Capital outlay	20,000	152,400	131,013	21,387
Debt service:				
Principal retirement	1,552,112	1,534,561	1,328,041	206,520
Interest and fiscal charges	-	-	284,713	(284,713)
Total expenditures	66,684,623	66,757,258	66,587,764	169,494
Excess of revenues over expenditures	(1,005,975)	(2,749,226)	(1,654,254)	1,094,972
Other financing sources (uses):				
Transfers in	2,357,395	2,430,030	2,092,671	(337,359)
Transfers out	(362,660)	(362,660)	(366,201)	(3,541)
Debt issuance	-	-	(22,000)	(22,000)
Total other financing sources (uses)	1,994,735	2,067,370	1,704,470	(362,900)
Net change in fund balances	988,760	(681,856)	50,216	732,072
Fund balances at beginning of year	9,093,128	9,093,128	9,093,128	-
Fund balances at end of year	\$ 10,081,888	\$ 8,411,272	\$ 9,143,344	\$ 732,072

See Notes to Required Supplementary Information.

City of Pomona, California

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balances—
Budgetary Comparison—General Fund, Continued
Year Ended June 30, 2003

<u>Budget-to-GAAP Reconciliation</u>	Actual Amounts (Budgetary Basis)
Revenues	
"Available for appropriation" from the budgetary comparison statement (preceeding page).	<u>\$ 64,933,510</u>
Expenditures	
"Total charges to appropriations" from the budgetary comparison statement.	\$ 66,474,337
Differences, budget to GAAP: Encumbrances are shown in the year incurred for budgetary purposes, but in the year paid for financial reporting purposes.	<u>113,427</u>
	<u>\$ 66,587,764</u>
Other Financing Sources/Uses	
"Available and charged to appropriations" from the budgetary comparison statement.	<u>\$ 1,704,470</u>

See Notes to Required Supplementary Information.

City of Pomona, California

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances—Budgetary

Comparison—Low- and Moderate-income Housing Fund—Special Revenue

June 30, 2003

	Budgeted Amounts		Actual Amounts	(Unfavorable)
	Original	Final		Variance Final Budget
Fund Balance, July 1, 2002	\$ 2,283,831	\$ 2,283,831	\$ 8,094,630	\$ 5,810,799
Resources (inflows):				
Intergovernmental	570,000	940,000	769,314	(170,686)
Investment income	429,300	429,300	1,059,575	630,275
Miscellaneous	80,250	80,250	73,921	(6,329)
Amount available for appropriations	1,079,550	1,449,550	1,902,810	453,260
Charges to appropriations (outflows):				
Urban development	4,890,064	6,810,064	3,438,930	(3,371,134)
Capital outlay	2,550	1,152,550	-	(1,152,550)
Debt service:				
Principal retirement	54,967	54,967	107,619	52,652
Interest and fiscal charges	20,380	20,380	24,697	4,317
Administrative charges	209,890	209,890	178,043	(31,847)
Loss on sale of property	576,732	576,732	-	(576,732)
Other financing (sources) uses:				
Transfer in	(3,056,064)	(3,056,064)	(3,744,628)	(688,564)
Transfer out	1,563,200	1,563,200	1,563,116	(84)
Sale of capital assets	(800,000)	(800,000)	(166,486)	633,514
Proceeds of loans and notes	(1,113,000)	(3,213,000)	(57,123)	3,155,877
Total charges to appropriations	2,348,719	3,318,719	1,344,168	(1,974,551)
Excess of resources over (under) charges to appropriations	(1,269,169)	(1,869,169)	558,642	2,427,811
Fund balance (deficit), June 30, 2003	\$ 1,014,662	\$ 414,662	\$ 8,653,272	\$ 8,238,610

See Notes to Required Supplementary Information.

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except that encumbrances are shown in the year incurred for budgetary purposes, but in the year paid for financial reporting purposes, and the capital projects funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year end.

On or before the last day in January of each year, all agencies of the government submit requests for appropriations to the government's manager so that a budget may be prepared. Before April 30, the proposed budget is presented to the government's council for review. The council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund, function and department. The government's department head, with approval of the finance director and City manager, may make transfers of appropriations within a department and between departments within a fund. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. The council made several supplemental budgetary appropriations throughout the year. The supplemental budgetary appropriations made in the various governmental funds are detailed in the required supplementary information.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

SUPPLEMENTAL SECTION

THIS PAGE IS INTENTIONALLY LEFT BLANK

City of Pomona, California

Combining Balance Sheet--Nonmajor Governmental Funds
June 30, 2003

Assets	Housing Assistance Programs	Community Development Block Grant	Miscellaneous Grants	Traffic Congestion Relief	State Gas Tax
Assets					
Cash and investments	\$ 2,409,725	\$ 454,018	\$ 2,096,338	\$ 341,794	\$ 3,270,563
Receivables:					
Accrued interest	10,376	-	8,433	2,182	16,671
Accounts, net	-	-	50,484	-	-
Due from other governments	-	226,959	564,734	106,187	281,469
Prepaid items	484,132	-	19,140	-	-
Restricted assets, cash and investments	-	-	256,611	-	-
Loan receivables	-	4,428,465	6,927,905	-	-
Advances to other funds	-	-	-	-	-
Property held for resale	-	-	-	-	-
Total assets	\$ 2,904,233	\$ 5,109,442	\$ 9,923,645	\$ 450,163	\$ 3,568,703
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 2,423	\$ 193,906	\$ 226,422	\$ -	\$ 203,109
Accrued liabilities	19,047	32,154	28,315	-	5,041
Due to other funds	-	-	-	-	-
Deposits payable	47,153	-	-	-	-
Retentions payable	-	-	-	-	25,235
Due to to other governments	943,785	-	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenue	-	2,678,465	7,244,250	-	-
Total liabilities	1,012,408	2,904,525	7,498,987	-	233,385
Fund Balances					
Reserved for:					
Prepaid items	484,132	-	19,140	-	-
Debt service	-	-	-	-	-
Loan receivables	-	4,428,465	6,927,905	-	-
Advances to other funds	-	-	-	-	-
Low- and moderate-income housing	-	-	-	-	-
Encumbrances	6,597	15,234	200,925	-	57,329
Unreserved, undesignated (deficit):					
Special revenue	1,401,096	(2,238,782)	(4,723,312)	450,163	3,277,989
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total fund balances (deficit)	1,891,825	2,204,917	2,424,658	450,163	3,335,318
Total liabilities and fund balances	\$ 2,904,233	\$ 5,109,442	\$ 9,923,645	\$ 450,163	\$ 3,568,703

Special Revenue Funds

Proposition A	Proposition C	Vehicle Parking Districts	Air Quality Improvement	Landscape Maintenance District	Narcotics Forfeiture	Total
\$ 2,957,848	\$ 4,801,800	\$ 632,292	\$ 972,659	\$ 1,398,414	\$ 1,918,237	\$ 21,253,688
10,914	16,960	2,387	3,848	5,746	8,000	85,517
-	-	5,745	-	-	-	56,229
209,734	173,956	581	46,304	36,561	-	1,646,485
-	-	-	-	-	-	503,272
-	-	-	-	-	-	256,611
-	-	-	-	-	-	11,356,370
-	-	600,000	-	-	-	600,000
-	-	-	-	-	-	-
\$ 3,178,496	\$ 4,992,716	\$ 1,241,005	\$ 1,022,811	\$ 1,440,721	\$ 1,926,237	\$ 35,758,172

\$ 56,744	\$ 4,886	\$ 7,654	\$ 38	\$ 127,088	\$ 27,172	\$ 849,442
649	902	3,887	541	6,844	-	97,380
-	-	-	-	-	-	-
-	-	-	-	-	-	47,153
-	-	-	-	-	-	25,235
-	-	-	-	-	-	943,785
-	-	-	-	-	-	-
-	-	-	-	-	-	9,922,715
57,393	5,788	11,541	579	133,932	27,172	11,885,710

-	-	-	-	-	-	503,272
-	-	-	-	-	-	11,356,370
-	-	600,000	-	-	-	600,000
12,974	-	2,076	-	8,648	22,405	326,188
3,108,129	4,986,928	627,388	1,022,232	1,298,141	1,876,660	11,086,632
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,121,103	4,986,928	1,229,464	1,022,232	1,306,789	1,899,065	23,872,462
\$ 3,178,496	\$ 4,992,716	\$ 1,241,005	\$ 1,022,811	\$ 1,440,721	\$ 1,926,237	\$ 35,758,172

City of Pomona, California

Combining Balance Sheet—Nonmajor Governmental Funds, Continued
June 30, 2003

Assets	Capital Project Funds			Total Other Governmental Funds
	Capital Outlay	Assessment District Improvement	Total	
Assets				
Cash and investments	\$ 1,087,174	\$ 27,128	\$ 1,114,302	\$ 22,367,990
Receivables:				
Accrued interest	11,315	127	11,442	96,959
Accounts, net	-	-	-	56,229
Due from other governments	155,000	-	155,000	1,801,485
Prepaid items	4,138	-	4,138	507,410
Restricted assets, cash and investments	992,079	408,600	1,400,679	1,657,290
Loan receivables	-	-	-	11,356,370
Advances to other funds	-	-	-	600,000
Total assets	\$ 2,249,706	\$ 435,855	\$ 2,685,561	\$ 38,443,733
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 774,796	\$ -	\$ 774,796	\$ 1,624,238
Accrued liabilities	11,780	-	11,780	109,160
Due to other funds	-	-	-	-
Deposits payable	-	-	-	47,153
Retentions payable	62,884	-	62,884	88,119
Due to to other governments	-	-	-	943,785
Advances from other funds	-	-	-	-
Deferred revenue	155,000	-	155,000	10,077,715
Total liabilities	1,004,460	-	1,004,460	12,890,170
Fund Balances				
Reserved for:				
Prepaid items	4,138	-	4,138	507,410
Debt service	-	-	-	-
Loan receivables	-	-	-	11,356,370
Advances to other funds	-	-	-	600,000
Low- and moderate-income housing	-	-	-	-
Encumbrances	982,754	-	982,754	1,308,942
Unreserved, undesignated (deficit):				
Special revenue	-	-	-	11,086,632
Debt service	-	-	-	-
Capital projects	258,354	435,855	694,209	694,209
Total fund balances	1,245,246	435,855	1,681,101	25,553,563
Total liabilities and fund balances	\$ 2,249,706	\$ 435,855	\$ 2,685,561	\$ 38,443,733

THIS PAGE IS INTENTIONALLY LEFT BLANK

City of Pomona, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor
 Governmental Funds
 Year Ended June 30, 2003

	Housing Assistance Programs	Community Development Block Grant	Miscellaneous Grants	Traffic Congestion Relief
Revenues:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Intergovernmental	6,069,847	3,268,632	3,013,257	433,895
Charges for services	-	-	41,807	-
Fines and forfeitures	-	-	-	-
Interest income	44,453	66,105	431,834	9,349
Miscellaneous	5	247,433	291,992	-
Gain on sale of property	-	-	-	-
Total revenues	6,114,305	3,582,170	3,778,890	443,244
Expenditures:				
Current:				
General government	-	621,710	-	-
Public safety	-	531,426	744,271	-
Urban development	6,068,596	818,938	1,870,947	-
Community services	-	60	617,170	-
Capital outlay	16,874	-	949,905	-
Debt service:				
Principal retirement	3,786	665,000	-	-
Payment on loans	-	-	-	-
Bond issuance costs	-	-	-	-
Pass through payments	-	-	-	-
Interest and fiscal charges	598	332,004	-	-
Total expenditures	6,089,854	2,969,138	4,182,293	-
Excess (deficiency) of revenues over expenditures	24,451	613,032	(403,403)	443,244
Other financing sources (uses):				
Transfers in	-	77	137,716	-
Transfers out	-	(433,901)	-	(369,956)
Total other financing sources	-	(433,824)	137,716	(369,956)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	24,451	179,208	(265,687)	73,288
Fund balances at beginning of year	1,867,374	2,025,709	2,690,345	376,875
Fund balances at end of year	\$ 1,891,825	\$ 2,204,917	\$ 2,424,658	\$ 450,163

Special Revenue Funds

State Gas Tax	Proposition A	Proposition C	Vehicle Parking Districts	Air Quality Improvement	Landscape Maintenance District	Narcotics Forfeiture	Total
\$ -	\$ -	\$ -	\$ 21,055	\$ -	\$ 1,208,338	\$ -	\$ 1,229,393
3,087,764	2,028,363	1,682,143	-	177,598	-	1,106	19,762,605
-	-	-	-	-	-	-	41,807
-	-	-	6,415	-	-	561,833	568,248
71,420	46,758	72,661	202,509	16,484	24,617	34,272	1,020,462
-	6,040	-	149,541	-	5	-	695,016
-	-	-	-	-	-	-	-
3,159,184	2,081,161	1,754,804	379,520	194,082	1,232,960	597,211	23,317,531
-	-	-	-	-	-	-	621,710
-	-	-	-	-	-	450,208	1,725,905
1,731,425	1,274,805	72,286	241,356	28,552	-	-	12,106,905
-	61,861	-	-	-	1,237,972	-	1,917,063
6,035	-	-	25,788	-	-	19,243	1,017,845
59,968	-	-	-	68,760	-	-	797,514
-	-	-	-	-	-	-	-
9,468	-	-	-	10,856	-	-	352,926
1,806,896	1,336,666	72,286	267,144	108,168	1,237,972	469,451	18,539,868
1,352,288	744,495	1,682,518	112,376	85,914	(5,012)	127,760	4,777,663
534,969	-	-	-	-	-	-	672,762
(2,425,605)	-	(73,916)	-	(18,007)	(297,847)	(38,508)	(3,657,740)
(1,890,636)	-	(73,916)	-	(18,007)	(297,847)	(38,508)	(2,984,978)
(538,348)	744,495	1,608,602	112,376	67,907	(302,859)	89,252	1,792,685
3,873,666	2,376,608	3,378,326	1,117,088	954,325	1,609,648	1,809,813	22,079,777
\$ 3,335,318	\$ 3,121,103	\$ 4,986,928	\$ 1,229,464	\$ 1,022,232	\$ 1,306,789	\$ 1,899,065	\$ 23,872,462

City of Pomona, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor
 Governmental Funds, Continued
 Year Ended June 30, 2003

	Capital Projects Funds			Total Other Governmental Funds
	Capital Outlay	Assessment District Improvement	Total	
Revenues:				
Special assessments	\$ -	\$ -	\$ -	\$ 1,229,393
Intergovernmental	854,991	-	854,991	20,617,596
Charges for services	-	-	-	41,807
Fines and forfeitures	-	-	-	568,248
Licenses and permits	337,575	-	337,575	337,575
Income from property and investments	59,384	4,778	64,162	1,084,624
Miscellaneous	745,071	-	745,071	1,440,087
Gain (loss) on sale of property	-	-	-	-
Total revenues	1,997,021	4,778	2,001,799	25,319,330
Expenditures:				
Current:				
General government	247,491	-	247,491	869,201
Public safety	815,493	-	815,493	2,541,398
Urban development	4,701,274	4,273	4,705,547	16,812,452
Community services	1,280,112	-	1,280,112	3,197,175
Capital outlay	2,272,741	-	2,272,741	3,290,586
Debt service:				
Principal retirement	282,401	-	282,401	1,079,915
Payment on loans	-	-	-	-
Bond issuance costs	-	-	-	-
Pass through payments	-	-	-	-
Interest and fiscal charges	44,586	-	44,586	397,512
Total expenditures	9,644,098	4,273	9,648,371	28,188,239
Excess (deficiency) of revenues over expenditures	(7,647,077)	505	(7,646,572)	(2,868,909)
Other financing sources (uses):				
Loan and capital lease proceeds	6,838,060	-	6,838,060	6,838,060
Loan and capital lease repayment	(4,094,879)	-	(4,094,879)	(4,094,879)
Transfers in	4,479,840	-	4,479,840	5,152,602
Transfers out	(1,466,907)	-	(1,466,907)	(5,124,647)
Total other financing sources	5,756,114	-	5,756,114	2,771,136
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,890,963)	505	(1,890,458)	(97,773)
Fund balances at beginning of year	3,136,209	435,350	3,571,559	25,651,336
Fund balances at end of year	\$ 1,245,246	\$ 435,855	\$ 1,681,101	\$ 25,553,563

City of Pomona, California

Schedule of Revenues and Expenditures—Budget and Actual (Budgetary Basis)—
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2003

	Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Housing Assistance Programs			
Total revenues	\$ 7,237,300	\$ 6,114,305	\$ (1,122,995)
Total expenditures	7,207,871	6,089,854	1,118,017
Net change in fund balance	29,429	24,451	(4,978)
Community Development Block Grant			
Total revenues	3,438,079	3,582,170	144,091
Total expenditures	3,314,761	2,969,138	345,623
Net change in fund balance	123,318	613,032	489,714
Miscellaneous Grants			
Total revenues	5,539,671	3,778,890	(1,760,781)
Total expenditures	6,719,139	4,182,293	2,536,846
Net change in fund balance	(1,179,468)	(403,403)	776,065
Traffic Congestion Relief			
Total revenues	457,047	443,244	(13,803)
Total expenditures	-	-	-
Net change in fund balance	457,047	443,244	(13,803)
State Gas Tax			
Total revenues	2,763,900	3,159,184	395,284
Total expenditures	2,997,490	1,806,896	1,190,594
Net change in fund balance	(233,590)	1,352,288	1,585,878
Proposition A			
Total revenues	1,836,900	2,081,161	244,261
Total expenditures	1,708,957	1,336,666	372,291
Net change in fund balance	127,943	744,495	616,552
Proposition C			
Total revenues	1,607,550	1,754,804	147,254
Total expenditures	81,929	72,286	9,643
Net change in fund balance	1,525,621	1,682,518	156,897
Vehicle Parking Districts			
Total revenues	303,500	379,520	76,020
Total expenditures	273,586	267,144	6,442
Net change in fund balance	29,914	112,376	82,462

