

City of Rolling Hills Estates California

Comprehensive Annual Financial Report

Year Ended
June 30, 2015



Prepared by
Administrative Services Department



**CITY OF ROLLING HILLS ESTATES,
CALIFORNIA**

Comprehensive Annual Financial Report

Year Ended June 30, 2015

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



Certified
Public
Accountants



*Comprehensive Annual Financial Report
For the Year Ended June 30, 2015*

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

CITY OF ROLLING HILLS ESTATES
 Comprehensive Annual Financial Report
 Year Ended June 30, 2015

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INTRODUCTORY SECTION

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JOHN C. ADDLEMAN
Mayor
STEVEN ZUCKERMAN
Mayor Pro Tem
BRITT V. HUFF
Council Member
FRANK V. ZERUNYAN
Council Member
JUDY MITCHELL
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

December 23, 2015

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, 2015, 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 8,223. The City is a "bedroom" community with a commercial district. 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, 2015, 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, 2016 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 City processed a major remodel and expansion of the Peninsula Shopping Center including three new building pads, parking and circulation reconfiguration, and new landscaping and signage.
- The City continues to work with owners of the Village Shopping Center for a senior assisted living project to locate there.
- The City continues to review an expansion project for Rolling Hills United Methodist Church including expanded office areas and classrooms.
- The City continues to process an application for the construction of four patio homes and a one-lot subdivision at 5883 Crest Road (northeast corner of Highridge and Crest Roads).
- The City processed a Senior Housing Ordinance to provide for a broad range of housing types to support senior citizen living in the City. It is anticipated that the City will receive an application this year for a 100 bed assisted senior living facility to locate within the Commercial General (C-G) Zone.
- 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 monitor the Chandler Ranch and Rolling Hills Country Club project, which started in July 2015. Construction is expected to take about 3 to 4 years to complete.
- The City completed construction of improvements to the Peter Weber Equestrian Center, which included a new barn and water quality improvements.

- 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.

Public Works

- In FY 2014-15, the City commenced with its sidewalk repair program in accordance with the *2014 Program and Condition Assessment Report for Curbs, Gutters, Sidewalks, Access Ramps and Driveway Approaches* prepared by Willdan Engineering utilizing Community Development Block Grant (CDBG) funds. The report identified locations that have been prioritized for repair over the next 13 years based on a combination of damage severity and proximity to avoid maintenance work in the same neighborhood in consecutive years. The City receives an annual CDBG fund allocation of approximately \$22,000.
- In May 2015, City Council awarded the bid to Shawnan for construction of the Silver Spur Pedestrian Pathway Project funded by a Safe Route to Schools (SR2S) grant in the amount of \$328,700. Also included in the project: entryway modifications at Lazy Creek Lane; street overlay on six residential streets (Marloma Drive, Marina Drive, Range Horse Lane, Rollando Drive, Rolling Meadows Road, Rustler Lane) and sections of Crenshaw Boulevard and Silver Spur Road at Hawthorne Boulevard; and intersection improvements, including a median for a right turn lane, at Silver Spur Road and Marina Drive. Construction commenced in August 2015 and is expected to be completed in October 2015.
- In September 2015, a citywide *Storm Drain Inventory and Condition Assessment Prioritization Plan* was prepared by Willdan Engineering. The report identified locations and maintenance responsibilities of drainage facilities and provided a phased prioritization plan for inspection, cleaning and repair. A total of 196 pipes were identified with 38 pipes given a “Very High” inspection priority and 40 a “High” inspection priority. Willdan has been authorized to prepare a Request for Proposals (RFP) and provide project support to clean, inspect and assess the condition of the selected storm drain pipes. The cleaning, inspection, condition assessment and some repairs are expected to take place in FY 2015-16.
- The 2014 Pavement Management System (PMS) report recommends a minimum annual budget of \$550,000 for structural overlay work in order to catch up on major street maintenance and gradually raise the overall average condition of the City’s streets. The PMS is a technical document that assists the City in proactively managing its street network. It contains an orderly listing of all roads and assigns priority rankings of projects and their associated costs, providing guidance in programming and budgeting for major and minor street maintenance, resurfacing and reconstruction. See page 103.

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.
- The City Council is considering creation of a Finance Advisory or Infrastructure Management Committee to assist the Council in long term capital budget planning.

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, 2015, 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 Officers 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, 2014. This was the seventeenth 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, Assistant City Manager, City Manager and the City Council's Audit Subcommittee.

Respectfully submitted,



Douglas R. Prichard
City Manager



Michael C. Whitehead
Administrative Services Director

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CITY OF ROLLING HILLS ESTATES

Directory of City Officials

June 30, 2015

JOHN ADDLEMAN

MAYOR

STEVEN ZUCKERMAN

MAYOR PRO TEMPORE

BRITT HUFF

COUNCIL MEMBER

FRANK V. ZERUNYAN

COUNCIL MEMBER

JUDY MITCHELL

COUNCIL MEMBER

City Manager

Douglas R. Prichard

Assistant City Manager

Gregory Grammer

City Attorney

Administrative Services Director

Director of Planning

Director of Community Services

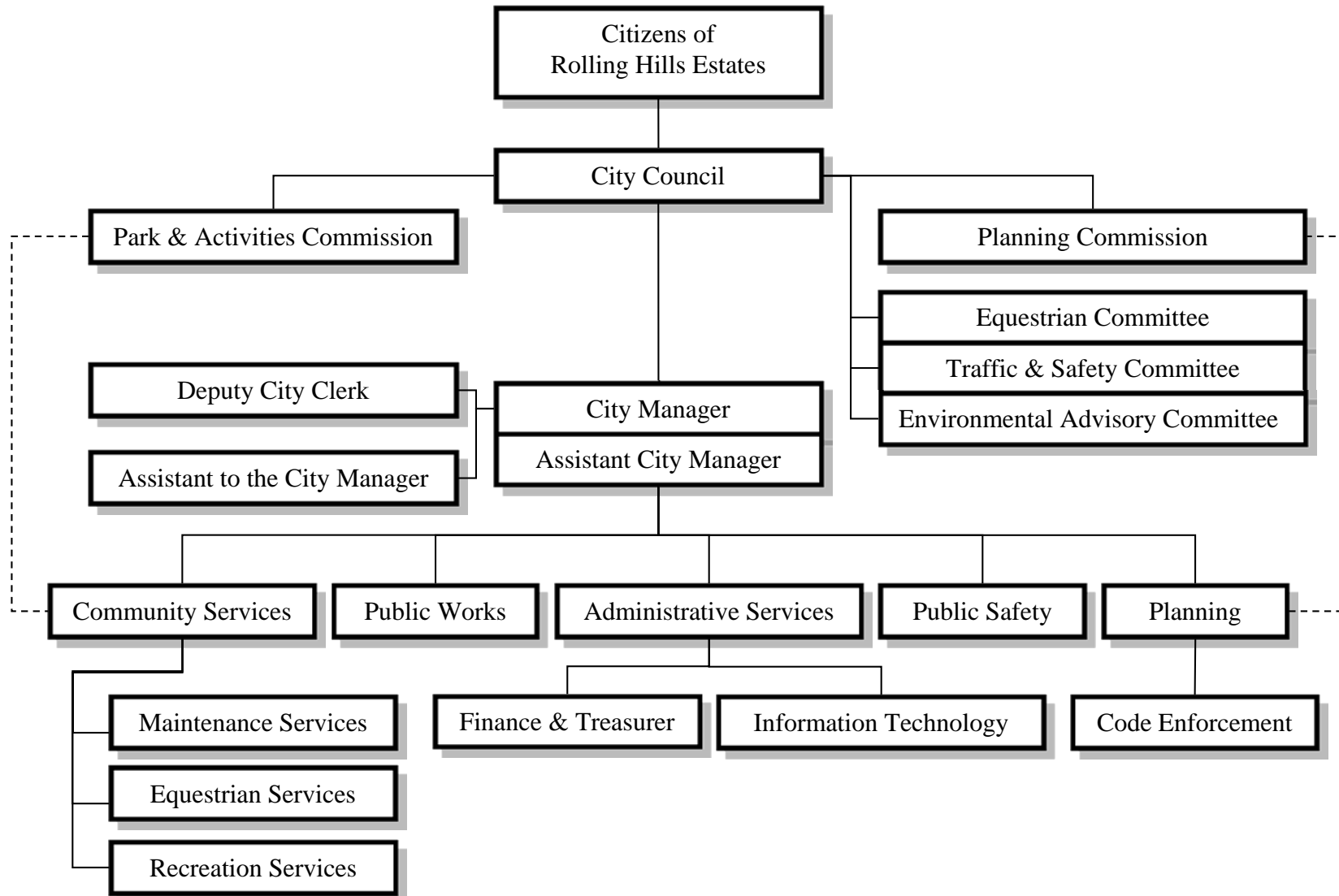
Donald M. Davis

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, 2014

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, 2015, 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. 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, as of June 30, 2015, 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.

Emphasis of Matter

Implementation of New Accounting Pronouncement

As described in Note 1 and 2, effective July 1, 2014, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The implantation of these statements resulted in a restatement of net position as of July 1, 2014, in the amount of \$5.06 million. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information of the General Fund, schedule of proportionate share of the Net Pension Liability and the schedule of City contribution to the pension plan on pages 5–14 and 53-56 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 fund financial statements and schedules on pages 63 through 77, 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 fund financial statements and schedules on pages 63 through 77 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 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, 2015, 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 Gini & O'Connell LLP

Los Angeles, California
December 23, 2015

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CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)
June 30, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements.

Financial Highlights

- The City's proportionate share of net pension liability (NPL) for the retirement benefits, based on the ratio of the City's contributions to the CalPERS Public Agency Cost Sharing Multiple Employer Plan was \$3,857,655 as of the measurement date June 30, 2014, and reporting date June 30, 2015. NPL, the difference between the total pension liability (TPL) and the retirement plan's net position, is an important measure required by Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* which required the City to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. This resulted in a restatement of \$5,061,241 to the net position of the Governmental Activities. Please see note #2 (page 37) and note #5c (page 48).
- 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 \$11,545,809 (*net position*).
- The City had a \$5,066,519 deficit in *unrestricted net position* that will be funded by future revenues. The City had \$218,382 in deferred outflows and \$1,398,850 in deferred inflows of resources as of June 30, 2015 resulting in net deferred payments from changes in the pension liabilities of the City.
- The City's overall net position increased by \$3,342,057 from the prior fiscal year before the restatement for the City's pension liability.
- The City's governmental funds in total reported combined ending fund balances of \$4,454,421, an increase of \$2,021,966 in comparison with the prior year. Approximately 1,576,980 (*unassigned and assigned fund balances*) 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, 2015 (page 20), the year-end deficit of \$1,877,115 for Prop A – Parks reflect monies advanced by the General Fund in anticipation of reimbursement through the approved grant sources.
- General Fund's fund balance increased \$981,346 from \$2,802,089 on June 30, 2014 to \$3,783,435 June 30, 2015. This fund balance has reversed its trend of decreasing since 2007, and is mostly attributed to higher than normal developer building permit revenues that will continue for a few years. Management is analyzing the long-term impact this increase will have on future financial planning for the City.
- The General Fund unassigned fund balance was \$2,039,428 or 31%, of total General Fund current operating expenditures. Out of the General Fund's assigned fund balance, \$600,000 has been allocated for capital projects, \$50,000 for insurance claims, \$170,000 for equipment, \$300,000 for pension liabilities, and \$329,819 for replacement of capital assets.



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)
June 30, 2015
(Continued)

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.

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



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)
June 30, 2015
(Continued)

changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 15 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, Quimby Fees, Prop A Parks, and Chandler Contribution Fund which are considered to be major funds. Data from the other 11 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).

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 22-24 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, schedule of proportionate share of the net pension liability and the schedule of city contributions..

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

- Net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$11,464,448 in fiscal year 2014-15, a decrease from fiscal year 2013-14 when assets exceeded liabilities by \$13,183,632. The largest portion of the City's total net position (\$13,932,513 or 120% in fiscal year 2014-15, and \$12,863,094 or 98% in fiscal year 2013-14) 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,



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)
 June 30, 2015
 (Continued)

these assets are not available for future spending. As noted in the financial highlights above, see note #2 (page 37) and note #5c (page 48) for discussion of the restatement of net position for GASB #68 and #71 as well as further disclosure on the City's pension plan.

An additional portion of the City's total net position (\$2,598,454 or 22.5% in fiscal year 2014-15, and \$385,690 or 3% in fiscal year 2013-14) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted total net position (\$-5,066,519 or -44.2% in fiscal year 2014-15, and \$-65,152 or -0.5% in fiscal year 2013-14) represents amounts that will be funded by future revenues.

The following table presents a summary of the City's net position as of June 30, 2015 and 2014:

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2014-2015	FY 2013-2014	FY 2014-2015	FY 2013-2014	FY 2014-2015	FY 2013-2014
Current and Other Assets	\$ 5,551,959	\$ 3,200,199	\$ (191,716)	\$ (297,443)	\$ 5,360,243	\$ 2,902,756
Capital Assets	13,821,968	12,745,054	110,545	118,040	13,932,513	12,863,094
Total Assets	19,373,927	15,945,253	(81,171)	(179,403)	19,292,756	15,765,850
Deferred outflows of resources						
Pension contributions after the measurement date	218,382	-	-	-	218,382	-
Total Deferred Outflows of resources	218,382	-	-	-	218,382	-
Current Liabilities	1,062,386	648,418	190	5,563	1,062,576	653,981
Long Term Liabilities	1,727,609	1,928,237	-	-	1,727,609	1,928,237
Net pension liability	3,857,655	-	-	-	3,857,655	-
Total Liabilities	6,647,650	2,576,655	190	5,563	6,647,840	2,582,218
Deferred inflows of resources						
Investment earnings pensions	1,296,351	-	-	-	1,296,351	-
Change in proportionate share of contributions related to pension	102,499	-	-	-	102,499	-
Total Deferred Inflows of resources	1,398,850	-	-	-	1,398,850	-
Investment in Capital Assets	13,821,968	12,745,054	110,545	118,040	13,932,513	12,863,094
Restricted	2,598,454	385,690	-	-	2,598,454	385,690
Unrestricted (deficit)	(4,874,613)	237,854	(191,906)	(303,006)	(5,066,519)	(65,152)
Total Net Position	\$ 11,545,809	\$ 13,368,598	\$ (81,361)	\$ (184,966)	\$ 11,464,448	\$ 13,183,632



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)
June 30, 2015
(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	
	FY 2014-2015	FY 2013-2014	FY 2014-2015	FY 2013-2014	FY 2014-2015	FY 2013-2014
Program Revenues:						
Charges for services	\$ 2,685,983	\$ 2,390,407	\$ 181,967	\$ 170,379	\$ 2,867,950	\$ 2,560,786
Operating grants and contributions	2,704,107	767,769	-	-	2,704,107	767,769
Capital grants and contributions	403,567	2,511,836	-	-	403,567	2,511,836
General Revenues:						
Property taxes	2,953,241	2,724,873	-	-	2,953,241	2,724,873
Local sales taxes	908,399	902,838	-	-	908,399	902,838
Other taxes	907,534	892,587	-	-	907,534	892,587
Other general revenue	78,868	18,377	18	53	78,886	18,430
Total Revenues	10,641,699	10,208,687	181,985	170,432	10,823,684	10,379,119
Expenses:						
General government	2,944,743	2,759,181	-	-	2,944,743	2,759,181
Public safety	1,870,550	1,906,657	-	-	1,870,550	1,906,657
Public works	1,144,208	937,914	-	-	1,144,208	937,914
Community services	1,364,917	1,403,739	-	-	1,364,917	1,403,739
Public health	25,422	26,478	-	-	25,422	26,478
Interest on bond payable	53,407	59,059	-	-	53,407	59,059
Equestrian	-	-	802	802	802	802
Tennis	-	-	77,578	75,138	77,578	75,138
Total Expenses	7,403,247	7,093,028	78,380	75,940	7,481,627	7,168,968
Increase in Net Position	3,238,452	3,115,659	103,605	94,492	3,342,057	3,210,151
Net Position, beginning of year	13,368,598	10,252,939	(184,966)	(279,458)	13,183,632	9,973,481
Restatement - Note #2	(5,061,241)	-	-	-	(5,061,241)	-
Net Position, end of year	\$ 11,545,809	\$ 13,368,598	\$ (81,361)	\$ (184,966)	\$ 11,464,448	\$ 13,183,632

Governmental activities. Governmental activities increased the City's net position by \$3,238,452 in fiscal year 2014-2015, and increased by \$3,115,659 in fiscal year 2013-2014. Key elements of the \$3,238,452 increase in net position are as follows:

- Building permit revenues were higher than normal which is mostly attributed to large development projects in the City for the past few years.
- Increase in fees and contributions due to the City for future parks and equestrian related projects.

