

**CITY OF ROLLING HILLS ESTATES,
CALIFORNIA**

Comprehensive Annual Financial Report

Year Ended June 30, 2016

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



Certified
Public
Accountants

CITY OF ROLLING HILLS ESTATES

Comprehensive Annual Financial Report

Year Ended June 30, 2016

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INTRODUCTORY SECTION

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STEVEN ZUCKERMAN
Mayor
FRANK V. ZERUNYAN
Mayor Pro Tem
BRITT V. HUFF
Council Member
JUDY MITCHELL
Council Member
VELVETH SCHMITZ
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
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December 28, 2016

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, 2016, 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 8,028. 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, 2016, 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, 2017, 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 continues to monitor the build-out of a major remodel and expansion of the Peninsula Shopping Center including four new building pads, parking and circulation reconfiguration, and new landscaping and signage.
- The City Council approved two assisted living projects; one at the Village Shopping Center and a second at the former office building named Peninsula Pointe.
- The Planning Commission approved 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 two single family homes and a two-lot subdivision at 5883 Crest Road (northeast corner of Highridge and Crest Roads).
- 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 utilizing the findings of Cotton and Shire, a geotechnical consulting firm, which will require a redesign 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 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 full-time Zoning and Code Administrator.

Public Works

- In FY 2015-16, the City completed “Year 2” of 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. 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.
- Construction of the Silver Spur Pedestrian Pathway and Resurfacing Project partially funded by a Safe Route to Schools (SR2S) grant in the amount of \$328,700 was completed in October 2015. 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, and 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.
- In May 2016, a slurry seal project on approximately six miles of residential streets (Golden Spar Place, Palos Verdes Lane, Ranchview Road, Santa Bella Road, Seahurst Road, Shady Vista Road and Silver Saddle Lane; Chalmette Lane, Ferncreek Drive, Hampshire Lane, Hidden Valley Road, Masongate Drive, Pleasant Hill Drive, Ponderosa Lane, Stagecoach Lane and Sugarhill Hill Drive; Aurora Drive, Celeste Place, Cerrito Place, Dorado Place, Encanto Drive, Lantana Place, Montecillo Drive and Vista Real Drive) plus a section of Silver Spur Road was completed as recommended in the City’s 2014 Pavement Management System report prepared by Willdan Engineering. The PMS report 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.
- A Traffic Signal Modification Project at the intersection of Palos Verdes Drive North and Rolling Hills Road/Portuguese Bend Road to install new traffic signal poles began in FY 2015-16. Once completed, the project will allow for a “protected/permissive” left-turn signal. Much of the project is funded with a “gift” of Proposition C and Measure R funds from the City of Rolling Hills.

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.

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 U.S. 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 \$750,000 is expended on Federal financial assistance programs, the City is required to undergo an annual single audit in conformity with the provisions of the 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). For the year ended June 30, 2016, less than \$750,000 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, Capital Project 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, unexpended 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, 2015. This was the eighteenth 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: Mike Whitehead, 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, 2016