City of Pomona, California

Schedule of Revenues and Expenditures—Budget and Actual (Budgetary Basis)—
 Nonmajor Special Revenue Funds, Continued
 Year Ended June 30, 2003

	Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Air Quality Improvement			
Total revenues	\$ 186,550	\$ 194,082	\$ 7,532
Total expenditures	223,015	108,168	114,847
Net change in fund balance	(36,465)	85,914	122,379
Landscape Maintenance District			
Total revenues	1,214,200	1,232,960	18,760
Total expenditures	1,351,548	1,237,972	113,576
Net change in fund balance	(137,348)	(5,012)	132,336
Narcotics Forfeiture			
Total revenues	83,000	597,211	514,211
Total expenditures	1,275,163	469,451	805,712
Net change in fund balance	(1,192,163)	127,760	1,319,923
Totals			
Total revenues	24,667,697	23,317,531	(1,350,166)
Total expenditures	25,153,459	18,539,868	6,613,591
Net change in fund balance	\$ (485,762)	\$ 4,777,663	\$ 5,263,425

City of Pomona, California

Combining Statement of Net Assets—Internal Service Funds
June 30, 2003

Assets	Equipment Maintenance	Self-insurance	Total
Current Assets			
Cash and investments	\$ 246,073	\$ 27,079	\$ 273,152
Receivables:			
Accounts, net	6,010	6,305	12,315
Inventory	324,353	-	324,353
Prepaid items	-	-	-
Total current assets	576,436	33,384	609,820
Noncurrent Assets			
Capital assets:			
Property, plant and equipment	257,501	-	257,501
Less accumulated depreciation	(187,124)	-	(187,124)
Total capital assets (net of accumulated depreciation)	70,377	-	70,377
Total noncurrent assets	70,377	-	70,377
Total assets	\$ 646,813	\$ 33,384	\$ 680,197
Liabilities			
Current Liabilities			
Accounts payable	\$ 138,383	\$ 29,671	\$ 168,054
Accrued liabilities	37,461	9,702	47,163
Due to other funds	-	-	-
Obligation under capital leases, current portion	8,446	-	8,446
Compensated absences	127,723	70,539	198,262
Claims payable, current portion	-	2,200,000	2,200,000
Total current liabilities	312,013	2,309,912	2,621,925
Noncurrent Liabilities			
Obligation under capital leases, long-term portion	2,150	-	2,150
Advances from other funds	-	2,475,699	2,475,699
Claims payable, long-term portion	-	8,512,384	8,512,384
Total noncurrent liabilities	2,150	10,988,083	10,990,233
Total liabilities	314,163	13,297,995	13,612,158
Net Assets			
Invested in capital assets, net of related debt	59,781	-	59,781
Unrestricted assets (deficit)	272,869	(13,264,611)	(12,991,742)
Total net assets (deficit)	\$ 332,650	\$ (13,264,611)	\$ (12,931,961)

City of Pomona, California

Combining Statement of Revenues, Expenses and Changes in Net Assets—Internal Service Funds
Year Ended June 30, 2003

	Equipment Maintenance	Self-insurance	Totals
Operating revenues:			
Charges for services	\$ 3,373,261	\$ 4,696,090	\$ 8,069,351
Miscellaneous	43,474	787,712	831,186
Total operating revenues	3,416,735	5,483,802	8,900,537
Operating expenses:			
Personnel services	1,295,496	364,546	1,660,042
Operations	1,824,871	337,334	2,162,205
Claims expense	-	10,291,164	10,291,164
Depreciation	13,583	-	13,583
Insurance	114,110	878,018	992,128
Total operating expenses	3,248,060	11,871,062	15,119,122
Operating income (loss)	168,675	(6,387,260)	(6,218,585)
Nonoperating revenues (expenses), income from property and investments			
	1,746	-	1,746
Income before capital contributions	170,421	(6,387,260)	(6,216,839)
Total net assets (deficit) at beginning of year	162,229	(6,877,351)	(6,715,122)
Total net assets (deficit) at end of year	\$ 332,650	\$ (13,264,611)	\$ (12,931,961)

City of Pomona, California

Combining Statement of Cash Flows—Internal Service Funds
Year Ended June 30, 2003

	Equipment Maintenance	Self-insurance	Total
Cash Flows from Operating Activities:			
Receipts from user departments	\$ 3,367,251	\$ 4,689,785	\$ 8,057,036
Payments to suppliers	(1,860,688)	(1,198,135)	(3,058,823)
Payments to employees	(1,324,206)	(352,254)	(1,676,460)
Claims paid	-	(5,912,665)	(5,912,665)
Other receipts	80,497	787,712	868,209
Net cash provided by (used in) operating activities	262,854	(1,985,557)	(1,722,703)
Cash Flows from Noncapital Financing Activities, operating subsidies and transfers from other funds			
	-	1,790,815	1,790,815
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(19,194)	-	(19,194)
Proceeds on sale of capital assets	-	1,495	1,495
Principal payments on long-term borrowings	(7,919)	-	(7,919)
Net cash provided by (used in) financing activities	(27,113)	1,495	(25,618)
Cash Flows from Investing Activities, interest on investments			
	1,746	-	1,746
Net increase (decrease) in cash and cash equivalents	237,487	(193,247)	44,240
Cash and Cash Equivalents at Beginning of Year	8,586	220,326	228,912
Cash and Cash Equivalents at End of Year	\$ 246,073	\$ 27,079	\$ 273,152
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 168,675	\$ (6,387,260)	\$ (6,218,585)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	50,606	-	50,606
Change in assets and liabilities:			
(Increase) in receivables	(6,010)	(6,305)	(12,315)
Decrease in inventory	101,094	-	101,094
Increase (decrease) in accrued liabilities and accounts payable	(51,511)	29,509	(22,002)
Increase in claims payable	-	4,378,499	4,378,499
Net cash provided by (used in) operating activities	\$ 262,854	\$ (1,985,557)	\$ (1,722,703)
Noncash Capital Financing Activities			
Capital assets contributed by other funds	\$ -	\$ -	\$ -

City of Pomona, California

Combining Statement of Fiduciary Net Assets—Agency Funds
June 30, 2003

Assets	Assessment Districts	Superintendent of Streets	Engineers' Revolving	Construction Guarantee
Cash and investments	\$ 1,565,662	\$ -	\$ 579,344	\$ 366,623
Accrued Interest Receivable	5,637	-	-	-
Accounts Receivable	-	-	-	-
Due from Other Governments	35	-	-	-
Total assets	\$ 1,571,334	\$ -	\$ 579,344	\$ 366,623

Liabilities

Accounts Payable	\$ -	\$ -	\$ -	\$ 3,633
Due to Other Governments	-	-	-	-
Deposits Payable	-	-	579,344	362,990
Due to Bondholders	1,571,334	-	-	-
Total liabilities	\$ 1,571,334	\$ -	\$ 579,344	\$ 366,623

Municipal Revolving	L.A. Impact	Employee Benefits/ Deductions	Total Agency Funds
\$ 700,725	\$ -	\$ 923,948	\$ 4,136,302
-	-	-	5,637
4,561	-	513	5,074
1,130	-	-	1,165
<u>\$ 706,416</u>	<u>\$ -</u>	<u>\$ 924,461</u>	<u>\$ 4,148,178</u>

\$ 37,578	\$ -	\$ 924,461	\$ 965,672
-	-	-	-
668,838	-	-	1,611,172
-	-	-	1,571,334
<u>\$ 706,416</u>	<u>\$ -</u>	<u>\$ 924,461</u>	<u>\$ 4,148,178</u>

City of Pomona, California

Combining Statement of Changes in Fiduciary Net Assets—Agency Funds
Year Ended June 30, 2003

	Assessment Districts	Superintendent of Streets	Engineers' Revolving	Construction Guarantee	Municipal Revolving
Additions:					
Contributions:					
Plan members	\$ -	\$ -	\$ -	\$ -	\$ -
Donations	-	-	-	-	1,450
Interest	24,150	-	-	-	-
Deposits	-	-	3,700	101,431	126,180
Assessments	425,012	-	-	-	248,804
Total additions	449,162	-	3,700	101,431	376,434
Deductions:					
Project expense	-	-	416,115	-	367,723
Benefits	-	-	-	-	-
Administrative expenses	10,889	-	-	-	-
Principal payments	280,000	-	-	-	-
Interest payments	134,220	-	-	-	-
Refunds	-	44,475	3,700	55,840	132,119
Total deductions	425,109	44,475	419,815	55,840	499,842
Change in net assets	24,053	(44,475)	(416,115)	45,591	(123,408)
Net assets, beginning	1,547,280	44,475	995,459	321,032	829,825
Net assets, ending	\$ 1,571,333	\$ -	\$ 579,344	\$ 366,623	\$ 706,417

	L.A. Impact	Benefits/ Deductions	Totals
\$	-	\$ 17,929,649	\$ 17,929,649
	-	-	1,450
	-	-	24,150
	-	-	231,311
	-	-	673,816
	-	17,929,649	18,860,376
	-	-	783,838
	-	18,013,852	18,013,852
	-	-	10,889
	-	-	280,000
	-	-	134,220
	25,666	-	261,800
	25,666	18,013,852	19,484,599
	(25,666)	(84,203)	(624,223)
	25,666	1,008,664	4,772,401
\$	-	\$ 924,461	\$ 4,148,178

THIS PAGE IS INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

CITY OF POMONA

Government-wide Expenditures by Function ⁽¹⁾

Last Two Fiscal Years

Fiscal Year	General Government	Public Safety	Urban Development	Community Services	Debt Service	Water	Sewer	Refuse	Total
2002	21,669,491	43,163,939	30,569,601	7,224,504	18,392,487	21,563,285	2,394,218	5,820,452	150,797,977
2003	20,586,309	54,029,511	30,080,994	11,253,597	17,218,724	21,770,977	1,649,229	6,280,528	162,869,869

⁽¹⁾ All governmental fund types, including General, Special Revenue, Debt Service, Capital Projects Funds and Business type activities including water, sewer and refuse

Source: City of Pomona Finance Department.

CITY OF POMONA
Government-wide Revenues by Source
 Last Two Fiscal Years

Fiscal Year	Taxes					Income from Property and Investments	Motor Vehicle in Lieu	Gain (loss) on sale of Capital Assets	Other
	Property	Sales & Use	Utility Users	Transient Occupancy	Franchise				
2002	28,569,282	12,500,177	15,915,416	1,407,136	2,329,311	17,164,134	8,633,270	1,455,863	3,394,406
2003	29,915,221	15,647,491	16,492,851	1,348,863	1,980,304	13,926,334	8,866,986	137,566	3,664,682

Program Revenues

Fiscal Year	Operating Grants and Contributions		Capital Grants and Contributions	Total
	Services	Contributions		
2002	38,220,012	12,352,098	12,720,733	156,307,831
2003	49,679,410	15,705,538	9,230,349	168,220,001

(1) All governmental fund types, including General, Special Revenue, Debt Service, Capital Project and Business type funds

Source: City of Pomona Finance Department.

CITY OF POMONA

General Governmental Expenditures by Function ⁽¹⁾

Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Urban Development	Community Services	Capital Outlay	Debt Service	Total
1994	5,709,566	35,352,360	25,077,388	3,516,463	3,685,466	112,653,753	185,994,996
1995	8,678,125	37,866,935	24,599,604	9,326,382	2,343,418	49,068,530	131,882,994
1996	8,447,097	39,942,519	21,438,715	14,841,954	5,077,322	46,753,315	136,500,922
1997	12,668,793	38,965,280	20,609,982	14,450,763	3,576,848	51,584,822	141,856,488
1998	9,265,507	41,164,031	12,883,594	15,200,737	9,184,079	55,156,418	142,854,366
1999	7,843,758	42,220,062	17,905,578	13,937,663	4,141,047	71,992,734	158,040,842
2000	6,778,898	41,725,423	19,452,719	13,858,135	1,608,254	72,286,562	155,709,991
2001	6,727,376	44,425,476	21,149,013	13,676,530	604,380	43,186,847	129,769,622
2002	4,406,857	47,504,409	25,845,273	9,560,180	13,959,993	34,175,634	135,452,346
2003	2,728,622	49,431,301	35,748,102	11,207,490	3,565,620	34,077,987	136,759,122

⁽¹⁾ All governmental fund types, including General, Special Revenue, Debt Service, and Capital Projects Funds.

Source: City of Pomona Finance Department.

CITY OF POMONA
General Governmental Revenues by Source ⁽¹⁾
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Use of Money and Property</u>	<u>Inter-governmental</u>	<u>Fines and Forfeitures</u>	<u>Charges for Services</u>	<u>Special Assessments</u>	<u>Other</u>	<u>Total</u>
1994	40,737,525	6,236,362	8,839,771	24,121,715	458,803		1,122,077	3,768,356	85,284,609
1995	44,016,691	5,136,871	6,866,901	28,104,752	1,322,325		2,672,928	3,373,400	91,493,868
1996	50,211,869	3,938,482	5,846,181	25,618,248	1,100,273	2,109,043	1,203,937	4,040,039	94,068,072
1997	53,320,043	3,862,730	6,500,968	30,959,479	1,142,935	2,305,769	2,509,266	3,947,437	104,548,627
1998	50,376,194	3,940,599	7,252,758	33,010,989	880,245	2,514,549	1,814,070	4,574,450	104,363,854
1999	50,940,632	3,116,575	5,184,614	31,687,088	2,700,233	2,838,057	2,360,530	2,869,655	101,697,384
2000	52,258,715	3,058,095	5,865,514	31,631,060	3,100,574	1,158,271	2,337,995	3,419,801	102,830,025
2001	56,468,799	3,017,858	7,259,498	35,504,885	3,161,424	1,098,673	2,328,723	1,526,340	110,366,200
2002	62,541,988	6,547,772	14,748,121	32,513,626	1,953,117	1,508,244	1,196,110	3,552,575	124,561,553
2003	64,670,323	6,933,428	11,718,494	33,444,891	2,176,721	1,465,561	1,229,393	2,692,636	124,331,447

⁽¹⁾ All governmental fund types, including General, Special Revenue, Debt Service, and Capital Projects Funds.

Source: City of Pomona Finance Department.

CITY OF POMONA

Property Tax Levies and Collections

Ten Year Historical

<u>Fiscal Year</u>	<u>Levies</u>	<u>Collections</u>	<u>% of Collections</u>
1994	7,254,375	7,150,044	98.6%
1995	6,708,675	6,309,869	94.1%
1996	6,622,475	6,403,104	96.7%
1997	6,828,973	6,480,774	94.9%
1998	6,706,616	6,500,933	96.9%
1999	6,934,772	6,786,865	97.9%
2000	7,059,231	6,979,086	98.9%
2001	7,466,932	7,326,292	98.1%
2002	7,713,316	7,399,413	95.9%
2003	8,057,432	7,990,495	99.2%

Source: City of Pomona Finance Department

CITY OF POMONA

Schedule of Assessed Property Values

Last Ten Fiscal Years

Fiscal Year	Secured Roll	Public Utilities ⁽¹⁾	Unsecured Roll	Total	Percent Increase
1994	4,340,783,832	15,357,386	310,806,624	4,666,947,842	2.54%
1995	4,372,991,955	12,874,232	275,139,417	4,661,005,604	(0.13)%
1996	4,330,144,261	12,867,989	257,848,999	4,600,861,249	(1.29)%
1997	4,283,725,836	12,861,746	338,765,212	4,635,352,794	0.75%
1998	4,311,032,185	14,726,543	309,554,531	4,635,313,259	(0.00)%
1999	4,372,044,455	11,233,978	348,589,134	4,731,867,567	2.08%
2000	4,499,207,617	10,376,825	335,637,278	4,845,221,720	2.40%
2001	4,636,202,609	10,063,388	398,293,152	5,044,559,149	4.11%
2002	4,853,266,731	10,468,888	410,334,977	5,274,070,596	4.55%
2003	5,156,587,429	6,386,296	388,201,588	5,551,175,313	5.25%

(1) Commencing with fiscal year 1989, the Revenue and Taxation Code of the State of California changed the method of allocating property tax revenues derived from state assessed utility properties. It provides for the distribution of state assessed values to tax rate areas by a county-wide mathematical formula rather than assignment of state assessed values according to the location of those values in individual tax rate areas.

