

# City of Rolling Hills Estates California

## Comprehensive Annual Financial Report

Year Ended  
June 30, 2013



Prepared by  
Administrative Services Department





*Comprehensive Annual Financial Report  
For the Year Ended June 30, 2013*

*Prepared by  
Administrative Services Department  
City of Rolling Hills Estates, California*

## **INTRODUCTORY SECTION**

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**CITY OF ROLLING HILLS ESTATES  
Comprehensive Annual Financial Report  
Year Ended June 30, 2013**

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FRANK V. ZERUNYAN  
*Mayor*  
JUDY MITCHELL  
*Mayor Pro Tem*  
JOHN C. ADDLEMAN  
*Council Member*  
STEVEN ZUCKERMAN  
*Council Member*  
SUSAN SEAMANS  
*Council Member*  
DOUGLAS R. PRICHARD  
*City Manager*



City of  
**ROLLING HILLS ESTATES**  
4045 Palos Verdes Drive North • Rolling Hills Estates, CA 90274  
310-377-1577 • FAX 310-377-4468  
[www.ci.Rolling-Hills-Estates.ca.us](http://www.ci.Rolling-Hills-Estates.ca.us)

**December 23, 2013**

## **Honorable Mayor and City Council**

The Comprehensive Annual Financial Report (CAFR) of the City of Rolling Hills Estates (City) for the fiscal year ended June 30, 2013, is hereby submitted as mandated by local ordinances. These ordinances and statutes require that the City issues annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component unit of the City. In addition, to the best of our knowledge, there are no untrue statements of material fact within the financial statements or omissions of material fact to cause the financial statements to be misleading. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it.

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of Rolling Hills Estates as legally defined), as well as its component unit, the Peppertree Foundation. A component unit is a legally separate entity for which the primary government is financially accountable. The City provides a broad range of services, including police protection, solid waste collection, construction and maintenance of highways, streets, and infrastructure, planning and zoning activities, recreational activities, cultural events, and general administrative services. The City is a contract city, meaning that some of these services are provided by contract with other agencies (both public and private) and some services are delivered by the City's own employees.

Special districts provide library services, fire protection services, and sewer services. The City has excluded the County of Los Angeles, as well as the State of California and various school districts, from the financial reporting entity because they do not meet the established criteria for inclusion.

## **GOVERNMENTAL STRUCTURE, ECONOMIC CONDITION AND OUTLOOK**

The City is located on a coastal peninsula overlooking the Pacific Ocean in Los Angeles County, 15 miles south of the City of Los Angeles. The City was incorporated September 18, 1957 and currently has a land area of 4.18 square miles and a population of 8,141. The City is a "bedroom" community with a commercial center. Rolling Hills Estates is home to the Promenade on the Peninsula mall, Peninsula Center Shopping Center, and several other businesses in the City's commercial district.

The City has operated under the council-manager form of government since incorporation. Policy-making and legislative authority are vested in the governing council, which consists of five council members, including the mayor and mayor pro-tem. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager and the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-

to-day operations of the government, and for appointing the heads of the government's departments. The Council is elected on a non-partisan, at-large basis. Council members are elected to four-year staggered terms with two or three council members elected every two years. The Council designates the mayor and mayor pro-tem for a one-year term.

Though the City's overall net position increased during the fiscal year ended June 30, 2013, it is important to continue to measure the City's financial strength over time, not just on the basis of the most recent three or four years experience. The budget adopted by the City Council for the fiscal year ending June 30, 2013 presents the expectation of a positive net operating result. Management continues to practice conservative fiscal policies as directed by Council.

## **MAJOR INITIATIVES**

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

### **Planning, Building, and Code Enforcement**

- The Planning Commission recommended and the City Council currently has under consideration amendments to the Municipal Code for a variety of housing needs as required by the State.
- The City has submitted for State HCD review draft revisions to the Housing Element of the General Plan.
- The City continued to monitor the development of the Butcher Ranch project and the 627 Deep Valley Drive mixed use project.
- The City continues to process plans for the Brickwalk project to repair the Indian Peak Landside project and currently has under consideration retention of a geotechnical consulting firm for third party peer review of the geotechnical and engineering aspects of the project.
- The City continues to process plans for the improvements to the Peter Weber Equestrian Center which will include a new barn and water quality improvements. Council has approved the concept and directed the preparation of bid documents.
- The City continued to provide review and inspection services for commercial and residential projects of various types.
- The City continued to process code enforcement cases through the use of a part-time Zoning and Code Administrator. A recommendation for the future of the City's code enforcement program will be forthcoming in 2014.

### **Public Works**

- Completed construction of the Palos Verdes Drive North Bike Lane & Improvement Project funded by a combination of Federal and State grants. The project includes the construction of an on-street bike path on both sides of PVDN between Crenshaw Boulevard and the west City limits, as well as new medians and street resurfacing, drainage, and intersection improvements. New pepper trees were also planted throughout the length of the project.
- Completed the engineering design of the Underground Utility District that will remove 12 utility poles and related utility lines on Palos Verdes Drive North adjacent to the intersection of Palos Verdes Drive East. This project, with an estimated cost of \$1,525,000, is funded entirely with Southern California Edison Rule 20A funds at no cost to the City. Construction is anticipated to start in 2014.



- The total estimated replacement cost for all City roadways is \$31,210,000. About 53% of all City streets qualify for major maintenance at an estimated cost of \$7,010,000. As indicated in the 2011 Pavement Management System (PMS) report, a recommended annual budget of \$550,000 would result in a gradual improvement in the condition of City streets over a 15-year period to a “Good” level. A variety of funding sources are available for street maintenance, including Measure R, Proposition C, Gas Tax, and Highway-Through-Cities discretionary funds.

### **Community Services**

- The City continued to offer the use of regional and local park facilities to residents and local non-profit youth sports organizations.
- Docents and paid contractor staff from the Palos Verdes Peninsula Land Conservancy continued their successful docent-led hike programs at George F. Canyon Nature Center.
- The City hosted the annual City Celebration, Tracy Austin Doubles Tennis Tournament, Mayor’s Breakfast Ride, Hills Are Alive Race, and Holiday Parade events.

### **Administration**

- The City Council engaged in extensive lobbying efforts on behalf of local government, particularly pertaining to protection of local revenues, and regional representation due in large to part to active roles Council Members took in League of California Cities and the California Contract Cities Association (CCCA) and South Bay Cities Council of Governments (COG) leadership and policy committees.

### **FINANCIAL INFORMATION**

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

**Single Audit.** As a recipient of federal, state, and county financial assistance, the City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. In years when over \$500,000 is expended on Federal financial assistance programs, the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. For the year ended June 30, 2013, less than \$500,000 was expended on Federal financial assistance programs; and therefore, a single audit was not required.

**Budgeting Controls.** The City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions contained in the annual appropriated budgets approved by the City Council. Activities of the General fund, Special Revenue funds, and Proprietary funds are included in the annual appropriated budgets of the government units. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the program level. Formal budgetary integration is employed as a management control device. Additionally, unexpected capital project account balances are carried over to the following year’s budget appropriations with Council approval.

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

## **OTHER INFORMATION**

**Independent Audit.** The City requires an annual audit by independent certified public accountants. The accounting firm of Macias Gini & O'Connell LLP conducted this year's audit. The auditor's report is included in the financial section of this report.

**GFOA Certificate of Achievement Award.** The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Financial Reporting to the City of Rolling Hills Estates for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the sixteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**CSMFO Certificate of Award for Outstanding Financial Reporting.** The California Society of Municipal Finance Officers (CSMFO) is a state organization, which sponsors extensive training and emphasizes high standards in all aspects of municipal finance operations, including financial reporting. However, CSMFO decided to decrease duplication of awards from CSMFO and GFOA, and as such, the City can only participate in CSMFO's program if the City did not receive the GFOA CAFR award the previous year. Therefore, the City is not eligible to participate in CSMFO's award program.

**Acknowledgments.** Preparation of this report was the accomplishment by combined efforts of many individuals. We wish to acknowledge the assistance of our auditors, Macias Gini & O'Connell LLP, and the contributions of the Administrative Services Department staff: Amelia Chan and Laurie Moromisato. Additionally, we want to acknowledge the contributions of the Department Heads and the Assistant City Manager.

**Respectfully submitted,**



**Douglas R. Prichard**  
City Manager



**Michael C. Whitehead**  
Administrative Services Director

**CITY OF ROLLING HILLS ESTATES**  
**Directory of City Officials**  
**June 30, 2013**

FRANK V. ZERUNYAN  
MAYOR

JUDY MITCHELL  
MAYOR PRO TEMPORE

SUSAN SEAMANS  
COUNCIL MEMBER

STEVEN ZUCKERMAN  
COUNCIL MEMBER

JOHN C. ADDLEMAN  
COUNCIL MEMBER

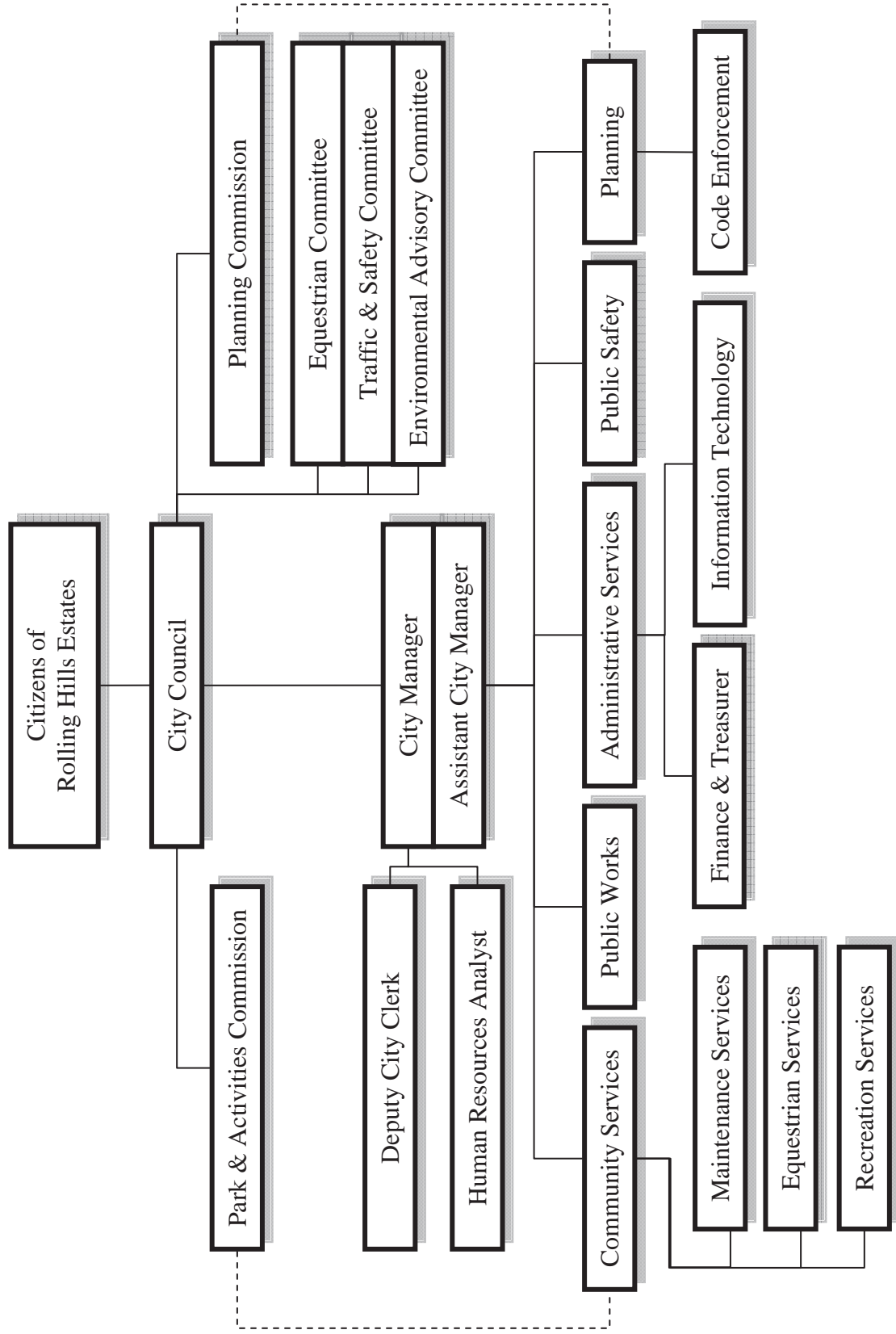
City Manager  
Douglas R. Prichard

Assistant City Manager  
Gregory Grammer

City Attorney  
Administrative Services Director  
Director of Planning  
Director of Community Services

Donald M. Davis  
Michael C. Whitehead  
David Wahba  
Andy Clark

# Rolling Hills Estates City Government





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Rolling Hills Estates  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Rolling Hills Estates, California

### Report on the Financial Statements

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 Rolling Hills Estates, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rolling Hills Estates, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–12 and 49-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules on pages 58 through 80, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules on pages 58 through 80 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Macias Jini & O'Connell LLP*

Los Angeles, California  
December 23, 2013



## CITY OF ROLLING HILLS ESTATES, CALIFORNIA

### Management's Discussion and Analysis (Unaudited)

June 30, 2013

As management of the City of Rolling Hills Estates (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements.

#### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources, at the close of the fiscal year by \$11,628,481 (*net position*). Of this amount, \$1,128,922 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. There were no deferred outflows of resources or deferred inflows of resources as of June 30, 2013.
- The City's overall net position increased by \$460,881 from the prior fiscal year.
- The City's governmental funds in total reported combined ending fund balances of \$2,610,317, a decrease of \$948,493 in comparison with the prior year. Approximately \$374,742 (*unassigned fund balance*) is available for spending at the government's discretion.
- In the statement of revenues, expenditures and change in fund balances for the year ended June 30, 2013 (pages 20 & 21), the year-end deficits for Federal STIP and Proposition A – Parks reflect monies advanced by the General Fund in anticipation of reimbursement through the approved grant sources.
- General Fund fund balance decreased \$230,312 from \$2,800,564 on June 30, 2012 to \$2,570,252 June 30, 2013. This fund balance has steadily been decreasing since 2007. Management is analyzing the long-term impact this decrease will have on future financial planning for the City.
- The General Fund unassigned fund balance was \$1,352,820 or 17%, of total General Fund current operating expenditures. Out of the General Fund's unassigned fund balance, \$301,550 has been allocated for capital projects, \$50,000 for insurance claims, \$60,000 for equipment, and \$327,375 for replacement of capital assets.
- The City issued pension obligation bonds during fiscal year 2012-2013 as a mechanism to refinance the City's unfunded liability (side-fund) payable to the California Public Employees' Retirement System.

#### Overview of the Financial Statements

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

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



## CITY OF ROLLING HILLS ESTATES, CALIFORNIA

### Management's Discussion and Analysis (Unaudited)

June 30, 2013

(Continued)

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include its general government, public safety, public works, community services, and public health programs. The business-type activities of the City include its equestrian and tennis operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the Peppertree Foundation, a legally separate entity, for which the City is financially accountable. Financial information for this *component unit* has been included as an integral part of the primary government.

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

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

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

The City maintains 19 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Federal STIP, Proposition A Parks, and Quimby Fees which are considered to be major funds. Data from the other 15 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds is provided in the form of *combining statements* (see table of contents).



## CITY OF ROLLING HILLS ESTATES, CALIFORNIA

### Management's Discussion and Analysis (Unaudited)

June 30, 2013

(Continued)

The City adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with this budget.

The basic governmental fund financial statements are listed in the table of contents.

**Proprietary funds.** The City maintains two *proprietary funds*.

*Enterprise funds* are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily by user charges. The City uses enterprise funds to account for the operations of the City-owned, concessionaire-operated stables, and to account for the operations of the City-owned tennis courts. A change in the City's stables became effective December 1, 2011 as the City turned over operations to a concessionaire, thus eliminating City staff and direct costs. The Equestrian Fund will remain in place until the net deficit is paid off by the revenues due to the City by the concessionaire.