FRANK V. ZERUNYAN

MAYOR

BRIT HUFFF

MAYOR PRO TEMPORE

VELVETH SCMITZ

COUNCIL MEMBER

JUDY MITCHELL

COUNCIL MEMBER

STEVEN ZUCKERMAN

COUNCIL MEMBER

City Manager

Douglas R. Prichard

Assistant City Manager

Gregory Grammer

City Attorney

Administrative Services Director

Director of Planning

Director of Community Services

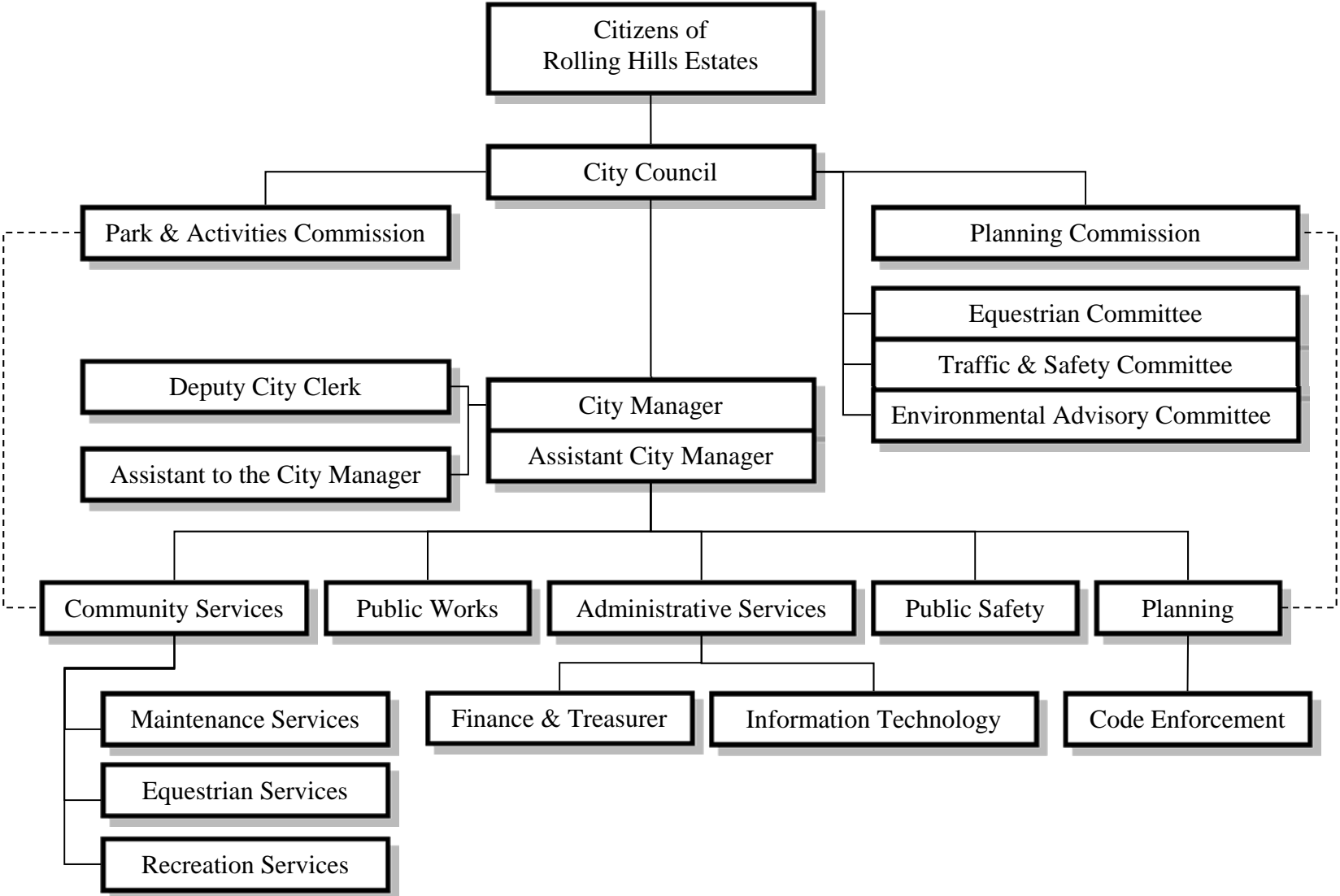
Donald M. Davis

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, 2015

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 Estate, 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, 2016, 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, 2016, 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 Notes 1 and 3, effective July 1, 2015, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The implementation of this statement resulted in disclosures made about fair value measurements, the level of fair value hierarchy, and valuation techniques. 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 and budgetary comparison information for the General Fund, schedule of proportionate share of the net pension liability and the schedule of City contribution to the pension plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2016, 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 28, 2016

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CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)
June 30, 2016

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, 2016. 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 \$4,129,172 as of the measurement date June 30, 2015, and reporting date June 30, 2016. 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 deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the net pension liability.
- 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 \$13,783,606 (*net position*).
- The City had a \$3,810,263 deficit in *unrestricted net position* that will be funded by future revenues. The City had \$330,278 in deferred outflows of resources and \$1,276,552 in deferred inflows of resources as of June 30, 2016, resulting in net deferred payments from changes in the pension liabilities of the City.
- The City's overall net position increased by \$2,319,158 from the prior fiscal year.
- The City's governmental funds in total reported combined ending fund balances of \$5,056,040, an increase of \$601,619 in comparison with the prior year. Approximately \$2,779,451 (*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, 2016 (page 20), the year-end deficit of \$1,463,367 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 \$776,674 from \$3,783,435 on June 30, 2015 to \$4,560,109 June 30, 2016. In the past two years 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 \$2,378,531 or 29%, of total General Fund current operating expenditures. Out of the General Fund's assigned fund balance, \$900,000 has been allocated for capital projects, \$240,000 for equipment, \$300,000 for pension liabilities, and \$600,000 for capital projects replacement.



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)
June 30, 2016
(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, deferred outflows of resources, liabilities and deferred outflows of resources, with the difference 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, 2016
(Continued)

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

The City maintains 18 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 14 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 fund 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,783,606 in fiscal year 2015-16, an increase from fiscal year 2014-15 when assets exceeded liabilities by \$11,464,448. The largest portion of the City's total net position (\$15,443,657 or 112% of the total net position in fiscal year 2015-16, and \$13,932,513 or 122% of the total net position in fiscal year 2014-15 reflects its net investment in capital assets (e.g. land,



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)
 June 30, 2016
 (Continued)

building, facilities, vehicles, equipment and infrastructure net of accumulated depreciation). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending

An additional portion of the City's total net position (\$2,150,212 or 15.6% of the total net position in fiscal year 2015-16, and \$2,598,454 or 22.5% in fiscal year 2014-15) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted total net position (\$-3,810,263 or -27.2% in fiscal year 2015-16, and \$-5,066,519 or -44.2% in fiscal year 2014-15) represents amounts that will be funded by future revenues.

The following table presents of a summary of the City's net position as of June 30, 2016 and 2015:

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2015-2016	FY 2014-2015	FY 2015-2016	FY 2014-2015	FY 2015-2016	FY 2014-2015
Current and Other Assets	\$ 6,289,329	\$ 5,551,959	\$ (73,670)	\$ (191,716)	\$ 6,215,659	\$ 5,360,243
Capital Assets	15,340,607	13,821,968	103,050	110,545	15,443,657	13,932,513
Total Assets	21,629,936	19,373,927	29,380	(81,171)	21,659,316	19,292,756
Deferred outflows of resources						
Difference between expected and actual actuarial experience	13,518	-	-	-	13,518	-
Pension contributions after the measurement date	316,760	218,382	-	-	316,760	218,382
Total Deferred Outflows of resources	330,278	218,382	-	-	330,278	218,382
Current Liabilities	1,233,289	1,062,386	821	190	1,234,110	1,062,576
Long Term Liabilities	1,566,154	1,727,609	-	-	1,566,154	1,727,609
Net pension liability	4,129,172	3,857,655	-	-	4,129,172	3,857,655
Total Liabilities	6,928,615	6,647,650	821	190	6,929,436	6,647,840
Deferred inflows of resources						
Difference between actual and expected investment earnings	64,115	1,296,351	-	-	64,115	1,296,351
Changes of assumptions	127,894	-	-	-	127,894	-
Change in employer's proportion	765,043	-	-	-	765,043	-
Change in proportionate share of contributions related to pension	319,500	102,499	-	-	319,500	102,499
Total Deferred Inflows of resources	1,276,552	1,398,850	-	-	1,276,552	1,398,850
Net Investment in Capital Assets	15,340,607	13,821,968	103,050	110,545	15,443,657	13,932,513
Restricted	2,150,212	2,598,454	-	-	2,150,212	2,598,454
Unrestricted (deficit)	(3,735,772)	(4,874,613)	(74,491)	(191,906)	(3,810,263)	(5,066,519)
Total Net Position	\$ 13,755,047	\$ 11,545,809	\$ 28,559	\$ (81,361)	\$ 13,783,606	\$ 11,464,448