Source: County of Los Angeles Auditor-Controller's Office

CITY OF POMONA

Property Tax Rates—All Direct and Overlapping Governments**(Per \$100 of Assessed Value)**

Last Ten Fiscal Years

Fiscal Year	County General	City	School	Flood Control	Metro Water District	Other Districts	Community College	Total
1994	1.000000	0.000000	0.056170	0.004212	0.008900	0.001713	0.000000	1.070995
1995	1.000000	0.000000	0.056598	0.006041	0.008900	0.001993	0.000000	1.073532
1996	1.000000	0.000000	0.057972	0.000963	0.008900	0.001814	0.000000	1.069649
1997	1.000000	0.000000	0.063000	0.001991	0.008900	0.001604	0.000000	1.075495
1998	1.000000	0.000000	0.078245	0.002197	0.008900	0.001584	0.000000	1.090926
1999	1.000000	0.000000	0.083907	0.001953	0.008900	0.000000	0.000000	1.094760
2000	1.000000	0.000000	0.105068	0.001765	0.008900	0.001422	0.000000	1.117155
2001	1.000000	0.000000	0.134930	0.001552	0.008800	0.001314	0.000000	1.146596
2002	1.000000	0.000000	0.122018	0.001073	0.007700	0.001128	0.000000	1.131919
2003	1.000000	0.000000	0.123416	0.000881	0.006700	0.001033	0.019460	1.151490

Source: County of Los Angeles Auditor-Controller's Office

CITY OF POMONA

Top Sales Tax Producers**in Alphabetical Order**

For Fiscal Year 2002-2003

Albertson's	Pomona Mitsubishi
Arco AM/PM Mini Marts	Puma Oil
Barrett's Equine Sales	Rancho Valley Chevrolet
Circuit City Store	Rio Rancho Buick/Pontiac/GMC
Construction Hardware	Stater Brothers' Markets
Graphic Distributors	Texaco Star
Grossman's Contractors Warehouse	Toyota Motor Credit
Haaker Equipment	Toys R Us
Home Depot	Universal Material Supply
Jammin Chrysler Jeep Dodge	Wal-Mart Stores
Myers' Tire Supply	West Coast RV's
Phenix Enterprises	Wickes Furniture Showroom
Pomona Arco	

Source: Hinderliter DeLlomas & Associates

CITY OF POMONA

Computation of Legal Debt Margin

June 30, 2003

Total assessed value of all real and personal property	\$ 5,551,175,313
Debt limit percentage	<u>15.00%</u>
Total debt limit	832,676,297
Amount of debt applicable to debt limit	<u>-</u>
Legal debt margin	<u><u>\$ 832,676,297</u></u>

Source: City of Pomona Finance Department

CITY OF POMONA

Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita

Last Ten Fiscal Years

Fiscal Year	Assessed Value	Population	Gross General Bonded Debt	Debt Service Funds	Net General Bonded Debt	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt Per Capita
1994	4,666,947,842	138,624	55,000	150,760	-	0.0000%	0
1995	4,661,005,604	138,018	-	104,166	-	0.0000%	0
1996	4,600,861,249	139,792	-	109,667	-	0.0000%	0
1997	4,635,352,794	141,385	-	55,510	-	0.0000%	0
1998	4,635,313,259	143,152	-	37,396	-	0.0000%	0
1999	4,731,867,567	145,400	-	38,939	-	0.0000%	0
2000	4,845,221,720	147,656	-	40,807	-	0.0000%	0
2001	5,044,559,149	149,473	-	50,633	-	0.0000%	0
2002	5,274,070,596	154,741	-	54,465	-	0.0000%	0
2003	5,551,175,313	156,503	-	55,572	-	0.0000%	0

Source: County of Los Angeles Auditor-Controller's Office and the City of Pomona Finance Department

CITY OF POMONA

**Ratio of Annual Debt Service Expenditures for General
Obligation Debt to Total General Governmental Expenditures
Last Ten Fiscal Years**

Fiscal Year	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Expenditures ⁽¹⁾	Ratio of Debt Service To General Governmental Expenditures
1994	135,000	4,091	139,091	185,994,996	0.0748%
1995	55,000	935	55,935	131,882,994	0.0424%
1996	-	-	-	136,500,922	0.0000%
1997	-	-	-	141,856,488	0.0000%
1998	-	-	-	142,854,366	0.0000%
1999	-	-	-	158,040,842	0.0000%
2000	-	-	-	158,209,991	0.0000%
2001	-	-	-	129,769,622	0.0000%
2002	-	-	-	135,152,346	0.0000%
2003	-	-	-	136,759,122	0.0000%

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

Source: City of Pomona Finance Department.

CITY OF POMONA

Computation of Direct and Overlapping Bonded Debt

June 30, 2003

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 06/30/01</u>
Los Angeles County	0.664%	\$ 200,694
Los Angeles County Flood Control District	0.672	1,035,888
Metropolitan Water District	0.346	1,537,261
Mount San Antonio Community College District	10.845	3,774,602
Claremont Unified School District	7.178	2,720,103
Pomona Unified School District	72.011	89,243,232
City of Pomona 1915 Act Bonds	100	12,945,000
Los Angeles County Regional Park & Open Space Assessment District	0.664	2,621,040
Total Overlapping Tax and Assessment Debt		<u>\$ 114,077,820</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Los Angeles County General Fund Obligations	0.664%	\$ 10,452,406
Los Angeles County Pension Obligations	0.664	10,311,604
Los Angeles County Superintendent of Schools Certs. of Partcp.	0.664	184,289
Los Angeles County Sanitation District No. 21 Authority	19.221	5,241,197
Bonita Unified School Dist. Certfs. of Partcp.	0.221	15,512
Claremont Unified School District General Fund Obligation	7.178	901,916
Pomona Unified School District Certificates of Participation	72.011	36,120,718
City of Pomona General Fund Obligations	100%	22,564,069
Walnut Valley Water District Authority	2.443	438,274
San Gabriel Valley Mosquito Abatement Dist. Certs. of Partcp.	6.564	78,112
Total Gross Direct and Overlapping General Fund Obligation Debt		<u>\$ 86,308,097</u>
Less:		
Los Angeles County Certificates of Participation(100% self-supporting from leasehold revenues on properties in Marina Del Ray)	552,647	
Pomona Unified School District Lease Revenue Bonds (100% self-supporting from investment agreement deposits)	8,641,320	
Walnut Valley Water District Authority	438,274	9,632,241
Total Net Direct and Overlapping General Fund Obligation Debt		<u>\$ 76,675,856</u>
GROSS COMBINED TOTAL DEBT		<u>\$ 200,385,917</u>
NET COMBINED TOTAL DEBT		<u>\$ 190,753,676</u>

Ratios to 2002-03 Assessed Valuation:

Total Overlapping Tax and Assessment Debt2.06%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$22,564,069)..... 0.58%
Gross Combined Total Debt..... 5.13%
Net Combined Total Debt..... 4.89%

State School Building Aid Repayable as of 06-30-02: \$1,268

(1) Excludes \$13,985,000 certificates of participation, dated 8/7/03.

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

CITY OF POMONA

Schedule of Water Fund Revenue Bond Coverage

Last Ten Fiscal Years

Fiscal Year	Gross Revenue ⁽¹⁾	Gross Expense ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements ⁽³⁾			Coverage
				Principal	Interest	Total	
1994	13,114,597	9,940,698	3,173,899	165,000	452,130	617,130	5.143
1995	12,043,484	11,024,014	1,019,470	170,000	446,180	616,180	1.655
1996	13,201,274	11,023,196	2,178,078	175,000	438,742	613,742	3.549
1997	14,801,770	13,174,589	1,627,181	185,000	434,580	619,580	2.626
1998	12,347,904	10,464,489	1,883,415	190,000	417,230	607,230	3.102
1999	13,688,393	11,689,626	1,998,767	200,000	416,392	616,392	3.243
2000	17,596,322	12,955,203	4,641,119	455,000	2,220,564	2,675,564	1.735
2001	23,086,449	14,775,508	8,310,941	840,000	2,692,474	3,532,474	2.353
2002	21,615,513	16,595,841	5,019,672	915,000	2,662,164	3,577,164	1.403
2003	22,035,396	17,117,082	4,918,314	830,000	2,628,231	3,458,231	1.422

(1) Total operating revenues including interest.

(2) Total operating expenses exclusive of depreciation.

(3) The original revenue bonds for the water fund were issued in July 1992 and were refunded during fiscal year 1999-2000 with the new debt service requirements beginning during the same fiscal year. The second revenue bonds for the water fund were issued in September 1999, with debt service requirements beginning during the fiscal year 1999-2000. Requirements are reported on the cash basis, excluding premiums.

Source: City of Pomona Finance Department

CITY OF POMONA

Special Assessment Billings and Collections

Last Ten Fiscal Years

Fiscal Year	Special Assessment Billings	Special Assessments Collected
1994	-	-
1995	-	-
1996	-	-
1997	1,136,246	1,109,108
1998	1,135,414	1,135,413
1999	1,136,246	1,135,583
2000	1,134,192	1,129,657
2001	1,131,634	1,131,634
2002	1,135,602	1,134,629
2003	1,131,941	1,109,397

Source: City of Pomona Finance Department

City of Pomona

Demographics

the Last 10 Years

<u>Fiscal Year</u>	<u>Unemployment Rate(a)</u>	<u>Population(b)</u>	<u>Population Annual % Change</u>
1994	11.5%	138,624	0.98%
1995	9.7%	138,018	(0.44)%
1996	10.1%	139,792	1.29%
1997	8.4%	141,385	1.14%
1998	8.1%	143,152	1.25%
1999	7.3%	145,400	1.57%
2000	6.6%	147,656	1.55%
2001	7.0%	149,473	1.23%
2002	Unavailable	154,741	3.52%
2003	Unavailable	156,503	1.14%

Source: a) U.S. Department of Labor, Bureau of Labor Statistics
b) Department of Finance

CITY OF POMONA

Building Valuations and Construction Activity

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Number of New Residential Dwelling Units</u>	<u>New Residential Valuation</u>	<u>New NonResidential Valuation</u>	<u>Total New Valuation</u>
1994	87	9,499,782	25,846,798	35,346,580
1995	60	6,577,330	7,379,273	13,956,603
1996	85	5,996,792	8,626,052	14,622,844
1997	83	13,528,882	6,742,443	20,271,325
1998	26	3,149,534	14,430,622	17,580,156
1999	28	8,968,384	13,682,717	22,651,101
2000	28	3,631,727	14,394,510	18,026,237
2001	177	19,460,000	28,000,000	47,460,000
2002	94	13,460,521	17,437,903	30,898,424
2003	95	15,505,015	14,048,106	29,553,121

Source: City of Pomona Community Development Department

CITY OF POMONA

Bank Deposits

Last Ten Fiscal Years

<u>Year</u>	<u>Bank Deposits (\$000)</u>
1994	1,622,354
1995	1,474,973
1996	1,648,270
1997	2,246,288
1998	3,366,801
1999	3,138,418
2000	3,137,197
2001	6,305,435
2002	703,894
2003	2,730,381

Source: The Findley Reports

CITY OF POMONA

Miscellaneous Statistics

June 30, 2003

Date of Incorporation	January 1888
Charter Date	March 10, 1911, amended November 3, 1964, amended November 3, 1998
Form of Government	Council - Administration
Officials	Mayor and six councilpersons
Elections	First Tuesday in November of even numbered years
County	Los Angeles, California
Area	22.9 square miles
Miles of Streets	360
Miles of Curbs and Gutters	approximately 625
Police Protection:	
Number of Stations	1
Number of Sworn Officers	178
Public Education Facilities:	
Elementary Schools	26
Junior High Schools	6
Comprehensive High School	7 (including 1 continuation school & 1 alternative school)
Adult Education School	1
Municipal Water Department:	
Number of Consumers	29,500
Average Daily Consumption (gallons)	31,000,000
Miles of Water Mains	435 miles
Gate Valves	10,673
Sewers and Drains:	
Miles of Sanitary Sewer Lines	275
Miles of Storm Drains	120
Recreation and Culture:	
Number of Park Sites	24 with 189 acres
Number of Community Centers	7
Number of Libraries	1

Source: Various Departments of the City of Pomona

Redevelopment Agency of the City of Pomona

Financial Report
June 30, 2003

McGladrey & Pullen
Certified Public Accountants

McGladrey & Pullen, LLP is a member firm of RSM International,
an affiliation of separate and independent legal entities.

Contents

Section I—Financial Section

Independent Auditor's Report on the Financial Statements and Supplementary Information	1 and 2
Basic Financial Statements	
Government-wide financial statements	
Statement of net assets	3
Statement of activities	4
Fund financial statements	
Balance sheet—governmental funds	5
Reconciliation of the governmental funds balance sheet to the government-wide statement of net assets	6
Statement of revenue, expenditures and changes in fund balances—governmental funds	7
Reconciliation of governmental funds statement of revenues, expenditures and changes in fund balances to government-wide statement of activities and changes in net assets	8
Notes to financial statements	9–23
Required supplementary information	
Budget comparison schedule	
Low- and moderate-income housing fund	24
Notes to required supplementary information	25
Other supplementary information	
Budget comparison schedules	
Debt service fund	26
Capital projects fund	27

Section II—Compliance Section

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in accordance with <i>Government Auditing Standards</i>	28 and 29
Computation of Low- and Moderate-income Housing Excess/Surplus Funds	30

Financial Section

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on the Financial Statements and Supplementary Information

To the Honorable Mayor and
Members of the City Council
Redevelopment Agency of the City of Pomona
Pomona, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Pomona (the Agency), a component unit of the City of Pomona, California, as of and for the year ended June 30, 2003, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

The Agency has not presented a Management's Discussion and Analysis required by Governmental Accounting Standards Board (GASB) Statement No. 34 that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2003 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison information on page 24 is not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The budgetary comparison schedules on pages 26 and 27 and the Computation of Low-Moderate Income Housing Excess/Surplus Funds on page 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules and Computation of Low-Moderate Income Housing Excess/Surplus Funds 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.

McGladrey & Pullen, LLP

Irvine, California
December 5, 2003

Redevelopment Agency of the City of Pomona

Statement of Net Assets—Governmental Activities
June 30, 2003

Assets

Current Assets	
Cash and investments	\$ 14,391,737
Receivables:	
Accounts receivable	738,662
Interest receivable	59,886
Taxes receivable	5,486,366
Prepaid items	2,750
Restricted assets, cash and investments with fiscal agents	34,708,699
Total current assets	<u>55,388,100</u>
Noncurrent Assets	
Loans receivables, net	6,961,678
Land held for resale	22,604,377
Capital assets, land, depreciable automobiles and equipment, net	2,200,907
Total noncurrent assets	<u>31,766,962</u>
Total assets	<u>\$ 87,155,062</u>

Liabilities

Current Liabilities	
Accounts payable and accrued liabilities	\$ 443,453
Accrued interest payable	92,093
Deferred revenues	3,756,106
Loans payable	426,820
Long-term debt, due within one year	445,000
Total current liabilities	<u>5,163,472</u>
Noncurrent Liabilities	
Advances	122,182,848
Long-term debt, due in more than one year	31,606,630
Total liabilities	<u>\$ 158,952,950</u>

Net Assets (Deficit)

Invested in Capital Assets	\$ 2,200,907
Restricted for debt service	34,708,699
Restricted for community development	7,815,683
Unrestricted (Deficit)	(116,523,177)
Total net (deficit)	<u>\$ (71,797,888)</u>

See Notes to Financial Statements.

Redevelopment Agency of the City of Pomona

Statement of Activities—Governmental Activities
Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 47,400	\$ -	\$ -	\$ (47,400)
Community development	10,831,387	-	769,314	(10,062,073)
Community development, City of Pomona	3,888,476	3,100,000	-	(788,476)
Public works	8,978,975	-	-	(8,978,975)
Interest on long-term debt	6,501,534	-	-	(6,501,534)
Total governmental activities	30,247,772	3,100,000	769,314	(26,378,458)
Total primary government	\$ 30,247,772	\$ 3,100,000	\$ 769,314	(26,378,458)
General revenues:				
Property taxes				19,305,160
Investment earnings				3,148,263
Miscellaneous				540,995
Total general revenues				22,994,418
Change in net assets				(3,384,040)
Net (deficit), beginning of year				(68,413,848)
Net (deficit), end of year				\$ (71,797,888)

See Notes to Financial Statements.

Redevelopment Agency of the City of Pomona

Balance Sheet
Governmental Funds
June 30, 2003

Assets	Low- and Moderate- income Housing fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Cash and Investments	\$ 2,845,180	\$ 570,654	\$ 10,975,903	\$ 14,391,737
Cash and Investments with Fiscal Agents	837,589	13,419,406	20,451,704	34,708,699
Accounts Receivable	711,080	24,838	2,744	738,662
Loans Receivable, net of uncollectible accounts	5,072,066	-	1,889,612	6,961,678
Taxes Receivable	-	5,486,366	-	5,486,366
Interest Receivable	320	11,327	48,239	59,886
Due from Other Funds	171,480	-	792,569	964,049
Advances to Other Funds	790,570	-	-	790,570
Prepaid Items	-	-	2,750	2,750
Land Held for Resale	3,383,758	-	19,220,619	22,604,377
Total assets	\$ 13,812,043	\$ 19,512,591	\$ 53,384,140	\$ 86,708,774
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	\$ 86,705	\$ 6,856	\$ 246,719	\$ 340,280
Deposits	-	-	103,173	103,173
Due to other funds	-	964,049	-	964,049
Deferred revenue	5,072,066	3,166,106	1,240,000	9,478,172
Advances from other funds	-	-	790,570	790,570
Advances from the City of Pomona	-	4,700,000	5,592,848	10,292,848
Advances from the City of Pomona Financing Authority	-	111,890,000	-	111,890,000
Notes payable	-	218,038	208,782	426,820
Total liabilities	5,158,771	120,945,049	8,182,092	134,285,912
Fund Balances				
Reserved for:				
Loans receivable	-	-	649,612	649,612
Debt service	-	13,419,406	-	13,419,406
Land held for resale	3,383,758	-	19,220,619	22,604,377
Advances	790,570	-	-	790,570
Low- and moderate-income housing	4,468,462	-	-	4,468,462
Prepaid items	-	-	2,750	2,750
Encumbrances	10,482	-	401,619	412,101
Unreserved:				
Undesignated (deficit)	-	(114,851,864)	24,927,448	(89,924,416)
Total fund balances (deficit)	8,653,272	(101,432,458)	45,202,048	(47,577,138)
Total liabilities and fund balances	\$ 13,812,043	\$ 19,512,591	\$ 53,384,140	\$ 86,708,774

See Notes to Financial Statements.

Redevelopment Agency of the City of Pomona

Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Assets
June 30, 2003

Total fund (deficit), governmental funds	\$ (47,577,138)
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	2,200,907
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(92,093)
Revenues that are deferred in the funds, as they are not current financial resources, are recognized in the statement of net assets	5,722,066
Long-term liabilities are not due and payable in the current period; therefore, except for advances from the City of Pomona and the City of Pomona Financing Authority, they are not reported in the governmental funds balance sheet.	<u>(32,051,630)</u>
Net (deficit) of governmental activities	<u><u>\$ (71,797,888)</u></u>

See Notes to Financial Statements.