Business-type activities. Business-type activities increased the City's net position by \$103,605 compared to fiscal year 2013-14, which increased \$94,492. The key element of the \$103,605 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.

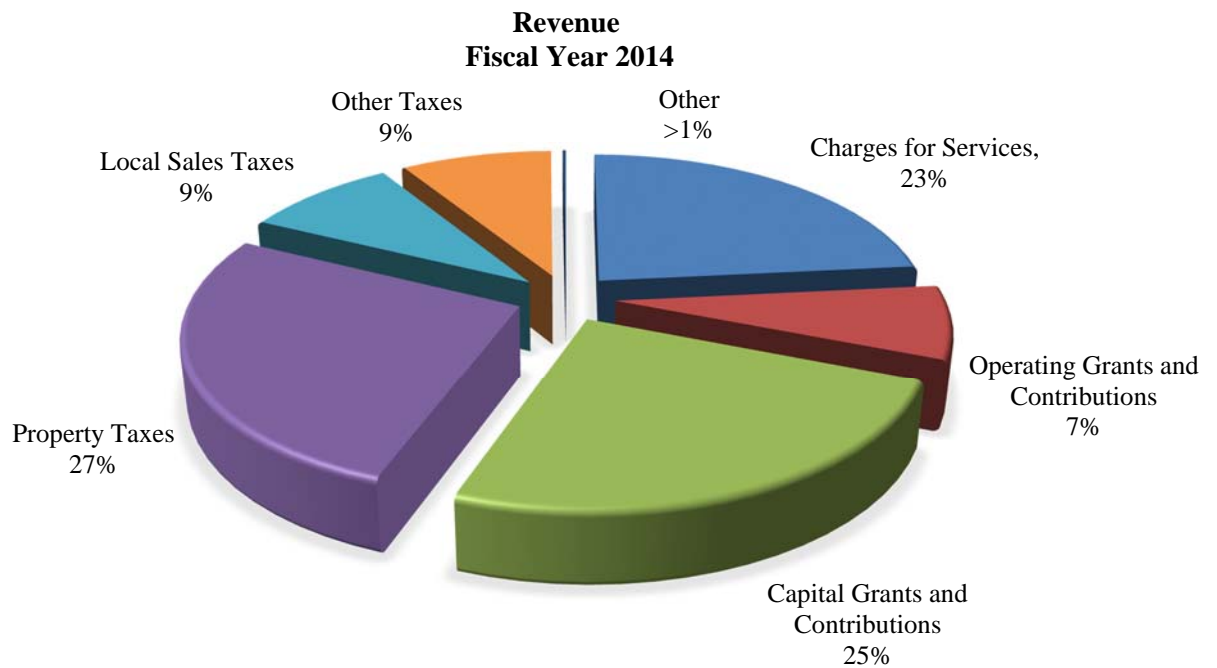
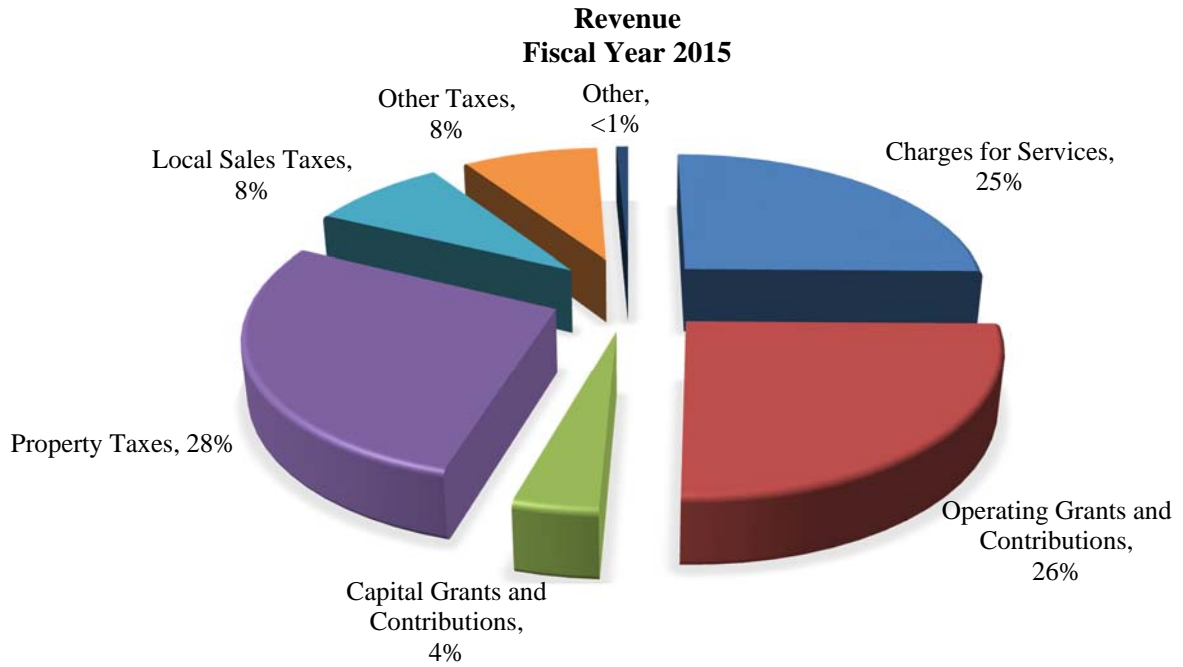


CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)
June 30, 2015
(Continued)

The following charts illustrate the proportion of sources of revenue for the fiscal years ended June 30, 2015 and 2014.

Revenues by Source – Governmental Activities





CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)
June 30, 2015
(Continued)

The City's governmental funds reported combined ending fund balances of \$4,454,421 at June 30, 2015, an increase of \$2,021,966 in comparison with the prior year, for which ending fund balance was \$2,432,455. Approximately 35% of the combined ending fund balances (\$1,576,980) constitute unassigned and assigned fund balance, which is available for spending at the City's discretion. This is a decrease from the 34% reported for fiscal year 2013-14. \$2,598,454 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 (\$5,201), 2) the maintenance of Hawthorne Canyon (\$10,000), 3) transportation (\$543,580), 4) capital projects (\$108,342), and 5) park improvements (\$1,931,331). \$11,104 and \$267,883 are non-spendable for inventories and advances to other funds. The City has assigned fund balances of \$170,000 for equipment, \$600,000 for capital projects, \$329,819 for capital projects replacement, \$300,000 for pension liabilities and \$50,000 for insurance claims.

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 \$2,039,428, an increase from the prior year unassigned fund balance by \$460,951.

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 increased by \$981,346. The key factors contributing to the increase are as follows:

- Increase in revenue generated from licenses and permits.
- Oversight of general government expenditures.

Capital Project fund highlights. The capital project funds, Quimby Fees, Prop A Parks, and Chandler Contribution Fund, are reported as major funds. The Quimby Fees and Chandler Contribution Fund are used to account for monies received from developers or home purchasers for park and equestrian improvement projects. The Prop A - Parks fund is to account for grant monies received from Los Angeles County for maintenance and development of parks. The Prop A Parks fund decreased by \$1,331,137 as the City may not submit reimbursements for expenditures related to planning improvements until after construction began in September 2014.

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 \$103,605 compared to the prior year's increase of \$94,492. 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

There were no significant changes between the original and final budget. The difference between the actual and final amended budget was a positive variance of \$1,136,448, and is primarily due to the following revenues not budgeted in the original or final budget amounts:

- Additional revenues in property taxes, other taxes and in licenses and permits.
- Budgeted projects in public works and capital outlays were not done during fiscal year 2015.



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management’s Discussion and Analysis (Unaudited)
 June 30, 2015
 (Continued)

Capital Asset and Debt Administration

Capital assets. The City’s investment in capital assets for its governmental activities as of June 30, 2015 amounts to \$13,821,968 (net of accumulated depreciation). The business-type activities investment in capital assets is \$110,545. 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 15% primarily due to infrastructure upgrades.

The following table presents the City’s investment in capital assets, net of accumulated depreciation, as of June 30, 2014 and 2015:

Summary of Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY2014-2015	FY2013-2014	FY2014-2015	FY2013-2014	FY2014-2015	FY2013-2014
Land	\$ 3,864,943	\$ 3,864,943	\$ -	\$ -	\$ 3,864,943	\$ 3,864,943
Construction in Progress	1,945,609	271,429	-	-	1,945,609	271,429
Buildings & Improvements	561,109	606,364	76,526	35,482	637,635	641,846
Facilities & Improvements	724,554	771,337	34,019	82,558	758,573	853,895
Vehicles & Equipment	49,470	79,887	-	-	49,470	79,887
Furniture & Fixtures	5,317	5,636	-	-	5,317	5,636
Infrastructure	6,670,966	7,145,458	-	-	6,670,966	7,145,458
Total	\$ 13,821,968	\$ 12,745,054	\$ 110,545	\$ 118,040	\$ 13,932,513	\$ 12,863,094

The City made significant capital improvements for a new horse barn for the Pete Weber Equestrian Center and a street resurfacing project. 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 42-43.

Long-term liabilities. The City had total long-term liabilities of \$1,727,609 at June 30, 2015, which is an decrease of \$20,628 or 10.4% from the previous year.

The following is a summary of the City’s long-term liabilities as of June 30, 2014 and 2015:

Summary of Long-Term Liabilities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY2014-2015	FY2013-2014	FY2014-2015	FY2013-2014	FY2014-2015	FY2013-2014
Employee compensated absences	\$ 395,609	\$ 428,237	\$ -	\$ -	\$ 395,609	\$ 428,237
Bond	1,332,000	1,500,000	-	-	1,332,000	2,832,000
Total	\$ 1,727,609	\$ 1,928,237	\$ -	\$ -	\$ 1,727,609	\$ 3,260,237



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)
June 30, 2015
(Continued)

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 \$416,950,611. 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(d) on pages 43-44 of this report.

Net pension liability

The City recorded \$3,857,655 in fiscal year 2015 to recognize the City's proportionate share of net pension liability. In addition to the net pension liability, the City also recognized the proportionate share of deferred outflows of resources for contributions after the measurement date related to pension of \$218,382 and \$1,398,850 deferred inflows of resources for investment earnings related to pensions. Implementation of GASB Statements No. 68 and 71 is solely for financial reporting purpose and it does not represent an immediate funding requirement.

Economic Factors and Next Year's Budgets and Rates

- Local property values remain modest, and account for approximately 22% of General Fund revenues. Los Angeles County Net Local Roll of Assessed Property Valuations is forecasted to increase by 6.50%.
- There is a rebound from the recession in the construction with building permit fees anticipated to exceed \$1,100,000 in revenue.
- 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. The Triple Flip is ending this year.
- Revenues from other agencies have eliminated the Motor Vehicle License Fees (VLF) in fiscal year 2011-2012, and Property Tax in lieu of Sales Tax is anticipated to increase slightly for fiscal year 2015-2016. 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 until it expires in fiscal year 2015-2016 and revenue is received as Sales Tax solely. 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 2015-2016.

All four of these factors were considered in preparing the City's budget for fiscal year 2015-2016. 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, 2015
(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.RHE.city 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, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 2,855,263	\$ 11,874	\$ 2,867,137
Accounts receivable	2,417,709	64,293	2,482,002
Internal balances	267,883	(267,883)	-
Inventories	11,104	-	11,104
Capital assets:			
Not being depreciated	5,810,552	-	5,810,552
Being depreciated, net	<u>8,011,416</u>	<u>110,545</u>	<u>8,121,961</u>
Total assets	<u>19,373,927</u>	<u>(81,171)</u>	<u>19,292,756</u>
Deferred Outflows of Resources			
Contribution after measurement date related to pension	<u>218,382</u>	<u>-</u>	<u>218,382</u>
Total deferred outflows of resources	<u>218,382</u>	<u>-</u>	<u>218,382</u>
Liabilities:			
Accounts payable and accrued liabilities	845,542	190	845,732
Unearned revenue	53	-	53
Deposits payable	216,791	-	216,791
Non-current liabilities:			
Due within one year	221,561	-	221,561
Due in more than one year	1,506,048	-	1,506,048
Net pension liability	<u>3,857,655</u>	<u>-</u>	<u>3,857,655</u>
Total liabilities	<u>6,647,650</u>	<u>190</u>	<u>6,647,840</u>
Deferred Inflows of Resources			
Investment earnings related to pensions	1,296,351	-	1,296,351
Difference in proportionate share of contributions related to pensions	<u>102,499</u>	<u>-</u>	<u>102,499</u>
Total deferred inflows of resources	<u>1,398,850</u>	<u>-</u>	<u>1,398,850</u>
Net Position:			
Investment in capital assets	13,821,968	110,545	13,932,513
Restricted for:			
Cleop grant	5,201	-	5,201
Maintenance of Hawthorne Canyon	10,000	-	10,000
Road improvements	543,580	-	543,580
Equipment replacement	108,342	-	108,342
Park improvements	1,931,331	-	1,931,331
Unrestricted (deficit)	<u>(4,874,613)</u>	<u>(191,906)</u>	<u>(5,066,519)</u>
Total net position	<u>\$ 11,545,809</u>	<u>\$ (81,361)</u>	<u>\$ 11,464,448</u>

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES

Statement of Activities
Year Ended June 30, 2015

<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>
Governmental activities:				
General government	\$ 2,944,743	\$ 2,190,470	12,777	-
Public safety	1,870,550	76,791	106,230	-
Public works	1,144,208	349,482	613,875	139,586
Community services	1,364,917	69,240	1,971,225	263,981
Public health	25,422	-	-	-
Interest on bond payable	53,407	-	-	-
Total governmental activities	<u>7,403,247</u>	<u>2,685,983</u>	<u>2,704,107</u>	<u>403,567</u>
Business-type activities:				
Equestrian	802	104,388	-	-
Tennis	<u>77,578</u>	<u>77,579</u>	-	-
Total business-type activities	<u>78,380</u>	<u>181,967</u>	-	-
Total	<u>\$ 7,481,627</u>	<u>\$ 2,867,950</u>	<u>\$ 2,704,107</u>	<u>\$ 403,567</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 as restated