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management’s Discussion and Analysis (Unaudited)
 June 30, 2016
 (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 2015-2016	FY 2014-2015	FY 2015-2016	FY 2014-2015	FY 2015-2016	FY 2014-2015
Program Revenues:						
Charges for services	\$ 3,762,644	\$ 2,685,983	\$ 201,802	\$ 181,967	\$ 3,964,446	\$ 2,867,950
Operating grants and contributions	1,205,518	2,704,107	-	-	1,205,518	2,704,107
Capital grants and contributions	865,205	403,567	-	-	865,205	403,567
General Revenues:						
Property taxes	2,959,989	2,953,241	-	-	2,959,989	2,953,241
Local sales taxes	906,872	908,399	-	-	906,872	908,399
Other taxes	1,047,187	907,534	-	-	1,047,187	907,534
Other general revenue	76,350	78,868	27	18	76,377	78,886
Total Revenues	10,823,765	10,641,699	201,829	181,985	11,025,594	10,823,684
Expenses:						
General government	3,470,235	2,944,743	-	-	3,470,235	2,944,743
Public safety	2,013,850	1,870,550	-	-	2,013,850	1,870,550
Public works	1,612,353	1,144,208	-	-	1,612,353	1,144,208
Community services	1,451,622	1,364,917	-	-	1,451,622	1,364,917
Public health	19,239	25,422	-	-	19,239	25,422
Interest on bond payable	47,228	53,407	-	-	47,228	53,407
Equestrian	-	-	802	802	802	802
Tennis	-	-	91,107	77,578	91,107	77,578
Total Expenses	8,614,527	7,403,247	91,909	78,380	8,706,436	7,481,627
Increase in Net Position	2,209,238	3,238,452	109,920	103,605	2,319,158	3,342,057
Net Position, beginning of year	11,545,809	8,307,357	(81,361)	(184,966)	11,464,448	8,122,391
Pension Restatement	-	(5,061,241)	-	-	-	(5,061,241)
Net Position, end of year	\$ 13,755,047	\$ 11,545,809	\$ 28,559	\$ (81,361)	\$ 13,783,606	\$ 11,464,448

Governmental activities. Governmental activities increased the City’s net position by \$2,209,238 in fiscal year 2015-2016, and increased by \$3,238,452 in fiscal year 2014-2015. Key elements of the \$2,209,238 increase in net position are as follows:

- Charges for services increased by \$1.4 million due to issuance of increase building permits which was offset by the decrease of \$535,000 in landfill fees as the landfill closed in the prior year.

Business-type activities. Business-type activities increased the City’s net position by \$109,920 compared to fiscal year 2014-15, which increased \$103,605. The key element of the \$109,920 increase in net position is as follows:

- The City’s Peter Weber Equestrian Center opened a new barn during the year which resulted in increased activity and revenues.

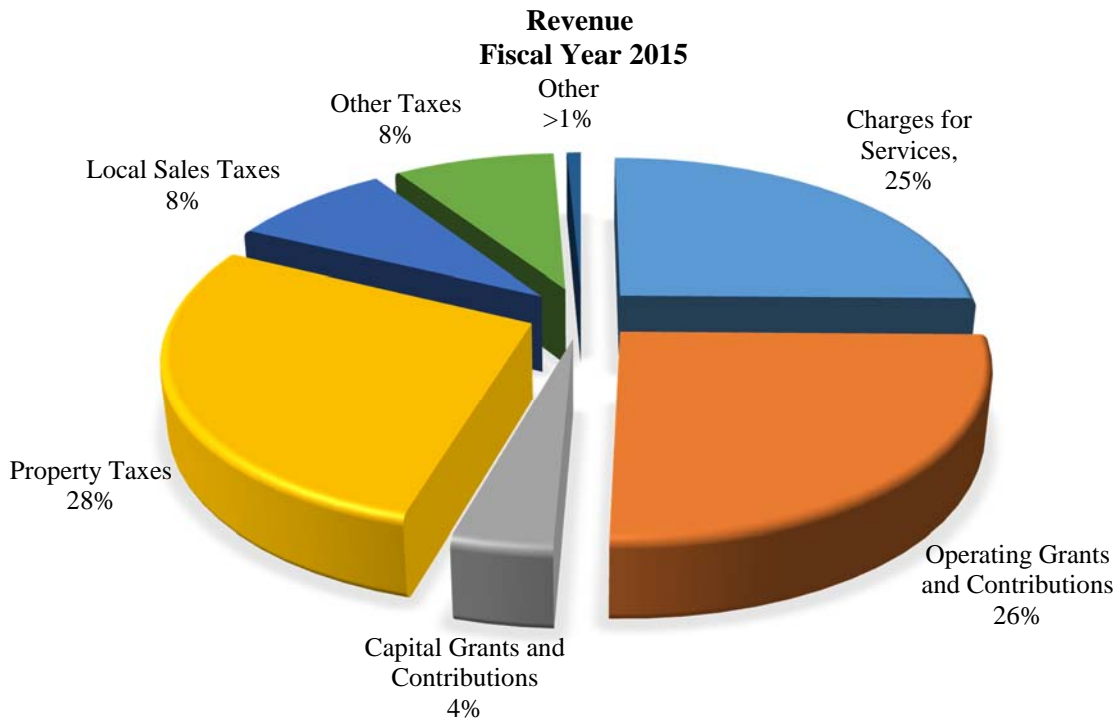
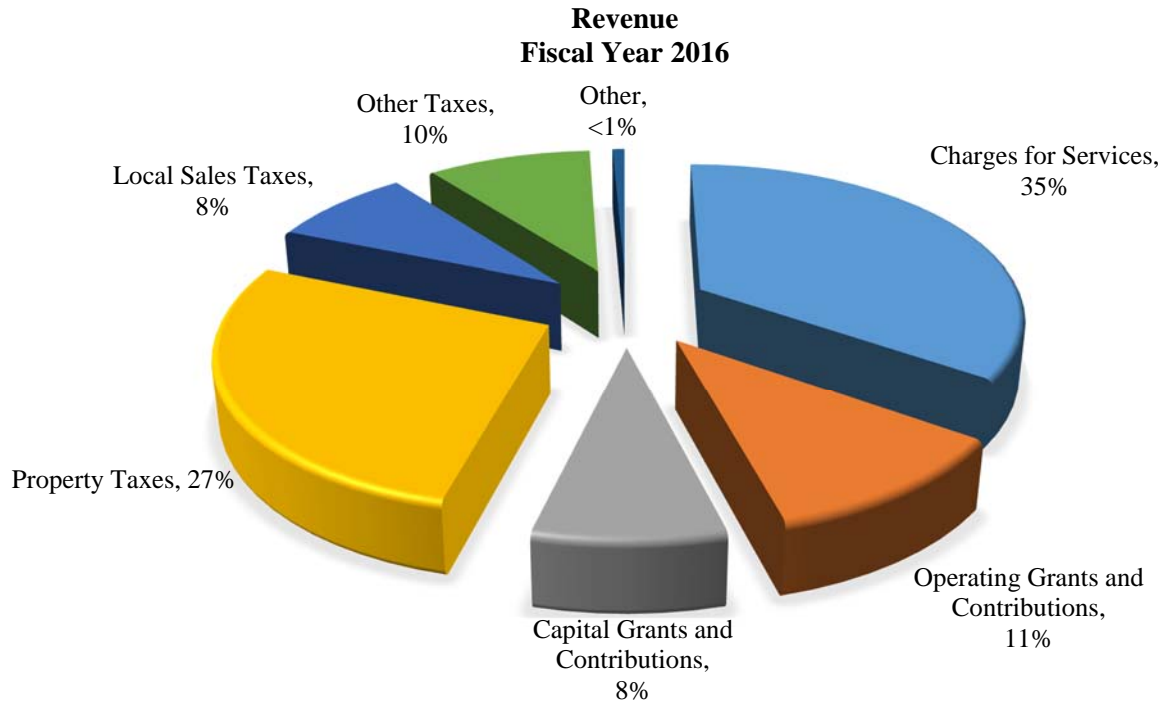


CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)
June 30, 2016
(Continued)

The following charts illustrate the proportion of sources of revenue for the fiscal years ended June 30, 2016 and 2015.

Revenues by Source – Governmental Activities





CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)

June 30, 2016

(Continued)

The City's governmental funds reported combined ending fund balances of \$5,056,040 at June 30, 2016, an increase of \$601,619 in comparison with the prior year, for which ending fund balance was \$4,454,421. Approximately 55% of the combined ending fund balances (\$2,779,451) constitute unassigned and assigned fund balance, which is available for spending at the City's discretion. This is an increase from the 35% reported for fiscal year 2014-15. \$2,250,212 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 (\$364,416), 4) capital projects (\$150,518), and 5) park improvements (\$1,620,077). \$12,822 and \$113,555 are non-spendable for inventories and advances to other funds. The City has assigned fund balances of \$240,000 for equipment, \$900,000 for capital projects, \$600,000 for capital projects replacement, and \$300,000 for pension liabilities.

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 \$2,378,531, an increase from the prior year unassigned fund balance by \$339,103.

During the current fiscal year, the fund balance of the City's General Fund increased by \$776,674. 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 increased by \$413,748 as the City received reimbursements for some project costs during the year.

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 \$109,920 compared to the prior year's increase of \$103,605. 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 \$140,544, and is primarily due to the following revenues not budgeted in the original or final budget amounts:

- Additional revenues in other taxes.



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management’s Discussion and Analysis (Unaudited)
 June 30, 2016
 (Continued)

Capital Asset and Debt Administration

Capital assets. The City’s net investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$15,340,607 (net of accumulated depreciation). The business-type activities investment in capital assets is \$103,050. 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 11% primarily due to infrastructure upgrades.

The following table presents the City’s investment in capital assets, net of accumulated depreciation, as of June 30, 2015 and 2016:

Summary of Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>FY2015-2016</u>	<u>FY2014-2015</u>	<u>FY2015-2016</u>	<u>FY2014-2015</u>	<u>FY2015-2016</u>	<u>FY2014-2015</u>
Land	\$ 3,864,943	\$ 3,864,943	\$ -	\$ -	\$ 3,864,943	\$ 3,864,943
Construction in Progress	2,474,795	1,945,609	-	-	2,474,795	1,945,609
Buildings & Improvements	515,854	561,109	32,557	76,526	548,411	637,635
Facilities & Improvements	769,798	724,554	70,493	34,019	840,291	758,573
Vehicles & Equipment	39,195	49,470	-	-	39,195	49,470
Furniture & Fixtures	4,998	5,317	-	-	4,998	5,317
Infrastructure	7,671,024	6,670,966	-	-	7,671,024	6,670,966
Total	\$ 15,340,607	\$ 13,821,968	\$ 103,050	\$ 110,545	\$ 15,443,657	\$ 13,932,513

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 3(b) on pages 43-44.

Long-term liabilities. The City had total long-term liabilities of \$1,566,154 at June 30, 2016, which is a decrease of \$161,455 or 9.3% from the previous year.

The following is a summary of the City’s long-term liabilities as of June 30, 2015 and 2016:

Summary of Long-Term Liabilities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>FY2015-2016</u>	<u>FY2014-2015</u>	<u>FY2015-2016</u>	<u>FY2014-2015</u>	<u>FY2015-2016</u>	<u>FY2014-2015</u>
Employee compensated absences	\$ 416,154	\$ 395,609	\$ -	\$ -	\$ 416,154	\$ 395,609
Bond	1,150,000	1,332,000	-	-	1,150,000	1,332,000
Total	\$ 1,566,154	\$ 1,727,609	\$ -	\$ -	\$ 1,566,154	\$ 1,727,609



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)
June 30, 2016
(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 \$435,809,205. 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 3(d) on pages 44-45 of this report.