Redevelopment Agency of the City of Pomona

Statement of Revenue, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2003

	Low- and Moderate- income Housing Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Revenues:				
Property taxes	\$ -	\$ 18,726,227	\$ -	\$ 18,726,227
Intergovernmental	769,314	3,100,000	-	3,869,314
Investment Income	1,059,575	776,883	721,805	2,558,263
Miscellaneous	73,921	271,000	196,074	540,995
Total revenues	1,902,810	22,874,110	917,879	25,694,799
Expenditures:				
Current:				
Intergovernmental, City of Pomona	-	-	3,888,476	3,888,476
Urban development	3,438,930	1,129,461	6,262,996	10,831,387
Capital outlay	-	-	144,021	144,021
Debt service:				
Principal retirement	107,619	325,000	61,300	493,919
Interest	24,697	6,461,981	16,054	6,502,732
Administrative charges	178,050	-	141	178,191
Pass through payments	-	7,931,767	-	7,931,767
Total expenditures	3,749,296	15,848,209	10,372,988	29,970,493
Excess (deficiency) of revenues over (under) expenditures	(1,846,486)	7,025,901	(9,455,109)	(4,275,694)
Other financing sources (uses):				
Proceeds of loans and notes	57,123	717,280	310,253	1,084,656
Repayment of loans	-	(527,323)	(100,131)	(627,454)
Gain on sale of land held for resale	166,493	-	-	166,493
Transfer in	3,744,628	1,468,116	3,682,948	8,895,692
Transfer out	(1,563,116)	(7,313,129)	(19,447)	(8,895,692)
Total other financing sources (uses)	2,405,128	(5,655,056)	3,873,623	623,695
Net change in fund balances	558,642	1,370,845	(5,581,486)	(3,651,999)
Fund balances (deficit), beginning of year,	8,094,630	(102,803,303)	50,783,534	(43,925,139)
Fund balances (deficit), end of year	\$ 8,653,272	\$ (101,432,458)	\$ 45,202,048	\$ (47,577,138)

See Notes to Financial Statements.

Redevelopment Agency of the City of Pomona

Reconciliation of Governmental Funds Statement of Revenues,
Expenditures, and Changes In Fund Balances to Government-wide
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2003

Net change in fund balances (deficit), total governmental funds \$ (3,651,999)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 72,438

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (35,702)

Loan proceeds provide current financial resources to governmental funds but issuing debt creates long-term liabilities in the statement of net-assets. (1,435,281)

Repayment of principal on long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net assets. This amount represents long-term debt principal repayments. 496,373

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. In the statement of activities, interest is accrued on long-term liabilities whereas, in the governmental fund statements, interest expenditures are reported when due. 1,198

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,168,933
Change in net assets of governmental activities \$ (3,384,040)

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

Description of the reporting entity: The Redevelopment Agency of the City of Pomona (the Agency) is a separate governmental entity established pursuant to the State of California Health and Safety Code, Section 33000 entitled, *Community Redevelopment Law*. Its purpose is to prepare and carry out plans for the improvement, rehabilitation and redevelopment of blighted areas within the City of Pomona, California (the City). The 11 project areas originally adopted by the Agency were consolidated into one large project area during fiscal year 2001.

Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, defines the reporting entity as the primary government and those component units for which the primary government is, or has the potential to be, financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's Board and either (a) the primary government has the ability to impose its will or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Since the City Council of the City also serves as the Board of Directors of the Agency, the City, in effect, has the ability to influence and control operations. Therefore, the City has oversight responsibility for the Agency. Accordingly, in applying the criteria of GASB Statement No. 14, the financial statements of the Agency are included in the City's comprehensive annual financial report. The Agency has the same fiscal year as the City. The City's financial statements can be obtained from the Finance Department of the City.

Basis of accounting/measurement focus: The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide financial statements: The Agency's government-wide financial statements include a statement of net assets and a statement of activities and changes in net assets. These statements present summaries of governmental activities for the Agency.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets, infrastructure assets and long-term liabilities, are included in the accompanying statement of net assets. The statement of activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Agency are reported as charges for services.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the statement of net assets have been eliminated.

Governmental fund financial statements: Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds. All Agency funds are considered major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in net assets, as presented in these statements, to the net assets presented in the government-wide financial statements.

Note 1. Summary of Significant Accounting Policies, Continued

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are property tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The Agency reports the following major governmental funds:

The *Special Revenue Fund (Low- and Moderating-income Housing Fund)* is used to account for that portion of the Agency's tax increment revenue that is legally restricted for increasing or improving housing for low- and moderate-income households.

The *Debt Service Fund* is used to account for that portion of the Agency's tax increment revenue that is set aside for interest and principal payments associated with all long-term debt of the Agency.

The *Capital Projects Fund* is used to account for the financial resources to be used for the development and redevelopment of the redevelopment project areas, including acquisition of properties, cost of site improvements, other costs of benefit to the project area and administrative expenses incurred in sustaining the Agency.

Use of restricted/unrestricted net assets: When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency's policy is to apply restricted net assets first.

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

Budgetary data: The budget is prepared by the Executive Director in accordance with Municipal Code Sections 1103 through 1107 and adopted by the Board of Directors. Public hearings are held prior to its adoption. All appropriations lapse at fiscal year end. The Board of Directors has the legal authority to amend the budget at any time during the fiscal year. The Executive Director is authorized to make budget transfers within departments.

The budget is legally adopted for the special revenue (low- and moderate-income housing), debt service and capital projects funds on a basis, which does not differ materially from accounting principles generally accepted in the United States of America. The Board of Directors can revise the budget periodically during the year when deemed necessary.

Note 1. Summary of Significant Accounting Policies, Continued

Property taxes: Incremental property tax revenues are established pursuant to California Community Redevelopment Law and result from the excess of taxes levied and collected each year in designated project areas over and above the amount which would have been produced, at current rates, by the assessed value as shown on the last equalized property tax assessment roll prior to the effective date of the ordinance establishing the designated project areas.

Cash and investments: The Agency pools its cash and investments with the City, except for cash and investments with fiscal agents. The City pools idle and investment cash from all funds for the purpose of increasing income through investment activities. Investment income earned by the pooled cash and investments is allocated to the various funds and component units based on average cash and investment balance. The City's investments are stated at fair value. Market value is used for those securities for which market quotations are readily available. For securities that lack readily available market quotations, reasonable estimates of fair value are used based on the market value of similar investments. The City generally holds all investments until maturity or until market values equal or exceed cost. Therefore, the fair value of securities in the investment pool does not necessarily reflect realized gains or losses but rather the fair value of those investments as of June 30, 2003.

Loans receivable: Loans receivable consist of Agency loans to residents and developers. As of June 30, 2003, the Agency's outstanding loans of \$6,961,678 consist of \$5,072,066 for monies provided to low- and moderate-income residents in the City for home improvements or mortgage assistance, and \$1,889,612 for loans to developers under various owner participation agreements.

Land held for resale: Land held for resale is valued at the lower of cost or estimated net realizable value. The amount of land held for resale outstanding at June 30, 2003 was \$22,604,377.

Capital assets: The Agency's assets are capitalized at historical cost or estimated historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Automobile	5 years
Machinery and equipment	10 years

The Agency has no infrastructure included in capital assets at June 30, 2003.

Risk management: The Agency participates in the City's self-insurance programs for workers' compensation and liability losses. These self-funding activities are accounted for in internal service funds of the City. Excess insurance is purchased to protect the City from losses above the self-insured retention. An independent firm performs an actuarial valuation study every two years for the workers' compensation and liability risk insurance funds. At no time during the past five years have insurance claims exceeded insurance coverage.

Deferred revenue: Deferred revenue on the entity-wide financial statements represents interest received in advance from the fiscal agent on the amounts deposited in the reserve funds for 1998 Refunding Revenue Bonds, Series W. The Agency will recognize the interest received in advance as revenue, using the interest method over the term of the bonds.

Note 1. Summary of Significant Accounting Policies, Continued

Fund equity: Reservations of fund balance represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions. Designations of fund balance represent tentative managements plans that are subject to change.

Net assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Agency or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriation.

Deficit net assets: The Agency's unrestricted net assets are in a deficit position primarily due to long-term debt in excess of capital assets owned by the Agency. Generally, the City or the Pomona Public Financing Authority (the Authority) issues debt whereby the proceeds are loaned to the Agency for development and improvements within its project area. These improvements are for the benefit and ultimate use of the City and, therefore, the capital assets are included as part of the City's capital assets.

The Agency first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 2. Cash and Investments

The Agency's cash and investments are pooled with the City's cash and investments, except for those funds held by outside fiscal agents, which are invested in accordance with applicable bond indentures. Therefore, individual cash and investments cannot be identified with any single fund. Cash and investments consist of U.S. government-backed securities, money market mutual funds, investment in the State of California Local Agency Investment Fund (LAIF) and bankers' investment agreements. The City manages its pooled cash and investments under a formal investment policy that is adopted annually by the City Council and that follows the guidelines of the State of California Government Code.

Redevelopment Agency of the City of Pomona

Notes to Financial Statements

Note 2. Cash and Investments, Continued

The carrying amount of the City's cash and investments at June 30, 2003 are as follows:

	<u>Fair Value</u>
Unrestricted Cash and Investments	
Cash and deposits	\$ 2,382,300
Petty cash	9,181
Total unrestricted cash	<u>2,391,481</u>
Investments	
Local agency investment fund	61,290,291
U.S. government securities	2,000,000
Total unrestricted cash and investments	<u>65,681,772</u>
Restricted Cash and Investments	
Restricted cash deposits held in trust	<u>1,049,296</u>
Investments	
Money market accounts	16,427,519
U.S. treasury notes	13,165,102
Investment agreement	40,568,647
Total restricted investments	<u>70,161,268</u>
Total restricted cash and investments	<u>71,210,564</u>
	<u>\$ 136,892,336</u>

Deposits: In accordance with state statutes, the City maintains deposits at those depository institutions insured by the Federal Deposit Insurance Corporation (FDIC).

The California Government Code requires California banks and savings and loan associations to collateralize an agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of an agency's deposits. California law also allows financial institutions to secure agency deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits.

At June 30, 2003, the bank balance of the City's cash deposits maintained in financial institutions is \$2,730,381. The cash deposits are held by the City's agent in the City's name. The first \$100,000 of cash deposits are insured by the FDIC, and the remainder are collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name. The primary difference between the carrying amount of \$1,789,692 and the bank balance are deposits in transit and outstanding checks.

Redevelopment Agency of the City of Pomona

Notes to Financial Statements

Note 2. Cash and Investments, Continued

Investments: In accordance with GASB Statement No. 3, *Cash Deposits and Investments*, the City's investments are categorized according to the following criteria to give an indication of the level of risk assumed by the City at year end:

Category 1: Insured or registered investments or for which the securities are held by the City or its agent in the City's name.

Category 2: Uninsured and unregistered investments for which the securities are held by the counterparty's Trust Department or agent in the City's name.

Category 3: Uninsured and unregistered investments for which the securities are held by the counterparty or by its Trust Department or agent but not in the City's name.

The following is a summary of the City's investments at June 30, 2003:

The City participates in LAIF, a voluntary external investment pool, which is managed by the state treasurer. The LAIF has oversight provided by the Local Agency Investment Advisory Board. The Board consists of five members as designated by state statute. The chairman of the Board is the state treasurer or his designated representative. The fair value of the City's shares in the pool approximates the fair value of the position in the pool. The total amount invested by all public agencies in the LAIF is \$55,587,336,494. Of that amount, 100% is invested in nonderivative financial products.

	Category				Fair Value
	1	2	3	Uncategorized	
City-held investments					
U.S. government securities	\$ 2,000,000	\$ -	\$ -	\$ -	\$ 2,000,000
Trustee-held investments					
U.S. government securities	13,165,102	-	-	-	13,165,102
Money market accounts	16,427,519	-	-	-	16,427,519
Bankers' investment agreements	40,568,647	-	-	-	40,568,647
Investment in pool					
California State Local Agency Investment Fund (LAIF)	-	-	-	61,290,291	61,290,291
	<u>\$ 72,161,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,290,291</u>	<u>\$ 133,451,559</u>

The City has monies held by trustees or fiscal agents pledged to the payment or security of certain bonds. These are subject to the same risk assessments as the City's investments and, therefore, are included in the analysis above. The California Government Code provides that these monies, in absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions or indentures are generally more restrictive than the City's general investment policy.

Of the total cash and investments above, \$49,100,437 pertains to the Agency at June 30, 2003.

Redevelopment Agency of the City of Pomona

Notes to Financial Statements

Note 3. Capital Assets

Capital assets of the Agency at June 30, 2003 are presented in the table below.

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Governmental Activities				
Capital assets, not being depreciated:				
Land easements	\$ 1,810,000	\$ -	\$ -	\$ 1,810,000
Total capital assets not being depreciated	1,810,000	-	-	1,810,000
Capital assets, being depreciated:				
Machinery and equipment	17,256	16,300	-	33,556
Automobile	31,814	-	-	31,814
Equipment under capital lease	381,376	56,138	-	437,514
Total capital assets being depreciated	430,446	72,438	-	502,884
Less accumulated depreciation for machinery and equipment, automobile and equipment under capital lease	76,275	35,702	-	111,977
Net capital assets being depreciated	354,171	36,736	-	390,907
Total capital assets, net	\$ 2,164,171	\$ 36,736	\$ -	\$ 2,200,907

Depreciation expense was charged entirely to the community development function of the Agency for the year ended June 30, 2003.

The Agency had no significant construction commitments outstanding at June 30, 2003.

Note 4. Advances

Advances consist of the following at June 30, 2003:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Advances from the City	\$ 9,997,848	\$ 295,000	\$ -	\$ 10,292,848
Advances from the Authority	112,955,000	-	1,065,000	111,890,000
	\$ 122,952,848	\$ 295,000	\$ 1,065,000	\$ 122,182,848

Redevelopment Agency of the City of Pomona

Notes to Financial Statements

Note 4. Advances, Continued

The Agency has entered into various agreements with the City of Pomona and the Pomona Public Financing Authority to repay advances from the City and the Authority generally in connection with certain debt issues of those entities while proceeds were advanced to the Agency. These advances have varying repayment terms based on the debt service schedules of the particular debt issues within the City and the Authority. These advance liabilities are recorded as fund liabilities.

The advances from the City are comprised of the following:

Advances from the City that are expected to be repaid with proceeds from the sale of the land to the Pomona Unified School district as further explained in Note 6. \$ 5,592,848

On January 9, 2002, the Authority issued \$4,700,000 City of Pomona Certificates of participation, 2002 Series AE, to provide funds to the City to advance the Agency to finance certain redevelopment activities. Term certificates of \$1,130,000 and \$2,995,000 mature on October 1, 2019 and October 1, 2032, respectively, with an interest rate of 5.375%. Serial certificates are due in annual installments ranging from \$70,000 to \$95,000, beginning October 1, 2004. The serial certificates bear an interest rate of 5%, payable semiannually on October 1 and April 1, commencing October 1, 2002.

Total advances from the City	<u>4,700,000</u> <u>\$ 10,292,848</u>
------------------------------	--

The advances from the Authority mirror the payment terms on the three revenue bonds described below.

On February 1, 1994, the Authority issued \$57,075,000 1993 Local Agency Revenue Bonds, Series L, for the purpose of making an advance to the Agency for the refunding of the 1991 Local Agency Revenue Bonds, Series K. Interest on the bonds is payable semiannually on February 1 and August 1, commencing August 1, 1994. The rate of interest varies from 3.4% to 5.75% per annum. Principal is payable in annual installments, commencing February 1, 1995 and ending February 1, 2020. With the issuance of Series W, the legal reserve requirement of Series L is maintained in conjunction with Series W as noted below. A portion of Series L was defeased in 2001 with the issuance of Revenue Bonds, Series AD.

Subtotal	<u>\$ 21,610,000</u> <u>21,610,000</u>
----------	---

Redevelopment Agency of the City of Pomona

Notes to Financial Statements

Note 4. Advances Continued

Subtotal carried forward \$ 21,610,000

On March 12, 1998, the Authority issued \$52,335,000 1998 Refunding Revenue Bonds, Series W, for the purpose of making an advance to the Agency for refunding the 1983 Refunding Southwest Pomona RDA Tax Allocation Bonds and a portion of the 1993 Local Agency Revenue Bonds, Series L, as well as to provide financing for certain improvements in the Southwest Pomona Redevelopment Area. Interest on the bonds is payable semiannually on each August 1 and February 1, commencing August 1, 1998. The rates of interest range from 3.8% to 5% per annum. Principal installments ranging from \$100,000 to \$515,000. Term bonds of \$3,005,000, \$16,690,000 and \$29,285,000 mature on February 1, 2018, February 1, 2024 and February 1, 2030, respectively, and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$545,000 to \$5,495,000, as outlined in the bond's official statement. MBIA has issued a municipal bond insurance policy that insures the payment of the principal and interest on the bonds when due. The legal reserve requirement in conjunction with the remaining 1993 Local Agency Revenue Bonds, Series L, is \$5,772,575. The balance held in the reserve account for Series L and Series W as of June 30, 2003 was \$9,603,637.

51,600,000

On April 1, 2001, the Authority issued \$39,165,000 2001 Revenue Bonds, Series AD, for the purpose of making an advance to the Agency to refinance certain prior bonds and to make an additional advance to the Agency to provide financing for certain improvements in the merged project area. Tax Allocation Bonds defeased include the 1997 Refunding RDA Series S, 1997 Refunding Series T, 1998 Refunding Series U, 1998 Refunding Subordinate Series V and 1998 Refunding Series Z; 1993 Refunding Series L Revenue Bonds were partially defeased. Interest on the bonds is payable semiannually on each August 1 and February 1, commencing August 1, 2001. Rates of interest range from 3.25% to 5.39% per annum. Principal is payable in annual installments ranging from \$95,000 to \$2,020,000. Term bonds of \$10,550,000, \$10,115,000 and \$7,525,000 mature on February 1, 2021, February 1, 2027 and February 1, 2033, respectively, and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$445,000 to \$2,470,000, as outlined in the bond's official statement. The legal reserve requirement is \$2,850,034. The balance held in the reserve account as of June 30, 2003 was \$2,850,034.