Net position, ending

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES

Statement of Activities (Continued)

Year Ended June 30, 2015

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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (741,496)	\$ -	\$ (741,496)
(1,687,529)	-	(1,687,529)
(41,265)	-	(41,265)
939,529	-	939,529
(25,422)	-	(25,422)
(53,407)	-	(53,407)
<u>(1,609,590)</u>	<u>-</u>	<u>(1,609,590)</u>
-	103,586	103,586
<u>-</u>	<u>1</u>	<u>1</u>
-	103,587	103,587
<u>(1,609,590)</u>	<u>103,587</u>	<u>(1,506,003)</u>
2,953,241	-	2,953,241
908,399	-	908,399
236,503	-	236,503
564,891	-	564,891
106,140	-	106,140
3,689	18	3,707
75,179	-	75,179
<u>4,848,042</u>	<u>18</u>	<u>4,848,060</u>
3,238,452	103,605	3,342,057
<u>8,307,357</u>	<u>(184,966)</u>	<u>8,122,391</u>
<u>\$ 11,545,809</u>	<u>\$ (81,361)</u>	<u>\$ 11,464,448</u>

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES

Balance Sheet
Governmental Funds
June 30, 2015

	<u>Capital Project Funds</u>				<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Quimby Fees</u>	<u>Prop A Parks</u>	<u>Chandler Contribution</u>		
Assets:						
Cash and investments	\$ 2,020,106	\$ -	\$ -	\$ 100,048	\$ 735,109	\$ 2,855,263
Accounts receivable	518,561	1,016,082	65	800,030	82,971	2,417,709
Due from other funds	1,559,205	-	-	-	-	1,559,205
Advances to other fund	267,883	-	-	-	-	267,883
Inventories	11,104	-	-	-	-	11,104
Total assets	<u>\$ 4,376,859</u>	<u>\$ 1,016,082</u>	<u>\$ 65</u>	<u>\$ 900,078</u>	<u>\$ 818,080</u>	<u>\$ 7,111,164</u>
Liabilities:						
Accounts payable and accrued liabilities	\$ 376,633	\$ -	\$ 449,522	\$ -	\$ 19,387	\$ 845,542
Due to other funds	-	61,866	1,427,658	-	69,681	1,559,205
Deposits payable	216,791	-	-	-	-	216,791
Unearned revenue	-	-	-	-	53	53
Total liabilities	<u>593,424</u>	<u>61,866</u>	<u>1,877,180</u>	<u>-</u>	<u>89,121</u>	<u>2,621,591</u>
Deferred inflows of resources						
Revenue earned but unavailable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,152</u>	<u>35,152</u>
Fund balances (deficit):						
Nonspendable:						
Inventories	11,104	-	-	-	-	11,104
Advances to other funds	267,883	-	-	-	-	267,883
Restricted for:						
Cleep grant	5,201	-	-	-	-	5,201
Maintenance of Hawthorne Canyon	10,000	-	-	-	-	10,000
Transportation	-	-	-	-	543,580	543,580
Capital projects	-	-	-	-	108,342	108,342
Park Improvements	-	954,216	-	900,078	77,037	1,931,331
Assigned to:						
Equipment	170,000	-	-	-	-	170,000
Capital projects replacement	329,819	-	-	-	-	329,819
Capital projects	600,000	-	-	-	-	600,000
Pension UAL	300,000	-	-	-	-	300,000
Insurance claims	50,000	-	-	-	-	50,000
Unassigned	2,039,428	-	(1,877,115)	-	(35,152)	127,161
Total fund balances (deficit)	<u>3,783,435</u>	<u>954,216</u>	<u>(1,877,115)</u>	<u>900,078</u>	<u>693,807</u>	<u>4,454,421</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,376,859</u>	<u>\$ 1,016,082</u>	<u>\$ 65</u>	<u>\$ 900,078</u>	<u>\$ 818,080</u>	<u>\$ 7,111,164</u>

CITY OF ROLLING HILLS ESTATES
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2015

Total fund balances, governmental funds	\$	4,454,421
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.		13,821,968
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds:		
Bonds payable		(1,332,000)
Compensated absences		(395,609)
Pension liabilities and the related deferred inflows and outflows are not due and payable in the current period and therefore, are not reported in the funds.		
Net pension liability		(3,857,655)
Deferred inflow - contributions after measurement date		218,382
Deferred outflow - investment earnings		(1,296,351)
Deferred outflow - difference in proportionate share		(102,499)
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 when earned. This revenue is recorded as deferred inflows of resources on the governmental fund statements		35,152
Net position of governmental activities	\$	11,545,809

CITY OF ROLLING HILLS ESTATES
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	<u>Capital Project Funds</u>				<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Quimby Fees</u>	<u>Prop A Parks</u>	<u>Chandler Contribution</u>		
Revenues:						
Property taxes	\$ 2,953,241	\$ -	\$ -	\$ -	\$ -	\$ 2,953,241
Sales and use taxes	908,399	-	-	-	-	908,399
Business license taxes	236,503	-	-	-	-	236,503
Other taxes	671,031	-	-	-	-	671,031
Licenses and permits	2,074,361	-	-	-	-	2,074,361
Fines and forfeitures	39,088	-	-	-	37,444	76,532
Use of money and property	21,406	-	179	78	906	22,569
Charges for services	337,858	-	-	-	25,782	363,640
Revenues from other agencies	366,241	1,016,082	263,981	900,000	834,406	3,380,710
Other revenues	38,887	-	-	-	-	38,887
Total revenues	<u>7,647,015</u>	<u>1,016,082</u>	<u>264,160</u>	<u>900,078</u>	<u>898,538</u>	<u>10,725,873</u>
Expenditures:						
Current:						
General government	2,753,752	-	-	-	-	2,753,752
Public safety	1,836,213	-	-	-	34,337	1,870,550
Public works	295,400	-	-	-	368,458	663,858
Community services	1,170,150	-	13,547	-	22,605	1,206,302
Public health	25,422	-	-	-	-	25,422
Capital outlay	363,325	-	1,581,750	-	17,541	1,962,616
Debt Service:						
Principal	168,000	-	-	-	-	168,000
Interest	53,407	-	-	-	-	53,407
Total expenditures	<u>6,665,669</u>	<u>-</u>	<u>1,595,297</u>	<u>-</u>	<u>442,941</u>	<u>8,703,907</u>
Excess (deficiency) of revenues over expenditures	981,346	1,016,082	(1,331,137)	900,078	455,597	2,021,966
Fund balances (deficit), beginning	<u>2,802,089</u>	<u>(61,866)</u>	<u>(545,978)</u>	<u>-</u>	<u>238,210</u>	<u>2,432,455</u>
Fund balances (deficit), ending	<u>\$ 3,783,435</u>	<u>\$ 954,216</u>	<u>\$ (1,877,115)</u>	<u>\$ 900,078</u>	<u>\$ 693,807</u>	<u>\$ 4,454,421</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, 2015

Net change in fund balances - total governmental funds	\$	2,021,966
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		1,710,418
Depreciation expense		(633,504)
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:		
Principal retirement		168,000
Decrease in compensated absences payable resulted in the utilized current resources and were reported as expenditures in the governmental funds but were reported as expenses in the statement of activities in prior years.		
		32,628
Pension expense 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.		
		(195,264)
Employer pension contributions made after the measurement date of the net pension liability as of June 30, 2014 which are recorded as deferred outflows of resources on the statement of net position		
		218,382
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.		
		(84,174)
Change in net position of governmental activities	\$	<u><u>3,238,452</u></u>

CITY OF ROLLING HILLS ESTATES

Statement of Net Position

Proprietary Funds

June 30, 2015

	Business-type Activities - Enterprise Funds		
	Equestrian Operations	Nonmajor Tennis Operations	Total
Assets:			
Current assets:			
Cash and investments	\$ -	\$ 11,874	\$ 11,874
Accounts receivable	59,202	5,091	64,293
Total current assets	<u>59,202</u>	<u>16,965</u>	<u>76,167</u>
Capital assets			
being depreciated, net	<u>30,717</u>	<u>79,828</u>	<u>110,545</u>
Total assets	<u>89,919</u>	<u>96,793</u>	<u>186,712</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	-	190	190
Advances from other fund	267,883	-	267,883
Total liabilities	<u>267,883</u>	<u>190</u>	<u>268,073</u>
Net Position:			
Investment in capital assets	30,717	79,828	110,545
Unrestricted (deficit)	<u>(208,681)</u>	<u>16,775</u>	<u>(191,906)</u>
Total net position	<u>\$ (177,964)</u>	<u>\$ 96,603</u>	<u>\$ (81,361)</u>

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, 2015

	Business-type Activities - Enterprise Funds		
	Equestrian Operations	Nonmajor Tennis Operations	Total
Operating revenues:			
Charges for services	\$ 104,388	\$ 77,579	\$ 181,967
Operating expenses:			
Personnel	-	49,219	49,219
Administrative	-	14,057	14,057
Materials and supplies	-	7,609	7,609
Depreciation	802	6,693	7,495
Total operating expenses	802	77,578	78,380
Operating income	103,586	1	103,587
Nonoperating revenues:			
Interest income	-	18	18
Change in net position	103,586	19	103,605
Total net position, beginning	(281,550)	96,584	(184,966)
Total net position, ending	\$ (177,964)	\$ 96,603	\$ (81,361)

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds		
	Equestrian Operations	Nonmajor Tennis Operations	Total
Cash flows from operating activities:			
Cash received from contractors/customers	\$ 71,623	\$ 68,946	\$ 140,569
Cash paid to suppliers of goods and services	-	(23,433)	(23,433)
Cash paid to employees	-	(49,219)	(49,219)
Net cash provided by (used for) operating activities	<u>71,623</u>	<u>(3,706)</u>	<u>67,917</u>
Cash flows from noncapital financing activities:			
Cash paid to other funds	(71,623)	-	(71,623)
Cash flows from investing activities:			
Interest on investments	-	18	18
Net decrease in cash and cash equivalents	-	(3,687)	(3,687)
Cash and cash equivalents, beginning	-	15,561	15,561
Cash and cash equivalents, ending	<u>\$ -</u>	<u>\$ 11,874</u>	<u>\$ 11,874</u>
Reconciliation of operating income to net cash provided by (used for) operating activities			
Operating income (loss)	\$ 103,586	\$ 1	\$ 103,587
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation expense	802	6,693	7,495
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(32,765)	(5,026)	(37,791)
Decrease in accounts payable and accrued liabilities	-	(1,766)	(1,766)
Decrease in unearned revenue	-	(3,608)	(3,608)
Net cash provided by (used for) operating activities	<u>\$ 71,623</u>	<u>\$ (3,706)</u>	<u>\$ 67,917</u>

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES

Statement of Fiduciary Net Position

Agency Fund

June 30, 2015

	Peninsula Parking
Assets:	
Accounts receivable	\$ 2,102
Total Assets	<u>2,102</u>
Liabilities:	
Accounts payable	<u>2,102</u>
Net Position	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements.

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CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements

June 30, 2015

(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, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Palos Verdes Peninsula Transit Authority's fiscal year ended on June 30. As of June 30, 2014 (most recent information available), audited financial statements indicated the following:

Total assets	\$ 3,153,771
	<u> </u>
Total liabilities	\$ 110,870
	<u> </u>
Total net position	\$ 3,042,901
	<u> </u>
Charges for services	\$ 358,422
JPA member contributions and other income	231,288
Governmental sources	32,200
	<u> </u>
Total operating revenues	621,910
Total operating expenses	2,362,230
Total non-operating revenues	1,727,899
	<u> </u>
Change in Net Position	\$ (12,421)
	<u> </u>

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, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 requirement have been met. Grant funds received before the revenue recognition criteria have been met are reported as unearned 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 **Quimby Fees – Capital Project 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.

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

The **Chandler Contribution – Capital Project Fund** is used to account for donations made to the City for equestrian improvements at the discretion of the City Council.

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports one major proprietary fund:

The **Equestrian Operations Fund** is used to account for the financial activity of the City-owned stables. 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 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.

The Capital Project funds are used to account for the acquisition and construction of various capital improvements and equipment for the City.

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 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.

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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. The City's share of property tax is 7% of the 1% or .067. 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.

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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, Allowances 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 \$2,482,002 recorded as accounts receivable consist of \$2,285,389 due from businesses and individuals and \$196,613 due from State and County governments for amounts collected and not remitted to the City as of June 30, 2015. This includes property taxes from the County of Los Angeles which assesses, bills, and collects taxes for the City. The City considers all of these receivables as fully collectible.

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
Park 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, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Any accrued sick leave over 60 days is automatically cashed out for the end of the calendar year. 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 principal and interest 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, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by the City Council.

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, 2015 \$1,449,819 of unassigned fund balance has been identified for future operating expenditures.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) and additions to/deduction from CalPERS' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publically available reports that can be obtained at CalPERS' website under Forms and Publications (www.calpers.ca.gov). Reported results pertain to liability and assets information within the following defined timeframes:

Valuation Date (VD) – June 30, 2013

Measurement Date (MD) – June 30, 2014

Measurement Period (MP) – July 1, 2013 to June 30, 2014

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (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.

10. New Pronouncements

Implementation of the following GASB Statements is effective for fiscal year 2015:

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, replaces the requirements of previously issued statements as they relate to governments that provide pensions through pension plans administered by trusts or similar arrangements that meet certain criteria. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability. Governments will report in their financial statements a net pension liability that represents the difference between the total pension liability and the pension plan's fiduciary net position. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including descriptive information about the types of benefits available, how to determine the amount of pension plan contributions, and assumptions and methods used in calculating the pension liability. This statement requires the City to record a liability and expense equal to their proportionate share of the collective net pension liability and expense of the CalPERS Public Agency Cost-Sharing Multiple-Employer Plan.

Issued in November 2013, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine such amounts. The provisions of this statement are required to be applied simultaneously with the provisions of GASB Statement No. 68.

As of July 1, 2014, the City adopted the provisions of GASB Statements No. 68 and No. 71 and restated the beginning net position by \$5.06 million to recognize the City's proportionate share of net pension liability as of June 30, 2014. Additional information can be found in Note 5c.

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Issued in January 2013, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to mergers, acquisitions, transfers of operations, and disposal of operations applicable to state and local entities. This statement had no impact on the City's financial statements for fiscal year 2015.

The GASB has issued several pronouncements that have effective dates that may impact future presentations. The City is evaluating the potential impacts of the following GASB statements on its accounting practices and financial statements.

Issued in February 2015, GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Implementation of this statement is effective fiscal year 2016.

Issued in June 2015, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, this statement also clarifies the application of certain provisions of GASB Statement No. 68 with regard to the information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported. Implementation of this statement is effective fiscal year 2017.

Issued in June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and financial reporting for other postemployment benefit (OPEB) that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Implementation of this statement is effective fiscal year 2018.