Individual proprietary fund financial statements are included as part of the government-wide financial statements on pages 23-25 of this report.

**Fiduciary fund.** The City maintains one *fiduciary fund*, the Peninsula Parking Agency Fund. The statement of fiduciary net position presents the assets, liabilities and net position associated with agency fund.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including comparisons of budgeted revenues and expenditures to actual revenues and expenditures.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found in the table of contents.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$11,628,481 in fiscal year 2012-13, an increase from fiscal year 2011-12 when assets exceeded liabilities by \$11,167,600. The largest portion of the City's total net position (\$9,448,494 or 81% in fiscal year 2012-13, and \$8,396,182 or 75% in fiscal year 2011-12) reflects its investment in capital assets (e.g. land, building, facilities, vehicles, equipment and infrastructure). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City's total net position (\$1,051,065 or 9% in fiscal year 2012-13, and \$1,097,622 or 10% in fiscal year 2011-12) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted total net position (\$1,128,922 or 10% in fiscal year 2012-13, and \$1,673,796 or 15% in fiscal year 2011-12) may be used to meet the government's ongoing obligations to citizens and creditors.



**CITY OF ROLLING HILLS ESTATES, CALIFORNIA**

**Management's Discussion and Analysis (Unaudited)**

**June 30, 2013**

**(Continued)**

The following table presents of a summary of the City's net position as of June 30, 2012 and 2013:

**Summary of Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY2012-2013	FY2011-2012	FY2012-2013	FY2011-2012	FY2012-2013	FY2011-2012
Current and Other Assets	\$ 5,145,002	\$ 4,297,867	\$ (316,482)	\$ (378,046)	\$ 4,828,520	\$ 3,919,821
Capital Assets	9,410,015	8,353,841	38,479	42,341	9,448,494	8,396,182
<b>Total Assets</b>	<b>14,555,017</b>	<b>12,651,708</b>	<b>(278,003)</b>	<b>(335,705)</b>	<b>14,277,014</b>	<b>12,316,003</b>
Current Liabilities	774,700	739,059	1,455	1,558	776,155	740,617
Long-Term Liabilities	1,872,378	407,786	-	-	1,872,378	407,786
<b>Total Liabilities</b>	<b>2,647,078</b>	<b>1,146,845</b>	<b>1,455</b>	<b>1,558</b>	<b>2,648,533</b>	<b>1,148,403</b>
Investment in Capital Assets	9,410,015	8,353,841	38,479	42,341	9,448,494	8,396,182
Restricted	1,051,065	1,097,622	-	-	1,051,065	1,097,622
Unrestricted (deficit)	1,446,859	2,053,400	(317,937)	(379,604)	1,128,922	1,673,796
<b>Total Net Position</b>	<b>\$ 11,907,939</b>	<b>\$ 11,504,863</b>	<b>\$ (279,458)</b>	<b>\$ (337,263)</b>	<b>\$ 11,628,481</b>	<b>\$ 11,167,600</b>



**CITY OF ROLLING HILLS ESTATES, CALIFORNIA**

**Management’s Discussion and Analysis (Unaudited)**

**June 30, 2013**

**(Continued)**

The following table presents a summary of the changes in net position for governmental and business - type activities:

**Summary of Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Activities	
	FY2012-2013	FY2011-2012	FY2012-2013	FY2011-2012	FY2012-2013	FY2011-2012
<b>Program Revenues:</b>						
Charges for services	\$ 1,549,531	\$ 1,978,335	\$ 133,939	\$ 393,955	\$ 1,683,470	\$ 2,372,290
Operating grants and contributions	720,544	885,398	-	-	720,544	885,398
Capital grants and contributions	588,410	356,336	-	-	588,410	356,336
<b>General Revenues:</b>						
Property taxes	2,531,240	2,492,529	-	-	2,531,240	2,492,529
Local sales taxes	893,871	871,060	-	-	893,871	871,060
Other taxes	917,469	857,217	-	-	917,469	857,217
Other general revenues	25,998	130,347	206	310	26,204	130,657
<b>Total Revenues</b>	<b>7,227,063</b>	<b>7,571,222</b>	<b>134,145</b>	<b>394,265</b>	<b>7,361,208</b>	<b>7,965,487</b>
<b>Expenses:</b>						
General government	2,742,166	2,881,374	-	-	2,742,166	2,881,374
Public safety	1,739,467	1,588,967	-	-	1,739,467	1,588,967
Public works	949,190	846,106	-	-	949,190	846,106
Community services	1,324,048	1,285,501	-	-	1,324,048	1,285,501
Public health	14,781	16,568	-	-	14,781	16,568
Interest on bond payable	54,335	-	-	-	54,335	-
Equestrian	-	-	804	431,121	804	431,121
Tennis	-	-	75,536	79,373	75,536	79,373
<b>Total Expenses</b>	<b>6,823,987</b>	<b>6,618,516</b>	<b>76,340</b>	<b>510,494</b>	<b>6,900,327</b>	<b>7,129,010</b>
<b>Increase (Decrease) in Net Position</b>	<b>403,076</b>	<b>952,706</b>	<b>57,805</b>	<b>(116,229)</b>	<b>460,881</b>	<b>836,477</b>
<b>Net Position, beginning of year</b>	<b>11,504,863</b>	<b>10,552,157</b>	<b>(337,263)</b>	<b>(221,034)</b>	<b>11,167,600</b>	<b>10,331,123</b>
<b>Net Position, end of year</b>	<b>\$ 11,907,939</b>	<b>\$ 11,504,863</b>	<b>\$ (279,458)</b>	<b>\$ (337,263)</b>	<b>\$ 11,628,481</b>	<b>\$ 11,167,600</b>

**Governmental activities.** Governmental activities increased the City’s net position by \$403,076 in fiscal year 2012- 2013, and increased by \$952,706 in fiscal year 2011-2012. Key elements of the \$403,076 increase in net position are as follows:

- General revenues increased from prior year as the economy continues to strengthen.
- Decrease in General Government expenses due to less staff positions.
- Scale back of public works projects.
- Overall reducing of expenses and delaying projects until fiscal health of the economy improves.

**Business-type activities.** Business-type activities increased the City’s net position by \$57,805 compared to fiscal year 2011-12, which decreased \$116,229. The key element of the \$57,805 increase in net position is as follows:

- The City’s Peter Weber Equestrian Center now being managed and operated by a concessionaire versus City staff.



# CITY OF ROLLING HILLS ESTATES, CALIFORNIA

## Management's Discussion and Analysis (Unaudited)

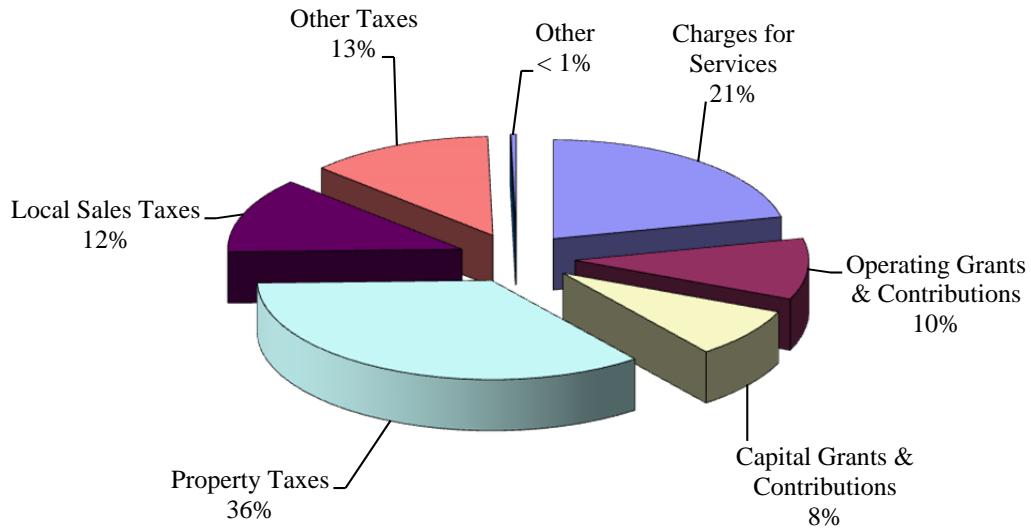
June 30, 2013

(Continued)

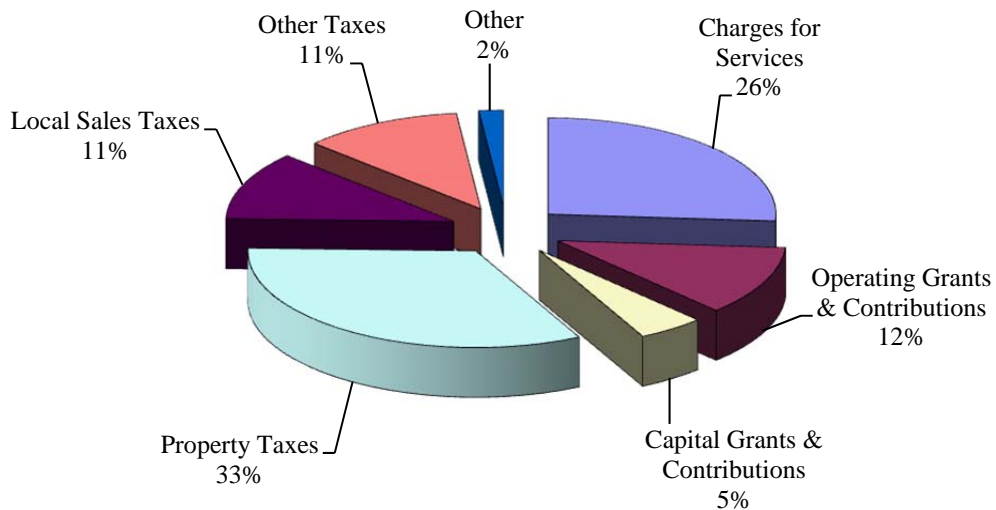
The following charts illustrate the proportion of sources of revenue for the fiscal years ended June 30, 2013 and 2012.

### Revenues by Source – Governmental Activities

#### Revenue Fiscal Year 2013



#### Revenue Fiscal Year 2012







## CITY OF ROLLING HILLS ESTATES, CALIFORNIA

### Management's Discussion and Analysis (Unaudited)

June 30, 2013

(Continued)

The City's governmental funds reported combined ending fund balances of \$2,610,317 at June 30, 2013, a decrease of \$948,493 in comparison with the prior year, for which ending fund balance was \$3,558,810. Approximately 14% of the combined ending fund balances (\$374,742) constitute unassigned fund balance, which is available for spending at the City's discretion. This is a decrease from the 37% reported for fiscal year 2011-12. \$1,051,065 of ending fund balances are restricted to indicate that they are not available for new spending because they have already been restricted for: 1) the unspent portion of the CLEEP grant (\$22,922), 2) the maintenance of Hawthorne Canyon (\$10,000), 3) transportation (\$893,924), and 4) capital projects (\$124,219); \$7,914 and \$437,671 are non-spendable for inventories and advances to other funds; \$738,925 is assigned for equipment (\$60,000), capital projects (\$301,550), capital projects replacement (\$327,375), and insurance claims (\$50,000).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,352,820, a decrease from the prior year unassigned fund balance by \$259,431.

Certain prior year balances were reclassified in order to conform to current year presentation. These reclassifications have no effect upon total reported net position or fund balances.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$230,313. The key factors contributing to the decrease are as follows:

- Decrease in revenue generated from licenses and permits.
- Increase in public safety expenditures for contractual Sheriff's services

*Special revenue fund highlights.* The special revenue funds, Federal STIP, Proposition A - Parks, and Quimby Fees, are reported as major funds. The Federal STIP fund is used to account for grant monies received from the State Transportation Improvement Program (STIP) for transportation projects. The Proposition A - Parks Grant fund is to account for grant monies received from Los Angeles County for maintenance and development of parks. The Quimby Fees fund is to account for park-in-lieu fees for all new residential projects from developers who cannot provide land and park improvements as part of their development.

*Proprietary funds.* The City's proprietary funds provide the same type of information found in the government-wide financial statements, however, in more detail. The major proprietary fund is the Equestrian Operation, and the non-major proprietary fund is the Tennis Operations. The total increase in proprietary funds' net position was \$57,805 compared to the prior year's decrease of \$116,229. This increase was primarily due to the transfer of the horse stables management and operations to a concessionaire on December 1, 2011. The City Stables were operating in a deficit position when the City managed the enterprise; however, a concessionaire now manages the operations and remits a gross percentage of revenue to the City.

#### **General Fund Budgetary Highlights**

The difference between the actual and final amended budget was a net decrease in fund balance of \$322,285, and is primarily due to the following expenditures and other financing sources not budgeted in the original or final budget amounts:



# CITY OF ROLLING HILLS ESTATES, CALIFORNIA

## Management’s Discussion and Analysis (Unaudited)

June 30, 2013

(Continued)

- Expenditures of \$1,807,000 in the general government function for the side fund obligation payment to CalPERS.
- Additional capital outlay expenditures of \$216,002 related to the Hawthorne Boulevard street resurfacing project.
- Other financing sources of \$1,807,000 as a result of bond proceeds from the issuance of the 2012 Pension Obligation Bond.

### Capital Asset and Debt Administration

**Capital assets.** The City’s investment in capital assets for its governmental activities as of June 30, 2013 amounts to \$9,410,015 (net of accumulated depreciation). The business-type activities investment in capital assets is \$38,479. These investments in capital assets include land, buildings and improvements, facilities and improvements, vehicles and equipment, furniture and fixtures, and infrastructure. During the current fiscal year, the City’s investment in capital assets increased by 13% primarily due to construction in progress and infrastructure upgrades in City-wide fencing replacement, horse arena improvements, and bike lane and road improvement projects.

The following table presents the City’s investment in capital assets, net of accumulated depreciation, as of June 30, 2012 and 2013:

### Summary of Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY2012-2013	FY2011-2012	FY2012-2013	FY2011-2012	FY2012-2013	FY2011-2012
Land	\$ 3,864,943	\$ 3,864,943	\$ -	\$ -	\$ 3,864,943	\$ 3,864,943
Construction in Progress	889,950	368,329	-	-	889,950	368,329
Buildings & Improvements	651,619	601,482	36,944	38,406	688,563	639,888
Facilities & Improvements	816,943	642,682	1,535	3,935	818,478	646,617
Vehicles & Equipment	111,413	145,311	-	-	111,413	145,311
Furniture & Fixtures	5,955	6,274	-	-	5,955	6,274
Infrastructure	3,069,192	2,724,820	-	-	3,069,192	2,724,820
<b>Total</b>	<b>\$ 9,410,015</b>	<b>\$ 8,353,841</b>	<b>\$ 38,479</b>	<b>\$ 42,341</b>	<b>\$ 9,448,494</b>	<b>\$ 8,396,182</b>

Additional information regarding the City’s capital assets can be found in Note 1(e)4 on pages 32, and Note 4(b) on pages 40-41.

**Long-term liabilities.** The City had total long-term liabilities of \$2,068,753 at June 30, 2013, which is an increase of \$1,660,967 or 407% from the previous year, due to the issuance of the 2012 Taxable Pension Obligation Bond on August 23, 2012.



**CITY OF ROLLING HILLS ESTATES, CALIFORNIA**

**Management’s Discussion and Analysis (Unaudited)**

**June 30, 2013**

**(Continued)**

The following is a summary of the City’s long-term liabilities as of June 30, 2013:

**Summary of Long-Term Liabilities**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY2013-2012	FY2012-2011	FY2013-2012	FY2012-2011	FY2013-2012	FY2012-2011
Employee compensated absences	\$ 413,753	\$ 407,786	\$ -	\$ -	\$ 413,753	\$ 407,786
Pension obligation bond	1,655,000	-	-	-	1,655,000	-
<b>Total</b>	<b>\$ 2,068,753</b>	<b>\$ 407,786</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,068,753</b>	<b>\$ 407,786</b>

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total assessed valuation. The current debt limitation for the City is \$375,820,681. The City operates well within the legal limit imposed by the State.

Additional information on the City’s long-term liabilities can be found in Note 4(e) on page 43 of this report.