Net Pension Liability

The City net pension liability increased by \$271,517 to \$4,129,172 in fiscal year 2016 to recognize the City's proportionate share of net pension liability. In addition to the net pension liability, the City also recognized deferred outflows and inflows of resources of \$330,278 and \$1,276,552 as of June 30, 2016, respectively. The deferred outflows of resources relates to the difference between expected and actual actuarial experience of \$13,518 and for contributions after the measurement date related to pension of \$316,760. The deferred inflows of resources relates to the difference between actual and expected investment earnings related to pensions of \$64,115, changes of assumptions of \$127,984, change in employers' proportion for \$765,04, and a difference in proportionate share of contributions related to pensions for \$319,500. Recording the net pension liability in accordance with GASB Statement Nos. 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 increased by 4.4% in 2016 and continues to increase annually.
- Building permit fees anticipated to exceed \$4,000,000 in revenue due to approved projects.
- 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 has finally ended.
- 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 2016-2017.

All four of these factors were considered in preparing the City's budget for fiscal year 2016-2017. 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, 2016
(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, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 5,264,564	\$ 50	\$ 5,264,614
Accounts receivable	893,781	44,442	938,223
Internal balances	118,162	(118,162)	-
Inventories	12,822	-	12,822
Capital assets:			
Not being depreciated	6,339,738	-	6,339,738
Being depreciated, net	9,000,869	103,050	9,103,919
Total assets	<u>21,629,936</u>	<u>29,380</u>	<u>21,659,316</u>
Deferred Outflows of Resources			
Difference between expected and actual actuarial experience	13,518	-	13,518
Contribution after measurement date related to pension	316,760	-	316,760
Total deferred outflows of resources	<u>330,278</u>	<u>-</u>	<u>330,278</u>
Liabilities:			
Accounts payable and accrued liabilities	933,899	821	934,720
Unearned revenue	1,000	-	1,000
Deposits payable	298,390	-	298,390
Non-current liabilities:			
Due within one year	238,615	-	238,615
Due in more than one year	1,327,539	-	1,327,539
Net pension liability	4,129,172	-	4,129,172
Total liabilities	<u>6,928,615</u>	<u>821</u>	<u>6,929,436</u>
Deferred Inflows of Resources			
Difference between actual and expected investment earnings	64,115	-	64,115
Changes of assumptions	127,894	-	127,894
Change in employer's proportion	765,043	-	765,043
Difference in proportionate share of contributions related to pensions	319,500	-	319,500
Total deferred inflows of resources	<u>1,276,552</u>	<u>-</u>	<u>1,276,552</u>
Net Position:			
Net investment in capital assets	15,340,607	103,050	15,443,657
Restricted for:			
CLEEP grant	5,201	-	5,201
Maintenance of Hawthorne Canyon	10,000	-	10,000
Road improvements	364,416	-	364,416
Equipment replacement	150,518	-	150,518
Park improvements	1,620,077	-	1,620,077
Unrestricted (deficit)	<u>(3,735,772)</u>	<u>(74,491)</u>	<u>(3,810,263)</u>
Total net position	<u>\$ 13,755,047</u>	<u>\$ 28,559</u>	<u>\$ 13,783,606</u>

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES

Statement of Activities
Year Ended June 30, 2016

<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	\$ 3,470,235	\$ 3,134,137	10,341	-
Public safety	2,013,850	63,027	114,618	-
Public works	1,612,353	495,338	653,737	399,829
Community services	1,451,622	70,142	426,822	465,376
Public health	19,239	-	-	-
Interest on bond payable	47,228	-	-	-
Total governmental activities	<u>8,614,527</u>	<u>3,762,644</u>	<u>1,205,518</u>	<u>865,205</u>
Business-type activities:				
Equestrian	802	127,749	-	-
Tennis	91,107	74,053	-	-
Total business-type activities	<u>91,909</u>	<u>201,802</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,706,436</u>	<u>\$ 3,964,446</u>	<u>\$ 1,205,518</u>	<u>\$ 865,205</u>

General revenues:

Taxes:

Property taxes

Sales taxes

Business license taxes

Franchise taxes

Other taxes

Use of money and property

Miscellaneous

Total general revenues

Change in net position

Net position, beginning

Net position, ending

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES

Statement of Activities (Continued)

Year Ended June 30, 2016

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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (325,757)	\$ -	\$ (325,757)
(1,836,205)	-	(1,836,205)
(63,449)	-	(63,449)
(489,282)	-	(489,282)
(19,239)	-	(19,239)
(47,228)	-	(47,228)
<u>(2,781,160)</u>	<u>-</u>	<u>(2,781,160)</u>
-	126,947	126,947
-	<u>(17,054)</u>	<u>(17,054)</u>
-	109,893	109,893
<u>(2,781,160)</u>	<u>109,893</u>	<u>(2,671,267)</u>
2,959,989	-	2,959,989
906,872	-	906,872
237,784	-	237,784
618,698	-	618,698
190,705	-	190,705
13,575	27	13,602
62,775	-	62,775
<u>4,990,398</u>	<u>27</u>	<u>4,990,425</u>
2,209,238	109,920	2,319,158
<u>11,545,809</u>	<u>(81,361)</u>	<u>11,464,448</u>
<u>\$ 13,755,047</u>	<u>\$ 28,559</u>	<u>\$ 13,783,606</u>