38,680,000

Total advances from the Authority

\$ 111,890,000

Redevelopment Agency of the City of Pomona

Notes to Financial Statements

Note 4. Advances Continued

Debt service requirements to maturity for the advances from the Authority and a \$4.7 million advance from the City are as follows at June 30, 2003:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$ 1,110,000	\$ 5,961,598	\$ 7,071,598
2005	1,235,000	5,902,097	7,137,097
2006	1,300,000	5,837,398	7,137,398
2007	1,370,000	5,769,007	7,139,007
2008	1,435,000	5,696,933	7,131,933
2009–2013	12,190,000	27,157,464	39,347,464
2014–2018	21,430,000	22,804,716	44,234,716
2019–2023	26,095,000	16,684,019	42,779,019
2024–2028	32,625,000	9,491,903	42,116,903
2029–2033	17,800,000	1,708,937	19,508,937
	<u>\$ 116,590,000</u>	<u>\$ 107,014,072</u>	<u>\$ 223,604,072</u>

Note 5. Long-term Debt

Long-term debt consists of the following at June 30, 2003:

	Balance July 1, 2002	Additions	Deletions/ Reclassification	Balance June 30, 2003	Due within One Year
Notes payable-Erskine Participation agreement	\$ 1,898,897	\$ -	\$ 1,666,751	\$ 232,146	\$ -
County deferred loan	16,653,400	1,379,143	-	18,032,543	-
1998 Mountain Meadows Refunding TAB, Series X	4,395,000	-	200,000	4,195,000	205,000
1998 West Holt Refunding TAB, Series Y	8,495,000	-	125,000	8,370,000	135,000
Capital lease payable	230,218	56,138	154,602	131,754	105,000
	<u>\$ 33,272,069</u>	<u>\$ 1,435,281</u>	<u>\$ 2,655,720</u>	<u>\$ 32,051,630</u>	<u>\$ 445,000</u>

Note payable: The Agency entered into a note payable on August 9, 1976 for \$425,000. The note is payable in monthly installments of \$3,000, including interest at 8%, through 2012. The amount outstanding at June 30, 2003 is \$232,146.

Note 5. Long-term Debt, Continued

Participation agreement: The Agency entered into a participation agreement dated April 1, 1989 with the Los Angeles County Fair Association whereby the Agency has agreed to provide financial assistance to the Association. The participation agreement was amended on April 15, 1994, which resulted in the Agency assuming an obligation of \$2,834,485, which already includes interest at 10% per annum. The Agency has pledged tax increment as the source of repayment, which is required under the terms of the agreement when tax increment is received by the Agency. The Agency is in arrears on payments for this agreement; therefore, \$218,037 of the outstanding balance has been reflected as a fund liability at June 30, 2003.

County agreements: The Agency entered into an agreement with the County of Los Angeles whereby a portion of the county's share of tax increment revenue is loaned annually to the Agency at 7% per annum. Repayment on the loan is required when excess funds become available. In connection with this agreement, the county has agreed to provide for sufficient allocation of tax increment to allow the Agency to meet its debt service requirements on debt incurred in connection with the then separate Southwest Pomona Project Area.

Tax Allocation Bonds:

1998 Tax Allocation Refunding Bonds, Series X: On November 12, 1998, the Agency issued \$5,055,000 1998 Tax Allocation Refunding Bonds, Series X, for the Mountain Meadows Redevelopment Project to refund \$4,360,000 of the loan between the Agency and the Authority related to the Authority's 1994 Refunding Revenue Bonds, Series N. Interest is payable semiannually on June 1 and December 1 at rates varying from 4.3% to 5.1% per annum. Principal is payable in annual installments ranging from \$95,000 to \$300,000 through December 1, 2013. Term bonds of \$1,000,000 and \$460,000 mature on December 1, 2016 and December 1, 2024, respectively, and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$45,000 to \$350,000 as outlined in the bond's official statement. A municipal bond insurance policy has been issued that insures the payment of the principal and interest on the bonds when due. The legal reserve requirement is \$382,018, which the Agency met at June 30, 2003.

1998 Tax Allocation Refunding Bonds, Series Y: On November 12, 1998, the Agency issued \$8,980,000 1998 Tax Allocation Refunding Bonds, Series Y, for the West Holt Avenue Redevelopment Project to refund \$7,130,000 of the loan between the Agency and the Authority related to the Authority's 1994 Refunding Revenue Bonds, Series N, and to finance certain redevelopment activities within the West Holt Avenue Project Area. Interest on the bonds is payable semiannually on November 1 and May 1 at rates varying from 4.4% to 5.0% per annum. Principal is payable in annual installments ranging from \$115,000 to \$180,000 through May 1, 2011. Term bonds of \$390,000, \$2,360,000 and \$4,380,000 mature on May 1, 2013, May 1, 2022 and May 1, 2032, respectively, and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$190,000 to \$550,000 as outlined in the bonds' official statements. Bonds maturing on May 1, 2009 through May 1, 2011 are subject to redemption prior to maturity, as a whole or in part, at the option of the Agency on any date on or after May 1, 2008 at redemption prices ranging from 100% to 101% of principal. A municipal bond insurance policy has been issued that insures the payment of the principal and interest on the bonds when due. The legal reserve requirement is \$583,123, which the Agency met at June 30, 2003.

Redevelopment Agency of the City of Pomona

Notes to Financial Statements

Note 5. Long-term Debt, Continued

Debt service requirements to maturity for the two tax allocation bonds, are as follows at June 30, 2003:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 340,000	\$ 649,151	\$ 989,151
2005	350,000	634,868	984,868
2006	365,000	619,708	984,708
2007	380,000	603,653	983,653
2008	390,000	586,671	976,671
2009–2013	2,240,000	2,633,555	4,873,555
2014–2018	2,515,000	1,993,145	4,508,145
2019–2023	1,810,000	1,447,136	3,257,136
2024–2028	2,140,000	909,425	3,049,425
2029–2033	2,035,000	287,102	2,322,102
	<u>\$ 12,565,000</u>	<u>\$ 10,364,414</u>	<u>\$ 22,929,414</u>

Capital lease payable: The Agency has entered into equipment lease-purchase agreements with leasing companies whereby the lessor acquired certain equipment and leased it to the Agency with an option to purchase. The leases mature from 2001 to 2005. The amount outstanding at June 30, 2003 is \$131,754.

Debt service requirements to maturity for capital leases are as follows at June 30, 2003:

<u>Fiscal Year Ending June 30,</u>	<u>Capital Leases</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 105,024	\$ 2,655	\$ 107,679
2005	26,730	192	26,922
	<u>\$ 131,754</u>	<u>\$ 2,847</u>	<u>\$ 134,601</u>

No commitment debt:

Mortgage revenue bonds: The Agency has issued mortgage revenue bonds for low-income single and multi-family dwellings. These bonds are secured by first trust deeds and private mortgage insurance. Although the Agency has arranged this financing program, the debt is not payable from any revenues or assets of the Agency. Generally, the bondholders may look only to assets held by trustees for security on the indebtedness. Accordingly, this debt does not constitute an obligation of the Agency and is not reflected in the long-term debt of the Agency.

Redevelopment Agency of the City of Pomona

Notes to Financial Statements

Note 5. Long-term Debt, Continued

The mortgage revenue bonds consist of the following at June 30, 2003:

	Original Issue Amount	Outstanding Balance
The Agency Southwest Project Bonds, Single Family, Series 1983A	\$ 62,750,000	\$ 3,483,249
The Agency variable/fixed rate demand multifamily housing bonds 1985, Series A	17,850,000	4,200,000
The Agency Multifamily Housing Bonds 1998, Series A	11,500,000	11,500,000
	<u>\$ 92,100,000</u>	<u>\$ 19,183,249</u>

Note 6. Commitment and Contingencies

Agreement to sell land: On November 22, 2000, the Agency entered into an agreement with the Pomona Unified School District (PUSD) in which the Agency agreed to sell to PUSD certain vacant land from its Land Held for Resale stock, for the purpose of the PUSD constructing a new school facility. For consideration of the land, PUSD agreed to a down payment of \$295,000 (which was paid in August 2001), a payment at the close of escrow of \$1,705,000 and an installment payment plan in the amount of \$3,295,000 at 6.443% interest over a period of 22 years. The land held for resale has a cost basis of \$4,174,270. Currently, this property is involved in a litigation dispute with the former owner.

Since the property is involved in a legal dispute, the Agency and PUSD decided on February 15, 2001 to enter into a lease agreement to extend the time period that the property would be sold for a period of three years. The lease agreement is for a period of three years at which time escrow is expected to close. The lease agreement calls for the same terms as the Developer Disposition Agreement (DDA) agreement (i.e., \$295,000 up front and the installment payment plan in the amount of \$3,295,000). The \$1,705,000 one-time payment will be due when escrow closes at the end of the three-year lease. During the three-year term of the lease, the Agency has given PUSD the authority to improve the site and construct a new school facility. PUSD is responsible for the cost of all improvements to the property, the utilities on the property, obtaining bodily injury and property damage insurance with a combined single limit of at least \$1 million per occurrence and for any personal property taxes that may be assessed. The Agency waives any lien rights concerning the improvements and school facilities that are deemed PUSD's personal property. In addition, the Agency also disclaims any interest in the improvements and school facilities and agrees the improvements are exempt from execution, foreclosure, sale, levy, attachment or distress for any rent due, and that the improvements may be removed at any time without recourse.

In accordance with the lease agreement, all monies paid to the Agency from PUSD will be refunded to PUSD if the transfer of title does not occur. As a result, all monies paid to the Agency under the lease agreement, and prior to the transfer of title to PUSD, will be included in deferred revenue in the Agency's Capital Projects Fund. Through June 30, 2003, the amount received by the Agency from PUSD was \$590,000.

Note 6. Commitment and Contingencies, Continued

Litigation: The Agency is a defendant in a certain legal proceeding alleging breach of contract, wrongful foreclosure, fraud, inverse condemnation and defamation. The Agency's management has concluded that the risk of loss is reasonably possible and could range from \$1,000,000 to \$5,000,000. Approximately \$1.7 million has been accrued for this matter in the self-insurance fund in the City's financial statements at June 30, 2003.

The Agency is a defendant in certain legal actions arising in the normal course of operations. In the opinion of management, any liabilities resulting from actions, except for those already disclosed, will not have a material adverse effect on the Agency's financial position.

Agreement for allocation of tax increment funds: On December 5, 1998, the Agency entered into an agreement with the County of Los Angeles whereby the County has agreed to provide for sufficient allocation of tax increment to allow the Agency to meet its debt service requirements on debt it has incurred in connection with the Southwest Pomona Project Area. Beginning in fiscal year 1998-89 and thereafter for the life of the project, the County will provide a grant to the Agency for any "deficiencies" of tax increment revenues allocated to the Agency as described in the agreement. During the year, the Agency received a grant in the amount of \$3,100,000 which was recorded as intergovernmental revenue in the debt service fund.

Other contingency: In November 2001, an Orange County Superior Court Judge ruled that the Orange County Assessor's Office violated Proposition 13 by increasing the taxable value of a Seal Beach residence by 4% in a single year (1998). County attorneys argued that the assessment was legal because it made up for years in which the property value did not increase. The county maintains it was merely "recapturing" the full tax value of the property, charging 2% for each of the years the property values did not rise. On December 12, 2002, the Superior Court certified class action status for this case and the Court and Tax Collector are currently addressing when and if notification to the taxpayers should be executed.

In 2002, two other local courts (Los Angeles and San Diego) ruled differently on the same issue and both affirmed the current statewide practice of property assessment restoration (i.e.; the local courts differ on this issue). The property tax laws are applied on a statewide basis and the contradicting ruling with two other local courts on the same legal issue require a uniformity review at the appellate level. With this notice, the Court of Appeal will establish a briefing and hearing schedule and that process may take several months to complete. Based on the Court of Appeal's briefing schedule, the respondent is required to submit a reply brief by October 17, 2003. Then, the appellants will answer the respondent's reply brief by November 7, 2003. The Court of Appeal has scheduled a hearing on December 16, 2003. If the Judge's decision is upheld on appeal, it could have financial ramifications throughout the State of California. The City's management is unable to reasonably estimate the financial effect to it, or the Redevelopment Agency, if the Orange County Superior Court's decision is upheld.

Note 7. Subsequent Event

On December 3, 2003, the Authority issued \$46,650,000 2003 Revenue Bonds, Series AH and \$23,425,000 Subordinate Revenue Bonds, Series AI to provide funds for a loan to the Agency for certain improvements and to refinance certain Agency obligations to the Authority. Interest on the bonds, including the term bonds, is payable semiannually on each February 1 and August 1, commencing February 1, 2004. Interest rates range from 2.05% to 5.75%. Principal on \$34,095,000 of the revenue bonds is payable in annual installments ranging from \$390,000 to \$3,270,000, commencing on February 1, 2007 and on \$7,310,000 of the subordinate revenue bonds in annual installments from \$450,000 to \$915,000, commencing on February 1, 2007. The term bonds from Series AH of \$2,410,000 and \$10,145,000 mature on February 28, 2028 and 2034, respectively. The term bonds from Series AI of \$4,900,000, \$6,220,000 and \$4,995,000 are due February 1, 2023, 2028 and 2034, respectively.

This Page Intentionally Left Blank

Required Supplementary Information

Redevelopment Agency of the City of Pomona

Required Supplementary Information

Combining Statement of Revenues, Expenditures and Changes in Fund Balances—
Budget Comparison—Low- and Moderate-Income Housing Fund—Special Revenue
For the Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts	(Unfavorable) Variance
	Original	Final		Final Budget
Fund Balance, July 1, 2002	\$ 2,283,831	\$ 2,283,831	\$ 8,094,630	\$ 5,810,799
Resources (Inflows):				
Property taxes	-	-	-	-
Intergovernmental	570,000	940,000	769,314	(170,686)
Intergovernmental, City of Pomona	-	-	-	-
Investment income	429,300	429,300	1,059,575	630,275
Miscellaneous	80,250	80,250	73,921	(6,329)
Amount available for appropriations	1,079,550	1,449,550	1,902,810	453,260
Charges to Appropriations (Outflows):				
General government	-	-	-	-
Intergovernmental	-	-	-	-
Community development	-	-	-	-
Urban development	4,890,064	6,810,064	3,438,930	3,371,134
Capital outlay	2,550	1,152,550	-	1,152,550
Debt service:				
Principal retirement	54,967	54,967	107,619	(52,652)
Interest and fiscal charges	20,380	20,380	24,697	(4,317)
Administrative charges	209,890	209,890	178,050	31,840
Pass-through payments	-	-	-	-
Loss on sale of property	576,732	576,732	-	576,732
Other financing (sources) uses:				
Transfer in	(3,056,064)	(3,056,064)	(3,744,628)	688,564
Transfer out	1,563,200	1,563,200	1,563,116	84
Gain on sale of land held for resale	(800,000)	(800,000)	(166,493)	(633,507)
Proceeds of loans and notes	(1,113,000)	(3,213,000)	(57,123)	(3,155,877)
Total charges to appropriations	2,348,719	3,318,719	1,344,168	1,974,551
Excess of resources over (under) charges to appropriations	(1,269,169)	(1,869,169)	558,642	2,427,811
Fund balance, June 30, 2003	\$ 1,014,662	\$ 414,662	\$ 8,653,272	\$ 8,238,610

See Notes to Required Supplementary Information.

Redevelopment Agency of the City of Pomona

Notes to Required Supplementary Information Year Ended June 30, 2003

Budgetary Information

Through the budget, the Agency Board sets the direction of the Agency by allocating its resources and establishing its priorities. The Agency budget assures the efficient and effective use of its economic resources, as well as establishing that the highest priority objectives are accomplished.

The Agency budget serves from July 1 to June 30, and it is a vehicle to accurately and openly communicate these priorities to the community, businesses, vendors, employees and other public agencies. In addition, it establishes the foundation of effective financial planning. The budget provides resource planning, performance measures and controls that permit the evaluation and adjustment of the Agency's performance.

The Agency budget is prepared and based on the following expenditure categories: personnel, supplies and services, minor capital outlay and capital improvement programs. The first three listed are considered operational in nature and referred to as *recurring costs*. Capital Improvement Projects are asset acquisitions, facilities, systems and infrastructure improvements typically over \$50,000, and/or those items "outside" of the normal operational budget. These are known as *one-time costs*. Additionally, all redevelopment agreements and low- to moderate-income housing and redevelopment allocations are tracked through the Capital Improvement Program document.

The budget process begins as a team effort in January of each year, starting with an annual strategic planning meeting. The individual departments then use projected revenue assumptions to prioritize and recommend the next fiscal year's objectives. The executive director and the Finance Department review the budget proposals, revenue assumptions and all current financial obligations before presenting the proposed document to the Agency Board.

The Agency Board reviews the proposed budget through a series of committees and workshops. The final adoption occurs during the second Board meeting in June of each year.