**Economic Factors and Next Year’s Budgets and Rates**

- Local property values remain modest, and account for approximately 42% of General Fund revenues. Los Angeles County Net Local Roll of Assessed Property Valuations is forecasted to increase by 4.23%.
- Sales tax revenues remain affected by the “Triple Flip” mechanism, which reduces one-quarter of local sales tax revenue and supplements the loss with a new State subvention called “Property Tax in lieu of Sales Tax – State” under the Revenues from Other Agencies category.
- Revenues from other agencies have eliminated the Motor Vehicle License Fees (VLF) for fiscal year 2011-2012, and Property Tax in lieu of Sales Tax is anticipated to remain flat for fiscal year 2013-2014. As mentioned above, the “Triple Flip” increases State subventions to supplement the lost one-quarter of local sales tax revenues, however, the City receives back less than one-quarter after administration fees. The VLF backfill has been eliminated, replaced by a “Property Tax in lieu of VLF – State” account – which is anticipated to have a slight increase in revenue for fiscal year 2013-2014.

All three of these factors were considered in preparing the City’s budget for fiscal year 2013-2014. The slow recovery of the economy and uncertainty of revenues has made the City’s budgeting process more complex.

Additionally, the City has adjusted the fees and charges revenue for certain activities that are listed in the Fees and Charges book.



## CITY OF ROLLING HILLS ESTATES, CALIFORNIA

### Management's Discussion and Analysis (Unaudited)

June 30, 2013

(Continued)

#### Requests for Information

This financial report is designed to provide a general overview of the financial position of the City of Rolling Hills Estates for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Services Department, 4045 Palos Verdes Drive North, Rolling Hills Estates, CA 90274. Also refer to the City's website [www.ci.Rolling-Hills-Estates.ca.us](http://www.ci.Rolling-Hills-Estates.ca.us) for additional financial information (Click "City Departments and Services" and then click "Administrative Services Department").



**CITY OF ROLLING HILLS ESTATES**  
**Statement of Net Position**  
**June 30, 2013**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and investments	\$ 2,409,324	\$ 90,662	\$ 2,499,986
Accounts receivable	635,093	30,527	665,620
Internal balances	437,671	(437,671)	-
Inventories	7,914	-	7,914
Net pension asset	1,591,192	-	1,591,192
Unamortized bond issuance costs	63,808	-	63,808
Capital assets:			
Not being depreciated	4,754,893	-	4,754,893
Being depreciated (net of accumulated depreciation)	4,655,122	38,479	4,693,601
Total assets	<u>14,555,017</u>	<u>(278,003)</u>	<u>14,277,014</u>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	403,651	1,455	405,106
Deposits payable	174,674	-	174,674
Interest payable	-	-	-
Non-current liabilities:			
Due within one year:			
Compensated absences payable	41,375	-	41,375
Pension obligation bond	155,000	-	155,000
Due in more than one year:			
Compensated absences payable	372,378	-	372,378
Pension obligation bond	1,500,000	-	1,500,000
Total liabilities	<u>2,647,078</u>	<u>1,455</u>	<u>2,648,533</u>
<b>Net Position:</b>			
Investment in capital assets	9,410,015	38,479	9,448,494
Restricted for:			
Cleep grant	22,922	-	22,922
Maintenance of Hawthorne Canyon	10,000	-	10,000
Transportation	893,924	-	893,924
Capital projects	124,219	-	124,219
Unrestricted (deficit)	1,446,859	(317,937)	1,128,922
Total net position	<u>\$ 11,907,939</u>	<u>\$ (279,458)</u>	<u>\$ 11,628,481</u>

See Accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS ESTATES**  
**Statement of Activities**  
**Year Ended June 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
General government	\$ 2,742,166	\$ 1,213,474	\$ 9,768	\$ -
Public safety	1,739,467	85,883	100,000	-
Public works	949,190	181,759	506,960	469,190
Community services	1,324,048	68,415	89,492	119,220
Public health	14,781	-	14,324	-
Interest on bond payable	54,335	-	-	-
Total governmental activities	<u>6,823,987</u>	<u>1,549,531</u>	<u>720,544</u>	<u>588,410</u>
<b>Business-type activities:</b>				
Equestrian	804	65,332	-	-
Tennis	75,536	68,607	-	-
Total business-type activities	<u>76,340</u>	<u>133,939</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,900,327</u>	<u>\$ 1,683,470</u>	<u>\$ 720,544</u>	<u>\$ 588,410</u>

General revenues:  
Taxes:  
Property taxes  
Sales taxes  
Business license taxes  
Franchise taxes  
Other taxes  
Use of money and property  
Miscellaneous  
Total general revenues  
Change in net position  
Net position, beginning  
Net position, ending

See Accompanying Notes to Financial Statements.

**Net (Expense) Revenue and  
Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,518,924)	\$ -	\$ (1,518,924)
(1,553,584)	-	(1,553,584)
208,719	-	208,719
(1,046,921)	-	(1,046,921)
(457)	-	(457)
(54,335)	-	(54,335)
(3,965,502)	-	(3,965,502)
-	64,528	64,528
-	(6,929)	(6,929)
-	57,599	57,599
(3,965,502)	57,599	(3,907,903)
2,531,240	-	2,531,240
893,871	-	893,871
250,668	-	250,668
508,991	-	508,991
157,810	-	157,810
5,355	206	5,561
20,643	-	20,643
4,368,578	206	4,368,784
403,076	57,805	460,881
11,504,863	(337,263)	11,167,600
\$ 11,907,939	\$ (279,458)	\$ 11,628,481

See Accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS ESTATES**

**Balance Sheet  
Governmental Funds  
June 30, 2013**

	<u>General</u>	<u>Federal STIP</u>	<u>Proposition A - Parks</u>
<b>Assets:</b>			
Cash and investments	\$ 1,374,257	\$ -	\$ -
Accounts receivable	318,369	301,360	-
Due from other funds	920,265	-	-
Advances to other funds	437,671	-	-
Inventories	7,914	-	-
Total assets	<u>\$ 3,058,476</u>	<u>\$ 301,360</u>	<u>\$ -</u>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 313,550	\$ 39,754	\$ 7,482
Due to other funds	-	335,854	458,961
Deposits payable	174,674	-	-
Unearned revenue	-	301,360	-
Total liabilities	<u>488,224</u>	<u>676,968</u>	<u>466,443</u>
<b>Fund balances (deficit):</b>			
Nonspendable:			
Inventories	7,914	-	-
Advances to other funds	437,671	-	-
Restricted for:			
Cleep grant	22,922	-	-
Maintenance of Hawthorne Canyon	10,000	-	-
Transportation	-	-	-
Capital projects	-	-	-
Assigned to:			
Equipment	60,000	-	-
Capital projects	301,550	-	-
Capital projects replacement	327,375	-	-
Insurance claims	50,000	-	-
Unassigned	1,352,820	(375,608)	(466,443)
Total fund balances (deficit)	<u>2,570,252</u>	<u>(375,608)</u>	<u>(466,443)</u>
Total liabilities and fund balance	<u>\$ 3,058,476</u>	<u>\$ 301,360</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements.



<u>Quimby Fees</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
\$ 335,608	\$ 699,459	\$ 2,409,324
172	15,192	635,093
-	-	920,265
-	-	437,671
-	-	7,914
<u>\$ 335,780</u>	<u>\$ 714,651</u>	<u>\$ 4,410,267</u>
\$ 4,441	\$ 38,424	\$ 403,651
-	125,450	920,265
-	-	174,674
-	-	301,360
<u>4,441</u>	<u>163,874</u>	<u>1,799,950</u>
-	-	7,914
-	-	437,671
-	-	22,922
-	-	10,000
331,339	562,585	893,924
-	124,219	124,219
-	-	60,000
-	-	301,550
-	-	327,375
-	-	50,000
-	(136,027)	374,742
<u>331,339</u>	<u>550,777</u>	<u>2,610,317</u>
<u>\$ 335,780</u>	<u>\$ 714,651</u>	<u>\$ 4,410,267</u>

See Accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS ESTATES**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2013**

Total fund balances, governmental funds	\$	2,610,317
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		9,410,015
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds:		
Bonds payable		(1,655,000)
Compensated absences		(413,753)
Pension contributions in excess of actuarially required amounts were expenditures at the fund level but are deferred and subject to amortization in the statement of net position		1,591,192
Certain assets do not consume current financial resources and therefore are not reported in the funds:		
Bond issuance costs		71,784
Amortization of bond issuance costs		(7,976)
Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period. Under accrual accounting, revenue must be recognized as soon as it is earned, regardless of its availability. Unearned revenue is eliminated in the statement of net position.		301,360
Net position of governmental activities	\$	11,907,939

See Accompanying Notes to Financial Statements.

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**CITY OF ROLLING HILLS ESTATES**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2013**

	<u>General</u>	<u>Federal STIP</u>	<u>Proposition A - Parks</u>
<b>Revenues:</b>			
Property taxes	\$ 2,531,240	\$ -	\$ -
Sales and use taxes	893,871	-	-
Business license taxes	250,668	-	-
Other taxes	666,801	-	-
Licenses and permits	1,057,943	-	-
Fines and forfeitures	32,040	-	-
Use of money and property	22,512	-	-
Charges for services	212,692	-	-
Revenues from other agencies	330,812	24,936	21,000
Other revenues	11,459	-	-
Total revenues	<u>6,010,038</u>	<u>24,936</u>	<u>21,000</u>
<b>Expenditures:</b>			
Current:			
General government	4,361,287	-	-
Public safety	1,707,347	-	-
Public works	222,086	-	-
Community services	1,172,606	-	17,453
Public health	14,781	-	-
Capital outlay	291,125	336,315	101,508
Debt Service:			
Principal	152,000	-	-
Interest	54,335	-	-
Bond issuance costs	71,784	-	-
Total expenditures	<u>8,047,351</u>	<u>336,315</u>	<u>118,961</u>
Excess (deficiency of revenues over expenditures)	<u>(2,037,313)</u>	<u>(311,379)</u>	<u>(97,961)</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Bond issued	1,807,000	-	-
Total other financing sources (uses)	<u>1,807,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(230,313)</u>	<u>(311,379)</u>	<u>(97,961)</u>
Fund balances (deficit), beginning	<u>2,800,565</u>	<u>(64,229)</u>	<u>(368,482)</u>
Fund balances (deficit), ending	<u>\$ 2,570,252</u>	<u>\$ (375,608)</u>	<u>\$ (466,443)</u>

See Accompanying Notes to Financial Statements.

<b>Quimby Fees</b>	<b>Nonmajor Governmental</b>	<b>Total Governmental</b>
\$ -	\$ -	\$ 2,531,240
-	-	893,871
-	-	250,668
-	-	666,801
-	-	1,057,943
-	54,831	86,871
954	1,293	24,759
-	42,406	255,098
-	770,246	1,146,994
-	-	11,459
<u>954</u>	<u>868,776</u>	<u>6,925,704</u>
-	6,685	4,367,972
-	32,120	1,739,467
-	299,902	521,988
-	28,961	1,219,020
-	-	14,781
383,950	426,952	1,539,850
-	-	152,000
-	-	54,335
-	-	71,784
<u>383,950</u>	<u>794,620</u>	<u>9,681,197</u>
<u>(382,996)</u>	<u>74,156</u>	<u>(2,755,493)</u>
100,355	-	100,355
-	(100,355)	(100,355)
-	-	1,807,000
<u>100,355</u>	<u>(100,355)</u>	<u>1,807,000</u>
<u>(282,641)</u>	<u>(26,199)</u>	<u>(948,493)</u>
<u>613,980</u>	<u>576,976</u>	<u>3,558,810</u>
<u>\$ 331,339</u>	<u>\$ 550,777</u>	<u>\$ 2,610,317</u>

See Accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS ESTATES**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances to the Statement of Activities**  
**Year Ended June 30, 2013**

Net change in fund balances - total governmental funds	\$ (948,493)
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 costs of those assets are allocated over their estimated useful lives and reported as depreciation:	
Capital outlay	1,293,956
Depreciation expense	(237,780)
The issuance of long-term debt (i.e. Pension obligation bond) is recorded as an other financing source in the governmental funds because it provides current financial resources. Similarly, the repayment of principal on long-term debt is reported as an expenditure in the governmental funds because current financial resources have been consumed. These transactions contribute to the change in fund balance, but do not have any effect on statement of activities:	
Proceeds from issuance of Pension obligation bond	(1,807,000)
Payment of bond issuance costs	71,784
Principal retirement	152,000
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 the governmental funds:	
Payment to PERS for side-fund obligation resulted in a net pension asset	1,735,216
Amortization of net pension asset	(144,024)
Amortization of bond issuance costs	(7,976)
Compensated absences payable reported in the statement of activities does not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	(5,967)
Revenues that are earned, but unavailable in the current year are deferred in the governmental funds. For government-wide reporting, revenue is recognized when earned, regardless of availability.	301,360
Change in net position of governmental activities	\$ 403,076

See Accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS ESTATES**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Equestrian Operations</b>	<b>Nonmajor Tennis Operations</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash and investments	\$ -	\$ 90,662	\$ 90,662
Accounts receivable	23,077	7,450	30,527
Total current assets	23,077	98,112	121,189
Capital assets being depreciated, net	32,321	6,158	38,479
Total assets	55,398	104,270	159,668
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	-	1,455	1,455
Advances from other fund	437,671	-	437,671
Total liabilities	437,671	1,455	439,126
<b>Net Position:</b>			
Investment in capital assets	32,321	6,158	38,479
Unrestricted (deficit)	(414,594)	96,657	(317,937)
Total net position	\$ (382,273)	\$ 102,815	\$ (279,458)

See Accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS ESTATES**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2013**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Equestrian Operations</b>	<b>Nonmajor Tennis Operations</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services	\$ 65,332	\$ 68,607	\$ 133,939
<b>Operating expenses:</b>			
Personnel	-	50,572	50,572
Administrative	-	13,000	13,000
Materials and supplies	2	8,904	8,906
Depreciation	802	3,060	3,862
Total operating expenses	804	75,536	76,340
Operating income (loss)	64,528	(6,929)	57,599
<b>Nonoperating revenues:</b>			
Interest income	-	206	206
Change in net position	64,528	(6,723)	57,805
Total net position, beginning	(446,801)	109,538	(337,263)
Total net position, ending	\$ (382,273)	\$ 102,815	\$ (279,458)

See Accompanying Notes to Financial Statements.



**CITY OF ROLLING HILLS ESTATES**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2013**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Equestrian Operations</b>	<b>Nonmajor Tennis Operations</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 51,843	\$ 68,490	\$ 120,333
Cash paid to suppliers of goods and services	(2)	(22,007)	(22,009)
Cash paid to employees	-	(50,572)	(50,572)
Net cash provided by (used for) operating activities	51,841	(4,089)	47,752
<b>Cash flows from noncapital financing activities:</b>			
Cash paid to other funds	(51,841)	-	(51,841)
<b>Cash flows from investing activities:</b>			
Interest on investments	-	206	206
Net decrease in cash and cash equivalents	-	(3,883)	(3,883)
Cash and cash equivalents, beginning	-	94,545	94,545
Cash and cash equivalents, ending	<u>\$ -</u>	<u>\$ 90,662</u>	<u>\$ 90,662</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>			
Operating income (loss)	\$ 64,528	\$ (6,929)	\$ 57,599
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	802	3,060	3,862
Changes in operating assets and liabilities:			
(Increase) in accounts receivable	(13,489)	(117)	(13,606)
(Decrease) in accounts payable and accrued liabilities	-	(103)	(103)
Net cash provided by (used for) operating activities	<u>\$ 51,841</u>	<u>\$ (4,089)</u>	<u>\$ 47,752</u>

See Accompanying Notes to Financial Statements

**CITY OF ROLLING HILLS ESTATES**  
**Statement of Fiduciary Net Position**  
**Agency Fund**  
**June 30, 2013**

	<u>Peninsula Parking</u>
<b>Assets:</b>	
Cash and investments	\$ 1,119
<b>Liabilities:</b>	
Accounts payable	<u>1,119</u>
<b>Net Position</b>	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements**  
**June 30, 2013**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Reporting Entity**

The City of Rolling Hills Estates (City) was incorporated on September 18, 1957, as a general law city and operates under a Council-Manager form of government. The Council is composed of five members. As required by generally accepted accounting principles, the financial statements present the government and its component unit for which the government is considered financially accountable. A blended component unit, although a legally separate entity, is, in substance, part of the government's operations and so data from this unit is combined with the data of the primary government.