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES

Balance Sheet
Governmental Funds
June 30, 2016

	<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	\$ 3,055,279	\$ 869,478	\$ -	\$ 737,254	\$ 602,553	\$ 5,264,564
Accounts receivable	862,544	805	-	724	29,708	893,781
Due from other funds	1,693,798	-	-	-	-	1,693,798
Advances to other fund	113,555	-	-	-	-	113,555
Inventories	12,822	-	-	-	-	12,822
Total assets	<u>\$ 5,737,998</u>	<u>\$ 870,283</u>	<u>\$ -</u>	<u>\$ 737,978</u>	<u>\$ 632,261</u>	<u>\$ 7,978,520</u>
Liabilities:						
Accounts payable and accrued liabilities	\$ 879,499	\$ -	\$ 570	\$ -	\$ 53,830	\$ 933,899
Due to other funds	-	-	1,462,797	-	226,394	1,689,191
Deposits payable	298,390	-	-	-	-	298,390
Unearned revenue	-	-	-	-	1,000	1,000
Total liabilities	<u>1,177,889</u>	<u>-</u>	<u>1,463,367</u>	<u>-</u>	<u>281,224</u>	<u>2,922,480</u>
Fund balances (deficit):						
Nonspendable:						
Inventories	12,822	-	-	-	-	12,822
Advances to other funds	113,555	-	-	-	-	113,555
Restricted for:						
CLEEP grant	5,201	-	-	-	-	5,201
Maintenance of Hawthorne Canyon	10,000	-	-	-	-	10,000
Transportation	-	-	-	-	364,416	364,416
Capital projects	-	-	-	-	150,518	150,518
Park Improvements	-	870,283	-	737,978	11,816	1,620,077
Assigned to:						
Equipment	240,000	-	-	-	-	240,000
Capital projects replacement	600,000	-	-	-	-	600,000
Capital projects	900,000	-	-	-	-	900,000
Pension UAL	300,000	-	-	-	-	300,000
Unassigned	2,378,531	-	(1,463,367)	-	(175,713)	739,451
Total fund balances (deficit)	<u>4,560,109</u>	<u>870,283</u>	<u>(1,463,367)</u>	<u>737,978</u>	<u>351,037</u>	<u>5,056,040</u>
Total liabilities and fund balances	<u>\$ 5,737,998</u>	<u>\$ 870,283</u>	<u>\$ -</u>	<u>\$ 737,978</u>	<u>\$ 632,261</u>	<u>\$ 7,978,520</u>

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2016

Total fund balances, governmental funds	\$	5,056,040
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.		15,340,607
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds:		
Bonds payable		(1,150,000)
Compensated absences		(416,154)
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		(4,129,172)
Deferred inflow - Contributions after measurement date		316,760
Deferred inflow - Difference expected and actual actuarial expectations		13,518
Deferred outflow - Changes in assumptions		(127,894)
Deferred outflow - Difference between actual and expected investment earnings		(64,115)
Deferred outflow - Change in employer's proportion		(765,043)
Deferred outflow - Difference in proportionate share of contributions related to pensions		(319,500)
Net position of governmental activities	\$	<u><u>13,755,047</u></u>

CITY OF ROLLING HILLS ESTATES
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	<u>Capital Project Funds</u>				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Quimby Fees	Prop A Parks	Chandler Contribution		
Revenues:						
Property taxes	\$ 2,959,989	\$ -	\$ -	\$ -	\$ -	\$ 2,959,989
Sales and use taxes	906,872	-	-	-	-	906,872
Business license taxes	237,784	-	-	-	-	237,784
Other taxes	809,403	-	-	-	-	809,403
Licenses and permits	3,129,514	-	-	-	-	3,129,514
Fines and forfeitures	33,581	-	-	-	27,799	61,380
Use of money and property	26,260	3,006	-	2,718	2,339	34,323
Charges for services	369,717	-	-	-	29,210	398,927
Revenues from other agencies	535,181	35,652	782,148	-	958,814	2,311,795
Other revenues	8,930	-	-	-	-	8,930
Total revenues	<u>9,017,231</u>	<u>38,658</u>	<u>782,148</u>	<u>2,718</u>	<u>1,018,162</u>	<u>10,858,917</u>
Expenditures:						
Current:						
General government	3,346,845	-	-	-	-	3,346,845
Public safety	1,978,714	-	-	-	35,136	2,013,850
Public works	242,908	-	-	-	475,437	718,345
Community services	1,268,280	-	14,428	-	42,323	1,325,031
Public health	19,239	-	-	-	-	19,239
Capital outlay	1,217,888	122,591	353,972	164,818	745,491	2,604,760
Debt Service:						
Principal	182,000	-	-	-	-	182,000
Interest	47,228	-	-	-	-	47,228
Total expenditures	<u>8,303,102</u>	<u>122,591</u>	<u>368,400</u>	<u>164,818</u>	<u>1,298,387</u>	<u>10,257,298</u>
Excess (deficiency) of revenues over expenditures	714,129	(83,933)	413,748	(162,100)	(280,225)	601,619
Other financing sources (uses):						
Transfers in	62,545	-	-	-	-	62,545
Transfers out	-	-	-	-	(62,545)	(62,545)
Total other financing sources (uses)	<u>62,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62,545)</u>	<u>-</u>
Net change in fund balances	776,674	(83,933)	413,748	(162,100)	(342,770)	601,619
Fund balances (deficit), beginning	3,783,435	954,216	(1,877,115)	900,078	693,807	4,454,421
Fund balances (deficit), ending	<u>\$ 4,560,109</u>	<u>\$ 870,283</u>	<u>\$ (1,463,367)</u>	<u>\$ 737,978</u>	<u>\$ 351,037</u>	<u>\$ 5,056,040</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, 2016

Net change in fund balances - total governmental funds	\$	601,619
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		2,150,164
Depreciation expense		(631,525)
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		182,000
Increase 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.		
		(20,545)
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.		
		(354,083)
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		
		316,760
Revenues that were earned and unavailable in the prior year were recognized as revenue in the governmental funds. For government-wide reporting the revenue was recognized when earned, regardless of availability.		
		<u>(35,152)</u>
Change in net position of governmental activities	\$	<u><u>2,209,238</u></u>

CITY OF ROLLING HILLS ESTATES

Statement of Net Position

Proprietary Funds

June 30, 2016

	Business-type Activities - Enterprise Funds		
	Equestrian Operations	Nonmajor Tennis Operations	Total
Assets:			
Current assets:			
Cash and investments	\$ -	\$ 50	\$ 50
Accounts receivable	32,624	11,818	44,442
Total current assets	<u>32,624</u>	<u>11,868</u>	<u>44,492</u>
Capital assets			
being depreciated, net	<u>29,914</u>	<u>73,136</u>	<u>103,050</u>
Total assets	<u>62,538</u>	<u>85,004</u>	<u>147,542</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	-	821	821
Due to other funds	-	4,607	4,607
Advances from other fund	113,555	-	113,555
Total liabilities	<u>113,555</u>	<u>5,428</u>	<u>118,983</u>
Net Position:			
Net investment in capital assets	29,914	73,136	103,050
Unrestricted (deficit)	<u>(80,931)</u>	<u>6,440</u>	<u>(74,491)</u>
Total net position (deficit)	<u>\$ (51,017)</u>	<u>\$ 79,576</u>	<u>\$ 28,559</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, 2016