Issued in June 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles (GAAP) for State and Local Governments*, consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Implementation of this statement is effective fiscal year 2016.

Issued in August 2015, GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. Implementation of this statement is effective for fiscal year 2017.

(2) RESTATEMENT OF FINANCIAL STATEMENTS

The beginning net position at July 1, 2014 for the governmental activities were restated to report a change in accounting principle as a result of implementation of GASB Statements No. 68 and 71:

Governmental Activities:

Ending net position, June 30, 2014, as previously stated	\$ 13,368,598
Change in accounting principle	<u>(5,061,241)</u>
Ending net position, July 1, 2014, as restated	\$ <u>8,307,357</u>

(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, 2015

(3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

(b) Excess of Expenditures over Appropriations

The following individual funds exceeded the expenditures budget:

Fund	Amounts Over Budget
General Fund - Public safety	\$ 95,644
General Fund - Public health	10,422
General Fund - Interest	609
Nonmajor governmental funds:	
Traffic Safety Special Revenue Fund - Public safety	337
Local Transportation Capital Project Fund - Capital outlay	7,293

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, 2015:

Proprietary:		
Equestrian Operations	\$	177,964
Capital Project:		
Proposition A Parks		1,877,115
State SR2S		35,152

These deficits will be funded with future grant revenues, development fees or charges for services.

(4) DETAILED NOTES ON ALL FUNDS

(a) Cash and Investments

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	<u><u>\$ 2,867,137</u></u>

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2015

(4) DETAILED NOTES ON ALL FUNDS (CONTINUED)

Cash and investments were comprised of the following as of June 30, 2015:

Cash on hand	\$	1,550
Deposits with financial institution		854,741
Investments		2,010,846
Total cash and investments	\$	2,867,137

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:

Authroized Investment Type	Maximum Maturity		Maximum Percentage of Portfolio *		Maximum Investment in One Issuer	
	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.

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.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2015

(4) DETAILED NOTES ON ALL FUNDS (CONTINUED)

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:

Investment Types	Remaining Maturity (in Months) 12 Months Or Less
LAIF	\$ 1,805,985
Negotiable certificates of deposit	204,861
Total	\$ 2,010,846

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.

Investment Type	Total Investment	Minimum Legal Rating	Not Rated
LAIF	\$ 1,805,985	N/A	\$ 1,805,985
Negotiable certificates of deposit	204,861	N/A	204,861
Total	\$ 2,010,846		\$ 2,010,846

Concentration of Credit Risk

With the exception of U.S. Treasury Bills, U.S. Treasury Notes and U.S. Treasury Bonds, 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:

Issuer	Investment Type	Reported Amount	% of Portfolio
Malaga Bank	Negotiable certificate of deposit	\$ 204,861	10.2%

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2015

(4) DETAILED NOTES ON ALL FUNDS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2015, the carrying amount of the City's bank deposits was \$854,741, and the respective bank balances totaled \$908,954. Of the bank balance, \$250,000 was insured through the FDIC.

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, 2015 was \$21.5 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2015 had a balance of \$69.6 billion. Of that amount 2.08% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 239 days as of June 30, 2015. LAIF is unrated as to credit quality.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2015

(4) DETAILED NOTES ON ALL FUNDS (CONTINUED)

(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, 2015 is as follows:

	<u>Balance at July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2015</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 3,864,943	\$ -	\$ -	\$ 3,864,943
Construction in progress	271,429	1,674,180	-	1,945,609
Total capital assets, not being depreciated	<u>4,136,372</u>	<u>1,674,180</u>	<u>-</u>	<u>5,810,552</u>
Capital assets, being depreciated:				
Buildings and improvements	1,495,859	-	-	1,495,859
Facilities and improvements	2,048,495	36,238	-	2,084,733
Vehicles and equipment	852,255	-	-	852,255
Furniture and fixtures	92,444	-	-	92,444
Infrastructure	8,258,274	-	-	8,258,274
Total capital assets, being depreciated	<u>12,747,327</u>	<u>36,238</u>	<u>-</u>	<u>12,783,565</u>
Less accumulated depreciation for:				
Buildings and improvements	(889,495)	(45,255)	-	(934,750)
Facilities and improvements	(1,277,158)	(83,021)	-	(1,360,179)
Vehicles and equipment	(772,368)	(30,417)	-	(802,785)
Furniture and fixtures	(86,808)	(319)	-	(87,127)
Infrastructure	(1,112,816)	(474,492)	-	(1,587,308)
Total accumulated depreciation	<u>(4,138,645)</u>	<u>(633,504)</u>	<u>-</u>	<u>(4,772,149)</u>
Total capital assets, being depreciated, net	<u>8,608,682</u>	<u>(597,266)</u>	<u>-</u>	<u>8,011,416</u>
Governmental activities capital assets, net	<u>\$ 12,745,054</u>	<u>\$ 1,076,914</u>	<u>\$ -</u>	<u>\$ 13,821,968</u>

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2015

(4) DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<u>Balance at July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2015</u>
<u>Business-type activities</u>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 240,623	\$ -	\$ -	\$ 240,623
Facilities and improvements	322,661	-	-	322,661
Vehicles and equipment	16,000	-	-	16,000
Furniture and fixtures	<u>21,033</u>	<u>-</u>	<u>-</u>	<u>21,033</u>
Total capital assets, being depreciated	<u>600,317</u>	<u>-</u>	<u>-</u>	<u>600,317</u>
Less accumulated depreciation for:				
Buildings and improvements	(205,142)	(1,462)	-	(206,604)
Facilities and improvements	(240,102)	(6,033)	-	(246,135)
Vehicles and equipment	(16,000)	-	-	(16,000)
Furniture and fixtures	<u>(21,033)</u>	<u>-</u>	<u>-</u>	<u>(21,033)</u>
Total accumulated depreciation	<u>(482,277)</u>	<u>(7,495)</u>	<u>-</u>	<u>(489,772)</u>
Business-type activities capital assets, net	<u>\$ 118,040</u>	<u>\$ (7,495)</u>	<u>\$ -</u>	<u>\$ 110,545</u>

Depreciation expense was charged to the following functions:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General government	\$ 43,355	\$ -
Community services	115,657	-
Public works	474,492	-
Equestrian operations	-	802
Tennis operations	<u>-</u>	<u>6,693</u>
Total	<u>\$ 633,504</u>	<u>\$ 7,495</u>

(c) Interfund Receivable and Payable

The composition of interfund balances as of June 30, 2015 are as follows:

<u>Due to other funds</u>	<u>Receivable Fund General Fund</u>
Quimby Fees Capital Project Fund	\$ 61,866
Proposition A- Parks Capital Project Fund	1,427,658
Nonmajor Governmental Funds	<u>69,681</u>
	<u>\$ 1,559,205</u>

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2015

(4) DETAILED NOTES ON ALL FUNDS (CONTINUED)

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.

Advances to other funds	Receivable Fund General Fund
Equestrian Operations Enterprise Fund	\$ 267,883

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

(d) 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 balance remaining on the bonds as of June 30, 2015 is \$1,332,000, payable through fiscal year 2021.

As of June 30, 2015, annual debt service requirements to maturity are as follows:

Fiscal year ending June 30:	Principal	Interest
2016	182,000	46,589
2017	197,000	39,856
2018	212,000	32,598
2019	230,000	24,761
2020	246,000	16,290
2021	265,000	7,222
Total requirements	\$ 1,332,000	\$ 167,316

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.

\$ 395,609

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2015

(4) DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2015</u>	<u>Due within one year</u>
Bonds payable	\$ 1,500,000	\$ -	\$ (168,000)	\$ 1,332,000	\$ 182,000
Compensated absences	428,237	28,293	(60,921)	395,609	39,561
	<u>\$ 1,928,237</u>	<u>\$ 28,293</u>	<u>\$ (228,921)</u>	<u>\$ 1,727,609</u>	<u>\$ 221,561</u>

Business-type Activities:

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

(5) OTHER INFORMATION

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

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

The City of Rolling Hills Estates is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of 118 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 Authority 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. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years 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. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contributions. 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, 2015

(5) OTHER INFORMATION (CONTINUED)

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 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2014-15 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to various pooled retentions beginning at \$2 million.

The overall coverage limit for each member including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

Workers' Compensation – 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 from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers..

For 2014-15 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits 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, 2015

(5) OTHER INFORMATION (CONTINUED)

3. *Purchased Insurance*

Pollution Legal Liability Insurance –

The City of Rolling Hills Estates participates in the pollution legal liability insurance program 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, 2014 through July 1, 2017. 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 \$5,846,574. 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 \$5,746,114. 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 agency 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, 2015

(5) OTHER INFORMATION (CONTINUED)

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 2014-15.

(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, 2015 were \$191,819.

(c) City Employees Retirement Plan

1. Defined Benefit Pension Plan

Plan Description: All full-time employees of the City are eligible to participate in the Miscellaneous plan administered by the State of California's Public Employees' Retirement System (CalPERS), a cost sharing multiple employer defined-benefit pension plan. CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. CalPERS provides retirement, disability and death benefits based on the employee's years of service, age and final compensation. Employees vest after five years of services. Benefit provisions and other requirements are established by State statute and City ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 "P" Street, Sacramento, CA 95811.

The State of California passed the California's Employee's Pension Reform Act (PEPRA) which became effective on January 1, 2013. PEPRA changes included the classification of active employees into two distinct classifications: classic members and new members. Classic members represent active members hired before January 1, 2013, and retain the pension plan benefits in effect. New members are active members hired on or after January 1, 2013, and are subject to PEPRA.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specific by the Public Employees' Retirement Law.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2015

(5) OTHER INFORMATION (CONTINUED)

	Misc	Pepra Misc
Hire date	Prior to 1/1/2013	On/after 1/1/2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63 & Up	62 & Up
Monthly benefits, as a percentage of eligible compensation	1.426% - 2.418%	1.000% - 2.000%
Required employee contribution rates	7%	7%

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 12.33% for non-safety employees of annual covered payroll. Section 20814c of the California Public Employees' Retirement Law requires that employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The local government is required to contribute the difference between the actuarially determined rate and the contribution rate of employees..

Pension Liabilities: As of June 30, 2015, the City reported a liability of \$3,857,655 for its proportionate share of the net pension liability of the Plan. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2015, which is the accounting date, the City's proportion was 0.156 percent, which was a decrease of 0.16 percent from its proportion measured as of June 30, 2013.

Pension Expense and Deferred Flows of Resources Related to Pensions: For the year ended June 30, 2015, the City recognized pension expense of \$195,264. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2015

(5) OTHER INFORMATION (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 218,382	\$ -
Net differences between projected and actual earnings on plan investments	-	1,296,351
Difference in proportionate share of contributions related to pensions	-	102,499
Total	\$ 218,382	\$ 1,398,850

City contributions of \$218,382 are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	(351,061)
2017	(351,061)
2018	(351,061)
2019	(345,667)
Thereafter	-

Actuarial Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date	June 30, 2014	June 30, 2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Discount Rate	7.50%	7.50%
Inflation Rate	2.75%	2.75%
Salary increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return	7.50% net of pension plan investment and administrative expenses; includes inflation	7.50% net of pension plan investment and administrative expenses; includes inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75%	Contract COLA up to 2.75%

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2015

(5) OTHER INFORMATION (CONTINUED)

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report. The experience study report can be obtained at CalPERS' website under Forms and Publications.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates.

Discount Rate: The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate.

Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was not material to the City's financial statements.

The long-term expected rate of return on pension plan investments for funding valuation purposes was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, staff took into account both the short-term and the long-term market return expectations as well as the expected pension fund cash flows. Such cash flows will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2015

(5) OTHER INFORMATION (CONTINUED)

one quarter of one percent. The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

The Real Return Years 1-10 uses an expected inflation of 2.5%.

The Real Return Years 11+ uses an expected inflation of 3.0%.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	Discount Rate – 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate +1% (8.50%)
Plan’s Net Pension Liability/(Asset)	\$6,873,149	\$3,857,655	\$1,355,082

Pension Plan Fiduciary Net Position: Detailed information about pension plan fiduciary net position is available in the separately issued CalPERS financial report.

2. Defined Contribution Retirement Plan

The City contributes to the Public Agency Retirement System (PARS), which is a defined contribution retirement plan administered by the Public Agency Retirement Services.. 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 (5)(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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 2,849,429	2,849,429	\$ 2,953,241	\$ 103,812
Sales and use taxes	928,308	928,308	908,399	(19,909)
Business license taxes	240,000	240,000	236,503	(3,497)
Other taxes	597,500	597,500	671,031	73,531
Licenses and permits	1,607,000	1,891,736	2,074,361	182,625
Fines and forfeitures	38,000	38,000	39,088	1,088
Use of money and property	23,500	23,500	21,406	(2,094)
Charges for services	341,500	341,500	337,858	(3,642)
Revenues from other agencies	310,070	314,243	366,241	51,998
Other revenues	15,000	15,000	38,887	23,887
Total revenues	<u>6,950,307</u>	<u>7,239,216</u>	<u>7,647,015</u>	<u>407,799</u>
Expenditures:				
Current:				
General government	2,503,637	2,810,676	2,753,752	56,924
Public safety	1,740,569	1,740,569	1,836,213	(95,644)
Public works	458,736	458,736	295,400	163,336
Community services	1,170,790	1,176,289	1,170,150	6,139
Public health	15,000	15,000	25,422	(10,422)
Capital outlay	900,000	972,250	363,325	608,925
Debt service:				
Principal	168,000	168,000	168,000	-
Interest	52,798	52,798	53,407	(609)
Total expenditures	<u>7,009,530</u>	<u>7,394,318</u>	<u>6,665,669</u>	<u>728,649</u>
Excess (deficiency) of revenues over expenditures	<u>(59,223)</u>	<u>(155,102)</u>	<u>981,346</u>	<u>1,136,448</u>
Fund balance, beginning	<u>2,802,089</u>	<u>2,802,089</u>	<u>2,802,089</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,802,089</u>	<u>\$ 2,802,089</u>	<u>\$ 3,783,435</u>	<u>\$ -</u>

See Accompanying Note to Required Supplementary Information.

CITY OF ROLLING HILLS ESTATES
 Required Supplementary Information
 Schedule of Proportionate Share of Net Pension Liability and Related Ratios
 Last 10 Fiscal Years

	2014
Proportion of the net pension liability	0.156%
Proportionate share of the net pension liability	\$ 3,857,655
Covered employee payroll - See note (1)	\$ 1,769,537
Proportionate share of the net pension liability as percentage of covered employee payroll	218%
Plan fiduciary net position as a percentage of the total pension liability	80.43%

Notes to Schedule:

(1) Covered-employee payroll is based on pensionable earnings per CalPERS. Non-pensionable wages was not included because the information was not readily available.

* Since fiscal year 2015 was the first year of implementation, only one year is shown.

CITY OF ROLLING HILLS ESTATES
 Required Supplementary Information
 Schedule of City's Contributions to the Pension Plan
 Last 10 Fiscal Years

	2015
Actuarially Determined Contribution (ADC)	\$ 218,382
Less: Contributions in relation to ADC	(218,382)
Contribution deficiency (excess)	-
City's covered-employee payroll - See note (1)	1,807,801
Contributions as a percentage of covered employee payroll	12.08%

Notes to Schedule:

(1) Covered-employee payroll represents all gross wages of the City. Non-pensionable wages was included because the information was not readily available.