Other Supplementary Information

This Page Intentionally Left Blank

Redevelopment Agency of the City of Pomona

Other Supplementary Information
 Budget Comparison Schedule
 For the Year Ended June 30, 2003

	Debt Service Fund			
	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance Final Budget
	Original	Final		
Fund Balance (Deficit), July 1, 2002	\$ 1,279,878	\$ 1,279,878	\$ (102,803,303)	\$ (104,083,181)
Resources (Inflows):				
Property taxes	13,647,255	15,260,139	18,726,227	3,466,088
Intergovernmental	5,272,937	5,344,719	3,100,000	(2,244,719)
Intergovernmental, City of Pomona	-	-	-	-
Investment income	578,236	578,236	776,883	198,647
Gain on sale of property	-	-	-	-
Miscellaneous	180,000	180,000	271,000	91,000
Amount available for appropriations	19,678,428	21,363,094	22,874,110	1,511,016
Charges to Appropriations (Outflows):				
General government	7,437,144	8,442,703	-	8,442,703
Intergovernmental	-	-	-	-
Community development	-	-	-	-
Urban development	-	-	1,129,461	(1,129,461)
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	1,390,000	1,390,000	325,000	1,065,000
Interest and fiscal charges	7,656,334	7,666,655	6,461,981	1,204,674
Administrative charges	-	-	-	-
Pass-through payments	-	-	7,931,767	(7,931,767)
Other financing sources (uses):				
Transfer in	(1,563,200)	(1,563,200)	(1,468,116)	(95,084)
Transfer out	4,758,150	5,426,936	7,313,129	(1,886,193)
Repayment on loans	-	-	527,323	(527,323)
Proceeds of loans and notes	-	-	(717,280)	717,280
Total charges to appropriations	19,678,428	21,363,094	21,503,265	(140,171)
Excess of resources over (under) charges to appropriations	-	-	1,370,845	1,370,845
Fund balance (deficit), June 30, 2003	\$ 1,279,878	\$ 1,279,878	\$ (101,432,458)	\$ (102,712,336)

Capital Projects Fund

Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance Final Budget
Original	Final		
\$ 10,592,681	\$ 10,592,681	\$ 50,783,534	\$ 40,190,853
1,674,345	-	-	-
1,010,321	1,075,000	-	(1,075,000)
-	-	-	-
1,371,277	1,371,277	721,805	(649,472)
-	-	-	-
1,145,628	1,145,628	196,074	(949,554)
5,201,571	3,591,905	917,879	(2,674,026)
-	-	-	-
3,125,871	2,725,521	3,888,476	1,162,955
-	-	-	-
4,371,872	4,422,042	6,262,996	1,840,954
4,355,000	4,391,404	144,021	(4,247,383)
-	-	61,300	61,300
10,321	1,300	16,054	14,754
251,766	251,766	141	(251,625)
-	-	-	-
(2,028,698)	(2,370,872)	(3,682,948)	(1,312,076)
526,612	200,000	19,447	(180,553)
-	-	100,131	100,131
(3,100,000)	(3,100,000)	(310,253)	2,789,747
7,512,744	6,521,161	6,499,365	(21,796)
(2,311,173)	(2,929,256)	(5,581,486)	(2,652,230)
\$ 8,281,508	\$ 7,663,425	\$ 45,202,048	\$ 37,538,623

This Page Intentionally Left Blank

Compliance Section

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council
Redevelopment Agency of the City of Pomona
Pomona, California

We have audited the basic financial statements of the Redevelopment Agency of the City of Pomona (the Agency) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 5, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies* issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. 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 that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency'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 internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. The reportable conditions referred to above are not considered material weaknesses. A material weakness is a condition in which the design or operation of one or more of internal control components does not reduce to a relatively low level the risk that misstatements 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. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions and have been reported to management in a separate letter dated December 5, 2003.

This report is intended for the information of City Council, management and the State Controller. However, this report is a matter of public record and its distribution is not limited.

McGladrey & Pullen, LLP

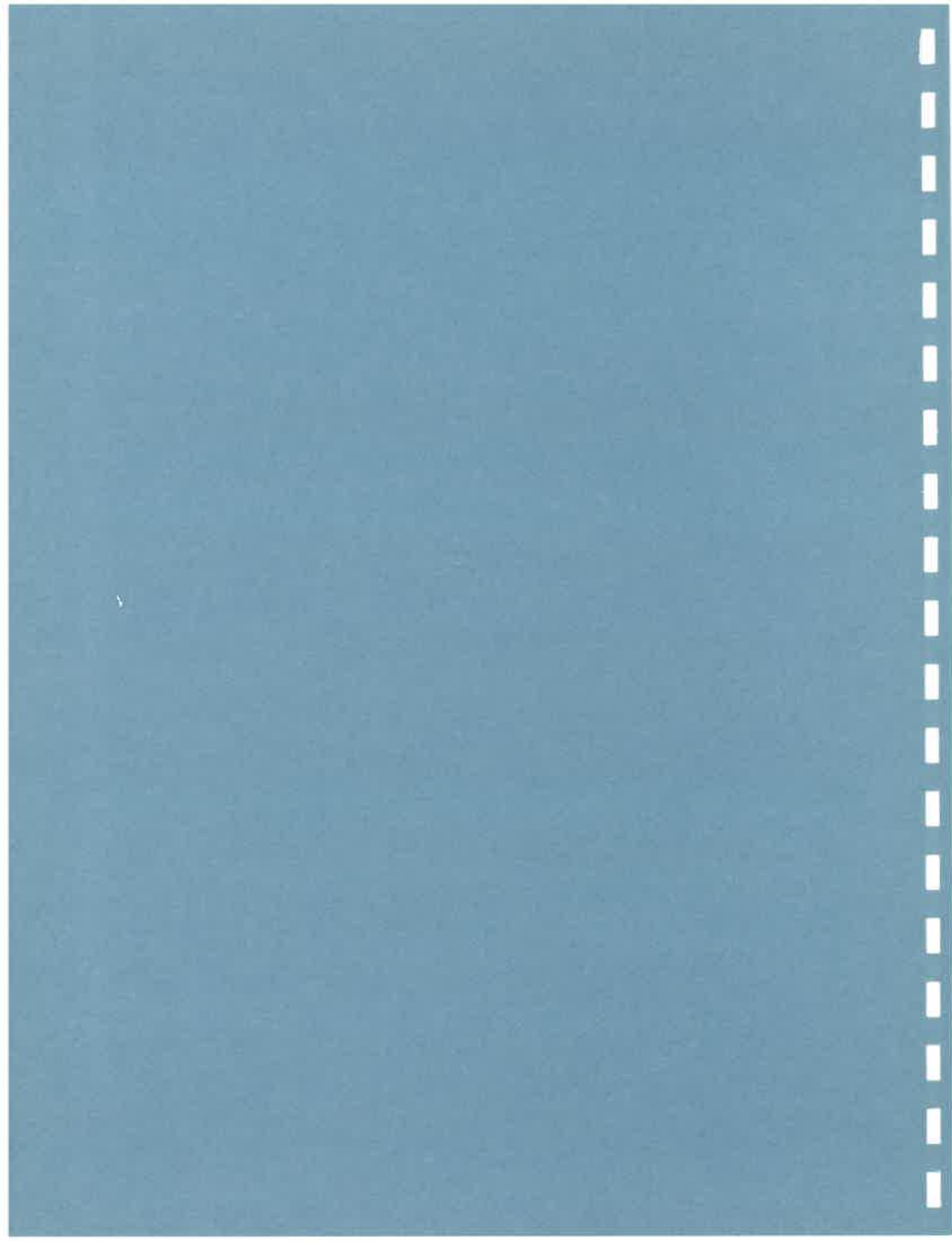
Riverside, California
December 5, 2003

Redevelopment Agency of the City of Pomona

Computation of Low- and Moderate-Income Housing Excess/Surplus Funds
Year Ended June 30,2003

Fund balance, beginning of year	\$ 8,094,630
Adjustments	
Less unavailable funds, included in beginning fund balance:	
Land held for resale	2,570,159
Rehabilitation loans	225,000
ERAF loan receivable	1,113,000
Set-aside deferrals	-
Unspent bond proceeds	2,688,790
Insurance	-
Prepaid items	-
Total unavailable funds	<u>6,596,949</u>
Available fund balance, beginning of year	1,497,681
Current year proceeds/uses (actual plus changes in unavailable):	
Proceeds	5,871,047
Uses	(5,312,405)
Changes in unavailable amounts	1,584,767
Available fund balance, end of year	<u>3,641,090</u>
Encumbrances	-
Unspent bond proceeds present	-
Land sales, HS 33334.12(g)(3)A)	-
Available fund balance, for excess surplus	<u>\$ 3,641,090</u>
Does available fund balance for excess/surplus exceed \$1,000,000? If so, enter available fund balance and evaluate that amount against tax increment. If less, enter zero.	<u>\$ 3,641,090</u>
Does available fund balance for excess/surplus exceed the greater of prior years' set aside deposits or \$1,000,000?	
Tax increment set-aside amounts:	
Fiscal year 1998-99	3,037,755
Fiscal year 1999-00	2,807,280
Fiscal year 2000-01	3,053,919
Fiscal year 2001-02	3,345,580
Total set-aside deposited into fund	<u>12,244,534</u>
Greater of the tax increment deposits or \$1,000,000	<u>12,244,534</u>
Excess/Surplus Funds—Available Fund Balance for Excess/Surplus, less prior four years' tax increment set-aside deposits	<u>\$ -</u>
Reconciliation to ending fund balance:	
Ending GAAP fund balance	<u>\$ 8,653,272</u>
Available fund balance, end of year above	<u>\$ 3,641,090</u>
Add unavailable funds, end of year:	
Land held for resale	3,383,758
Rehabilitation loans	-
ERAF loan receivable	790,570
Set-aside deferrals	-
Unspent Bond Proceeds	837,854
Insurance	-
Prepays	-
Total unavailable funds	<u>5,012,182</u>
Computed ending fund balance	<u>\$ 8,653,272</u>

This Page Intentionally Left Blank



City of Pomona Public Financing Authority

Financial Report and Compliance Report
June 30, 2003

McGladrey & Pullen
Certified Public Accountants

McGladrey & Pullen, LLP is a member firm of RSM International,
an affiliation of separate and independent legal entities.

Contents

Independent Auditor's Report on the Financial Statements	1
Financial Statements:	
Statement of net assets and governmental fund balance sheet	2
Statement of activities and governmental fund statement of revenues, expenditures and changes in fund balance	3
Notes to financial statements	4-17
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on the Financial Statements

To the Board of Directors
City of Pomona Public Financing Authority
Pomona, California

We have audited the accompanying financial statements of the governmental activities and the governmental fund of the City of Pomona Public Financing Authority (the Authority), a component unit of the City of Pomona, California, as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and governmental fund of the Authority as of June 30, 2003, and the changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2003 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulation, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Authority has not presented a Management's Discussion and Analysis required by GASB Statement No. 34 that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

McGladrey & Pullen, LLP

Irvine, California
December 5, 2003

City of Pomona Public Financing Authority

Statement of Net Assets and Governmental Fund Balance Sheet
June 30, 2003

Assets	Governmental Fund Debt Service	Adjustments (See Note 2)		Statement of Net Assets
Cash and Investments	\$ 115,098	\$ -		\$ 115,098
Interest Receivable	481	3,181,871	D	3,182,352
Advances to the City of Pomona	87,540,000	-		87,540,000
Advances to the Redevelopment Agency of the City of Pomona	111,890,000	-		111,890,000
Deferred charges	-	1,788,756	G	1,788,756
Total assets	\$ 199,545,579	\$ 4,970,627		\$ 204,516,206

Liabilities

Accounts Payable and Accrued Liabilities	\$ -	\$ 3,181,871	A	\$ 3,181,871
Noncurrent Liabilities				
Due within one year	-	3,020,000	B	3,020,000
Due in more than one year	-	196,410,000	B	196,410,000
Total liabilities	-	202,611,871		202,611,871

Fund Balance/Net Assets

Fund Balances				
Reserved for debt service	115,579	(115,579)	C	-
Reserved for advances	199,430,000	(199,430,000)	C	-
Total fund balances	199,545,579	(199,545,579)		-
Total liabilities and fund balances	\$ 199,545,579			

Net Assets

Restricted for debt service	-	C	-
Unrestricted (deficit)	1,904,335	C	1,904,335
Total net assets (deficit)	\$ 1,904,335		\$ 1,904,335

See Notes to Financial Statements.

City of Pomona Public Financing Authority

Statement of Activities and Governmental Fund Statement of Revenues,
Expenditures and Changes in Fund Balance
Year Ended June 30, 2003

	Governmental Fund Debt Service	Adjustments (See Note 2)		Statement of Activities
Expenditures/expenses:				
General government	\$ 7,000	\$ -		\$ 7,000
Debt service:				
Principal retirement	3,085,000	(3,085,000)	I	-
Interest and fiscal charges	10,082,397	897,162	E	10,979,559
Bond issuance costs	548,030	(548,030)	G	-
Total expenditures/expenses	13,722,427	(2,735,868)		10,986,559
Program revenues:				
Intergovernmental, City of Pomona	19,891,090	56,200	F	19,947,290
Total program revenues	19,891,090	56,200		19,947,290
Excess (deficiency) of revenues over (under) expenditures	6,168,663	2,792,068		8,960,731
Other financing sources (uses):				
Proceeds of refunding bonds	15,205,000	(15,205,000)	H	-
Payment to refunded bond escrow agent	(11,918,039)	11,918,039	G+H	-
Premium on bonds	19,828	(19,828)	H	-
Total other financing sources	3,306,789	(3,306,789)		-
Change in fund balance/net assets (deficit)	9,475,452	(514,721)		8,960,731
Fund balance/net assets, beginning of year	190,070,127	(197,126,523)	J	(7,056,396)
Fund balance/net assets, end of year	\$ 199,545,579	\$ (197,641,244)		\$ 1,904,335

See Notes to Financial Statements.

City of Pomona Public Financing Authority

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Pomona Public Financing Authority (the Authority) is a joint exercise of powers authority created by a joint powers agreement between the City of Pomona, California, (the City), the Redevelopment Agency of the City of West Covina and the Redevelopment Agency of the City of Pomona (the Agency), dated October 27, 1988. The purpose of the Authority is to provide, through the issuance of debt, financing necessary for the construction of public improvements. The Authority is not subject to federal or state income taxes.

Reporting entity: Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's Board and either (a) the primary government has the ability to impose its will or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Since the Council of the City also serves as the Board of Directors of the Authority, the City, in effect, has the ability to influence and control operations. Therefore, the City has oversight responsibility for the Authority. Consequently, the financial statements of the Authority are included in the City's comprehensive annual financial report. There are no entities which are component units of the Authority. The Authority has the same fiscal year as the City. The City financial statements can be obtained from the Finance Department of the City.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

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. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of 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 a liability is incurred, as under accrual accounting. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Amounts reported as program revenues include interest on advances to the City and the Agency and interest earned on investments.

The Authority reports the Debt Service Fund as its only governmental fund. The Debt Service Fund is used to account for the accumulation and holding of resources for, and the payment of, bond principal and interest when due. Revenue sources are repayments on advances, lease payments and interest earned on investments.

Note 1. Summary of Significant Accounting Policies, Continued

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and investments: Investments are reported in the accompanying balance sheet at fair value, except for certain certificates of deposit that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

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

Deferred charges: Deferred charges, which consist primarily of bond issuance costs, are deferred and amortized over the term of the bonds using a method which approximates the effective interest method.

Advances: Advances to other governments or agencies consist of Authority advances of debt proceeds to the City and the Agency for construction of certain water and sewer system improvements, refunding and defeasement of certain debt obligations, and repayment of prior advances.

Long-term obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund equity: The reserved portion of the fund balances represents those amounts which have been legally identified for the specific purpose or represents amounts which are not available to liquidate current liabilities. The unreserved portion represents the amount available for future appropriations. Designated fund balances represent tentative plans for the future use of financial resources.

Use of restricted/unrestricted net assets: When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority's policy is to apply restricted net assets first.

Unrestricted net assets: The Authority's unrestricted net assets are in a deficit position primarily because long-term debt is in excess of assets owned by the Authority. The Authority issues debt for construction and/or acquisition of assets, which it then turns over to the City.

Note 2. Summary of Adjustments

The following adjustments were made in the conversion of the governmental fund balance sheet to the statement of net assets, as per GASB Statement No. 34:

- A To record accrued interest on long-term debt as of June 30, 2003, which is not due and payable in the current period and therefore not recorded in the governmental fund.
- B To record long-term debt, current and long-term portions, net of unamortized issuance costs and deferred charges and premiums, which is not recognized in the governmental fund until amounts are due and payable.
- C To reclassify fund balance to net assets.
- D To record interest receivable on the advances to the City, which is not accrued in the governmental fund until amounts are due and payable.

The following adjustments were made in the conversion of the governmental fund statement of revenues, expenditures and changes in fund balance to the statement of activities, as per GASB Statement No. 34:

- E Interest expense on long-term debt in the statement of activities differs because additional accrued interest was calculated for the long-term debt as of June 30, 2003 over that which was recorded in the prior year.
- F Interest income in the statement of activities differs because it is not considered a current resource in the governmental fund until received.
- G Bond issuance costs and deferred refunding loss are not recognized in the statement of activities as they are capitalized on the statement of net assets and amortized over the life of the bond.
- H Bond proceeds and premiums are not recognized in the statement of activities as they are recorded on the statement of net assets as a component of long-term debt.
- I Principal retirement is not recognized in the statement of activities because long-term debt is recorded on the statement of net assets.
- J To reclassify fund balance to net assets.

Note 3. Cash and Investments

Cash and investments: The Authority's cash and investments are pooled with the City's cash and investments. Income from the investment of pooled cash is allocated to Authority funds on a monthly basis, based upon the month-end cash balance of the fund as a percent of the month-end total pooled cash balance. Individual investments cannot be identified with any single fund because the City may be required to liquidate its investments at any time to cover large cash outlays required in excess of normal operating needs. Cash and investments consist of U.S. government-backed securities and investments in State of California Local Agency Investment Fund as well as bankers acceptances. The City values all of its cash and invested cash at fair value on a portfolio basis. The City manages its pooled idle cash and investments under a formal investment policy that is reviewed by the Investment Committee and adopted annually by the City Council and that follow the guidelines of the State of California Government Code.