	Business-type Activities - Enterprise Funds		
	Equestrian Operations	Nonmajor Tennis Operations	Total
Operating revenues:			
Charges for services	\$ 127,749	\$ 74,053	\$ 201,802
Operating expenses:			
Personnel	-	59,969	59,969
Administrative	-	14,000	14,000
Materials and supplies	-	10,445	10,445
Depreciation	802	6,693	7,495
Total operating expenses	802	91,107	91,909
Operating income (loss)	126,947	(17,054)	109,893
Nonoperating revenues:			
Interest income	-	27	27
Change in net position	126,947	(17,027)	109,920
Total net position (deficit), beginning	(177,964)	96,603	(81,361)
Total net position (deficit), ending	\$ (51,017)	\$ 79,576	\$ 28,559

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds		
	Equestrian Operations	Nonmajor Tennis Operations	Total
Cash flows from operating activities:			
Cash received from contractors/customers	\$ 154,328	\$ 67,326	\$ 221,654
Cash paid to suppliers of goods and services	-	(23,814)	(23,814)
Cash paid to employees	-	(59,970)	(59,970)
Net cash provided by (used for) operating activities	<u>154,328</u>	<u>(16,458)</u>	<u>137,870</u>
Cash flows from noncapital financing activities:			
Cash received (paid) to other funds	(154,328)	4,607	(149,721)
Cash flows from investing activities:			
Interest on investments	-	27	27
Net decrease in cash and cash equivalents	<u>-</u>	<u>(11,824)</u>	<u>(11,824)</u>
Cash and cash equivalents, beginning	<u>-</u>	<u>11,874</u>	<u>11,874</u>
Cash and cash equivalents, ending	<u><u>\$ -</u></u>	<u><u>\$ 50</u></u>	<u><u>\$ 50</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities			
Operating income (loss)	\$ 126,947	\$ (17,054)	\$ 109,893
Adjustments to reconcile operating income to net cash provided by (used for) operating activities: activities:			
Depreciation expense	802	6,693	7,495
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	26,579	(6,726)	19,853
Decrease in accounts payable and accrued liabilities	-	629	629
Net cash provided by (used for) operating activities	<u><u>\$ 154,328</u></u>	<u><u>\$ (16,458)</u></u>	<u><u>\$ 137,870</u></u>

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES

Statement of Fiduciary Net Position

Agency Fund

June 30, 2016

	Peninsula Parking
Assets:	
Cash and investments	\$ 14,458
Total Assets	<u>14,458</u>
Liabilities:	
Accounts payable	<u>14,458</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, 2016

(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 accounting principles generally accepted in the United States of America (GAAP), 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, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Palos Verdes Peninsula Transit Authority's fiscal year ended on June 30. As of June 30, 2015 (most recent information available), audited financial statements indicated the following:

Total assets	\$ 3,103,760
	<u> </u>
Total liabilities	\$ 164,943
	<u> </u>
Total net position	\$ 2,938,817
	<u> </u>
Charges for services	\$ 338,966
JPA member contributions and other income	233,076
Governmental sources	32,200
Total operating revenues	<u>604,242</u>
Total operating expenses	2,542,524
Total non-operating revenues	<u>1,834,198</u>
Change in Net Position	<u>\$ (104,084)</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, 2016

(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, 2016

(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 transferred 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, 2016

(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 .00067. 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, 2016

(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 \$938,223 recorded as accounts receivable consist of \$448,904 due from businesses and individuals and \$489,319 due from State and County governments for amounts collected and not remitted to the City as of June 30, 2016. 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 and in the proprietary fund 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 acquisition 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, 2016

(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 governmental activities of 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 governmental activities 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, 2016

(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, 2016, \$1,216,521 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, 2014

Measurement Date (MD) – June 30, 2015

Measurement Period (MP) – July 1, 2014 to June 30, 2015

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Use of Estimates

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

10. New Pronouncements

Implementation of the following GASB Statements is effective for fiscal year 2016:

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. The City adopted the provisions of GASB Statement No. 72 for fiscal year 2016. Additional information can be found in Note(3)(a) of the notes to the financial statements.

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 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 had no impact upon the financial statements.

Issued in December 2015, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. This statement has no impact on the financial statements.

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 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

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68 associated with pensions provided through certain cost-sharing multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Such plans are not considered a state or local government pension plan and are used to provide benefits to both employees of state and local governments and employees of employers that are not state or local governments. Implementation of this statement is effective for fiscal year 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Implementation of this statement is effective for fiscal year 2017.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement and revenue when the resources become applicable to the reporting period. GASB 81 also requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. Implementation of this statement is effective fiscal year 2017.

Issued in March 2016, GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Implementation of this statement is effective fiscal year 2017.