* Since fiscal year 2015 was the first year of implementation, only one year is shown.

CITY OF ROLLING HILLS ESTATES
Note to Required Supplementary Information
June 30, 2015

(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.

SUPPLEMENTARY INFORMATION

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CITY OF ROLLING HILLS ESTATES

Quimby Fees Capital Project Fund

Budgetary Comparison Schedule

Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 4,000	\$ -	\$ (4,000)
Revenues from other agencies	<u>696,000</u>	<u>1,016,082</u>	<u>320,082</u>
Total revenues	<u>700,000</u>	<u>1,016,082</u>	<u>316,082</u>
Excess of revenues over expenditures	700,000	1,016,082	316,082
Fund balance, beginning	<u>(61,866)</u>	<u>(61,866)</u>	<u>-</u>
Fund balance (deficit), ending	<u><u>\$ 638,134</u></u>	<u><u>\$ 954,216</u></u>	<u><u>\$ 316,082</u></u>

CITY OF ROLLING HILLS ESTATES

Prop A Parks Capital Project Fund

Budgetary Comparison Schedule

Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 75	\$ 179	\$ 104
Revenues from other agencies	<u>2,426,982</u>	<u>263,981</u>	<u>(2,163,001)</u>
Total Revenues	2,427,057	264,160	(2,162,897)
Expenditures:			
Community services	19,000	13,547	5,453
Capital outlay	<u>1,746,423</u>	<u>1,581,750</u>	<u>164,673</u>
Total expenditures	<u>1,765,423</u>	<u>1,595,297</u>	<u>170,126</u>
Excess (deficiency) of revenues over expenditures	661,634	(1,331,137)	(1,992,771)
Fund balance (deficit), beginning	<u>-</u>	<u>(545,978)</u>	<u>(545,978)</u>
Fund balance (deficit), ending	<u>\$ 661,634</u>	<u>\$ (1,877,115)</u>	<u>\$ (2,538,749)</u>

CITY OF ROLLING HILLS ESTATES
Chandler Contribution Capital Project Fund
Budgetary Comparison Schedule
Year Ended June 30, 2015

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 20	\$ 78	\$ 58
Revenues from other agencies	100,000	900,000	800,000
Total Revenues	100,020	900,078	800,058
Excess of revenues over expenditures	100,020	900,078	800,058
Fund balance (deficit), beginning	-	-	-
Fund balance (deficit), ending	\$ 100,020	\$ 900,078	\$ 800,058

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DESCRIPTION OF NONMAJOR FUNDS

Special Revenue Funds

The Special Revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes.

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

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

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.

Prop A 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.

Highway Users Tax Fund - To account for State gasoline taxes used for street maintenance, construction, and/or right of way acquisition.

Capital Projects Funds

The Capital Project funds are used to account for the acquisition and construction of various capital improvements and equipment for the City.

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

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

Prop 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.

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

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.

CITY OF ROLLING HILLS ESTATES
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue Funds					
	Traffic	Prop A	Air Quality	State	Peppertree	Highway
	Safety	Transit Tax	Improvement	Park Grant	Foundation	Users Tax
Assets:						
Cash and investments	\$ 27,064	\$ 52,416	\$ 50,977	\$ 62,376	\$ 14,690	\$ 79,892
Accounts receivable	2,726	12	2,679	19	55	457
Total assets	<u>\$ 29,790</u>	<u>\$ 52,428</u>	<u>\$ 53,656</u>	<u>\$ 62,395</u>	<u>\$ 14,745</u>	<u>\$ 80,349</u>
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ 74	\$ -	\$ -	\$ 50	\$ 13,383
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	-	-	-	53	-
Total liabilities	<u>-</u>	<u>74</u>	<u>-</u>	<u>-</u>	<u>103</u>	<u>13,383</u>
Deferred inflows of resources:						
Revenue earned but unavailable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits):						
Restricted for:						
Transportation	29,790	52,354	53,656	-	-	66,966
Capital projects	-	-	-	-	-	-
Park Improvements	-	-	-	62,395	14,642	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficits)	<u>29,790</u>	<u>52,354</u>	<u>53,656</u>	<u>62,395</u>	<u>14,642</u>	<u>66,966</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 29,790</u>	<u>\$ 52,428</u>	<u>\$ 53,656</u>	<u>\$ 62,395</u>	<u>\$ 14,745</u>	<u>\$ 80,349</u>

(Continued)

CITY OF ROLLING HILLS ESTATES
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2015

	Capitla project Funds					Total Nonmajor Governmental
	Local Transportation	PEG Fees	Prop C	Measure R	State SR2S	
Assets:						
Cash and investments	\$ -	\$ 106,953	\$ 176,484	\$ 164,257	\$ -	\$ 735,109
Accounts receivable	-	7,269	36	37	69,681	82,971
Total assets	<u>\$ -</u>	<u>\$ 114,222</u>	<u>\$ 176,520</u>	<u>\$ 164,294</u>	<u>\$ 69,681</u>	<u>\$ 818,080</u>
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ 5,880	\$ -	\$ -	\$ -	\$ 19,387
Due to other funds	-	-	-	-	69,681	69,681
Unearned revenue	-	-	-	-	-	53
Total liabilities	<u>-</u>	<u>5,880</u>	<u>-</u>	<u>-</u>	<u>69,681</u>	<u>89,121</u>
Deferred inflows of resources						
Revenue earned but unavailable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,152</u>	<u>35,152</u>
Fund balances (deficits):						
Restricted for:						
Transportation	-	-	176,520	164,294	-	543,580
Capital projects	-	108,342	-	-	-	108,342
Park Improvements	-	-	-	-	-	77,037
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,152)</u>	<u>(35,152)</u>
Total fund balances (deficits)	<u>-</u>	<u>108,342</u>	<u>176,520</u>	<u>164,294</u>	<u>(35,152)</u>	<u>693,807</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ -</u>	<u>\$ 114,222</u>	<u>\$ 176,520</u>	<u>\$ 164,294</u>	<u>\$ 69,681</u>	<u>\$ 818,080</u>

CITY OF ROLLING HILLS ESTATES
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015

	Special Revenue Funds					
	Traffic Safety	Prop A Transit Tax	Air Quality Improvement	State Park Grant	Peppertree Foundation	Highway Users Tax
Revenues:						
Fines and forfeitures	\$ 37,444	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	48	88	74	102	29	146
Charges for services	-	-	-	-	25,782	-
Revenues from other agencies	-	143,976	12,777	-	-	235,174
Total revenues	<u>37,492</u>	<u>144,064</u>	<u>12,851</u>	<u>102</u>	<u>25,811</u>	<u>235,320</u>
Expenditures:						
Current:						
Public safety	34,337	-	-	-	-	-
Public works	-	142,732	-	-	-	225,726
Community services	-	-	-	-	22,605	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>34,337</u>	<u>142,732</u>	<u>-</u>	<u>-</u>	<u>22,605</u>	<u>225,726</u>
Excess (deficiency) of revenues over expenditures	3,155	1,332	12,851	102	3,206	9,594
Fund balances (deficits), beginning	<u>26,635</u>	<u>51,022</u>	<u>40,805</u>	<u>62,293</u>	<u>11,436</u>	<u>57,372</u>
Fund balances (deficits), ending	<u>\$ 29,790</u>	<u>\$ 52,354</u>	<u>\$ 53,656</u>	<u>\$ 62,395</u>	<u>\$ 14,642</u>	<u>\$ 66,966</u>

CITY OF ROLLING HILLS ESTATES
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
Year Ended June 30, 2015

	Capital Project Funds					Total
	Local Transportation	PEG Fees	Proposition C	Measure R	State SR2S	Nonmajor Governmental
Revenues:						
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,444
Use of money and property	3	156	118	142	-	906
Charges for services	-	-	-	-	-	25,782
Revenues from other agencies	-	29,361	189,356	139,589	84,173	834,406
Total revenues	3	29,517	189,474	139,731	84,173	898,538
Expenditures:						
Current:						
Public safety	-	-	-	-	-	34,337
Public works	-	-	-	-	-	368,458
Community services	-	-	-	-	-	22,605
Capital outlay	7,293	10,248	-	-	-	17,541
Total expenditures	7,293	10,248	-	-	-	442,941
Excess (deficiency) of revenues over expenditures	(7,290)	19,269	189,474	139,731	84,173	455,597
Fund balances (deficits), beginning	7,290	89,073	(12,954)	24,563	(119,325)	238,210
Fund balances (deficits), ending	\$ -	\$ 108,342	\$ 176,520	\$ 164,294	\$ (35,152)	\$ 693,807

CITY OF ROLLING HILLS ESTATES

Traffic Safety Special Revenue Fund

Budgetary Comparison Schedule

Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Fines and forfeitures	\$ 42,000	\$ 37,444	\$ (4,556)
Use of money and property	-	48	48
Total revenues	<u>42,000</u>	<u>37,492</u>	<u>(4,508)</u>
Expenditures:			
Public safety	<u>34,000</u>	<u>34,337</u>	<u>(337)</u>
Total expenditures	<u>34,000</u>	<u>34,337</u>	<u>(337)</u>
Excess (deficiency) of revenues over expenditures	8,000	3,155	(4,845)
Fund balance (deficit), beginning	<u>26,635</u>	<u>26,635</u>	-
Fund balance (deficit), ending	<u>\$ 34,635</u>	<u>\$ 29,790</u>	<u>\$ (4,845)</u>

CITY OF ROLLING HILLS ESTATES
 Prop A Transit Improvement Tax Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ 100	\$ 88	\$ (12)
Revenues from other agencies	142,554	143,976	1,422
Total revenues	142,654	144,064	1,410
Expenditures:			
Current:			
Public works	143,272	142,732	540
Total expenditures	143,272	142,732	540
Excess (deficiency) of revenues over expenditures	(618)	1,332	1,950
Fund balance, beginning	51,022	51,022	-
Fund balance, ending	\$ 50,404	\$ 52,354	\$ 1,950

CITY OF ROLLING HILLS ESTATES
 Air Quality Improvement Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 50	\$ 74	\$ 24
Revenues from other agencies	<u>9,100</u>	<u>12,777</u>	<u>3,677</u>
Total revenues	<u>9,150</u>	<u>12,851</u>	<u>3,701</u>
Fund balance, beginning	<u>40,805</u>	<u>40,805</u>	-
Fund balance, ending	<u><u>\$ 49,955</u></u>	<u><u>\$ 53,656</u></u>	<u><u>\$ 3,701</u></u>

CITY OF ROLLING HILLS ESTATES

State Park Grant Special Revenue Fund

Budgetary Comparison Schedule

Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Use of money and property	\$ -	\$ 102	\$ 102
Total revenues	<u>-</u>	<u>102</u>	<u>102</u>
Excess (deficiency) of revenues over expenditures	-	102	102
Fund balance, beginning	62,293	62,293	-
Fund balance, ending	<u>\$ 62,293</u>	<u>\$ 62,395</u>	<u>\$ 102</u>

CITY OF ROLLING HILLS ESTATES
 Peppertree Foundation Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 29	\$ 29
Charges for services	30,000	25,782	(4,218)
Total revenues	30,000	25,811	(4,189)
Expenditures:			
Community services	28,700	22,605	6,095
Total expenditures	28,700	22,605	6,095
Excess of Revenues over expenditures	1,300	3,206	1,906
Fund balance (deficit), beginning	11,436	11,436	-
Fund balance (deficit), ending	\$ 12,736	\$ 14,642	\$ 1,906

CITY OF ROLLING HILLS ESTATES
Highway Users Tax Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 150	\$ 146	\$ (4)
Revenues from other agencies	239,328	235,174	(4,154)
Total revenues	<u>239,478</u>	<u>235,320</u>	<u>(4,158)</u>
Expenditures:			
Public works	230,000	225,726	4,274
Total expenditures	<u>230,000</u>	<u>225,726</u>	<u>4,274</u>
Excess of revenues over expenditures	9,478	9,594	116
Fund balance, beginning	57,372	57,372	-
Fund balance, ending	<u>\$ 66,850</u>	<u>\$ 66,966</u>	<u>\$ 116</u>

CITY OF ROLLING HILLS ESTATES
 Local Transportation Capital Project Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 3	\$ 3
Revenues from other agencies	5,000	-	(5,000)
Total revenues	5,000	3	(4,997)
 Expenditures:			
Capital outlay	-	7,293	(7,293)
Total expenditures	-	7,293	(7,293)
Excess (deficiency) of revenues over expenditures	5,000	(7,290)	(12,290)
 Fund balance, beginning	7,290	7,290	-
 Fund balance (deficit), ending	\$ 12,290	\$ -	\$ (12,290)

CITY OF ROLLING HILLS ESTATES

PEG Fees Capital Project Fund

Budgetary Comparison Schedule

Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ 100	\$ 156	\$ 56
Revenues from other agencies	25,600	29,361	3,761
Total revenues	<u>25,700</u>	<u>29,517</u>	<u>3,817</u>
Expenditures:			
Capital outlay	80,000	10,248	69,752
Total expenditures	<u>80,000</u>	<u>10,248</u>	<u>69,752</u>
Excess (deficiency) of revenues over expenditures	(54,300)	19,269	73,569
Fund balance, beginning	89,073	89,073	-
Fund balance, ending	<u>\$ 34,773</u>	<u>\$ 108,342</u>	<u>\$ 73,569</u>

CITY OF ROLLING HILLS ESTATES

Proposition C Capital Project Fund

Budgetary Comparison Schedule

Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ 100	\$ 118	\$ 18
Revenues from other agencies	118,245	189,356	71,111
Total revenues	<u>118,345</u>	<u>189,474</u>	<u>71,129</u>
Expenditures:			
Capital outlay	120,000	-	120,000
Total expenditures	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Excess (deficiency) of revenues over expenditures	(1,655)	189,474	191,129
Fund balance, beginning	(12,954)	(12,954)	-
Fund balance (deficit), ending	<u>\$ (14,609)</u>	<u>\$ 176,520</u>	<u>\$ 191,129</u>

CITY OF ROLLING HILLS ESTATES

Measure R Capital Project Fund

Budgetary Comparison Schedule

Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 50	\$ 142	\$ 92
Revenues from other agencies	139,648	139,589	(59)
Total revenues	<u>139,698</u>	<u>139,731</u>	<u>33</u>
Expenditures:			
Capital outlay	120,000	-	120,000
Total expenditures	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Excess of revenues over expenditures	19,698	139,731	120,033
Fund balance, beginning	24,563	24,563	-
Fund balance (deficit), ending	<u>\$ 44,261</u>	<u>\$ 164,294</u>	<u>\$ 120,033</u>

CITY OF ROLLING HILLS ESTATES

State SR2S Capital Project Fund

Budgetary Comparison Schedule

Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Revenue from other agencies	\$ 328,700	\$ 84,173	\$ (244,527)
Total revenues	<u>328,700</u>	<u>84,173</u>	<u>(244,527)</u>
Expenditures:			
Capital outlay	<u>328,700</u>	<u>-</u>	<u>328,700</u>
Total expenditures	<u>328,700</u>	<u>-</u>	<u>328,700</u>
Excess (deficiency) of revenues over expenditures	-	84,173	84,173
Fund balance (deficit), beginning	(119,325)	(119,325)	-
Fund balance (deficit), ending	<u>\$ (119,325)</u>	<u>\$ (35,152)</u>	<u>\$ 84,173</u>