***Peppertree Foundation (the Foundation)***

The Foundation is an organization responsible for the development and maintenance of the parks in the City. The City is financially accountable for the Foundation as the City Council serves as members of the Foundation's governing board and controls its operations. The financial transactions and balances of the Peppertree Foundation have been blended into the City's basic financial statements and are presented in a special revenue fund. Additional information on the Foundation is available at:

City of Rolling Hills Estates  
4045 Palos Verdes Drive North  
Rolling Hills Estates, California 90274

***Joint Ventures***

The City is a member of the Palos Verdes Peninsula Transit Joint Powers Authority. The Transit Authority is comprised of three member cities and is organized under a Joint Powers Agreement pursuant to the California Government Code. Each member City provides an annually determined contribution towards the ongoing operation. The City does not have a specified equity interest; however, in the event of dissolution of the Authority, available assets shall be distributed to the member agencies in proportion to the aggregate contribution made by each member agency during the entire term of the agreement. The purpose of the Authority is to study, implement, and provide a public transit system within and around the Palos Verdes Peninsula. These transit services include Palos Verdes Transit (expanded to include two Los Angeles County Metropolitan Transportation Authority (LACMTA) routes effective July 1, 2006), Dial-A-Ride, and a fixed route shuttle service.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

The Palos Verdes Peninsula Transit Authority's fiscal year ended on June 30. As of June 30, 2012 (most recent information available), audited financial statements indicated the following:

Total assets	\$ 2,693,610
Total liabilities	\$ 196,811
Total equity	\$ 2,496,799
Charges for services	\$ 391,465
JPA member contributions and other income	254,392
Total operating revenues	645,857
Total operating expenses	(2,392,946)
Total non-operating revenues	1,685,245
Net income	\$ (61,844)

Separate financial statements are available at:

Palos Verdes Peninsula Transit Joint Powers Authority  
38 Crest Road West  
Rolling Hills, CA 90274

**(b) Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. 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 fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

*(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide, proprietary and fiduciary fund 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 the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be 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 year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are not recognized until paid.

Property taxes, motor vehicle in lieu taxes, charges for services, revenues from other agencies and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the State of California (State) at year-end on behalf of the City are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Grant funds received before the revenue recognition criteria have been met are reported as deferred revenues.

The City reports the following major governmental funds:

The **General Fund** is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund.

The **Federal STIP Special Revenue Fund** is used to account for grant monies received from the State Transportation Improvement Program (STIP) for transportation projects.

The **Proposition A – Parks Special Revenue Fund** is used to account for grant monies received from Los Angeles County for the maintenance and development of parks.

The **Quimby Fees Special Revenue Fund** is used to account for park-in-lieu fees for all new residential projects from developers who cannot provide land and park improvements as part of their development.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

The City reports one major proprietary fund:

The **Equestrian Operation Fund** is used to account for the financial activity of the City-owned stables and horse shows. The costs of providing these services to the general public are financed or recovered primarily through user charges. Effective December 1, 2011, the City turned over operations of the stables and horse shows to a concessionaire.

Additionally, the City reports the following fund types:

*Governmental Funds:*

The Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes.

*Proprietary Funds:*

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

*Fiduciary Funds:*

Fiduciary Fund financial statements include a statement of fiduciary net position. The City's fiduciary fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The City has one agency fund. The agency fund is accounted for on an accrual basis of accounting as are the proprietary funds explained above.

The City reports the following fiduciary fund which is excluded from the government-wide financial statements:

Peninsula Parking Fund – To account for monies received from parking citation processing under a joint three-city agreement and held by Rolling Hills Estates on behalf of the cities of Rancho Palos Verdes and Rolling Hills.

As further discussed in Note 2, the City applies all applicable GASB pronouncements as well as private sector pronouncements issued by the Financial Accounting Standards Board (FASB), unless such FASB pronouncements conflict or contradict GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to members, customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 Equestrian Operations Enterprise Fund and the Tennis Operations Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**(d) Property Taxes**

Under California law, the property tax rate is limited to 1% of market value plus other increases approved by the voters. Property taxes are levied by the County Tax Assessor and shared among local taxing authorities. The County of Los Angeles collects and distributes property taxes on the basis of each taxing authority's tax rate percentage.

As a "No Property Tax City," Rolling Hills Estates' city tax rate is zero. However, under State legislation (Assembly Bill (AB) 1197), the City began receiving a share of property tax revenue in 1990.

Property taxes are levied on July 1 and are due on November 1 and February 1. Property taxes become delinquent after December 10 and April 10 for the first and second installments, respectively. The lien date is January 1. The City recognizes property tax revenue based upon distributions received from the County of Los Angeles which occurs shortly after the delinquency dates.

**(e) Assets, Liabilities, and Net Position or Equity**

**1. Cash and Investments**

Investments are reported in the accompanying statement of net position at fair value. Changes in fair value that occur during a fiscal year are recognized as revenue from use of money and property reported for that fiscal year. Revenue from use of money and property includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

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

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

For purposes of the statement of cash flows, the City considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Cash invested in the City's cash management pool is also considered to be cash equivalents.

**2. *Receivables and Payables***

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (the current portion of interfund loans) or "advances to/ from other funds" (interfund loans that are not expected to be repaid within one year). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The amounts recorded as a receivable due from other governments include amounts collected or provided by Federal, State and County governments and not remitted to the City as of June 30, 2013. The County of Los Angeles assesses, bills, and collects taxes for the City.

**3. *Inventories***

Inventories are valued at cost using the average-cost method. Inventories in the governmental fund types are accounted for using the consumption method.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. As a phase 3 government under GASB Statement No. 34, the City has elected to report only major general infrastructure assets acquired subsequent to June 30, 2003. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at the fair value of the assets on the date on which they were contributed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The City utilizes a capitalization threshold of \$5,000.

Depreciation is charged to operations using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	35-50 years
Facilities and improvements	7-20 years
Vehicles and equipment	4-18 years
Furniture and fixtures	3-13 years
Infrastructure	20-50 years



**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

**5. *Compensated Absences***

City employees receive from 10 to 20 days vacation each year depending upon length of service. An employee may accumulate earned vacation time to a maximum not to exceed 35 days. Upon termination, employees are paid the full value of their unused vacation time at their existing salary. City employees receive 12 personal necessity/sick leave days each year to a maximum not to exceed 60 days. Upon termination, employees with a minimum of 30 days accumulated are paid the full value of their unused personal necessity/sick leave time at their existing salary.

In the government-wide financial statements, a liability is accrued for all earned but unused vacation leave benefits relating to the operations of the funds. This liability will be liquidated as either additional cash payments in the event of employee termination or as part of budgeted salary expenditures if used by employees as compensated leave time while still employed by the City. Non-current amounts are recorded in the long-term liability section of the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. In the fund financial statements, governmental funds accrue current liabilities for material vacation leave benefits due on demand to governmental fund employees that have terminated prior to year-end. Non-current amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

**6. *Long-term Obligations***

The City's governmental fund obligations not currently due and payable at year-end are reported in the government-wide statement of net position. In the fund financial statements, governmental funds accrue current liabilities for principals and interests due on or prior to year-end.

**7. *Fund Equity***

Fund balance for governmental funds is classified as follows:

- Nonspendable – includes amounts that are (a) not in a spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed – includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City Council adopting a resolution or ordinance.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

- Assigned – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the City Council or (b) a body (for example: a budget or finance committee) or Administrative Service Director.
- Unassigned – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In other governmental funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

The City Council adopts the City Fund Balance Policy annually. The policy establishes guidelines for budget decisions as to the appropriate use of General Fund resources and the maintenance of adequate reserves for contingencies, emergencies, capital improvements, and other such uses as determined by the City Council. Assigned fund balance for capital projects expenditures is based on the Six Year Capital Improvement plan forecast, within the limits of the overall Fund Balance Policy. Capital improvements are funded by prior year operating surpluses.

*General Fund reserve requirements* - Appropriation for contingencies are maintained at approximately two months of operating expenditures. Unassigned fund balance is eligible for use at the discretion of the City Council at a time of an unforeseen fiscal crisis. Such determinations are made by the City Council on a case-by-case basis. The unassigned fund balance of the General Fund must not be less than \$1.2 million at any time. At June 30, 2013, \$152,820 of unassigned fund balance has been identified for future operating expenditures.

**8. Use of Estimates**

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

**(2) NEW ACCOUNTING STANDARDS**

Implementation of the following GASB statements is effective fiscal year 2013.

Issued in November 2010, GASB Statement No. 60, “*Accounting and Financial Reporting for Service Concession Arrangements*,” addresses service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This statement requires disclosures about SCAs including a general description of the arrangement and information about the associated

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. This statement had no impact on the City's financial statements.

Issued in November 2010, GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34,*" modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. This statement had no material impact on the City's financial statements.

Issued in December 2010, GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,*" incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989 and does not conflict with or contradict GASB pronouncements: (a) Financial Accounting Standards Board (FASB) Statements and Interpretations, (b) Accounting Principles Board Opinions, and (c) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement had no material impact on the City's financial statements.

Issued in June 2011, GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,*" provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and amends the net assets reporting requirements in GASB Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This statement had no material impact on the City's financial statements.

**(3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**(a) Budgetary Data**

On or before June 30 of each year, the City Council adopts a budget for the ensuing fiscal year. The City Manager is responsible for the preparation and administration of the annual budget.

Budgets are reported on the same basis as the fund types and are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. The legal level of control or the level at which expenditures may not legally exceed appropriations is at the program level. The program level includes General Government, Public Safety, Public Works, Community Services, Public Health and Capital Outlay. Unexpended budgetary appropriations lapse at year-end.

Management may amend budgets within the program level. Budgetary revisions that alter the total appropriations of a program must be approved by the City Council.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

**(b) Excess of Expenditures over Appropriations**

The following individual funds exceeded the expenditures budget:

<b>Fund</b>	<b>Over Budget</b>
General Fund - General government	\$ 1,424,292
General Fund - Public safety	11,886
General Fund - Public works	9,010
General Fund - Community services	57,258
General Fund - Capital outlay	234,125
General Fund - Principal	152,000
General Fund - Interest	54,335
General Fund - Bond issuance cost	71,784
Quimby Fund - Capital outlay	69,950
Special revenue funds:	
Traffic Safety - Public safety	120
Proposition C - Capital outlay	126,566
Measure R - Capital outlay	51,250
State Gas Tax - Public works	33,292
Prop A 4th District - Capital outlay	1,902

These expenditures are funded with a combination of excess revenues or by the available fund balance.

**(c) Deficit Fund Equity**

The following funds have an accumulated deficit at June 30, 2013:

Proprietary:		
Equestrian Operations	\$	382,273
Special Revenue:		
Federal STIP		375,608
Proposition A Parks		466,443
Peppertree Foundation		7,940
Proposition 40 Parks Grant		53,442
State SR2S		60,725
ARRA EECBG		12,121
Prop A 4th District		1,799

These deficits will be funded with future grant revenues or transfers from other funds.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

**(4) DETAILED NOTES ON ALL FUNDS**

**(a) Cash and Investments**

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

<b>Statement of net position:</b>	
Cash and investments	\$ 2,499,986
<b>Fiduciary funds:</b>	
Cash and investments	1,119
	\$ 2,501,105

Cash and investments were comprised of the following as of June 30, 2013:

Cash on hand	\$ 685
Deposits with financial institution	466,118
Investments	2,034,302
Total cash and investments	\$ 2,501,105

***Investments Authorized by the Entity's Investment Policy***

The City of Rolling Hills Estates' Statement of Investment Policy is reviewed and adopted by the City Council each year. The investment policy is more conservative and the investment types authorized are more restrictive than the investment vehicles authorized by Section 53601 of the California Government Code (CGC), except for U.S. treasury notes and U.S. treasury bonds. The maximum maturity authorized by the CGC for U.S. treasury notes and U.S. treasury bonds is 5 years, and the City's investment policy is 1 - 10 years and 10 - 30 years, respectively. Investment vehicles not specifically mentioned in the City's investment policy are not authorized unless the policy is amended by the City Council or are approved as part of the provisions of the bond indentures. Investments are limited to:

<b>Authroized Investment Type</b>	<b>Maximum Maturity</b>		<b>Maximum Percentage of Portfolio *</b>		<b>Maximum Investment in One Issuer</b>	
	CGC	City Policy	CGC	City Policy	CGC	City Policy
	U.S. Treasury Bills **	5 years	1 year	None	N/A	None
U.S. Treasury Notes **	5 years	10 years	None	N/A	None	90%
U.S. Treasury Bonds **	5 years	30 years	None	N/A	None	90%
Negotiable Certificates of Deposit	5 years	5 years	30%	30%	None	None
Local Agency Investment Fund (LAIF)	N/A	N/A	None	90% ***	None	\$50M
Savings Passbook	N/A	N/A	None	None	None	90%

\* Excluding amounts held by bond trustees that are not subject to California Government Code restrictions.

\*\* A maximum of 25% of the total investment portfolio may be invested for a period exceeding 5 years.

\*\*\*When LAIF yields exceed those of other allowable investment vehicles, the City is permitted to maintain up to 100% of excess funds in LAIF.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk and credit risk. The primary objective of the City's investment function shall be safety, since the safeguarding of City assets is of paramount importance. Most investments will be highly liquid with maturities selected to anticipate cash needs and avoid the need for forced liquidations. Yield shall be a consideration only after the basic requirements of safety and liquidity have been met.

***Disclosures Relating to Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of fair values of the City's investments to market interest rate is provided by the following table that shows the distribution of the City's investments by maturity:

<b>Investment Types</b>	<b>Remaining Maturity (in Months) 12 Months Or Less</b>
LAIF	\$ 1,831,422
Negotiable certificates of deposit	202,880
Total	\$ 2,034,302

***Disclosures Relating to Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code or the City's investment policy, and the actual rating as of year end for each investment type.