City of Pomona Public Financing Authority

Notes to Financial Statements

Note 3. Cash and Investments, Continued

The carrying amount of the City's cash and investments at June 30, 2003 is as follows:

Unrestricted cash and investments:	
Cash and deposits	\$ 2,382,300
Petty cash	9,181
Total unrestricted cash	<u>2,391,481</u>
U.S. mortgage-backed securities	2,000,000
Pooled investments	61,290,291
Total unrestricted investments	<u>63,290,291</u>
Total unrestricted cash and investments	<u>65,681,772</u>
Restricted cash and investments, cash deposits held in trust	<u>1,049,296</u>
Money market accounts	16,427,519
U.S. mortgage-backed securities	13,165,102
Banker's investment agreement	40,568,647
Total restricted investments	<u>70,161,268</u>
Total restricted cash and investments	<u>71,210,564</u>
	<u>\$ 136,892,336</u>

At June 30, 2003, the carrying amount of the City's cash deposits, including those held in trust, totaled \$3,441,691 and the bank balance of the City's cash deposits maintained in financial institutions is \$2,730,381. The cash deposits are held by the City's agent in the City's name. Of the \$2,730,381 maintained in financial institutions, \$100,000 is insured by the Federal Deposit Insurance Corporation (FDIC) and the remainder is collateralized with securities held by the pledging financial institution, or by its Trust Department or agent but not in the City's name. The primary difference between the carrying amount and the bank balance are deposits in transit and outstanding checks. In accordance with state statutes, the City maintains deposits at those depository institutions insured by the FDIC. The California Government Code requires California banks and savings and loan associations to collateralize the deposits of governmental entities by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of those deposits. California law also allows financial institutions to secure the deposits of governmental entities by pledging first trust deed mortgage notes having a collateral value of 150% of a corporation's total deposits.

The City is authorized by its investment policy, in accordance with Section 53601 of the California Government Code, to invest in the following instruments:

- Securities issued or guaranteed by the federal government or its agencies
- Bankers' acceptances that are eligible for purchase by the Federal Reserve System
- Commercial paper, rated A-1/P-1, secured by an irrevocable line of credit or government securities
- Certificates of deposit with national and state licensed or chartered banks, or federal or state savings and loan associations
- Medium-term corporate notes, rated AAA or AA
- Money market funds

City of Pomona Public Financing Authority

Notes to Financial Statements

Note 3. Cash and Investments, Continued

In accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*, the City's investments are categorized according to the following criteria, to give an indication of the level of risk assumed by the City at year end.

Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust Department or agent in the City's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its Trust Department or agent, but not in the City's name.

The following is a summary of investments by category at June 30, 2003:

	Category			Uncategorized	Fair Value
	1	2	3		
City-held investments, U.S. government securities	\$ 2,000,000	\$ -	\$ -	\$ -	\$ 2,000,000
Trustee-held investments:					
U.S. government securities	13,165,102	-	-	-	13,165,102
Money market accounts	16,427,519	-	-	-	16,427,519
Banker's investment agreements	40,568,647	-	-	-	40,568,647
Investment in pool, California State Local Agency Investment Fund (LAIF)	-	-	-	61,290,291	61,290,291
Total investments	\$ 72,161,268	\$ -	\$ -	\$ 61,290,291	\$ 133,451,559

Investments: State statutes authorize the City to invest any available funds in securities issued or guaranteed by the United States Treasury or agencies of the United States, bank certificates of deposit, bankers' acceptances, negotiable certificates of deposit, the LAIF, commercial paper and bonds, and registered warrants or treasury notes of the State of California and its agencies. An advisory board has been established to monitor LAIF's compliance with regulations and investment alternatives established by the State.

The City participates in a voluntary external investment pool, LAIF, which is managed by the State Treasurer. LAIF has oversight provided by the Local Agency Investment Advisory Board. The Board consists of five members as designated by State statute. The Chairman of the Board is the State Treasurer or his designated representative. The fair value of the City's shares in the pool approximates the fair value of the position in the pool.

At June 30, 2003, the City's pooled investments in LAIF in the amount of \$61,290,291 are not subject to custodial credit risk categorization. The total estimated fair value invested by all public agencies in LAIF is \$55,709,492,881. Of that amount, 100% is invested in nonderivative financial products.

City of Pomona Public Financing Authority

Notes to Financial Statements

Note 3. Cash and Investments, Continued

Cash with fiscal agents: The City has monies held by trustees pledged to the payment or security of certain bonds. These are subject to the same risk category as the invested cash. The California Government Code provides that these monies, in absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions or indentures are generally more restrictive than the City's general investment policy.

Note 4. Advances to the City and Redevelopment Agency

Advances activity for the year was as follows:

	Balance at July 1, 2002	Additions	Reductions	Balance at June 30, 2003
Advances to the City	\$ 84,725,000	\$ 15,205,000	\$ 12,390,000	\$ 87,540,000
Advances to the Redevelopment Agency (Agency)	112,955,000	-	1,065,000	111,890,000
	<u>\$ 197,680,000</u>	<u>\$ 15,205,000</u>	<u>\$ 13,455,000</u>	<u>\$ 199,430,000</u>

Advances to the City: In connection with the issuance of the \$18,395,000 1995 Lease Revenue Bonds, Refunding Series P, the Authority entered into an agreement with the City to provide financing for the refunding of 1990 Lease-Purchase Revenue Bonds, Series J. Under the agreement, the Authority advanced the proceeds from the \$18,395,000 1995 Lease Revenue Bonds, Series P, to the City. The City will make payments to the Authority sufficient to meet its debt service requirements on the related Revenue Bonds.

\$ 13,705,000

In connection with the issuance of \$15,205,000 2002 Sewer Refunding Revenue Bonds, Series AF, for the purpose of making an advance to the City for refunding the 1996 Revenue Bonds, Series Q, as well as provide funds to refinance certain sewer obligations of the City and to finance certain improvements to the City's sewer enterprise project. Under the agreement, the Authority advanced the proceeds from the \$15,205,000 2002 Sewer Refunding Revenue Bonds, Series AR to the City. The City will make payments to the Authority sufficient to meet its debt service requirements on the related Revenue Bonds.

14,785,000

Subtotal

28,490,000

City of Pomona Public Financing Authority

Notes to Financial Statements

Note 4. Advances to the City and Redevelopment Agency, Continued

Subtotal carried forward \$ 28,490,000

In connection with the issuance of the \$26,555,000 1999 Revenue Bonds, Series AA, the Authority entered into an agreement with the City to provide financing to the City for the refunding of the 1992 Revenue Bonds, Series A, and construction of certain water system improvements. Under the agreement, the Authority advanced the proceeds from the \$26,555,000 1999 Revenue Bonds, Series AA to the City. The City will make payments to the Authority sufficient to meet its debt service requirements to the related Revenue Bonds. 24,645,000

In connection with the issuance of the \$3,295,000 1999 City of Pomona Certificates of Participation (COP), Series AB, for the purpose of making an advance to the City to provide financing to the Agency to finance certain redevelopment activities. Under the agreement, the Authority advanced the proceeds from the \$3,295,000 COP to the City to provide financing to the Agency. The Agency will make payments to the Authority sufficient to meet its debt service requirements on the related COP. 3,220,000

In connection with the issuance of the \$27,615,000 1999 Revenue Bonds, Series AC, the Authority entered into an agreement with the City to provide financing to the City for the construction of certain water system improvements. Under the agreement, the Authority advanced the proceeds from the \$27,615,000 1999 Revenue Bonds, Series AC, to the City. The City will make payments to the Authority sufficient to meet its debt service requirements on the related Revenue Bonds. 26,485,000

In connection with the issuance of the \$4,700,000 2002 City of Pomona Certificates of Participation (COP), Series AE, for the purpose of making an advance to the City to provide financing to the Agency to finance certain redevelopment activities. Under the agreement, the Authority advanced the proceeds from the \$3,295,000 COP to the City to provide financing to the Agency. The Agency will make payments to the Authority sufficient to meet its debt service requirements on the related COP. 4,700,000

Total advances to the City \$ 87,540,000

Note 4. Advances to the City and Redevelopment Agency, Continued

Advances to the Agency: In connection with the issuance of the \$57,075,000 1993 Local Agency Revenue Bonds, Series L, the Authority entered into an agreement with the Agency to advance the proceeds of the 1993 Local Agency Revenue Bonds, Series L, to the Agency for the repayment of the 1992 \$51,500,000 advance from the Authority. The Agency will make payments to the Authority sufficient to meet its debt service requirements on the related Revenue Bonds. \$ 21,610,000

In connection with the issuance of the \$52,335,000 1998 Refunding Revenue Bonds, Series W, the Authority entered into an agreement with the Agency to advance the proceeds of the 1998 Refunding Revenue Bonds, Series W, to the Agency to defease and retire certain obligations of the Agency, as well as to provide funds for certain redevelopment projects. The Agency will make payments to the Authority sufficient to meet its debt service requirements on the related Revenue Bonds. 51,600,000

In connection with the issuance of the \$39,165,000 2001 Revenue Bonds, Series AD, the Authority entered into an agreement with the Agency to advance the proceeds of the 2001 Revenue Bonds, Series AD, to the Agency to defease and retire certain obligations of the Agency, as well as to provide funds for certain redevelopment projects. The Agency will make payments to the Authority sufficient to meet its debt service requirements on the related Revenue Bonds. 38,680,000

Total advances to the Redevelopment Agency \$ 111,890,000

City of Pomona Public Financing Authority

Notes to Financial Statements

Note 5. Long-term Debt

The following is a summary of the debt of the Authority for the year ended June 30, 2003:

	Balance at July 1, 2002	Additions	Reductions	Balance at June 30, 2003	Due Within One Year
Certificates of Participation					
1999 Series AB	\$ 3,295,000	\$ -	\$ 75,000	\$ 3,220,000	\$ 80,000
2002 Series AE	4,700,000	-	-	4,700,000	-
	<u>7,995,000</u>	<u>-</u>	<u>75,000</u>	<u>7,920,000</u>	<u>80,000</u>
Revenue Bonds					
1993 Local Agency Revenue Bonds, Series L	22,475,000	-	865,000	21,610,000	910,000
1995 Refunding Lease Revenue Bonds, Series P	14,400,000	-	695,000	13,705,000	730,000
1996 Revenue Bonds, Series Q	10,370,000	-	10,370,000	-	-
1998 Refunding Revenue Bonds, Series W	51,705,000	-	105,000	51,600,000	100,000
1999 Refunding Revenue Bonds, Series AA	25,145,000	-	500,000	24,645,000	520,000
1999 Revenue Bonds, Series AC	26,815,000	-	330,000	26,485,000	415,000
2001 Revenue Bonds, Series AD	38,775,000	-	95,000	38,680,000	100,000
2002 Refunding Revenue Bonds, Series AF	-	15,205,000	420,000	14,785,000	165,000
	<u>189,685,000</u>	<u>15,205,000</u>	<u>13,380,000</u>	<u>191,510,000</u>	<u>2,940,000</u>
	<u>\$ 197,680,000</u>	<u>\$ 15,205,000</u>	<u>\$ 13,455,000</u>	<u>\$ 199,430,000</u>	<u>\$ 3,020,000</u>

Notes to Financial Statements

Note 5. Long-term Debt, Continued

Long-term debt consists of the following at June 30, 2003:

Certificates of participation: On July 1, 1999, the Authority issued \$3,295,000 City of Pomona Certificates of Participation, 1999 Series AB, to provide funds to the City to make an advance to the Agency to finance certain redevelopment activities. Term certificates of \$2,340,000 mature on August 1, 2024, with an interest rate of 5.8%. Serial certificates are due in annual installments ranging from \$75,000 to \$245,000, beginning August 1, 2002. The serial certificates bear interest ranging from 4.4% to 5.8%, payable semi-annually on February 1 and August 1, commencing February 1, 2000.

\$ 3,220,000

On January 9, 2002, the Authority issued \$4,700,000 City of Pomona Certificates of Participation, 2002 Series AE, to provide funds to the Agency to finance certain redevelopment activities. Term certificates of \$1,130,000 and \$2,995,000 mature on October 1, 2019 and October 1, 2032, respectively, with an interest rate of 5.375%. Serial certificates are due in annual installments ranging from \$70,000 to \$95,000, beginning October 1, 2004. The serial certificates bear an interest rate of 5%, payable semi-annually on October 1 and April 1, commencing October 1, 2002.

4,700,000

\$ 7,920,000

Total certificates of participation

Revenue bonds: On February 1, 1994, the Authority issued \$57,075,000 1993 Local Agency Revenue Bonds, Series L, for the purpose of making an advance to the Agency for the refunding of the 1991 Local Agency Revenue Bonds, Series K. Interest on the bonds is payable semiannually on February 1 and August 1, commencing August 1, 1994. The rate of interest varies from 3.4% to 5.75% per annum. Principal is payable in annual installments, commencing February 1, 1995 and ending February 1, 2020. With the issuance of Series W, the legal reserve requirement of Series L is maintained in conjunction with Series W as noted below. A portion of Series L was defeased in 2001 with the issuance of Revenue Bonds, Series AD.

\$ 21,610,000

On March 9, 1995, the Authority issued \$18,395,000 1995 Refunding Lease Revenue bonds, Series P, for the purpose of making an advance to the City for the refunding of the 1990 Lease-Purchase Revenue Bonds, Series J. Interest on the bonds is payable semiannually on each April 1 and October 1, commencing October 1, 1995. Interest rates range from 4.375% to 6.6%. Principal is payable in annual installments ranging from \$485,000 to \$870,000. Term bonds of \$4,020,000 and \$6,490,000 mature on October 1, 2010 and October 1, 2015, respectively, and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$920,000 to \$1,445,000, as outlined in the bond's official statement. The legal reserve requirement is \$1,523,515. The balance held in the reserve account as of June 30, 2003 was \$1,548,238.

13,705,000

Subtotal 35,315,000

City of Pomona Public Financing Authority

Notes to Financial Statements

Note 5. Long-term Debt, Continued

Subtotal carried forward \$ 35,315,000

On March 12, 1998, the Authority issued \$52,335,000 1998 Refunding Revenue Bonds, Series W, for the purpose of making an advance to the Agency for refunding the 1983 Refunding Southwest Pomona RDA Tax Allocation Bonds and a portion of the 1993 Local Agency Revenue Bonds, Series L, as well as to provide financing for certain improvements in the Southwest Pomona Redevelopment Area. Interest on the bonds is payable semiannually on each August 1 and February 1, commencing August 1, 1998. The rates of interest range from 3.8% to 5% per annum. Principal is payable in annual installments ranging from \$100,000 to \$515,000. Term bonds of \$3,005,000, \$16,690,000 and \$29,285,000 mature on February 1, 2018, February 1, 2024 and February 1, 2030, respectively, and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$545,000 to \$5,495,000, as outlined in the bond's official statement. MBIA has issued a municipal bond insurance policy that insures the payment of the principal and interest on the bonds when due. The legal reserve requirement in conjunction with the remaining 1993 Local Agency Revenue Bonds, Series L, is \$5,772,575. The balance held in the reserve account for Series L and Series W as of June 30, 2003 was \$9,603,637.

51,600,000

On May 12, 1999, the Authority issued \$26,555,000 1999 Refunding Revenue Bonds, Series requirements for the purpose of making an advance to the City for refunding the 1992 Revenue Bonds, Series A, in aggregate principal amount of \$6,915,000, as well as to provide financing for construction of certain water system improvements and related facilities located within the City. Interest on the bonds is payable semiannually on each May 1 and November 1, commencing November 1, 1999. The rates of interest range from 3.3% to 5% per annum. Principal is payable in annual installments ranging from \$455,000 to \$780,000, beginning May 1, 2000. Term bonds of \$4,515,000 and \$13,100,000 mature on May 1, 2019 and May 1, 2029, respectively, and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$815,000 to \$1,615,000, as outlined in the bond's official statement. Bonds maturing after May 1, 2009 are subject to redemption prior to maturity as a whole or in part, at the option of the Authority, on any date on or after May 1, 2009 at redemption prices ranging from 100% to 101% of principal. Financial Security Assurance, Inc. has issued a municipal bond insurance policy that insures the payment of the principal and interest on the bonds when due. As of June 30, 2003, the legal reserve requirement of Series AA was \$1,700,000. The balance held in the reserve account as of June 30, 2003 was \$1,700,000.