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CITY OF ROLLING HILLS ESTATES

Comprehensive Annual Financial Report

Year Ended June 30, 2015

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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Financial Trends	
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>	<i>79</i>
Revenue Capacity	
<i>These schedules contain trend information to help the reader assess the government’s most significant current local revenue sources, property taxes, and business and sales taxes.</i>	<i>90</i>
Debt Capacity	
<i>These schedules contain present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	<i>96</i>
Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	<i>98</i>
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	<i>101</i>

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STATISTICAL INFORMATION

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

	Fiscal Year						Fiscal Year			
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Investment in capital assets	\$ 5,987,248	\$ 7,494,508	\$ 7,507,337	\$ 7,522,061	\$ 7,437,235	\$ 7,823,648	\$ 8,353,841	\$ 9,410,015	\$ 12,745,054	\$ 13,821,968
Restricted	529,600	144,809	378,721	533,470	963,108	1,200,294	1,097,622	1,051,065	385,690	2,598,454
Unrestricted	4,342,205	5,102,324	4,451,803	2,733,165	1,822,165	1,528,215	2,053,400	1,446,859	237,854	(4,874,613)
Total governmental activities net position	<u>\$ 10,859,053</u>	<u>\$ 12,741,641</u>	<u>\$ 12,337,861</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>	<u>\$ 13,368,598</u>	<u>\$ 11,545,809</u>
Business-type activities:										
Investment in capital assets	\$ 65,512	\$ 61,650	\$ 57,789	\$ 53,927	\$ 50,065	\$ 46,203	\$ 42,341	\$ 38,479	\$ 118,040	\$ 110,545
Unrestricted	111,250	60,942	20,132	(127,910)	(180,723)	(267,237)	(379,604)	(317,937)	(303,006)	(191,906)
Total business-type activities net position	<u>\$ 176,762</u>	<u>\$ 122,592</u>	<u>\$ 77,921</u>	<u>\$ (73,983)</u>	<u>\$ (130,658)</u>	<u>\$ (221,034)</u>	<u>\$ (337,263)</u>	<u>\$ (279,458)</u>	<u>\$ (184,966)</u>	<u>\$ (81,361)</u>
Primary government:										
Investment in capital assets	\$ 6,052,760	\$ 7,556,158	\$ 7,565,126	\$ 7,575,988	\$ 7,487,300	\$ 7,869,851	\$ 8,396,182	\$ 9,448,494	\$ 12,863,094	\$ 13,932,513
Restricted	529,600	144,809	378,721	533,470	963,108	1,200,294	1,097,622	1,051,065	385,690	2,598,454
Unrestricted	4,453,455	5,163,266	4,471,935	2,605,255	1,641,442	1,260,978	1,673,796	1,128,922	(65,152)	(5,066,519)
Total primary government net position	<u>\$ 11,035,815</u>	<u>\$ 12,864,233</u>	<u>\$ 12,415,782</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>	<u>\$ 13,183,632</u>	<u>\$ 11,464,448</u>

Source: City Administrative Services Department.

CITY OF ROLLING HILLS ESTATES

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
Expenses:					
Governmental activities:					
General government	\$ 2,973,724	\$ 3,221,350	\$ 3,747,375	\$ 3,369,758	\$ 3,004,041
Public safety	1,705,592	1,878,066	1,898,712	2,111,932	1,819,095
Public works	606,608	711,452	831,273	1,170,470	912,695
Community services	1,531,124	1,712,418	1,571,983	1,432,368	1,302,670
Public health	37,026	44,290	24,148	28,101	34,059
Interest on bond payable	-	-	-	-	-
Total governmental activities expenses	<u>6,854,074</u>	<u>7,567,576</u>	<u>8,073,491</u>	<u>8,112,629</u>	<u>7,072,560</u>
Business-type activities:					
Equestrian	704,009	716,304	727,488	803,244	775,686
Tennis	43,402	48,595	47,910	79,890	71,075
Total business-type activities expenses	<u>747,411</u>	<u>764,899</u>	<u>775,398</u>	<u>883,134</u>	<u>846,761</u>
Total primary government expenses	<u>7,601,485</u>	<u>8,332,475</u>	<u>8,848,889</u>	<u>8,995,763</u>	<u>7,919,321</u>
Program revenues:					
Governmental activities:					
Charges for services:					
General government	1,187,773	1,683,238	1,269,611	839,830	927,498
Public safety	110,482	107,778	154,439	118,323	120,235
Public works	121,529	128,179	145,452	167,659	171,782
Community services	118,074	108,927	52,704	60,771	75,083
Operating grants and contributions	903,422	851,242	1,132,788	722,578	776,625
Capital grants and contributions	-	570,000	-	76,110	158,306
Total governmental activities program revenues	<u>2,441,280</u>	<u>3,449,364</u>	<u>2,754,994</u>	<u>1,985,271</u>	<u>2,229,529</u>
Business-type activities:					
Charges for services:					
Equestrian	630,146	650,405	670,547	668,641	730,410
Tennis	46,354	49,250	52,838	59,804	58,923
Capital grants and contributions	-	-	-	-	-
Total business-type activities	<u>676,500</u>	<u>699,655</u>	<u>723,385</u>	<u>728,445</u>	<u>789,333</u>
Total primary government program revenues	<u>3,117,780</u>	<u>4,149,019</u>	<u>3,478,379</u>	<u>2,713,716</u>	<u>3,018,862</u>
Net revenues (expenses):					
Governmental activities	(4,412,794)	(4,118,212)	(5,318,497)	(6,127,358)	(4,843,031)
Business-type activities	(70,911)	(65,244)	(52,013)	(154,689)	(57,428)
Total net revenues (expenses)	<u>(4,483,705)</u>	<u>(4,183,456)</u>	<u>(5,370,510)</u>	<u>(6,282,047)</u>	<u>(4,900,459)</u>

(Continued)

		Fiscal Year							
		2011	2012	2013	2014	2015			
\$	3,075,846	\$	2,881,374	\$	2,742,166	\$	2,759,181	\$	2,944,743
	1,830,016		1,588,967		1,739,467		1,906,657		1,870,550
	1,114,138		846,106		949,190		937,914		1,144,208
	1,341,466		1,285,501		1,324,048		1,403,739		1,364,917
	21,329		16,568		14,781		26,478		25,422
	-		-		54,335		59,059		53,407
	<u>7,382,795</u>		<u>6,618,516</u>		<u>6,823,987</u>		<u>7,093,028</u>		<u>7,403,247</u>
	760,759		431,121		804		802		802
	75,132		79,373		75,536		75,138		77,578
	<u>835,891</u>		<u>510,494</u>		<u>76,340</u>		<u>75,940</u>		<u>78,380</u>
	<u>8,218,686</u>		<u>7,129,010</u>		<u>6,900,327</u>		<u>7,168,968</u>		<u>7,481,627</u>
	957,765		1,213,944		1,213,474		1,860,491		2,190,470
	92,018		123,578		85,883		92,028		76,791
	178,088		579,149		181,759		367,966		349,482
	59,559		61,664		68,415		69,922		69,240
	1,295,997		885,398		720,544		767,769		2,704,107
	758,259		356,336		588,410		2,511,836		403,567
	<u>3,341,686</u>		<u>3,220,069</u>		<u>2,858,485</u>		<u>5,670,012</u>		<u>5,793,657</u>
	688,871		333,106		65,332		101,525		104,388
	56,167		60,849		68,607		68,854		77,579
	-		-		-		-		-
	<u>745,038</u>		<u>393,955</u>		<u>133,939</u>		<u>170,379</u>		<u>181,967</u>
	<u>4,086,724</u>		<u>3,614,024</u>		<u>2,992,424</u>		<u>5,840,391</u>		<u>5,975,624</u>
	(4,041,109)		(3,398,447)		(3,965,502)		(1,423,016)		(1,609,590)
	(90,853)		(116,539)		57,599		94,439		103,587
	<u>(4,131,962)</u>		<u>(3,514,986)</u>		<u>(3,907,903)</u>		<u>(1,328,577)</u>		<u>(1,506,003)</u>

(Continued)

CITY OF ROLLING HILLS ESTATES

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal Year				
	2006	2007	2008	2009	2010
General revenues and other changes in net position:					
governmental activities:					
Taxes:					
Property taxes	\$ 2,189,508	\$ 2,387,652	\$ 2,492,172	\$ 2,525,072	\$ 2,369,270
Sales taxes	1,252,817	1,192,703	1,199,466	986,408	917,855
Motor vehicle in lieu taxes -general purpose	60,142	47,500	36,304	27,834	24,024
Business license taxes	447,760	508,260	407,451	383,777	221,600
Franchise taxes	449,007	474,638	530,806	513,902	492,746
Other taxes	88,058	156,565	52,394	40,548	65,435
Use of money and property	183,821	334,457	206,181	91,946	30,770
Loss on sale of capital asset	-	800,000	(25,560)	-	-
Miscellaneous	11,704	99,025	15,503	8,706	155,143
Total governmental activities	<u>4,682,817</u>	<u>6,000,800</u>	<u>4,914,717</u>	<u>4,578,193</u>	<u>4,276,843</u>
Business-type activities:					
Use of money and property	9,968	11,074	7,342	2,785	753
Total primary government	<u>4,692,785</u>	<u>6,011,874</u>	<u>4,922,059</u>	<u>4,580,978</u>	<u>4,277,596</u>
Changes in net position:					
Governmental activities	270,023	1,882,588	(403,780)	(1,549,165)	(566,188)
Business-type activities	<u>(60,943)</u>	<u>(54,170)</u>	<u>(44,671)</u>	<u>(151,904)</u>	<u>(56,675)</u>
Total primary government	<u>\$ 209,080</u>	<u>\$ 1,828,418</u>	<u>\$ (448,451)</u>	<u>\$ (1,701,069)</u>	<u>\$ (622,863)</u>

(Continued)

Source: City Administrative Services Department.

		Fiscal Year							
		2011	2012	2013	2014	2015			
\$	2,494,828	\$	2,492,529	\$	2,531,240	\$	2,724,873	\$	2,953,241
	917,016		871,060		893,871		902,838		908,399
	41,550		-		-		-		-
	267,177		236,334		250,668		247,188		236,503
	518,175		551,059		508,991		558,571		564,891
	72,779		69,824		157,810		86,828		106,140
	18,467		8,706		5,355		2,337		3,689
	-		-		-		-		-
	40,766		121,641		20,643		16,040		75,179
	<u>4,370,758</u>		<u>4,351,153</u>		<u>4,368,578</u>		<u>4,538,675</u>		<u>4,848,042</u>
	477		310		206		53		18
	<u>4,371,235</u>		<u>4,351,463</u>		<u>4,368,784</u>		<u>4,538,728</u>		<u>4,848,060</u>
	329,649		952,706		403,076		3,115,659		3,238,452
	(90,376)		(116,229)		57,805		94,492		103,605
\$	<u>239,273</u>	\$	<u>836,477</u>	\$	<u>460,881</u>	\$	<u>3,210,151</u>	\$	<u>3,342,057</u>

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CITY OF ROLLING HILLS ESTATES

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year				Fiscal Year
	2006	2007	2008	2009	2010 ¹
General fund:					
Reserved	\$ 151,099	\$ 833,201	\$ 664,853	\$ 502,156	\$ -
Unreserved	4,513,907	4,606,973	3,836,098	2,838,092	-
Nonspendable	-	-	-	-	247,242
Restricted	-	-	-	-	44,823
Assigned	-	-	-	-	642,800
Unassigned	-	-	-	-	1,882,122
Total general fund	<u>\$ 4,665,006</u>	<u>\$ 5,440,174</u>	<u>\$ 4,500,951</u>	<u>\$ 3,340,248</u>	<u>\$ 2,816,987</u>
All other governmental funds:					
Unreserved, reported in:					
Special revenue funds	\$ 529,600	\$ 144,809	\$ 729,352	\$ 361,329	\$ 361,329
Total all other governmental funds	<u>\$ 529,600</u>	<u>\$ 144,809</u>	<u>\$ 729,352</u>	<u>\$ 361,329</u>	<u>\$ 361,329</u>
General fund:	2011	2012	2013	2014	2015
Nonspendable	\$ 86,741	\$ 10,406	\$ 445,585	\$ 348,303	\$ 278,987
Restricted	37,172	37,172	32,922	15,201	15,201
Assigned	502,264	651,223	738,925	860,108	1,449,819
Unassigned	1,766,793	2,101,763	1,352,820	1,578,477	2,039,428
Total general fund	<u>\$ 2,392,970</u>	<u>\$ 2,800,564</u>	<u>\$ 2,570,252</u>	<u>\$ 2,802,089</u>	<u>\$ 3,783,435</u>
All other governmental funds:					
Restricted	\$ 1,163,122	\$ 1,060,450	\$ 1,018,143	\$ 370,489	\$ 2,583,253
Unassigned	(436,051)	(302,206)	(978,078)	(740,122)	(1,912,267)
Total other governmental funds	<u>\$ 727,071</u>	<u>\$ 758,244</u>	<u>\$ 40,065</u>	<u>\$ (369,633)</u>	<u>\$ 670,986</u>

Source: City Administrative Services Department.

Note:

¹ 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.

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Revenues:					
Property taxes	\$ 1,252,817	\$ 2,387,652	\$ 2,492,172	\$ 2,525,072	\$ 2,369,270
Sales and use taxes	1,252,817	1,192,703	1,199,467	986,408	917,855
Business license taxes	447,760	508,260	407,452	383,777	221,600
Other taxes	1,473,756	631,202	583,202	554,450	558,182
Licenses and permits	1,012,310	968,981	733,268	491,632	674,137
Fines and forfeitures	104,315	100,602	150,491	114,203	123,547
Use of money and property	239,659	363,487	221,489	107,527	49,555
Charges for services	316,052	842,995	630,758	442,179	345,137
Revenues from other agencies	1,034,968	1,558,834	1,269,099	955,535	1,099,465
Other revenues	3,150	95,449	7,873	2,681	147,624
Total revenues	7,137,604	8,650,165	7,695,271	6,563,464	6,506,372
Expenditures:					
Current:					
General government	2,891,255	3,134,345	3,619,451	3,257,757	2,913,496
Public safety	1,705,599	1,878,066	1,898,712	2,111,932	1,819,095
Public works	428,794	589,891	551,488	533,166	591,294
Community services	1,444,252	1,617,366	1,472,495	1,347,204	1,215,844
Public health	37,026	44,290	24,148	28,101	34,059
Capital outlay	959,921	1,795,830	483,657	814,030	393,715
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Total expenditures	7,466,847	9,059,788	8,049,951	8,092,190	6,967,503
Excess (deficiency) of revenues over (under) expenditures	(329,243)	(409,623)	(354,680)	(1,528,726)	(461,131)
Other financing sources (uses):					
Transfers in	-	-	48,062	-	-
Transfers out	-	-	(48,062)	-	-
Bond issued	-	-	-	-	-
Gain on sale of capital asset	-	800,000	-	-	-
Donations	-	-	-	-	-
Total other financing sources (uses)	-	800,000	-	-	-
Net change in fund balances	\$ (329,243)	\$ 390,377	\$ (354,680)	\$ (1,528,726)	\$ (461,131)
Debt service as a percentage of noncapital expenditures	N/A	N/A	N/A	N/A	N/A

Source: City Administrative Services Department.