<b>Investment Type</b>	<b>Total Investment</b>	<b>Minimum Legal Rating</b>	<b>Not Rated</b>
LAIF	\$ 1,831,422	N/A	\$ 1,831,422
Negotiable certificates of deposit	202,880	N/A	202,880
Total	\$ 2,034,302		\$ 2,034,302

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

***Concentration of Credit Risk***

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>% of Portfolio</u>
Malaga Bank	Negotiable certificate of deposit	\$ 202,880	10.0%

***Custodial Credit Risk***

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

***Investment in State Investment Pool***

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

The total amount invested by all public agencies in LAIF as of June 30, 2013 was \$21.2 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2013 had a balance of \$58.8 billion. Of that amount 1.96% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 278 days as of June 30, 2013. LAIF is unrated as to credit quality.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

**(b) Capital Assets**

A summary of changes in capital asset activity for the City's governmental and business-type activities for the year ended June 30, 2013 is as follows:

<u>Governmental activities</u>	<u>Balance at July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2013</u>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 3,864,943	\$ -	\$ -	\$ 3,864,943
Construction in progress	368,329	521,621	-	889,950
Total capital assets, not being depreciated	<u>4,233,272</u>	<u>521,621</u>	<u>-</u>	<u>4,754,893</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	1,495,859	-	-	1,495,859
Facilities and improvements	1,765,321	246,653	-	2,011,974
Vehicles and equipment	852,255	-	-	852,255
Furniture and fixtures	92,444	-	-	92,444
Infrastructure	3,466,256	525,680	-	3,991,936
Total capital assets, being depreciated	<u>7,672,135</u>	<u>772,333</u>	<u>-</u>	<u>8,444,468</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(894,377)	50,137	-	(844,240)
Facilities and improvements	(1,122,639)	(72,392)	-	(1,195,031)
Vehicles and equipment	(706,944)	(33,898)	-	(740,842)
Furniture and fixtures	(86,170)	(319)	-	(86,489)
Infrastructure	(741,436)	(181,308)	-	(922,744)
Total accumulated depreciation	<u>(3,551,566)</u>	<u>(237,780)</u>	<u>-</u>	<u>(3,789,346)</u>
Total capital assets, being depreciated, net	<u>4,120,569</u>	<u>534,553</u>	<u>-</u>	<u>4,655,122</u>
Governmental activities capital assets, net	<u>\$ 8,353,841</u>	<u>\$ 1,056,174</u>	<u>\$ -</u>	<u>\$ 9,410,015</u>



**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

<u>Business-type activities</u>	<u>Balance at July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2013</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	\$ 287,570	\$ -	\$ -	\$ 287,570
Facilities and improvements	237,951	-	-	237,951
Vehicles and equipment	41,055	-	-	41,055
Furniture and fixtures	21,033	-	-	21,033
Total capital assets, being depreciated	<u>587,609</u>	<u>-</u>	<u>-</u>	<u>587,609</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(249,164)	(1,462)	-	(250,626)
Facilities and improvements	(234,016)	(2,400)	-	(236,416)
Vehicles and equipment	(41,055)	-	-	(41,055)
Furniture and fixtures	(21,033)	-	-	(21,033)
Total accumulated depreciation	<u>(545,268)</u>	<u>(3,862)</u>	<u>-</u>	<u>(549,130)</u>
Business-type activities capital assets, net	<u>\$ 42,341</u>	<u>\$ (3,862)</u>	<u>\$ -</u>	<u>\$ 38,479</u>

Depreciation expense of \$241,642 was charged to the following functions:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General government	\$ (48,556)	\$ -
Community services	105,028	-
Public works	181,308	-
Equestrian operations	-	802
Tennis operations	-	3,060
Total	<u>\$ 237,780</u>	<u>\$ 3,862</u>

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

*(c) Interfund Receivable and Payable*

The composition of interfund balances as of June 30, 2013 are as follows:

<b>Due to other funds</b>	<b>Receivable fund General Fund</b>
Federal STIP	\$ 335,854
Proposition A- Parks Special Revenue Fund	458,961
Nonmajor Governmental Funds	125,450
	\$ 920,265

Due to other funds balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, and (4) short-term borrowings. All Due to other funds balances are expected to be reimbursed within the subsequent year.

<b>Advances to other funds</b>	<b>Receivable fund General Fund</b>
Equestrian Operations Enterprise Fund	\$ 437,671

Advances to other funds balances resulted from long-term borrowings. All Advances to other funds balances are reimbursed in more than one year.

*(d) Interfund Transfers*

<b>Transfer Out</b>	<b>Transfer In Quimby Fees Special Revenue Fund</b>
Chandler Equestrian Special Revenue Fund	\$ 100,355

The Quimby Fees Special Revenue Fund received \$100,355 from the Chandler Equestrian Special Revenue Fund to be expended for equestrian related projects in the City.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

(e) *Long-Term Liabilities*

**Governmental Activities:**

***Long-Term Debt***

On August 23, 2012, the City issued the 2012 Taxable Pension Obligation Bonds with a par amount of \$1,807,000 and interest rate of 3.62% to refinance the outstanding “side fund” obligations to the CalPERS retirement system. The purpose of the side fund was to account for the difference between the funded status of the pool and the funded status of the plan, in addition to the existing unfunded liability. The bonds will mature on June 30, 2021. The debt service remaining on the bonds as of June 30, 2013 is \$1,933,631, payable through fiscal year 2021.

As of June 30, 2013, annual debt service requirements to maturity are as follows:

<b><u>Fiscal year ending June 30:</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2014	\$ 155,000	\$ 58,517
2015	168,000	52,798
2016	182,000	46,589
2017	197,000	39,856
2018	212,000	32,598
2019-2021	741,000	48,273
<b>Total requirements</b>	<b><u><u>\$ 1,655,000</u></u></b>	<b><u><u>\$ 278,631</u></u></b>

***Compensated Absences Payable***

The City’s policies relating to compensated absences are described in Note (1)(e)5. This liability will be paid from future resources primarily from the General Fund.

\$ 413,753

The following is a summary of changes in long-term liabilities for Governmental Activities:

	<b><u>Balance at</u></b>			<b><u>Balance at</u></b>	<b><u>Due within</u></b>
	<b><u>July 1, 2012</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>June 30, 2013</u></b>	<b><u>one year</u></b>
Bonds payable	\$ -	\$ 1,807,000	\$ (152,000)	\$ 1,655,000	\$ 155,000
Compensated absences	407,786	5,967	-	413,753	41,375
	<b><u><u>\$ 407,786</u></u></b>	<b><u><u>\$ 1,812,967</u></u></b>	<b><u><u>\$ (152,000)</u></u></b>	<b><u><u>\$ 2,068,753</u></u></b>	<b><u><u>\$ 196,375</u></u></b>

**Business-type Activities:**

No long-term liabilities are due for Business-type Activities.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

**(f) Construction and Other Significant Commitments**

The City has established a procedure for encumbering appropriations for future obligations. In accordance with GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” the City’s total significant encumbrances for governmental funds reported in the General Fund are assigned as follows:

- \$60,000 for equipment.
- \$75,000 for landscaping design within the Palos Verdes Drive North Bike Lane project.

Construction of the Palos Verdes Drive North Bike Lane project commenced in fiscal year 2012-13 and is anticipated to be completed in fiscal year 2013-14. The project consists of five foot wide stripes on street bike lanes, intersection improvements, new merge lanes and a complete street overlay on Palos Verdes Drive North between Crenshaw Boulevard and the City’s West City Limits. Sources of revenue available for this project includes federal and state grants, and local match comprised of Proposition C and Traffic Impact fees.

**(5) OTHER INFORMATION**

**(a) Liability, Property and Workers’ Compensation Protection**

**1. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement**

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

**2. Self-Insurance Programs of the Authority**

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

Liability – In the liability program, claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. The \$2.5 million annual aggregate deductible is fully covered under a separate policy; as such no portion of it is retained by the Authority. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. The \$3.0 million annual aggregate deductible is fully retained by the Authority. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$25 million per occurrence. This \$25 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate.

Workers' Compensation – The City of Rolling Hills Estates also participates in the workers' compensation pool administered by the Authority. In the workers' compensation program, claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's liability losses from \$5 million to \$10 million are pooled among members.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

**3. *Purchased Insurance***

Pollution Legal Liability Insurance – The City of Rolling Hills Estates participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Rolling Hills Estates. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance – The City of Rolling Hills Estates participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Rolling Hills Estates property is currently insured according to a schedule of covered property submitted by the City of Rolling Hills Estates to the Authority. City of Rolling Hills Estates property currently has all-risk property insurance protection in the amount of \$5,630,128. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Earthquake and Flood Insurance – The City of Rolling Hills Estates purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Rolling Hills Estates property currently has earthquake protection in the amount of \$5,449,691. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance – The City of Rolling Hills Estates purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

Special Event Tenant User Liability Insurance – The City of Rolling Hills Estates further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on city property. The insurance premium is paid by the tenant user and is paid to the City of Rolling Hills Estates according to a schedule. The City of Rolling Hills Estates then pays for the insurance. The insurance is arranged by the Authority.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

**4. Adequacy of Protection**

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in fiscal year 2012-2013.

**(b) Related Party Transactions**

The California Joint Powers Insurance Authority provides insurance services to the City as mentioned above. One of the City's council members is also a board of director at the Authority. The contributions paid by the City to the Authority for the year ended June 30, 2013 were \$222,789.

**(c) City Employees Retirement Plan**

**1. Defined Benefit Pension Plan**

Plan Description: The City contributes to the California Public Employees Retirement System (PERS), a cost sharing 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 statute and city ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 "P" Street, Sacramento, CA 95814.

Funding Policy: Participants are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 21.48% for non-safety employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pensions Cost: For fiscal year 2012-2013, the City's annual pension cost of \$233,957 for PERS was equal to the City's required contributions.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2013**

As of June 30, 2013, the City's net pension asset and annual required contribution (ARC) were \$1,591,192 and \$233,957, respectively. The following table shows the components of the City's annual pension cost for the year, the amount actually contributed to the plan, and the City's net pension asset:

Annual required contribution	\$ (233,957)
Interest on net pension asset	-
Adjustment to annual required contribution	-
Annual pension cost	(233,957)
Contribution made	1,825,149
Net pension asset	\$ 1,591,192

The following is a summary of information for PERS for a three-year period ending each June 30:

**Three-Year Trend Information for PERS**  
**Schedule of Employer Contributions (\$ in 000's)**

<b>Fiscal Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Asset</b>
6/30/11	\$ 391	100%	\$ -
6/30/12	380	100%	-
6/30/13	234	780%	1,591,192

**2. Defined Contribution Retirement System**

The City contributes to the Public Agency Retirement System (PARS), which is a defined contribution retirement plan. The City has adopted this tax qualified governmental defined contribution plan for the benefit of its eligible employees (full-time employee) to provide supplemental retirement benefits to eligible employees in addition to the benefits employees will receive from the Public Employees' Retirement System (Note (4)(c)1).

However, as of July 2011, the City suspended contributions to PARS, except for \$400 per month for administrative fees.

No changes in the plan provisions occurred during the year. The plan held no securities of the City or other related parties during or at the close of the fiscal year.



**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF ROLLING HILLS ESTATES**  
**General Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Property taxes	\$ 2,658,136	\$ 2,692,609	\$ 2,531,240	\$ (161,369)
Sales and use taxes	993,684	936,919	893,871	(43,048)
Business license taxes	240,000	240,000	250,668	10,668
Other taxes	587,000	610,000	666,801	56,801
Licenses and permits	922,000	907,000	1,057,943	150,943
Fines and forfeitures	69,000	69,000	32,040	(36,960)
Use of money and property	45,000	20,000	22,512	2,512
Charges for services	271,000	266,000	212,692	(53,308)
Revenues from other agencies	273,000	368,324	330,812	(37,512)
Other revenues	20,000	20,000	11,459	(8,541)
Total revenues	<u>6,078,820</u>	<u>6,129,852</u>	<u>6,010,038</u>	<u>(119,814)</u>
<b>Expenditures:</b>				
Current:				
General government	2,984,362	2,936,995	4,361,287	(1,424,292)
Public safety	1,599,597	1,695,461	1,707,347	(11,886)
Public works	246,075	213,076	222,086	(9,010)
Community services	1,077,215	1,115,348	1,172,606	(57,258)
Public health	35,000	20,000	14,781	5,219
Capital outlay	55,000	57,000	291,125	(234,125)
Debt service:				
Principal	-	-	152,000	(152,000)
Interest	-	-	54,335	(54,335)
Bond issuance cost	-	-	71,784	(71,784)
Total expenditures	<u>5,997,249</u>	<u>6,037,880</u>	<u>8,047,351</u>	<u>(2,009,471)</u>
Excess (deficiency) of revenues over expenditures	81,571	91,972	(2,037,313)	(2,129,285)
<b>Other financing sources:</b>				
Bond issued	-	-	1,807,000	1,807,000
Net change in fund balance	81,571	91,972	(230,313)	(322,285)
Fund balance, beginning	<u>2,800,565</u>	<u>2,800,565</u>	<u>2,800,565</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,882,136</u>	<u>\$ 2,892,537</u>	<u>\$ 2,570,252</u>	<u>\$ (322,285)</u>

See Accompanying Note to Required Supplementary Information.

**CITY OF ROLLING HILLS ESTATES**  
**Federal STIP Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
Revenue from other agencies	\$ 1,803,000	\$ 1,803,000	\$ 24,936	\$ (1,778,064)
<b>Expenditures:</b>				
Capital outlay	<u>1,803,000</u>	<u>660,000</u>	<u>336,315</u>	<u>323,685</u>
Net change in fund balance	-	1,143,000	(311,379)	(1,454,379)
Fund balance (deficit), beginning	<u>(64,229)</u>	<u>(64,229)</u>	<u>(64,229)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (64,229)</u>	<u>\$ 1,078,771</u>	<u>\$ (375,608)</u>	<u>\$ (1,454,379)</u>

See Accompanying Note to Required Supplementary Information.

**CITY OF ROLLING HILLS ESTATES**  
**Proposition A - Parks Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Revenues from other agencies	\$ 14,000	\$ 14,000	\$ 21,000	\$ 7,000
<b>Expenditures:</b>				
Current:				
Community services	19,000	19,000	17,453	1,547
Capital outlay	-	555,000	101,508	453,492
Total expenditures	19,000	574,000	118,961	455,039
Net change in fund balance	(5,000)	(560,000)	(97,961)	462,039
Fund balance (deficit), beginning	(368,482)	(368,482)	(368,482)	-
Fund balance (deficit), ending	<u>\$ (373,482)</u>	<u>\$ (928,482)</u>	<u>\$ (466,443)</u>	<u>\$ 462,039</u>

See Accompanying Note to Required Supplementary Information.

**CITY OF ROLLING HILLS ESTATES**  
**Quimby Fees Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Use of money and property	\$ 1,000	\$ 1,000	\$ 954	\$ (46)
Revenues from other agencies	642,500	-	-	-
Total revenues	643,500	1,000	954	(46)
<b>Expenditures:</b>				
Capital outlay	-	314,000	383,950	(69,950)
Excess (deficiency) of revenues over expenditures	643,500	(313,000)	(382,996)	(69,996)
<b>Other financing sources:</b>				
Transfers in	-	-	100,355	100,355
Net change in fund balance	643,500	(313,000)	(282,641)	30,359
Fund balance, beginning	613,980	613,980	613,980	-
Fund balance, ending	<u>\$ 2,544,480</u>	<u>\$ 302,980</u>	<u>\$ 331,339</u>	<u>\$ 30,359</u>

See Accompanying Note to Required Supplementary Information.

**CITY OF ROLLING HILLS ESTATES**  
**Note to Required Supplementary Information**  
**June 30, 2013**

**(1) Budgetary Data**

On or before June 30 of each year, the City Council adopts a budget for the ensuing fiscal year. The City Manager is responsible for the preparation and administration of the annual budget.

Budgets are reported on the same basis as the fund types and are adopted on a basis consistent with generally accepted accounting principles. The legal level of control or the level at which expenditures may not legally exceed appropriations is at the program level. The program level includes general government, public safety, public works, community services, public health and capital outlay. Unexpended budgetary appropriations lapse at year-end.

Management may amend budgets within the program level. Budgetary revisions that alter the total appropriations of a program must be approved by City Council.

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**SUPPLEMENTARY INFORMATION**

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## DESCRIPTION OF NONMAJOR FUNDS

### SPECIAL REVENUE FUNDS

Special Revenue Funds account for the proceeds of specific revenue sources that are restricted by law or administrative regulation for specified purposes. Special Revenue Funds include the following:

Local Transportation Fund - To account for grant monies received from the State of California for the development of bike lanes.

Traffic Safety Fund - To account for traffic fines to be used for traffic safety purposes.

Transit Improvement Tax Fund - To account for funds received through the Los Angeles County Metropolitan Transit Authority to be used to provide transportation services.

Proposition C Fund - To account for the City's share of an additional one-half cent sales tax collected by the County of Los Angeles to finance transit projects within the City.

Air Quality Improvement Fund - To account for monies received from the Department of Motor Vehicles to be used for the purpose of reducing air pollution.

State Park Grant Fund - To account for revenues received from developers for the purpose of park development.

PEG Fees Fund - To account for revenues received from the cable operator to be used for equipment, upgrades and maintenance.

Peppertree Foundation Fund - To account for monies received from donations for special recreational purposes.

Proposition 40 Parks Grant Fund - To account for grant monies received from the State of California for the maintenance and development of parks, recreation facilities, and open space.

Measure R Fund - To account for the City's share of the half-cent sales tax approved by of Los Angeles County voters to finance new transportation projects and programs within the City.

State Gas Tax Fund - To account for State gasoline taxes received by the City. Revenue received is used for street maintenance, construction, and/or right of way acquisition.

State SR2S Fund - To account for funds received for projects to promote safe routes to school.