24,645,000
111,560,000

City of Pomona Public Financing Authority

Notes to Financial Statements

Note 5. Long-term Debt, Continued

Subtotal carried forward \$ 111,560,000

On September 1, 1999, the Authority issued \$27,615,000 1999 Revenue Bonds, Series AC, for the purpose of making an advance to the City for the construction of certain water system improvements within the City. Interest on the bonds is payable semiannually on each May 1 and November 1, commencing November 1, 1999. The rates of interest range from 4% to 5.25% per annum. Principal is payable in annual installments ranging from \$330,000 to \$1,830,000, beginning May 1, 2001. Term bonds of \$4,835,000 and \$14,565,000 mature on May 1, 2019 and 2029, respectively, and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$865,000 to \$1,830,000, as outlined in the bond's official statement. Bonds maturing after May 1, 2010 are subject to redemption prior to maturity as a whole or in part, as the option of the Authority, on any date on or after May 1, 2009 at redemption prices ranging from 100% to 101% of principal. Financial Guaranty Insurance Company has issued a municipal bond insurance policy that ensures the payment of principal and interest on the bonds when due. As of June 30, 2002, the legal reserve requirement of Series AC was \$1,935,368. The balance held in the reserve account as of June 30, 2002 was \$1,984,683. 26,485,000

On April 1, 2001, the Authority issued \$39,165,000 2001 Revenue Bonds, Series AD, for the purpose of making an advance to the Agency to refinance certain prior bonds and to make an additional advance to the Agency to provide financing for certain improvements in the merged project area. Tax Allocation Bonds defeased include the 1997 Refunding RDS Series S, 1997 Refunding Series T, 1998 Refunding Series U, 1998 Refunding Subordinate Series V and 1998 Refunding Series Z; 1993 Refunding Series L Revenue Bonds were partially defeased. Interest on the bonds is payable semiannually on each August 1 and February 1, commencing August 1, 2001. Rates of interest range from 3.25% to 5.39% per annum. Principal is payable in annual installments ranging from \$95,000 to \$2,020,000. Term bonds of \$10,550,000, \$10,115,000 and \$7,525,000 mature on February 1, 2021, February 1, 2027 and February 1, 2033, respectively, and are subject to mandatory redemption from a sinking fund account in amounts ranging from \$445,000 to \$2,470,000, as outlined in the bond's official statement. The legal reserve requirement is \$2,850,034. The balance held in the reserve account as of June 30, 2003 was \$2,850,034. 38,680,000

Subtotal 176,725,000

City of Pomona Public Financing Authority

Notes to Financial Statements

Note 5. Long-term Debt, Continued

Subtotal carried forward \$ 176,725,000

On December 1, 2002, the Authority issued \$15,205,000 2002 Sewer Refunding Revenue Bonds, Series AF, for the purpose of making an advance to the City's Sewer Fund for refunding the 1996 Revenue Bonds, Series Q, as well as provide funds to refinance certain sewer obligations of the City and to finance certain improvements to the City's sewer enterprise project. Interest on the bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2002. The rates of interest range from 1.3% to 4.2% on serial bonds of \$3.9 million. Principal is payable in annual installments ranging from \$165,000 to \$420,000 through December 2019. Term bonds of \$1,210,000, \$1,075,000, \$2,620,000, \$2,815,000 and \$3,585,000 mature on December 1, 2023, 2026, 2032, 2037 and 2042, respectively. The legal reserve requirement is \$822,725. The balance held in the reserve account for Series AF as of June 30, 2003 was \$822,875.

This advance refunding has increased the aggregate debt service payments that were required for the Refunded Bonds by approximately \$1.588 million and provided economic loss (difference between the present value of the new and old debt service payments) of approximately \$1.548 million.

Total revenue bonds
Total long-term debt

14,785,000
<u>191,510,000</u>
<u>\$ 199,430,000</u>

City of Pomona Public Financing Authority

Notes to Financial Statements

Note 5. Long-term Debt, Continued

Debt service requirements to maturity for long-term debt are as follows at June 30, 2003:

Fiscal Years Ending June 30,	Long-term Debt		
	Principal	Interest	Total
2004	\$ 3,020,000	\$ 10,176,000	\$ 13,196,000
2005	3,335,000	10,025,000	13,360,000
2006	3,500,000	9,859,000	13,359,000
2007	3,675,000	9,686,000	13,361,000
2008	3,845,000	9,500,000	13,345,000
2009–2013	26,190,000	44,176,000	70,366,000
2014–2018	36,310,000	35,900,000	72,210,000
2019–2023	39,970,000	26,319,000	66,289,000
2024–2028	49,710,000	15,157,000	64,867,000
2029–2033	23,475,000	3,750,000	27,225,000
2034–2038	2,815,000	1,262,000	4,077,000
2039–2043	3,585,000	466,000	4,051,000
	<u>\$ 199,430,000</u>	<u>\$ 176,276,000</u>	<u>\$ 375,706,000</u>

Note 6. Subsequent Events

On July 23, 2003, the Authority issued \$13,985,000 Certificates of Participation 2003 Series AG to provide funds to the City to finance certain public improvements, including street improvements throughout the City, which are part of the City's capital improvement plan. The improvements are expected to commence in December 2003, with an expected completion date of December 2006. Principal payments will be made once a year beginning June 1, 2004. Interest is payable on December 1 and June 1 of each year, commencing December 1, 2003. The bonds are set to mature on June 1, 2034. The Authority realized an original premium of approximately \$918,600 and incurred cost of issuance of approximately \$725,000.

On December 3, 2003, the Authority issued \$46,650,000 2003 Revenue Bonds, Series AH and \$23,425,000 Subordinate Revenue Bonds, Series AI to provide funds for a loan to the Agency for certain improvements and to refinance certain Agency obligations to the Authority. Interest on the bonds, including the term bonds, is payable semiannually on each February 1 and August 1, commencing February 1, 2004. Interest rates range from 2.05% to 5.75%. Principal on \$34,095,000 of the revenue bonds is payable in annual installments ranging from \$390,000 to \$3,270,000, commencing on February 1, 2007, and on \$7,310,000 of the subordinate revenue bonds in annual installments from \$450,000 to \$915,000, commencing on February 1, 2007. The term bonds from Series AH of \$2,410,000 and \$10,145,000 mature on February 28, 2028 and 2034, respectively. The term bonds from Series AI of \$4,900,000, \$6,220,000 and \$4,995,000 are due February 1, 2023, 2028 and 2034, respectively.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in accordance with *Government Auditing Standards*

To the Board of Directors
City of Pomona Public Financing Authority
Pomona, California

We have audited the financial statements of the City of Pomona Public Financing Authority (the Authority), a blended component unit of the City of Pomona, California, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 5, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

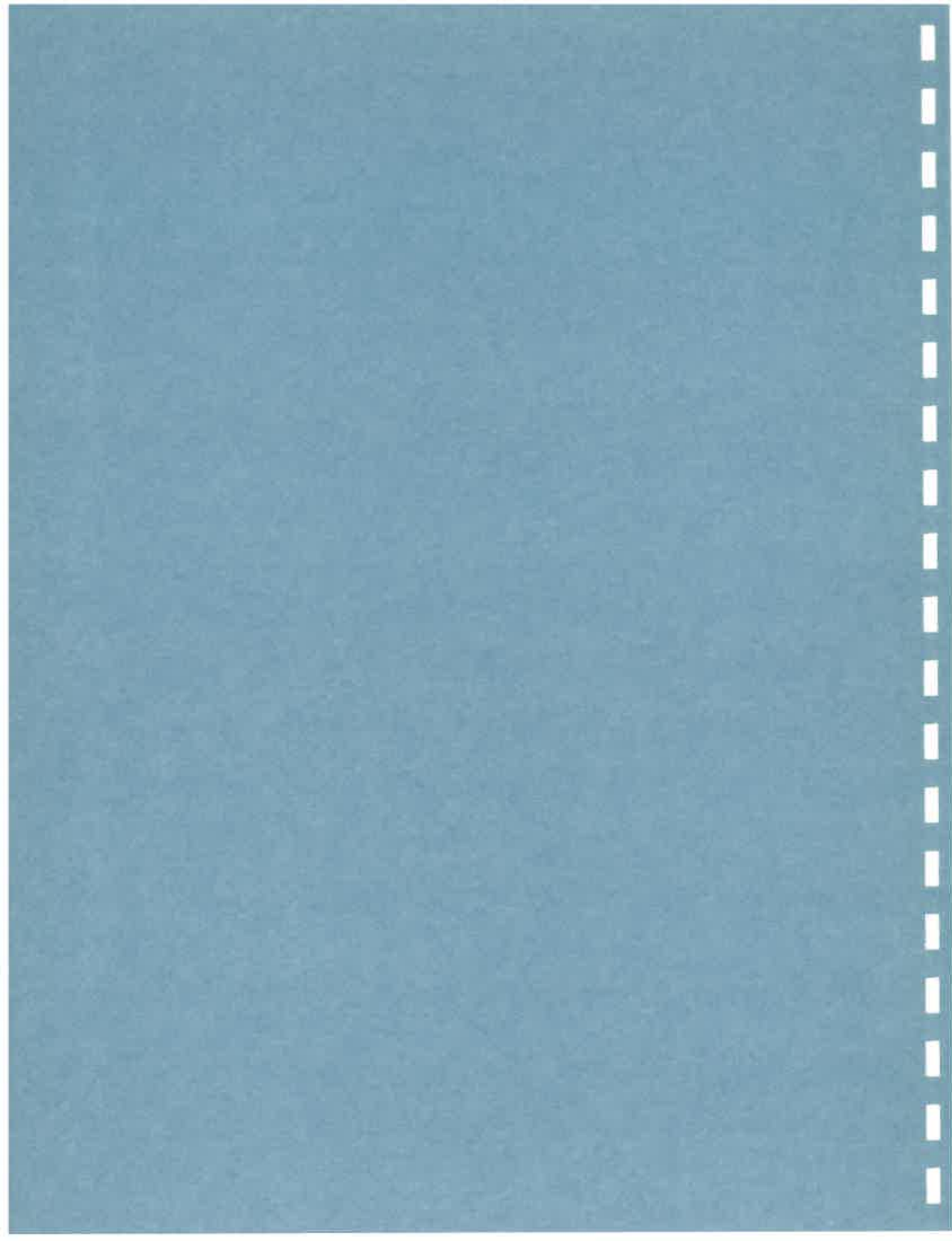
Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority'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 internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in 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 internal control components does not reduce to a relatively low level the risk that misstatements 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 internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Authority's management and 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.

McGladrey & Pullen, LLP

Irvine, California
December 5, 2003



City of Pomona

Compliance Reports and Other Financial Information
June 30, 2003

McGladrey & Pullen
Certified Public Accountants

McGladrey & Pullen, LLP is a member firm of RSM International
an affiliation of separate and independent legal entities.

Contents

Schedule of Expenditures of Federal Awards	1
Notes to schedule of expenditures of federal awards	2

Independent Auditor's Report on:	
Compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	3 and 4
Compliance with requirements applicable to each major program, internal control over compliance in accordance with OMB Circular A-133 and the schedule of federal awards	5 and 6

Schedule of Findings and Questioned Costs	7 and 8
---	---------

Summary Schedule of Prior Audit Findings	9
--	---

Independent Accountant's Report on Applying Agreed-upon Procedures	10 and 11
--	-----------

Appropriations Limit Calculation	12
----------------------------------	----

City of Pomona, California

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

Grantor/Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number/ Program Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Passed through County of Los Angeles:			
Special Programs for the Aging—Title III, Part C	93.045	41021	<u>\$ 132,605</u>
U.S. Department of Agriculture:			
Passed through County of Los Angeles:			
Nutrition Program for the Elderly	10.570	41021	<u>26,867</u>
U.S. Department of Housing and Urban Development:			
Direct Programs:			
HOME Investment Partnership Act	14.239	M00-MC-06-0528	1,076,850
Community Development Block Grant	14.218	B-00-MC-06-0527	3,402,774
Emergency Shelter Grants Program	14.231	S-00-MC-06-0527	121,147
Supportive Housing Program	14.235	CA16A150524	76,038
Shelter Plus Care	14.238	CA16C931148	217,717
Section 8—Housing Assistance Voucher Program	14.855*	CA123VO	<u>6,089,858</u>
Total U.S. Department of Housing and Urban Development			<u>10,984,384</u>
U.S. Department of Justice:			
Direct Programs:			
Local Law Enforcement Block Grant	16.592	Various	493,706
Asset Forfeiture	16.000*	N/A	469,451
Passed through California State Library:			
School Truancy Grant	16.710	CA-01955	13,935
Passed through Governor's Office of Emergency Services:			
State Domestic Preparedness Equipment	16.007	2002-88,OES#037-00000	<u>44</u>
Total U.S. Department of Justice			<u>977,136</u>
Total federal awards expended			<u><u>\$ 12,120,992</u></u>

* Denotes major program

N/A = Not Applicable

See accompanying Notes to Schedule of Expenditures of Federal Awards.

City of Pomona

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Pomona, California, (the City) and is presented on the modified-accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title Provided</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Community Development Block Grant	14.218	\$ 438,611
Emergency Shelter Grants Program	14.231	104,474
Home Investment Partnership Act	14.239	6,285
Supportive Housing Grant	14.235	74,075

Note 3. Loan Outstanding

The City had the following loan balances outstanding at June 30, 2003. The loan balances outstanding are also included in the federal expenditures presented in the schedule of expenditures of federal awards.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Community Development Block Grant	14.218	\$ 1,500,000

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council
City of Pomona
Pomona, California

We have audited the financial statements of the City of Pomona, California, (the City) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 5, 2003. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

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 internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item RC 03-1.

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 in amounts, which 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. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Finance Committee, City Council, management, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Irvine, California
December 5, 2003

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program, Internal Control over Compliance in accordance with OMB Circular A-133 and the Schedule of Federal Awards

To the Honorable Mayor and
Members of the City Council
City of Pomona
Pomona, California

Compliance

We have audited the compliance of the City of Pomona, California, (the 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 to each of its major federal programs for the year ended June 30, 2003. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each 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 circumstances. 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 year ended June 30, 2003.

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 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 as of and for the year ended June 30, 2003, and have issued our report thereon dated December 5, 2003. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, 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 Finance Committee, City Council, management, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Irvine, California
December 5, 2003

City of Pomona

Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Reportable condition(s) identified that are not considered to be material weaknesses?	<u> X </u>	Yes	<u> </u>	None Reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Federal Awards

Internal control over major program:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	<u> </u>	Yes	<u> X </u>	None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u> </u>	Yes	<u> X </u>	No
--	-------------------	-----	--------------	----

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.855	Housing Assistance Programs Section 8 Voucher
16.000	Asset Forfeiture

Dollar threshold used to distinguish between type A and type B programs: \$363,630

Auditee qualified as low-risk auditee?	<u> X </u>	Yes	<u> </u>	No
--	--------------	-----	-------------------	----

Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2003

II. Findings Relating to the Financial Statement Audit as Required to be Reported in accordance with Generally Accepted Government Auditing Standards

A. Reportable Conditions

RC 03-1 Fixed Assets:

The City's fixed asset system and the general ledger do not reconcile at year end. Additionally, the fixed asset software does not calculate depreciation amounts consistently. Although the City was able to materially reconcile the fixed asset system to the general ledger, we recommend that the City consider the need to implement more reliable fixed asset software that is integrated with the City's general ledger system.

Management's response: The City is in the process of implementing the fixed asset system that is integrated with the City's general ledger system. It is anticipated the new system will be completely implemented by December 31, 2003.

B. Compliance Findings

None noted.

III. Findings and Questioned Costs for Federal Awards

A. Reportable Conditions

See RC 03-1 above.

B. Compliance Findings

None noted.

RC 02-1 Lack of Monitoring and Accounting for Decentralized Cash Receipts

The City uses prenumbered Transaction Receipts (TR) for various City departments that collect cash. These TRs are then routed to the Treasury Office in order to record the cash receipts. Although these TRs are prenumbered by the Central Printing Division at the City, the Treasury Office has no policies or procedures established to account for missing or voided TRs. The lack of accountability for such receipts exposes the City to misappropriation of cash receipts and exposure to lost revenue, as well as unauthorized use and potential abuse of the City's cash collection system. We recommend that the City produce a TR tracking system in order to account for cash collected through the use of TRs.

Management's response: The accounting technician responsible for review and daily reconciliation of all activity passing through the revenue system has been recording and tracking TRs for nearly two years. The method being used to do so, however, was not particularly effective as a means to identify missing and/or voided TRs. We have subsequently modified the existing procedures in order to more accurately track TRs from all departments and will follow up with the appropriate persons from those departments whenever a sequential gap is identified.

RC 02-2 Fixed Assets

The City's fixed asset system and the general ledger do not reconcile at year end. Additionally, the fixed asset software does not calculate depreciation amounts consistently. Although the City was able to materially reconcile the fixed asset system to the general ledger, we recommend that the City consider the need to implement more reliable fixed asset software that is integrated with the City's general ledger system.

Management's response: The City is in the process of implementing the fixed asset system that is integrated with the City's general ledger system. It is anticipated the new system will be completely implemented by December 31, 2003.

Independent Accountant's Report on Applying Agreed-upon Procedures

To the Honorable Mayor and
Members of the City Council
City of Pomona
Pomona, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Calculation of the City of Pomona, California, (the City) for the year ended June 30, 2003. These procedures, which were agreed to by the City and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*), were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The City's management is responsible for the Appropriations Limit Calculation.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed internal calculations and compared the limit and annual adjustment factors included in those calculations to the limit and annual adjustment factors that were adopted by a resolution of the City Council. We also compared the population and inflation options included in the aforementioned calculations to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Calculation, we added line A, last year's limit, to line E, total adjustments, and compared the resulting amount to line F, this year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the current year information presented in the accompanying Appropriations Limit Calculation to the supporting calculations described in item 1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the prior year Appropriations Limit presented in the accompanying Appropriations Limit Calculation to the prior year Appropriations Limit adopted by the City Council during the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Calculation of the City. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriations limit for the base year, as defined by Article XIII B of the California Constitution.

This report is intended solely for the information and use of the City Council and management of the City of Pomona, California, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

McGladrey & Pullen, LLP

Irvine, California
December 5, 2003

City of Pomona, California

Appropriations Limit Calculation
Year Ended June 30, 2003

	Amount	Source
A. Last year's limit	\$ 131,362,947	
B. Adjustment factors:		
1. Population change	1.0177	State Finance
2. Per capita change	0.9873	State Finance
Total adjustment [(1 x 2)-1.0000]	<u>0.0048</u>	
C. Annual adjustment	<u>627,286</u>	(B x A)
D. Other adjustments:		
1. Lost responsibility (-)	-	
2. Transfer to private (-)	-	
3. Transfer to fees (-)	-	
4. Assumed responsibility (+)	-	
Subtotal	<u>-</u>	
E. Total adjustments	<u>627,286</u>	(C + D)
F. This year's limit	<u>\$ 131,990,233</u>	(A + E)