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

		Fiscal Year				
		2011	2012	2013	2014	2015
\$	2,494,828	\$ 2,492,529	\$ 2,531,240	\$ 2,724,873	\$ 2,953,241	
	917,016	871,060	893,871	902,838	908,399	
	267,177	236,334	250,668	247,188	236,503	
	590,954	620,883	666,801	645,399	671,031	
	681,549	945,463	1,057,943	1,628,949	2,074,361	
	103,258	123,299	86,871	88,962	76,532	
	34,489	26,341	24,759	26,586	22,569	
	345,871	336,337	255,098	416,141	363,640	
	2,261,985	1,779,337	1,146,994	3,700,252	3,380,710	
	15,317	39,642	11,459	9,533	38,887	
	<u>7,712,444</u>	<u>7,471,225</u>	<u>6,925,704</u>	<u>10,390,721</u>	<u>10,725,873</u>	
	3,040,509	2,821,517	4,367,972	2,700,233	2,753,752	
	1,830,016	1,588,967	1,739,467	1,906,657	1,870,550	
	545,170	545,997	521,988	747,844	663,858	
	1,300,490	1,188,626	1,219,020	1,278,713	1,206,302	
	21,329	16,568	14,781	26,478	25,422	
	1,095,335	970,781	1,539,850	3,694,598	1,962,616	
	-	-	152,000	155,700	168,000	
	-	-	54,335	58,359	53,407	
	-	-	71,784	-	-	
	<u>7,832,849</u>	<u>7,132,456</u>	<u>9,681,197</u>	<u>10,568,582</u>	<u>8,703,907</u>	
	<u>(120,405)</u>	<u>338,769</u>	<u>(2,755,493)</u>	<u>(177,861)</u>	<u>2,021,966</u>	
	-	13,395	100,355	74,047	-	
	-	(13,395)	(100,355)	(74,047)	-	
	-	-	1,807,000	-	-	
	-	-	-	-	-	
	-	100,000	-	-	-	
	-	<u>100,000</u>	<u>1,807,000</u>	<u>-</u>	<u>-</u>	
\$	<u>(120,405)</u>	<u>\$ 438,769</u>	<u>\$ (948,493)</u>	<u>\$ (177,861)</u>	<u>\$ 2,021,966</u>	
	N/A	N/A	2.6%	3.2%	3.4%	

CITY OF ROLLING HILLS ESTATES

Business Tax Rates

June 30, 2015

FEE TYPE	BUSINESS TYPE / DESCRIPTION
Application fee	
\$20	New license
\$10	Renewal
Flat fee	
\$40	Contractor
\$100	Delivery, gardener, maintenance, seasonal businesses
\$450	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.

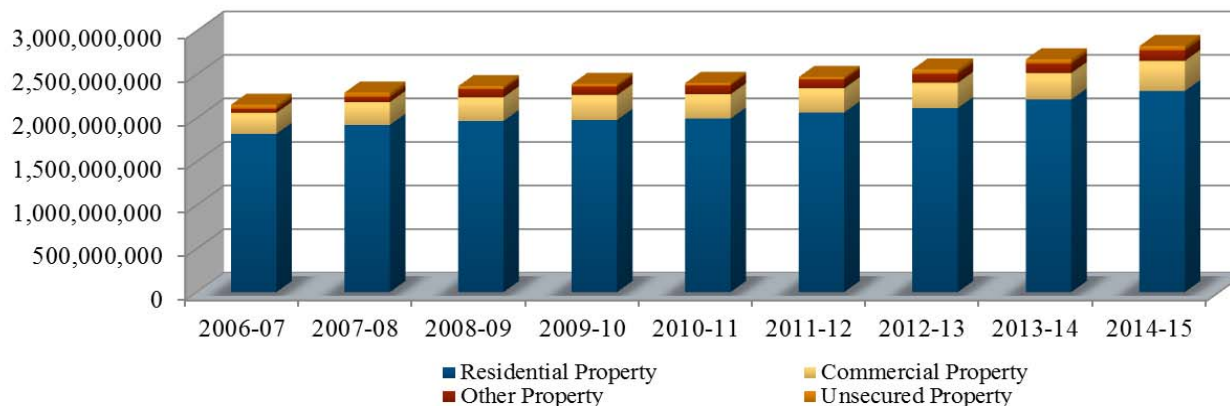
CITY OF ROLLING HILLS ESTATES

Property Tax-Principal Payers
Last Fiscal Year and Nine Years Ago

Taxpayer	2014-15			2005-06		
	Taxable Value (\$)	Rank	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Rank	Percent of Total City Taxable Value (%)
Stopen LLC	104,517,553	1	3.75%	-		0.00%
Vestar Peninsula Retail Llc	87,696,332	2	3.14%	-		0.00%
Cox Communications Calif Llc	22,368,930	3	0.80%	12,880,508	3	0.65%
Anastasi Dev Company Llc	17,378,542	4	0.62%	-		0.00%
Highpoint Assoc Iii Llc	10,748,578	5	0.39%	4,467,881	11	0.23%
Continental Rhe Corp	10,574,945	6	0.38%	9,300,000	4	0.47%
Koll Per Peninsula Pointe Llc	10,267,266	7	0.37%	-		0.00%
Silver Spur Shopping Center Ll	10,219,804	8	0.37%	8,987,714	5	0.45%
Norris Center For Performing A	8,566,594	9	0.31%	-		0.00%
Park Rolling Hills Llc	8,064,938	10	0.29%	-		0.00%
J P Morgan Chase Bank	7,283,991	11	0.26%	-		0.00%
Longs Drug Stores Inc.	7,006,811	12	0.25%	-		0.00%
Rolling Hills Country Club	6,554,196	13	0.24%	5,150,686	8	0.26%
609 Deep Valley Llc	6,380,025	14	0.23%	-		0.00%
Cento Family 1 Llc	4,833,695	15	0.17%	-		0.00%
Chiang Martin K Jane	4,739,102	16	0.17%	2,642,560	19	0.13%
Refoua Llc	4,517,135	17	0.16%	-		0.00%
Freer Randy	4,097,498	18	0.15%	-		0.00%
Brickwalk Llc	3,907,676	19	0.14%	3,436,584	12	0.17%
Post Avenue Real Property Lp	3,786,850	20	0.14%	3,330,300	13	0.17%
Merryweather Properties	3,757,856	21	0.13%	3,304,800	14	0.17%
Deep Valley Drive Llc	3,710,967	22	0.13%	3,261,608	15	0.16%
Rolling Hills Capital Llc	3,447,950	23	0.12%	3,032,259	16	0.15%
Al Sal Oil Company Inc.	3,264,273	24	0.12%	-		0.00%
Lai John	3,144,000	25	0.11%	-		0.00%
Cousins Properties Inc	-		0.00%	74,151,309	1	3.75%
Principal Life Insurance Company	-		0.00%	52,622,039	2	2.66%
Tumanjan George TR	-		0.00%	5,610,833	6	0.28%
Peninsula Pointe LLC	-		0.00%	5,426,641	7	0.27%
Rolling Hills Estate	-		0.00%	4,842,922	9	0.24%
Palos Verdes Medical Center	-		0.00%	4,755,316	10	0.24%
Rolling Hills Investments Inc	-		0.00%	2,753,461	17	0.14%
H & F Associates	-		0.00%	2,643,134	18	0.13%
Soroudi Mehdi Tr Et Al	-		0.00%	2,474,323	20	0.13%
Xie Jian T	-		0.00%	2,377,082	21	0.12%
Verde Hills LLC	-		0.00%	2,375,903	22	0.12%
Phillips Kent	-		0.00%	2,306,638	23	0.12%
Vons Co Inc	-		0.00%	2,290,765	24	0.12%
California Water Service Co	-		0.00%	2,247,560	25	0.11%
Total Top 25 Taxpayers	<u>360,835,507</u>		<u>12.94%</u>	<u>226,672,826</u>		<u>11.44%</u>
Total Taxable Value	<u>\$ 2,788,550,739</u>		<u>100.00%</u>	<u>\$ 1,978,895,452</u>		<u>100.00%</u>

CITY OF ROLLING HILLS ESTATES
 Citywide Assessed Value and Estimated Actual Value of Taxable Property
 Last Nine Fiscal Years

Fiscal Year End	Residential Property	Commercial Property	Other Property	Unsecured Property	Less Tax-Exempt Property	Taxable Assessed Value	% Change	Total Direct Tax Rate (1)	Estimated Actual Taxable Value (2)	Factor of Taxable Assessed Value (2)
2006-07	1,816,626,506	241,497,438	46,335,087	45,356,848	41,631,500	2,108,184,379	-	.066911	-	-
2007-08	1,920,235,241	262,232,643	58,461,236	49,268,371	44,202,701	2,245,994,790	6.54%	.066911	-	-
2008-09	1,964,156,378	272,300,616	92,297,834	34,269,843	46,147,592	2,316,877,079	3.16%	.066911	3,081,492,853	1.330020
2009-10	1,976,409,539	286,272,572	95,377,084	30,457,260	46,560,140	2,341,956,315	1.08%	.066911	2,432,753,961	1.038770
2010-11	1,993,512,479	278,689,956	98,863,310	28,939,924	45,631,511	2,354,374,158	0.53%	.066911	2,320,431,747	0.985583
2011-12	2,061,696,869	277,854,185	99,946,323	29,751,454	38,867,923	2,430,380,908	3.23%	.066911	2,880,175,075	1.185071
2012-13	2,112,132,352	290,644,062	103,898,054	49,151,518	39,321,445	2,516,504,541	3.54%	.066911	2,798,147,570	1.111918
2013-14	2,211,361,003	303,910,169	107,689,529	48,780,757	47,008,914	2,624,732,544	4.30%	.066911	3,735,116,198	1.423046
2014-15	2,308,624,551	346,851,193	117,684,039	51,525,127	36,134,171	2,788,550,739	6.24%	.066911	3,422,382,717	1.227298



Source: County Assessor data, MuniServices, LLC

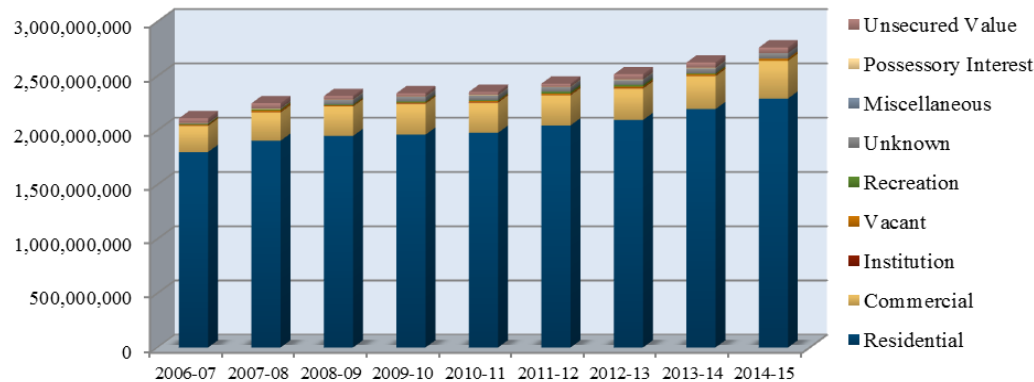
(-) Data Unavailable

(1.) Total direct tax rate is represented by TRA 007-085

(2.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices. Based on these calculations a multiplier value was extrapolated and applied to current assessed values.

CITY OF ROLLING HILLS ESTATES
 Net Assessed Value of Property by Use Code, Citywide
 Last Nine Fiscal Years

Category	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Residential	1,800,249,616	1,903,619,710	1,947,769,093	1,959,884,813	1,977,045,555	2,045,190,204	2,094,679,181	2,195,271,320	2,292,876,070
Commercial	241,490,438	262,225,643	272,293,616	286,265,572	278,682,956	277,847,185	290,637,062	303,903,169	346,844,193
Institution	3,717,519	2,995,194	3,211,846	3,373,427	4,696,332	3,537,694	3,585,954	3,643,361	3,166,911
Vacant	6,634,907	16,180,135	6,605,565	6,398,075	8,982,524	11,676,070	13,318,109	14,000,694	21,138,113
Recreation	7,038,058	7,801,680	7,610,444	7,956,210	8,167,553	16,305,996	16,715,571	8,610,967	18,382,835
Unknown	3,712,348	3,917,620	42,048,529	44,462,502	44,690,082	42,582,090	45,404,330	47,148,755	51,187,553
Miscellaneous	89,645	91,437	93,264	95,127	94,900	126,614	124,224	126,708	52,394
Possessory Interest	3,318,471	3,313,171	3,069,879	3,158,329	3,164,332	3,458,601	2,983,592	3,341,813	3,472,543
Net Secured Value	2,066,251,002	2,200,144,590	2,282,702,236	2,311,594,055	2,325,524,234	2,400,724,454	2,467,448,023	2,576,046,787	2,737,120,612
Unsecured Value	45,251,848	49,163,371	34,174,843	30,362,260	28,849,924	29,656,454	49,056,518	48,685,757	51,430,127
Net Assessed Value	2,111,502,850	2,249,307,961	2,316,877,079	2,341,956,315	2,354,374,158	2,430,380,908	2,516,504,541	2,624,732,544	2,788,550,739



Source: Los Angeles County Assessor data, MuniServices, LLC
 Use code categories are based on Los Angeles County Assessor's data

CITY OF ROLLING HILLS ESTATES
Direct and Overlapping Property Tax Rates
Last Nine Fiscal Years

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Basic City and County Levy									
CITY OF ROLL HLS ES	0.066911	0.066911	0.066911	0.066911	0.066911	0.066911	0.066911	0.066911	0.066911
COUNTY OF LA	0.933089	0.933089	0.933089	0.238551	0.238551	0.238551	0.238551	0.238551	0.238551
LA COUNTY FIRE	0.000000	0.000000	0.000000	0.007086	0.007086	0.007086	0.007086	0.007086	0.007086
CONSOL. FPD OF LA CO.	0.000000	0.000000	0.000000	0.172646	0.172646	0.172646	0.172646	0.172646	0.172646
LA CO FLOOD CONTROL	0.000000	0.000000	0.000000	0.011279	0.011279	0.011279	0.011279	0.011279	0.011279
PALOS VERDES LIBRARY DIST	0.000000	0.000000	0.000000	0.033231	0.033231	0.033231	0.033231	0.033231	0.033231
LA CO WEST VECTOR CONT.	0.000000	0.000000	0.000000	0.000669	0.000669	0.000669	0.000669	0.000669	0.000669
CO SANITATION DIST NO.5	0.000000	0.000000	0.000000	0.011980	0.011980	0.011980	0.011980	0.011980	0.011980
WTR REPLEN DIST OF SO CAL	0.000000	0.000000	0.000000	0.000171	0.000171	0.000171	0.000171	0.000171	0.000171
EDUCATIONAL REV AUGM FD	0.000000	0.000000	0.000000	0.209606	0.209606	0.209606	0.209606	0.209606	0.209606
LA CITY COMM COLLEGE DIST	0.000000	0.000000	0.000000	0.030025	0.030025	0.030025	0.030025	0.030025	0.030025
PALOS VERDES PENINS. UNI	0.000000	0.000000	0.000000	0.200387	0.200387	0.200387	0.200387	0.200387	0.200387
COUNTY LIGHTING MAINT	0.000000	0.000000	0.000000	0.004074	0.004074	0.004074	0.004074	0.004074	0.004074
LA COUNTY ACCUM CAP	0.000000	0.000000	0.000000	0.000112	0.000112	0.000112	0.000112	0.000112	0.000112
LA COUNTY SCHOOLS	0.000000	0.000000	0.000000	0.013272	0.013272	0.013272	0.013272	0.013272	0.013272
TOTAL 1% BREAKOUT	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Override Assessments									
COUNTY OF LA	0.000700	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
UNIFIED SCHOOLS	0.014100	0.019760	0.020177	0.021642	0.022493	0.022511	0.024102	0.023109	0.023289
COMMNTY COLLEGE	0.021500	0.008794	0.022115	0.023112	0.040310	0.035296	0.048750	0.044541	0.040174
PALOS VERDES LIB	0.007300	0.006854	0.006801	0.006618	0.006719	0.006359	0.006441	0.006118	0.005854
METRO WATER DIST	0.004700	0.004500	0.004300	0.004300	0.003700	0.003700	0.003500	0.003500	0.003500
TOTAL OVERRIDE RATE	0.048300	0.039908	0.053393	0.055672	0.073222	0.067866	0.082793	0.077268	0.072817
TOTAL TAX RATE	1.048300	1.039908	1.053393	1.055672	1.073222	1.067866	1.082793	1.077268	1.072817