ARRA Energy Efficiency and Conservation Block Grant (EECBG) Fund - To account for grant monies received from the American Recovery and Reinvestment Act (ARRA) for upgrades to the City Council's HVAC and lighting.

Prop A 4<sup>th</sup> District Fund - To account for grant monies received for the replacement of three-rail fencing in the City.

Chandler Equestrian Fund - To account for donations received from developers and advances from the City's Quimby Fees for future park and equestrian improvements within the City.

## DESCRIPTION OF NONMAJOR FUNDS (CONTINUED)

### AGENCY FUND

The Agency Fund is used to account for assets held by the government as an agent for individuals, other governments and/or other funds.

Peninsula Parking Fund - To account for monies received from parking citation processing under a joint three-city agreement and held by Rolling Hills Estates on behalf of the Cities of Rancho Palos Verdes and Rolling Hills.

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**CITY OF ROLLING HILLS ESTATES**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2013**

	<u>Local Transportation</u>	<u>Traffic Safety</u>	<u>Transit Improvement Tax</u>	<u>Proposition C</u>	<u>Air Quality Improvement</u>
<b>Assets:</b>					
Cash and investments	\$ 7,285	\$ 122	\$ 52,065	\$ 208,485	\$ 24,178
Accounts receivable	1	5,571	24	101	2,570
Total assets	<u>\$ 7,286</u>	<u>\$ 5,693</u>	<u>\$ 52,089</u>	<u>\$ 208,586</u>	<u>\$ 26,748</u>
<b>Liabilities and fund balances (deficits):</b>					
Accounts payable and accrued liabilities	\$ -	\$ 496	\$ 650	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>496</u>	<u>650</u>	<u>-</u>	<u>-</u>
Fund balances (deficits):					
Restricted for:					
Transportation	7,286	5,197	51,439	208,586	26,748
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	<u>7,286</u>	<u>5,197</u>	<u>51,439</u>	<u>208,586</u>	<u>26,748</u>
Total liabilities and fund balances (deficits)	<u>\$ 7,286</u>	<u>\$ 5,693</u>	<u>\$ 52,089</u>	<u>\$ 208,586</u>	<u>\$ 26,748</u>

(Continued)

<u>State Park Grant</u>	<u>PEG Fees</u>	<u>Peppertree Foundation</u>	<u>Proposition 40 Parks Grant</u>	<u>Measure R</u>	<u>State Gas Tax</u>	<u>State SR2S</u>
\$ 62,177	\$ 55,258	\$ -	\$ -	\$ 108,855	\$ 181,034	\$ -
31	6,753	-	-	52	89	-
<u>\$ 62,208</u>	<u>\$ 62,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,907</u>	<u>\$ 181,123</u>	<u>\$ -</u>
\$ -	\$ -	\$ 639	\$ -	\$ -	\$ 26,701	\$ 9,938
-	-	7,301	53,442	-	-	50,787
-	-	<u>7,940</u>	<u>53,442</u>	-	<u>26,701</u>	<u>60,725</u>
-	-	-	-	108,907	154,422	-
62,208	62,011	-	-	-	-	-
-	-	(7,940)	(53,442)	-	-	(60,725)
<u>62,208</u>	<u>62,011</u>	<u>(7,940)</u>	<u>(53,442)</u>	<u>108,907</u>	<u>154,422</u>	<u>(60,725)</u>
<u>\$ 62,208</u>	<u>\$ 62,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,907</u>	<u>\$ 181,123</u>	<u>\$ -</u>

(Continued)

**CITY OF ROLLING HILLS ESTATES**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2013**

	<u>ARRA EECBG</u>	<u>Prop A 4th District</u>	<u>Chandler Equestrian</u>	<u>Total Nonmajor Governmental</u>
<b>Assets:</b>				
Cash and investments	\$ -	\$ -	\$ -	\$ 699,459
Accounts receivable	-	-	-	15,192
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 714,651</u>
<b>Liabilities and fund balances (deficits):</b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 38,424
Due to other funds	12,121	1,799	-	125,450
Total liabilities	<u>12,121</u>	<u>1,799</u>	<u>-</u>	<u>163,874</u>
Fund balances (deficits):				
Restricted for:				
Transportation	-	-	-	562,585
Capital projects	-	-	-	124,219
Unassigned	(12,121)	(1,799)	-	(136,027)
Total fund balances (deficits)	<u>(12,121)</u>	<u>(1,799)</u>	<u>-</u>	<u>550,777</u>
Total liabilities and fund balances (deficits)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 714,651</u>



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**CITY OF ROLLING HILLS ESTATES**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2013**

	<u>Local Transportation</u>	<u>Traffic Safety</u>	<u>Transit Improvement Tax</u>	<u>Proposition C</u>
<b>Revenues:</b>				
Fines and forfeitures	\$ -	\$ 54,831	\$ -	\$ -
Use of money and property	8	-	85	336
Charges for services	-	-	-	-
Revenues from other agencies	5,250	-	126,046	144,816
Total revenues	<u>5,258</u>	<u>54,831</u>	<u>126,131</u>	<u>145,152</u>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	32,120	-	-
Public works	-	-	132,610	-
Community services	-	-	-	-
Capital outlay	-	-	-	201,566
Total expenditures	<u>-</u>	<u>32,120</u>	<u>132,610</u>	<u>201,566</u>
Excess (deficiency) of revenues over expenditures	5,258	22,711	(6,479)	(56,414)
<b>Other financing uses:</b>				
Transfers out	-	-	-	-
Net change in fund balances	<u>5,258</u>	<u>22,711</u>	<u>(6,479)</u>	<u>(56,414)</u>
Fund balances (deficits), beginning	<u>2,028</u>	<u>(17,514)</u>	<u>57,918</u>	<u>265,000</u>
Fund balances (deficits), ending	<u>\$ 7,286</u>	<u>\$ 5,197</u>	<u>\$ 51,439</u>	<u>\$ 208,586</u>

(Continued)

<b>Air Quality Improvement</b>	<b>State Park Grant</b>	<b>PEG Fees</b>	<b>Peppertree Foundation</b>	<b>Proposition 40 Parks Grant</b>	<b>Measure R</b>	<b>State Gas Tax</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42	138	94	-	-	124	391
-	-	-	42,406	-	-	-
9,768	-	26,086	-	-	108,320	196,166
<u>9,810</u>	<u>138</u>	<u>26,180</u>	<u>42,406</u>	<u>-</u>	<u>108,444</u>	<u>196,557</u>
6,685	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	167,292
-	-	-	28,961	-	-	-
-	-	-	-	-	61,250	-
<u>6,685</u>	<u>-</u>	<u>-</u>	<u>28,961</u>	<u>-</u>	<u>61,250</u>	<u>167,292</u>
3,125	138	26,180	13,445	-	47,194	29,265
-	-	-	-	-	-	-
<u>3,125</u>	<u>138</u>	<u>26,180</u>	<u>13,445</u>	<u>-</u>	<u>47,194</u>	<u>29,265</u>
<u>23,623</u>	<u>62,070</u>	<u>35,831</u>	<u>(21,385)</u>	<u>(53,442)</u>	<u>61,713</u>	<u>125,157</u>
<u>\$ 26,748</u>	<u>\$ 62,208</u>	<u>\$ 62,011</u>	<u>\$ (7,940)</u>	<u>\$ (53,442)</u>	<u>\$ 108,907</u>	<u>\$ 154,422</u>

(Continued)

**CITY OF ROLLING HILLS ESTATES**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2013**

	<u>State SR2S</u>	<u>ARRA EECBG</u>	<u>Prop A 4th District</u>	<u>Chandler Equestrian</u>	<u>Total Nonmajor Governmental</u>
<b>Revenues:</b>					
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	\$ 54,831
Use of money and property	11	-	-	64	1,293
Charges for services	-	-	-	-	42,406
Revenues from other agencies	34,574	-	119,220	-	770,246
Total revenues	<u>34,585</u>	<u>-</u>	<u>119,220</u>	<u>64</u>	<u>868,776</u>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	6,685
Public safety	-	-	-	-	32,120
Public works	-	-	-	-	299,902
Community services	-	-	-	-	28,961
Capital outlay	82,234	-	81,902	-	426,952
Total expenditures	<u>82,234</u>	<u>-</u>	<u>81,902</u>	<u>-</u>	<u>794,620</u>
Excess (deficiency) of revenues over expenditures	(47,649)	-	37,318	64	74,156
<b>Other financing uses:</b>					
Transfers out	-	-	-	(100,355)	(100,355)
Net change in fund balances	<u>(47,649)</u>	<u>-</u>	<u>37,318</u>	<u>(100,291)</u>	<u>(26,199)</u>
Fund balances (deficits), beginning	<u>(13,076)</u>	<u>(12,121)</u>	<u>(39,117)</u>	<u>100,291</u>	<u>576,976</u>
Fund balances (deficits), ending	<u>\$ (60,725)</u>	<u>\$ (12,121)</u>	<u>\$ (1,799)</u>	<u>\$ -</u>	<u>\$ 550,777</u>

**CITY OF ROLLING HILLS ESTATES**  
**Local Transportation Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Use of money and property	\$ 1	\$ 8	\$ 7
Revenues from other agencies	5,000	5,250	250
Total revenues	5,001	5,258	257
<b>Expenditures:</b>			
Capital outlay	5,000	-	5,000
Excess (deficiency) of revenues over expenditures	1	5,258	5,257
Net change in fund balance	1	5,258	5,257
Fund balance, beginning	2,028	2,028	-
Fund balance, ending	\$ 2,029	\$ 7,286	\$ 5,257

**CITY OF ROLLING HILLS ESTATES**  
**Traffic Safety Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Fines and forfeitures	\$ 42,000	\$ 54,831	\$ 12,831
Use of money and property	200	-	(200)
Total revenues	42,200	54,831	12,631
<b>Expenditures:</b>			
Current:			
Public safety	32,000	32,120	(120)
Net change in fund balance	10,200	22,711	12,511
Fund balance (deficit), beginning	<u>(17,514)</u>	<u>(17,514)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (7,314)</u>	<u>\$ 5,197</u>	<u>\$ 12,511</u>

**CITY OF ROLLING HILLS ESTATES**  
**Transit Improvement Tax Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Use of money and property	\$ 400	\$ 85	\$ (315)
Revenues from other agencies	<u>110,000</u>	<u>126,046</u>	<u>16,046</u>
Total revenues	110,400	126,131	15,731
<b>Expenditures:</b>			
Current:			
Public works	<u>134,255</u>	<u>132,610</u>	<u>1,645</u>
Net change in fund balance	(23,855)	(6,479)	17,376
Fund balance, beginning	<u>57,918</u>	<u>57,918</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 34,063</u></u>	<u><u>\$ 51,439</u></u>	<u><u>\$ 17,376</u></u>

**CITY OF ROLLING HILLS ESTATES**  
**Proposition C Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 336	\$ 336
Revenues from other agencies	<u>108,000</u>	<u>144,816</u>	<u>36,816</u>
Total revenues	108,000	145,152	37,152
<b>Expenditures:</b>			
Capital outlay	<u>75,000</u>	<u>201,566</u>	<u>(126,566)</u>
Net change in fund balance	33,000	(56,414)	(89,414)
Fund balance, beginning	<u>265,000</u>	<u>265,000</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 298,000</u></u>	<u><u>\$ 208,586</u></u>	<u><u>\$ (89,414)</u></u>



**CITY OF ROLLING HILLS ESTATES**  
**Air Quality Improvement Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Use of money and property	\$ 800	\$ 42	\$ (758)
Revenues from other agencies	<u>9,100</u>	<u>9,768</u>	<u>668</u>
Total revenues	9,900	9,810	(90)
<b>Expenditures:</b>			
Current:			
General government	<u>7,435</u>	<u>6,685</u>	<u>750</u>
Net change in fund balance	2,465	3,125	660
Fund balance, beginning	<u>23,623</u>	<u>23,623</u>	<u>-</u>
Fund balance, ending	<u>\$ 26,088</u>	<u>\$ 26,748</u>	<u>\$ 660</u>

**CITY OF ROLLING HILLS ESTATES**  
**State Park Grant Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 138	\$ 138
<b>Expenditures:</b>			
Capital outlay	-	-	-
Net change in fund balance	-	138	138
Fund balance, beginning	<u>62,070</u>	<u>62,070</u>	<u>-</u>
Fund balance, ending	<u>\$ 62,070</u>	<u>\$ 62,208</u>	<u>\$ 138</u>

**CITY OF ROLLING HILLS ESTATES**  
**PEG Fees Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Use of money and property	\$ 100	\$ 94	\$ (6)
Revenues from other agencies	<u>24,000</u>	<u>26,086</u>	<u>2,086</u>
Total revenues	24,100	26,180	2,080
<b>Expenditures:</b>			
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	24,100	26,180	2,080
Fund balance, beginning	<u>35,831</u>	<u>35,831</u>	<u>-</u>
Fund balance, ending	<u>\$ 59,931</u>	<u>\$ 62,011</u>	<u>\$ 2,080</u>

**CITY OF ROLLING HILLS ESTATES**  
**Peppertree Foundation Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Charges for services	\$ 44,000	\$ 42,406	\$ (1,594)
Total revenues	<u>44,000</u>	<u>42,406</u>	<u>(1,594)</u>
<b>Expenditures:</b>			
Current:			
Community services	<u>37,950</u>	<u>28,961</u>	<u>8,989</u>
Total expenditures	<u>37,950</u>	<u>28,961</u>	<u>8,989</u>
Net change in fund balance	6,050	13,445	7,395
Fund balance (deficit), beginning	<u>(21,385)</u>	<u>(21,385)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (15,335)</u>	<u>\$ (7,940)</u>	<u>\$ 7,395</u>

**CITY OF ROLLING HILLS ESTATES**  
**Proposition 40 - Parks Grant Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Revenue from other agencies	\$ -	\$ -	\$ -
<b>Expenditures:</b>			
Capital outlay	-	-	-
Net change in fund balance	-	-	-
Fund balance (deficit), beginning	(53,442)	(53,442)	-
Fund balance (deficit), ending	<u>\$ (53,442)</u>	<u>\$ (53,442)</u>	<u>\$ -</u>

**CITY OF ROLLING HILLS ESTATES**  
**Measure R Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Use of money and property	\$ 175	\$ 124	\$ (51)
Revenues from other agencies	80,000	108,320	28,320
Total revenues	80,175	108,444	28,269
<b>Expenditures:</b>			
Capital outlay	10,000	61,250	(51,250)
Net change in fund balance	70,175	47,194	(22,981)
Fund balance, beginning	61,713	61,713	-
Fund balance (deficit), ending	\$ 131,888	\$ 108,907	\$ (22,981)

**CITY OF ROLLING HILLS ESTATES**  
**State Gas Tax Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Use of money and property	\$ 150	\$ 391	\$ 241
Revenues from other agencies	<u>210,200</u>	<u>196,166</u>	<u>(14,034)</u>
Total revenues	210,350	196,557	(13,793)
<b>Expenditures:</b>			
Current:			
Public works	<u>134,000</u>	<u>167,292</u>	<u>(33,292)</u>
Net change in fund balance	76,350	29,265	(47,085)
Fund balance, beginning	<u>125,157</u>	<u>125,157</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 201,507</u></u>	<u><u>\$ 154,422</u></u>	<u><u>\$ (47,085)</u></u>

**CITY OF ROLLING HILLS ESTATES**  
**State SR2S Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Use of money and property	\$ -	\$ 11	\$ 11
Revenue from other agencies	-	34,574	34,574
Total revenues	-	34,585	34,585
<b>Expenditures:</b>			
Capital outlay	165,000	82,234	82,766
Net change in fund balance	(165,000)	(47,649)	117,351
Fund balance, beginning	(13,076)	(13,076)	-
Fund balance (deficit), ending	<u>\$ (178,076)</u>	<u>\$ (60,725)</u>	<u>\$ 117,351</u>



**CITY OF ROLLING HILLS ESTATES**  
**ARRA EECBG Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Revenues from other agencies	\$ -	\$ -	\$ -
<b>Expenditures:</b>			
Capital outlay	-	-	-
Net change in fund balance	-	-	-
Fund balance (deficit), beginning	(12,121)	(12,121)	-
Fund balance (deficit), ending	\$ (12,121)	\$ (12,121)	\$ -