Source: Los Angeles County Auditor/Controller data, MuniServices, LLC
 TRA 7-085 is represented for this report

CITY OF ROLLING HILLS ESTATES

Principal Sales Tax Producers
Last Fiscal Year and Nine Years Ago

2014-15	2005-06
Abercrombie & Fitch	Abercrombie & Fitch
Ann Taylor	Ann Taylor
Arco AM/PM Mini Marts	Arco AM/PM Mini Marts
Atlantic Coast Media Group	Banana Republic
Banana Republic	Borders Books & Music
Bristol Farms Market	Bristol Farms Market
Chicken Maison	Chandler's Sand & Gravel
Chico's	Chico's
CVS/Pharmacy	CVS/Pharmacy
Fu Yuan Low Restaurant	J. Crew
J. Crew	Marmalade Cafe
Mama Terano	Morgan's Jewelers
Medawar Fine Jewelers	Petco Animal Supplies
Morgan's Jewelers	Red Onion Restaurant
Petco Animal Supplies	Restoration Hardware
Red Onion Restaurant	Rite Aid Drug Stores
Rite Aid Drug Stores	Rolling Hills Country Club
Rolling Hills Country Club	Ruby's Diner
Rubio's Baja Grill	Saks Fifth Avenue
Ruby's Diner	Stein Mart
Talbots Store	Talbots Store
The Gap	The Gap
TJ Maxx	TJ Maxx
Vons Grocery Company	Vons Grocery Company
Williams-Sonoma	Williams-Sonoma

Source: SBOE data, MuniServices, LLC
Top Sales Tax Producers listed in alphabetical order.

CITY OF ROLLING HILLS ESTATES

Direct and Overlapping Debt

June 30, 2015

2014-15 Assessed Valuation: \$2,811,272,292

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2015	% Applicable (1)	City's Share of Debt 6/30/15
Los Angeles County Flood Control District	15,105,000	0.238%	\$ 35,950
Metropolitan Water District	110,420,000	0.121%	133,608
Los Angeles Community College District	3,882,265,000	0.426%	16,538,449
Palos Verdes Peninsula Unified School District	73,113,825	13.731%	10,039,259
City of Rolling Hills Estates	-	100.00%	-
Palos Verdes Library District	2,420,000	13.083%	316,609
Los Angeles County Regional Park and Open Space Assessment District	82,880,000	0.234%	193,939
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	<u>\$ 4,166,203,825</u>		<u>\$ 27,257,814</u>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Los Angeles County General Fund Obligations	\$ 1,885,330,518	0.234%	\$ 4,411,673
Los Angeles County Superintendent of Schools Certificates of Participation	8,719,113	0.234%	20,403
Los Angeles County Sanitation District No. 5 Authority	31,643,711	3.269%	1,034,433
Los Angeles County Sanitation District South Bay Cities Authority	5,391,433	0.029%	1,564
SUBTOTAL GROSS OVERLAPPING GENERAL FUND DEBT			<u>5,468,073</u>
City of Rolling Hills Estates Pension Obligation Bonds	1,332,000	100.000%	<u>1,332,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$ 6,800,073</u>
Less: Los Angeles County General Fund Obligations supported by landfill revenues			<u>10,635</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$ 6,810,708</u>
 TOTAL DIRECT DEBT			 \$ 1,332,000
GROSS TOTAL OVERLAPPING DEBT			\$ 32,725,887
NET TOTAL OVERLAPPING DEBT			\$ 32,715,252
 GROSS COMBINED TOTAL DEBT			 \$ 34,057,887
NET COMBINED TOTAL DEBT			\$ 34,047,252

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

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

Ratios to Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	0.97%
Total Direct Debt (\$1,332,000)	0.05%
Gross Combined Total Debt.....	1.21%
Net Combined Total Debt.....	1.21%

Source: MuniServices, LLC

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

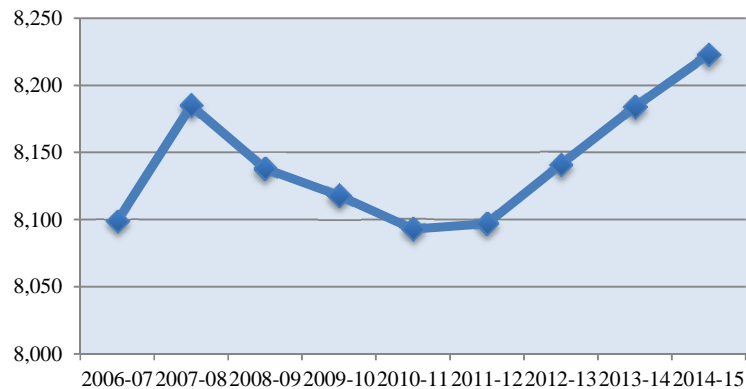
	Fiscal Year				Fiscal Year					
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assessed valuation	\$ 1,990,314,921	\$ 2,111,502,850	\$ 2,249,307,961	\$ 2,316,877,079	\$ 2,341,956,315	\$ 2,354,374,158	\$ 2,430,380,908	\$ 2,516,504,541	\$ 2,624,732,544	\$ 2,788,550,739
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	298,547,238	316,725,428	337,396,194	347,531,562	351,293,447	353,156,124	364,557,136	377,475,681	393,709,882	418,282,611
Total net debt applicable to limit: Pension obligation bonds	-	-	-	-	-	-	-	1,655,000	1,500,000	1,332,000
Legal debt margin	<u>\$ 298,547,238</u>	<u>\$ 316,725,428</u>	<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>	<u>\$ 392,209,882</u>	<u>\$ 416,950,611</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%	0.3%

Source: MuniServices, LLC & City

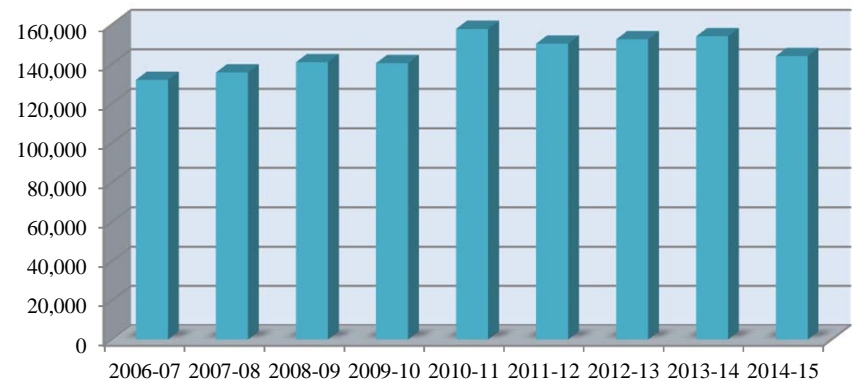
CITY OF ROLLING HILLS ESTATES
Demographic and Economic Statistics
Last Nine Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita	Median Age (3)	Public	County	City	*County Population	Average	% High	Median
			Personal Income		School Enrollment	Unemployment Rate (%) (4)	Unemployment Rate (%) (4)		Household Size (3)	School Grads (3)	Household Income (3)
2006-07	8,099	573,206,725	70,775	44.9	12,030	4.7	1.2	0	-	-	131,911
2007-08	8,185	601,542,415	73,493	0.0	11,996	5.0	1.3	0	-	-	135,668
2008-09	8,138	595,953,878	73,231	44.9	12,033	7.5	1.9	10,301,658	-	-	140,877
2009-10	8,118	601,884,756	74,142	44.9	11,900	11.6	3.4	10,355,053	2.73	96.9	140,376
2010-11	8,093	602,386,269	74,433	44.9	11,900	12.7	3.8	9,858,989	2.78	98.2	157,730
2011-12	8,097	634,253,232	78,332	47.3	11,840	11.1	3.3	9,884,632	2.74	97.9	150,241
2012-13	8,141	647,008,254	79,475	48.5	11,873	11.0	3.2	9,958,091	2.66	98.3	152,435
2013-14	8,184	659,950,558	80,639	47.1	11,700	7.6	2.2	10,041,797	2.57	97.1	153,986
2014-15	8,223	562,767,401	68,438	47.4	11,632	7.1	3.4	10,136,559	2.75	98.6	143,958

Population



Median Household Income



Source: MuniServices, LLC

- 1.) Population Projections are provided by California Department of Finance Projections.
 - 2.) Income Data is provided by the U.S. Census Bureau, 2010 American Community Survey. Income estimates now incorporate 2010 Census counts as the benchmark.
 - 3.) Median Age, Average Household size, % High School Grads and Median Household Income is provided by US Census data.
 - 4.) Unemployment Rates are provided by the EDD, Labor Market Information Division.
- *Public School Enrollment is provided the California Department of Education. .

CITY OF ROLLING HILLS ESTATES

Principal Employees

Last Fiscal Year and Eight Years Ago

Business Name	2014-15		2006-07	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Palos Verdes Peninsula Unified School District	1,421	39.47%	1,800	43.09%
Equinox Palos Verdes	125	3.47%	0	0.00%
Rolling Hills Covenant Church	125	3.47%	0	0.00%
Vons Co/Pavillions Store #2333	118	3.28%	150	3.66%
Bristol Farms	100	2.78%	100	2.44%
Pinnisula Center Library	86	2.39%	0	0.00%
Spectrum Health Club	70	1.94%	0	0.00%
Rolling Hills Country Club*	60	1.67%	100	2.44%
Wells Fargo Advisors	55	1.53%	0	0.00%
Red Onion Restaurant	45	1.25%	44	1.07%
Delta Computer Consulting Inc	0	0.00%	165	4.02%
Longs	0	0.00%	67	1.63%
Cox Communications	0	0.00%	49	1.20%
TJ Maxx	0	0.00%	37	0.90%
City of Rolling Hills Estates	23	0.06%	35	0.85%
Total Top Employers	2,228	61.31%	2,547	61.30%
Total City Labor Force (1)	3,600		4,100	0.64%

Source: MuniServices, LLC

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

*Includes full and part time. Club is temporarily closed for renovations. Expected to reopen in fall 2016.

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

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

Full-Time and Part-Time Employees as of June 30,					
Function	2011	2012	2013	2014	2015
General government	15	15	13	13	12
Public safety	1	2	2	0	0
Community services	10	7	7	7	7
Equestrian	7	7	6	0	0
Tennis	4	4	3	4	4
Total	37	35	31	24	23

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				
	2011	2012	2013	2014	2015
Police:					
Arrests	184	113	80	53	95
Parking citations issued	519	635	333	214	156
Fire:					
Number of emergency calls	487	531	691	706	787
Inspections	4	3	263	515	859
Public works:					
Street resurfacing (miles)	2	<1	1.2	<1	<1
Community services:					
Number of recreation classes	5	5	5	5	5
Number of facility rentals	10	10	10	10	14
Equestrian:					
Number of equestrian classes	40	40	40	20	20
Number of facility rentals	16	16	16	15	17
Tennis:					
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 Sheriff's Dept., & L.A. County Fire Dept.

*Data not readily available

CITY OF ROLLING HILLS ESTATES

Capital Asset Statistics by Function

Last Five Fiscal Years

	Fiscal Year				
	2011	2012	2013	2014	2015
Police:					
Stations	0	0	0	0	0
Fire:					
Fire stations	1 LA County's	1 LA County's	1 LA County's	1 LA County's	1 LA County's
Public works:					
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
Community services:					
Parks	7	7	7	7	7
Community centers	1	1	1	1	1
Equestrian:					
Facilities	1	1	1	1	1
Tennis:					
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

Street Conditions

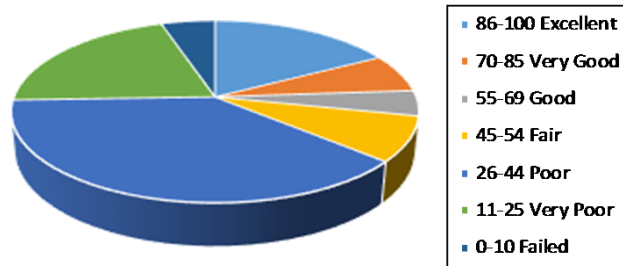
June 30, 2015

The street inventory for the City consists of 28.4 miles of streets with a pavement area of 5,242,000 square feet of streets. The condition of the roads of the City were as follows for 2014 and 2011:

	86-100 Excellent	70-85 Very Good	55-69 Good	45-54 Fair	26-44 Poor	11-25 Very Poor	0-10 Failed
2014	17.1%	6.8%	4.5%	8.0%	38.2%	20.6%	5.0%
2011	9%	12%	9%	9%	24%	17%	20%

Year 2014 Street Conditions

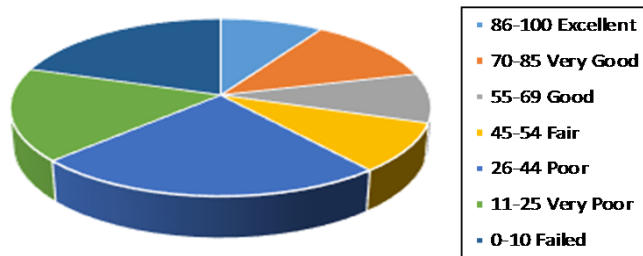
Average PCI = 47.9



Year 2011 Street Conditions

(PCI Distribution)

Projected Average PCI = 34.4



Source: WillDan Pavement Management Reports 2014 and 2011

Refer to the 2014 Pavement Management Report for long-term cost of the street maintenance program.

CITY OF ROLLING HILLS ESTATES

Miscellaneous Statistics

June 30, 2015

Date of incorporation	September 18, 1957
Population	8,223
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
Employees:	
Full-time	19
Other	4
Business licenses issued	1,308
Number of Registered Voters	5,838

Source: City Departments, Los Angeles County Registrar - Recorder, & California Dept. of Finance