**CITY OF ROLLING HILLS ESTATES**  
**Prop A 4th District Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Revenues from other agencies	\$ 80,000	\$ 119,220	\$ 39,220
<b>Expenditures:</b>			
Capital outlay	<u>80,000</u>	<u>81,902</u>	<u>(1,902)</u>
Net change in fund balance	-	37,318	37,318
Fund balance (deficit), beginning	<u>(39,117)</u>	<u>(39,117)</u>	-
Fund balance (deficit), ending	<u><u>\$ (39,117)</u></u>	<u><u>\$ (1,799)</u></u>	<u><u>\$ 37,318</u></u>

**CITY OF ROLLING HILLS ESTATES**  
**Chandler Equestrian Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2013**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Use of money and property	\$ 250	\$ 64	\$ (186)
<b>Other Financing Uses:</b>			
Transfers out	-	(100,355)	(100,355)
Net change in fund balance	250	(100,291)	(100,541)
Fund balance, beginning	-	100,291	-
Fund balance, ending	\$ 250	\$ -	\$ (100,541)

**CITY OF ROLLING HILLS ESTATES**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
**Year Ended June 30, 2013**

	<u>Net Position</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Position</u> <u>June 30, 2013</u>
<b>Peninsula Parking</b>				
<b>Assets:</b>				
Cash and investments	\$ 810	\$ 21,762	\$ 21,453	\$ 1,119
<b>Liabilities:</b>				
Accounts payable	\$ 810	\$ 21,762	\$ 21,453	\$ 1,119

## **STATISTICAL INFORMATION**

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**CITY OF ROLLING HILLS ESTATES  
Comprehensive Annual Financial Report  
Year Ended June 30, 2013**

**STATISTICAL SECTION**

This part of the City of Rolling Hills Estates comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

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**CITY OF ROLLING HILLS ESTATES**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>Governmental activities:</b>					
Investment in capital assets	\$ 5,251,555	\$ 5,341,886	\$ 5,987,248	\$ 7,494,508	\$ 7,507,337
Restricted	179,635	215,475	529,600	144,809	378,721
Unrestricted	4,687,641	5,031,669	4,342,205	5,102,324	4,451,803
Total governmental activities net position	<u>\$ 10,118,831</u>	<u>\$ 10,589,030</u>	<u>\$ 10,859,053</u>	<u>\$ 12,741,641</u>	<u>\$ 12,337,861</u>
<b>Business-type activities:</b>					
Investment in capital assets	\$ 77,958	\$ 70,600	\$ 65,512	\$ 61,650	\$ 57,789
Unrestricted	172,296	167,105	111,250	60,942	20,132
Total business-type activities net position	<u>\$ 250,254</u>	<u>\$ 237,705</u>	<u>\$ 176,762</u>	<u>\$ 122,592</u>	<u>\$ 77,921</u>
<b>Primary government:</b>					
Investment in capital assets	\$ 5,329,513	\$ 5,412,486	\$ 6,052,760	\$ 7,556,158	\$ 7,565,126
Restricted	179,635	215,475	529,600	144,809	378,721
Unrestricted	4,859,937	5,198,774	4,453,455	5,163,266	4,471,935
Total primary government net position	<u>\$ 10,369,085</u>	<u>\$ 10,826,735</u>	<u>\$ 11,035,815</u>	<u>\$ 12,864,233</u>	<u>\$ 12,415,782</u>

(Continued)

Source: City Administrative Services Department.



<b>Fiscal Year</b>				
<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
\$ 7,522,061	\$ 7,437,235	\$ 7,823,648	\$ 8,353,841	\$ 9,410,015
533,470	963,108	1,200,294	1,097,622	1,051,065
<u>2,733,165</u>	<u>1,822,165</u>	<u>1,528,215</u>	<u>2,053,400</u>	<u>1,446,859</u>
<u>\$ 10,788,696</u>	<u>\$ 10,222,508</u>	<u>\$ 10,552,157</u>	<u>\$ 11,504,863</u>	<u>\$ 11,907,939</u>
\$ 53,927	\$ 50,065	\$ 46,203	\$ 42,341	\$ 38,479
<u>(127,910)</u>	<u>(180,723)</u>	<u>(267,237)</u>	<u>(379,604)</u>	<u>(317,937)</u>
<u>\$ (73,983)</u>	<u>\$ (130,658)</u>	<u>\$ (221,034)</u>	<u>\$ (337,263)</u>	<u>\$ (279,458)</u>
\$ 7,575,988	\$ 7,487,300	\$ 7,869,851	\$ 8,396,182	\$ 9,448,494
533,470	963,108	1,200,294	1,097,622	1,051,065
<u>2,605,255</u>	<u>1,641,442</u>	<u>1,260,978</u>	<u>1,673,796</u>	<u>1,128,922</u>
<u>\$ 10,714,713</u>	<u>\$ 10,091,850</u>	<u>\$ 10,331,123</u>	<u>\$ 11,167,600</u>	<u>\$ 11,628,481</u>

**CITY OF ROLLING HILLS ESTATES**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>Expenses:</b>					
Governmental activities:					
General government	\$ 2,280,561	\$ 2,254,568	\$ 2,973,724	\$ 3,221,350	\$ 3,747,375
Public safety	1,666,584	1,666,787	1,705,592	1,878,066	1,898,712
Public works	493,892	765,218	606,608	711,452	831,273
Community services	1,352,068	1,408,536	1,531,124	1,712,418	1,571,983
Public health	31,600	34,968	37,026	44,290	24,148
Interest on bond payable	-	-	-	-	-
Total governmental activities expenses	<u>5,824,705</u>	<u>6,130,077</u>	<u>6,854,074</u>	<u>7,567,576</u>	<u>8,073,491</u>
Business-type activities:					
Equestrian	596,933	627,980	704,009	716,304	727,488
Tennis	62,512	53,302	43,402	48,595	47,910
Total business-type activities expenses	<u>659,445</u>	<u>681,282</u>	<u>747,411</u>	<u>764,899</u>	<u>775,398</u>
Total primary government expenses	<u>6,484,150</u>	<u>6,811,359</u>	<u>7,601,485</u>	<u>8,332,475</u>	<u>8,848,889</u>
<b>Program revenues:</b>					
Governmental activities:					
Charges for services:					
General government	809,092	1,063,064	1,187,773	1,683,238	1,269,611
Public safety	117,180	106,084	110,482	107,778	154,439
Public works	50,226	110,005	121,529	128,179	145,452
Community services	144,718	177,682	118,074	108,927	52,704
Operating grants and contributions	594,393	704,988	903,422	851,242	1,132,788
Capital grants and contributions	-	-	-	570,000	-
Total governmental activities program revenues	<u>1,715,609</u>	<u>2,161,823</u>	<u>2,441,280</u>	<u>3,449,364</u>	<u>2,754,994</u>
Business-type activities:					
Charges for services:					
Equestrian	535,648	619,158	630,146	650,405	670,547
Tennis	41,597	44,040	46,354	49,250	52,838
Capital grants and contributions	33,244.00	-	-	-	-
Total business-type activities	<u>610,489</u>	<u>663,198</u>	<u>676,500</u>	<u>699,655</u>	<u>723,385</u>
Total primary government program revenues	<u>2,326,098</u>	<u>2,825,021</u>	<u>3,117,780</u>	<u>4,149,019</u>	<u>3,478,379</u>
<b>Net revenues (expenses):</b>					
Governmental activities	(4,109,096)	(3,968,254)	(4,412,794)	(4,118,212)	(5,318,497)
Business-type activities	(48,956)	(18,084)	(70,911)	(65,244)	(52,013)
Total net revenues (expenses)	<u>(4,158,052)</u>	<u>(3,986,338)</u>	<u>(4,483,705)</u>	<u>(4,183,456)</u>	<u>(5,370,510)</u>

(Continued)

		<b>Fiscal Year</b>				
		<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
\$	3,369,758	\$ 3,004,041	\$ 3,075,846	\$ 2,881,374	\$ 2,742,166	
	2,111,932	1,819,095	1,830,016	1,588,967	1,739,467	
	1,170,470	912,695	1,114,138	846,106	949,190	
	1,432,368	1,302,670	1,341,466	1,285,501	1,324,048	
	28,101	34,059	21,329	16,568	14,781	
	-	-	-	-	54,335	
	<u>8,112,629</u>	<u>7,072,560</u>	<u>7,382,795</u>	<u>6,618,516</u>	<u>6,823,987</u>	
	803,244	775,686	760,759	431,121	804	
	79,890	71,075	75,132	79,373	75,536	
	<u>883,134</u>	<u>846,761</u>	<u>835,891</u>	<u>510,494</u>	<u>76,340</u>	
	<u>8,995,763</u>	<u>7,919,321</u>	<u>8,218,686</u>	<u>7,129,010</u>	<u>6,900,327</u>	
	839,830	927,498	957,765	1,213,944	1,213,474	
	118,323	120,235	92,018	123,578	85,883	
	167,659	171,782	178,088	579,149	181,759	
	60,771	75,083	59,559	61,664	68,415	
	722,578	776,625	1,295,997	885,398	720,544	
	76,110	158,306	758,259	356,336	588,410	
	<u>1,985,271</u>	<u>2,229,529</u>	<u>3,341,686</u>	<u>3,220,069</u>	<u>2,858,485</u>	
	668,641	730,410	688,871	333,106	65,332	
	59,804	58,923	56,167	60,849	68,607	
	-	-	-	-	-	
	<u>728,445</u>	<u>789,333</u>	<u>745,038</u>	<u>393,955</u>	<u>133,939</u>	
	<u>2,713,716</u>	<u>3,018,862</u>	<u>4,086,724</u>	<u>3,614,024</u>	<u>2,992,424</u>	
	(6,127,358)	(4,843,031)	(4,041,109)	(3,398,447)	(3,965,502)	
	(154,689)	(57,428)	(90,853)	(116,539)	57,599	
	<u>(6,282,047)</u>	<u>(4,900,459)</u>	<u>(4,131,962)</u>	<u>(3,514,986)</u>	<u>(3,907,903)</u>	

(Continued)

**CITY OF ROLLING HILLS ESTATES**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>General revenues and other changes in net position:</b>					
<b>governmental activities:</b>					
Taxes:					
Property taxes	\$ 1,175,763	\$ 2,028,224	\$ 2,189,508	\$ 2,387,652	\$ 2,492,172
Sales taxes	1,519,280	1,176,372	1,252,817	1,192,703	1,199,466
Motor vehicle in lieu taxes -general purpose	390,246	196,408	60,142	47,500	36,304
Business license taxes	414,400	469,858	447,760	508,260	407,451
Franchise taxes	381,790	360,033	449,007	474,638	530,806
Other taxes	82,115	83,640	88,058	156,565	52,394
Use of money and property	46,668	84,432	183,821	334,457	206,181
Loss on sale of capital asset	-	-	-	800,000	(25,560)
Miscellaneous	17,875	39,486	11,704	99,025	15,503
Total governmental activities	<u>4,028,137</u>	<u>4,438,453</u>	<u>4,682,817</u>	<u>6,000,800</u>	<u>4,914,717</u>
Business-type activities:					
Use of money and property	<u>2,866</u>	<u>5,535</u>	<u>9,968</u>	<u>11,074</u>	<u>7,342</u>
Total primary government	<u>4,031,003</u>	<u>4,443,988</u>	<u>4,692,785</u>	<u>6,011,874</u>	<u>4,922,059</u>
<b>Changes in net position:</b>					
Governmental activities	(80,959)	470,199	270,023	1,882,588	(403,780)
Business-type activities	<u>(46,090)</u>	<u>(12,549)</u>	<u>(60,943)</u>	<u>(54,170)</u>	<u>(44,671)</u>
Total primary government	<u>\$ (127,049)</u>	<u>\$ 457,650</u>	<u>\$ 209,080</u>	<u>\$ 1,828,418</u>	<u>\$ (448,451)</u>

(Continued)

Source: City Administrative Services Department.

		<b>Fiscal Year</b>				
		<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
\$	2,525,072	\$ 2,369,270	\$ 2,494,828	\$ 2,492,529	\$ 2,531,240	
	986,408	917,855	917,016	871,060	893,871	
			41,550	-	-	
	27,834	24,024	-	-	-	
	383,777	221,600	267,177	236,334	250,668	
	513,902	492,746	518,175	551,059	508,991	
	40,548	65,435	72,779	69,824	157,810	
	91,946	30,770	18,467	8,706	5,355	
	-	-	-	-	-	
	8,706	155,143	40,766	121,641	20,643	
	4,578,193	4,276,843	4,370,758	4,351,153	4,368,578	
	2,785	753	477	310	206	
	4,580,978	4,277,596	4,371,235	4,351,463	4,368,784	
	(1,549,165)	(566,188)	329,649	952,706	403,076	
	(151,904)	(56,675)	(90,376)	(116,229)	57,805	
\$	(1,701,069)	\$ (622,863)	\$ 239,273	\$ 836,477	\$ 460,881	

**CITY OF ROLLING HILLS ESTATES**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year			
	2004	2005	2006	2007
<b>General fund:</b>				
Reserved	\$ 143,075	\$ 142,169	\$ 151,099	\$ 833,201
Unreserved	3,748,269	4,032,898	4,513,907	4,606,973
Total general fund	<u>\$ 3,891,344</u>	<u>\$ 4,175,067</u>	<u>\$ 4,665,006</u>	<u>\$ 5,440,174</u>
<b>All other governmental funds:</b>				
Unreserved, reported in:				
Special revenue funds	\$ 227,795	\$ 353,650	\$ 529,600	\$ 144,809
Total all other governmental funds	<u>\$ 227,795</u>	<u>\$ 353,650</u>	<u>\$ 529,600</u>	<u>\$ 144,809</u>
<b>General fund:</b>	<b>2010<sup>1</sup></b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Nonspendable	\$ 247,242	\$ 86,741	\$ 10,406	\$ 445,585
Restricted	44,823	37,172	37,172	32,922
Assigned	642,800	502,264	651,223	738,925
Unassigned	1,882,122	1,766,793	2,101,763	1,352,820
Total general fund	<u>\$ 2,816,987</u>	<u>\$ 2,392,970</u>	<u>\$ 2,800,564</u>	<u>\$ 2,570,252</u>
<b>All other governmental funds:</b>				
Restricted	\$ 918,285	\$ 1,163,122	\$ 1,060,450	\$ 1,018,143
Unassigned	(494,826)	(436,051)	(302,206)	(978,078)
Total other governmental funds	<u>\$ 423,459</u>	<u>\$ 727,071</u>	<u>\$ 758,244</u>	<u>\$ 40,065</u>

Source: City Administrative Services Department.

Note:

<sup>1</sup> The City early implemented GASB Statement No. 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned compared to reserved and unreserved.

<u>2008</u>	<u>2009</u>
\$ 664,853	\$ 502,156
<u>3,836,098</u>	<u>2,838,092</u>
<u><u>\$ 4,500,951</u></u>	<u><u>\$ 3,340,248</u></u>

<u>\$ 729,352</u>	<u>\$ 361,329</u>
<u><u>\$ 729,352</u></u>	<u><u>\$ 361,329</u></u>

**CITY OF ROLLING HILLS ESTATES**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>Revenues:</b>					
Property taxes	\$ 1,175,763	\$ 2,028,224	\$ 1,252,817	\$ 2,387,652	\$ 2,492,172
Sales and use taxes	1,519,280	1,176,372	1,252,817	1,192,703	1,199,467
Business license taxes	404,400	469,858	447,760	508,260	407,452
Other taxes	463,906	443,673	1,473,756	631,202	583,202
Licenses and permits	728,509	943,695	1,012,310	968,981	733,268
Fines and forfeitures	110,207	97,555	104,315	100,602	150,491
Use of money and property	89,995	118,395	239,659	363,487	221,489
Charges for services	231,346	311,571	316,052	842,995	630,758
Revenues from other agencies	992,994	949,400	1,034,968	1,558,834	1,269,099
Other revenues	6,904	27,762	3,150	95,449	7,873
Total revenues	<u>5,723,304</u>	<u>4,538,281</u>	<u>5,884,787</u>	<u>6,262,513</u>	<u>5,203,099</u>
<b>Expenditures:</b>					
Current:					
General government	2,224,260	2,359,003	2,891,255	3,134,345	3,619,451
Public safety	1,666,584	1,666,786	1,705,599	1,878,066	1,898,712
Public works	445,103	678,543	428,794	589,891	551,488
Community services	1,327,666	1,365,740	1,444,252	1,617,366	1,472,495
Public health	31,600	34,968	37,026	44,290	24,148
Capital outlay	570,639	51,887	959,921	1,795,830	483,657
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>6,265,852</u>	<u>6,156,927</u>	<u>7,466,847</u>	<u>9,059,788</u>	<u>8,049,951</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(542,548)</u>	<u>(1,618,646)</u>	<u>(1,582,060)</u>	<u>(2,797,275)</u>	<u>(2,846,852)</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	67,874	-	-	48,062
Transfers out	-	(67,874)	-	-	(48,062)
Bond issued	-	-	-	-	-
Gain on sale of capital asset	-	-	-	800,000	-
Donations	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>800,000</u>	<u>-</u>
Net change in fund balances	<u>\$ (542,548)</u>	<u>\$ (1,618,646)</u>	<u>\$ (1,582,060)</u>	<u>\$ (1,997,275)</u>	<u>\$ (2,846,852)</u>
Debt service as a percentage of noncapital expenditures	N/A	N/A	N/A	N/A	N/A

Source: City Administrative Services Department.



		<b>Fiscal Year</b>							
		<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>			
\$	2,525,072	\$	2,369,270	\$	2,494,828	\$	2,492,529	\$	2,531,240
	986,408		917,855		917,016		871,060		893,871
	383,777		221,600		267,177		236,334		250,668
	554,450		558,182		590,954		620,883		666,801
	491,632		674,137		681,549		945,463		1,057,943
	114,203		123,547		103,258		123,299		86,871
	107,527		49,555		34,489		26,341		24,759
	442,179		345,137		345,871		336,337		255,098
	955,535		1,099,465		2,261,985		1,779,337		1,146,994
	2,681		147,624		15,317		39,642		11,459
	<u>4,038,392</u>		<u>4,137,102</u>		<u>5,217,616</u>		<u>4,978,696</u>		<u>6,925,704</u>
	3,257,757		2,913,496		3,040,509		2,821,517		4,367,972
	2,111,932		1,819,095		1,830,016		1,588,967		1,739,467
	533,166		591,294		545,170		545,997		521,988
	1,347,204		1,215,844		1,300,490		1,188,626		1,219,020
	28,101		34,059		21,329		16,568		14,781
	814,030		393,715		1,095,335		970,781		1,539,850
	-		-		-		-		152,000
	-		-		-		-		54,335
	-		-		-		-		71,784
	<u>8,092,190</u>		<u>6,967,503</u>		<u>7,832,849</u>		<u>7,132,456</u>		<u>9,681,197</u>
	<u>(4,053,798)</u>		<u>(2,830,401)</u>		<u>(2,615,233)</u>		<u>(2,153,760)</u>		<u>(2,755,493)</u>
	-		-		-		13,395		100,355
	-		-		-		(13,395)		(100,355)
	-		-		-		-		1,807,000
	-		-		-		-		-
	-		-		-		100,000		-
	-		-		-		100,000		1,807,000
\$	<u>(4,053,798)</u>	\$	<u>(2,830,401)</u>	\$	<u>(2,615,233)</u>	\$	<u>(2,053,760)</u>	\$	<u>(948,493)</u>
	N/A		N/A		N/A		N/A		3.5%

**CITY OF ROLLING HILLS ESTATES**

**Business Tax Rates**

**June 30, 2013**

FEE TYPE	BUSINESS TYPE / DESCRIPTION
Application fee	
\$20	New license
\$10	Renewal
Flat fee	
\$40	Contractor
\$100	Delivery, gardener, maintenance, seasonal businesses
400	Horse trainer
\$25	Performing arts theatre
Base fee	
\$25	home occupation
Base + gross receipts	(gross receipt formulas vary according to business type)
\$25 + gross receipts formula	Retail, restaurant, private school, recreational business, wholesale
\$100 + gross receipts formula	Alarm companies
\$150 + gross receipts formula	Landfills
\$500 + gross receipts formula	Ready mix plants
\$75 + gross receipts formula	Vending machines
Base + owner/employee fee	
\$150 + \$15 per owner/employee	Realtor, professional service
\$75 + \$10 per owner/employee	Research & development
Base + square footage	
\$25 + square footage formula	Commercial property rental/leasing
AB 939	10% of any of the above fees for businesses located within Rolling Hills Estates, excluding home occupation, alarm and vending machine businesses.
SB 1186 State Mandate Fee of \$1.00	
Daily fee	
\$500/day	Motion picture filming - non-commercial/non-public areas
\$1,000/day	Motion picture filming - commercial/public areas
\$200/day	Still photography - City property
\$100/day	Still photography - other property
Daily/Quarterly/Annually	
\$50/day	Solicitation permit (commercial)
\$200/quarterly	Solicitation permit (commercial)
\$500/annually	Solicitation permit (commercial)

Note: Business tax rates have not changed within the past three years.

Source: City's Administrative Services Department.

**CITY OF ROLLING HILLS ESTATES**

**Sales Tax - Principal Payors**

**June 30, 2013**

**2012-13 Principal Payors**

---

Abercrombie & Fitch  
Ann Taylor  
Arco Am/Pm Mini Marts  
Banana Republic  
Bristol Farms Market  
Chico's  
Coldwater Creek  
CVS/Pharmacy  
J Crew  
Luna Rossa  
Marmalade Café  
Medawar Fine Jewelers  
Morgan's Jewelers  
Petco Animal Supplies  
Pier 1 Imports  
Red Onion Restaurant  
Rite Aid Drug Stores  
Rolling Hills Country Club  
Rubio's Baja Grill  
Ruby's Diner  
Stein Mart  
T.J. Maxx  
The Gap  
Vons Grocery Company  
Williams-Sonoma

**2003-04 Principal Payors**

---

Abercrombie & Fitch  
Ann Taylor  
Arco Am/Pm Mini Marts  
Banana Republic  
Borders Books & Music  
Bristol Farms Market  
Chandler's Sand & Gravel  
Chico's  
CVS/Pharmacy  
Liehr Marketing/Communications  
Marmalade Café  
Morgan's Jewelers  
Petco Animal Supplies  
Red Onion Restaurant  
Restoration Hardware  
Rite Aid Drug Stores  
Rolling Hills Country Club  
Ruby's Diner  
Saks Fifth Avenue  
Stein Mart  
T.J. Maxx  
Talbots Store  
The Gap  
Vons Grocery Company  
Williams-Sonoma

Source: MuniServices, LLC

**CITY OF ROLLING HILLS ESTATES**  
**Direct and Overlapping Debt**  
**June 30, 2013**

<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b><u>Debt</u></b> <b><u>June 30, 2013</u></b>	<b><u>% Applicable</u></b> <sup>(1)</sup>	<b><u>City's Share of Debt</u></b> <b><u>June 30, 2013</u></b>
Los Angeles County Flood Control District	\$ 19,770,000	0.237%	\$ 46,855
Metropolitan Water District	165,085,000	0.121%	199,753
Los Angeles Community College District	3,712,555,000	0.425%	15,778,359
Palos Verdes Peninsula Unified School District	77,661,570	13.654%	10,603,911
<b>City of Rolling Hills Estates</b>	<b>0.00</b>	<b>100%</b>	<b>0.00</b>
Palos Verdes Library District	4,580,000	12.998%	595,308
Los Angeles County Regional Park and and Open Space Assessment District	142,870,000	0.233%	332,887
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	<b>\$ 4,122,521,570</b>		<b>\$ 27,557,073</b>
 <b><u>OVERLAPPING GENERAL FUND DEBT:</u></b>			
Los Angeles County General Fund Obligations	\$ 1,729,437,327	0.233%	\$ 4,029,589
Los Angeles County Superintendent of Schools Certificates of Participation	10,377,239	0.233%	24,179
Los Angeles County Sanitation District No. 5 Authority	46,698,184	3.189%	1,489,205
Los Angeles County Sanitation District South Bay Cities Authority	7,956,403	0.027%	2,148
City of Rolling Hills Estates Pension Obligations	1,655,000	100%	1,655,000
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>			<b>\$ 7,200,121</b>
Less: LA County Landfill Revenues			(12,796)
<b>TOTAL NET OVERLAPPING G.F. DEBT</b>			<b>\$ 7,187,325</b>
 Total Direct Debt			 <b>\$ 1,655,000</b>
Gross Combined Total Debt			<b>\$ 34,757,194</b> <sup>(2)</sup>
Net Combined Total Debt			<b>\$ 34,744,398</b>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

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

**Ratios to Assessed Valuation:**

Direct Debt (\$1,655,000).....	0.07%
Total Direct and Overlapping Tax and Assessment Debt .....	1.09%
Gross Combined Total Debt .....	1.37%
Net Combined Total Debt .....	1.37%

Source: MuniServices, LLC

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**CITY OF ROLLING HILLS ESTATES**  
**Legal Debt Margin Information**  
**Last Ten Years**

	<b>Fiscal Year</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Assessed valuation	\$ 1,732,493,353	\$ 1,909,388,088	\$ 1,990,314,921	\$ 2,111,502,850
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	259,874,003	286,408,213	298,547,238	316,725,428
Total net debt applicable to limit: General obligation bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 259,874,003</u>	<u>\$ 286,408,213</u>	<u>\$ 298,547,238</u>	<u>\$ 316,725,428</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

Source: MuniServices, LLC

<b>Fiscal Year</b>					
<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
\$ 2,249,307,961	\$ 2,316,877,079	\$ 2,341,956,315	\$ 2,354,374,158	\$ 2,430,380,908	\$ 2,516,504,541
15%	15%	15%	15%	15%	15%
337,396,194	347,531,562	351,293,447	353,156,124	364,557,136	377,475,681
-	-	-	-	-	1,655,000
<u>\$ 337,396,194</u>	<u>\$ 347,531,562</u>	<u>\$ 351,293,447</u>	<u>\$ 353,156,124</u>	<u>\$ 364,557,136</u>	<u>\$ 375,820,681</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.4%

**CITY OF ROLLING HILLS ESTATES**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**

<b>Calendar Year</b>	<b>Population <sup>(1)</sup></b>	<b>Personal Income (in millions) <sup>(2)</sup></b>	<b>Per Capita Personal Income <sup>(2)</sup></b>	<b>Unemployment Rate <sup>(3)</sup></b>
<b>2004</b>	8,125	326,402	33,034	1.8%
<b>2005</b>	8,191	346,423	35,022	1.4%
<b>2006</b>	8,073	369,174	37,362	1.2%
<b>2007</b>	8,099	573,207	70,775	1.2%
<b>2008</b>	8,185	601,542	73,493	1.3%
<b>2009</b>	8,138	595,954	73,231	1.9%
<b>2010</b>	8,118	601,885	74,142	3.4%
<b>2011</b>	8,093	602,386	74,433	3.8%
<b>2012</b>	8,097	634,253	78,332	3.3%
<b>2013</b>	8,141	647,008	79,475	3.2%

Sources: (1) MuniSerices, LLC from the California Department of Finance Projections.  
(2) MuniServices, LLC from the U.S. Census Data, 2010 American Community Survey  
Income estimates now incorporate 2010 Census counts as the benchmark.  
Therefore, 2011 and to 2006-07 have been updated to provide more accurate data.  
(3) MuniServices, LLC from the EDD's Bureau of Labor Statistics Department.



**CITY OF ROLLING HILLS ESTATES**  
**Principal Employers**  
**Current Year**

2013		
Employer	Number of Employees	Percent of Total Employment
Palos Verdes Peninsula Unified School District	1,380 *	34.50%
Equinox Palos Verdes	143	3.58%
US Post Office	108	2.70%
Vons/Pavilions	103	2.58%
Rolling Hills Country Club	100	2.50%
Bristol Farms	85	2.13%
Rolling Hills Covenant Church	83	2.08%
Spectrum Health Club	80	2.00%
Marmalade Cafe	59	1.48%
Abercrombie & Fitch	44	1.10%
Total Top Employers	2,185	54.63%
Total City Employment <sup>(1)</sup>	4,000	

(1) Total City Employment provided by EDD Local Force Data.

\*Palos Verdes Peninsula Unified School District's employment count represents the entire district, employee counts are not tracked by location.

*The City of Rolling Hills Estates has elected to present only current year data.*

Source: MuniServices, LLC

Results based on direct correspondence with City's local businesses.

**CITY OF ROLLING HILLS ESTATES**  
**Full-time and Part-time City Employees**  
**Last Five Fiscal Years**

<b>Full-Time and Part-Time Employees as of June 30,</b>					
<b>Function</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
General government	15	15	13	14	14
Public safety	1	2	2	0	0
Community services	10	7	7	7	6
Equestrian	7	7	6	0	0
Tennis	4	4	3	4	4
Total	37	35	31	25	24

*The City of Rolling Hills Estates has elected to show only five years of data for this schedule.*

Source: City's Administrative Services Department.

**CITY OF ROLLING HILLS ESTATES**  
**Operating Indicators by Function**  
**Last Five Fiscal Years**

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Police:</b>					
Arrests	184	113	80	53	80
Parking citations issued	519	635	333	214	95
<b>Fire:</b>					
Number of emergency calls	487	531	691	706	683
Inspections	4	3	263	515	531
<b>Public works:</b>					
Street resurfacing (miles)	2	<1	1.2	<1	<1
<b>Community services:</b>					
Number of recreation classes	5	5	5	5	5
Number of facility rentals	10	10	10	10	10
<b>Equestrian:</b>					
Number of equestrian classes	40	40	40	20	20
Number of facility rentals	16	16	16	15	15
<b>Tennis:</b>					
Number of tennis classes	80	80	80	80	80

*The City of Rolling Hills Estates has elected to show only five years of data for this schedule.*

Source: Various City's Departments, L.A. County Sheriffs Dept., & L.A. County Fire Dept.

**CITY OF ROLLING HILLS ESTATES**  
**Capital Assets Statistics by Function**  
**Last Five Years**

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Police:</b>					
Stations	0	0	0	0	0
<b>Fire:</b>					
Fire stations	1 LA County's	1 LA County's	1 LA County's	1 LA County's	1 LA County's
<b>Public works:</b>					
Streets (miles)	28	28	28	28	28
Streetlights	0	0	0	0	0
Traffic signals	17 intersections	17 intersections	17 intersections	14 intersections	14 intersections
<b>Community services:</b>					
Parks	7	7	7	7	7
Community centers	1	1	1	1	1
<b>Equestrian:</b>					
Facilities	1	1	1	1	1
<b>Tennis:</b>					
Facilities	1	1	1	1	1

*The City of Rolling Hills Estates has elected to show only five years of data for this schedule.*

Source: Various City's Departments, L.A. County Sheriffs Dept., & L.A. County Fire Dept.

**CITY OF ROLLING HILLS ESTATES**

**Miscellaneous Statistics**

**June 30, 2013**

Date of incorporation	September 18, 1957
Population	8,141
Form of government	Council/Manager
Contract Services:	
Police protection	County Sheriff
Fire protection	County Fire Protection Dist.
Sewers	County Sanitation Dist. #5
Utilities:	
Water	California Water Company
Gas	Southern California Gas Co.
Electricity	Southern California Edison
Telephone	Verizon
City Facilities:	
Streets	28 miles
Bike paths	10 miles
Bridle trails	16 miles
Parks	7 with 52.5 acres
Stables	1 with 116 stalls
Employees:	
Full-time	20
Other	4
Business licenses issued	1,300
Number of Registered Voters	5,994

Source: City Departments & Los Angeles County Registrar - Recorder  
([www.lavote.net/Voter/Statement\\_Registration.cfm](http://www.lavote.net/Voter/Statement_Registration.cfm))