(2) 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 GAAP. Annual appropriated budgets are adopted for the general, special revenue funds and capital project funds. The legal level of control or the level at which expenditures may not legally exceed appropriations is at the function 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, 2016

(2) 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	\$ 92,593
General Fund - Community services	22,435
General Fund - Interest	639
Prop A Parks Capital Grant Fund - Capital outlay	104,472
Nonmajor governmental funds:	
Traffic Safety Special Revenue Fund - Public safety	1,136
Prop A Transit Tax Special Revenue Fund - Public works	670
Prop A 4th District Special Revenue Fund - Capital outlay	110,571
Peppertree Foundation Special Revenue Fund - Capital outlay	2,652
Highway Users Tax Special Revenue Fund - Public works	57,598
Local Transportation Capital Project Fund - Capital outlay	10,773
State SR2S Capital Project Fund - Capital outlay	328,700

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, 2016:

Proprietary:		
Equestrian Operations	\$	51,017
Special Revenue Fund:		
Prop A 4th District		110,571
Highway Users Tax		73,126
Capital Project:		
Proposition A Parks		1,463,367
State SR2S		65,142

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

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2016

(3) DETAILED NOTES ON ALL FUNDS

(a) Cash and Investments

Cash and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	<u>\$ 5,264,614</u>
----------------------	---------------------

Cash and investments were comprised of the following as of June 30, 2016:

Cash on hand	\$ 1,550
Deposits with financial institution	998,062
Investments	<u>4,265,002</u>
Total cash and investments	<u>\$ 5,264,614</u>

Investments are stated at fair value and are valued on a yearly basis. The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs such as matrix pricing techniques or based on quoted prices for assets in markets that are not active. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs. Securities classified in Level 3 are valued using the income approach such as discounted cash flow techniques. Investment in an external government investment pool is not subject to reporting within the level hierarchy. The entire balance of investments is in an external governmental investment pool. Please see additional information in "Investment in State Investment Pool".

Investments Authorized by the Entity's Investment Policy

The City of Rolling Hills Estates' Statement of Investment Policy (Policy) is reviewed and adopted by the City Council each year. The 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 Policy is 1 - 10 years and 10 - 30 years, respectively. Investment vehicles not specifically mentioned in the City's 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:

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2016

(3) DETAILED NOTES ON ALL FUNDS (CONTINUED)

Authorized Investment Type	Maximum Maturity		Maximum Percentage of Portfolio *		Maximum Investment in One Issuer	
	CGC	City	CGC	City	CGC	City
		Policy		Policy		Policy
U.S. Treasury Bills **	5 years	1 year	None	N/A	None	90%
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 Policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk and credit risk. The primary objective of the City's investment function shall be safety, since the safeguarding of City assets is of paramount importance. Most investments will be highly liquid with maturities selected to anticipate cash needs and avoid the need for forced liquidations. Yield shall be a consideration only after the basic requirements of safety and liquidity have been met.

Disclosures Relating to Interest Rate Risk

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

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

Investment Types	Remaining Maturity (in Months)
	12 Months Or Less
LAIF	\$ 4,265,002

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2016

(3) DETAILED NOTES ON ALL FUNDS (CONTINUED)

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 Policy, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Total Investment</u>	<u>Minimum Legal Rating</u>	<u>Not Rated</u>
LAIF	\$ 4,265,002	N/A	\$ 4,265,002

Concentration of Credit Risk

With the exception of U.S. Treasury Bills, U.S. Treasury Notes and U.S. Treasury Bonds, the 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. There are no 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.

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 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, 2016, the carrying amount of the City’s bank deposits was \$792,481, and

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2016

(3) DETAILED NOTES ON ALL FUNDS (CONTINUED)

the respective bank balances totaled \$1,219,512. Of the bank balance, \$250,000 was insured through the Federal Deposit Insurance Corporation.

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, 2016, was \$22.7 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2016, had a balance of \$75.4 billion. Of that amount 2.81% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 167 days as of June 30, 2016. LAIF is unrated as to credit quality.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2016

(3) 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, 2016, is as follows:

	<u>Balance at July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2016</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 3,864,943	\$ -	\$ -	\$ 3,864,943
Construction in progress	1,945,609	621,616	(92,430)	2,474,795
Total capital assets, not being depreciated	<u>5,810,552</u>	<u>621,616</u>	<u>(92,430)</u>	<u>6,339,738</u>
Capital assets, being depreciated:				
Buildings and improvements	1,495,859	-	-	1,495,859
Facilities and improvements	2,084,733	128,196	-	2,212,929
Vehicles and equipment	852,255	18,232	-	870,487
Furniture and fixtures	92,444	-	-	92,444
Infrastructure	8,258,274	1,474,550	-	9,732,824
Total capital assets, being depreciated	<u>12,783,565</u>	<u>1,620,978</u>	<u>-</u>	<u>14,404,543</u>
Less accumulated depreciation for:				
Buildings and improvements	(934,750)	(45,255)	-	(980,005)
Facilities and improvements	(1,360,179)	(82,952)	-	(1,443,131)
Vehicles and equipment	(802,785)	(28,507)	-	(831,292)
Furniture and fixtures	(87,127)	(319)	-	(87,446)
Infrastructure	(1,587,308)	(474,492)	-	(2,061,800)
Total accumulated depreciation	<u>(4,772,149)</u>	<u>(631,525)</u>	<u>-</u>	<u>(5,403,674)</u>
Total capital assets, being depreciated, net	<u>8,011,416</u>	<u>989,453</u>	<u>-</u>	<u>9,000,869</u>
Governmental activities capital assets, net	<u>\$ 13,821,968</u>	<u>\$ 1,611,069</u>	<u>\$ (92,430)</u>	<u>\$ 15,340,607</u>

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2016

(3) DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<u>Balance at July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2016</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	21,033	-	-	21,033
Total capital assets, being depreciated	<u>600,317</u>	<u>-</u>	<u>-</u>	<u>600,317</u>
Less accumulated depreciation for:				
Buildings and improvements	(206,604)	(1,462)	-	(208,066)
Facilities and improvements	(246,135)	(6,033)	-	(252,168)
Vehicles and equipment	(16,000)	-	-	(16,000)
Furniture and fixtures	(21,033)	-	-	(21,033)
Total accumulated depreciation	<u>(489,772)</u>	<u>(7,495)</u>	<u>-</u>	<u>(497,267)</u>
Business-type activities capital assets, net	<u>\$ 110,545</u>	<u>\$ (7,495)</u>	<u>\$ -</u>	<u>\$ 103,050</u>

Depreciation expense was charged to the following functions:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General government	\$ 42,931	\$ -
Community services	114,102	-
Public works	474,492	-
Equestrian operations	-	802
Tennis operations	-	6,693
Total	<u>\$ 631,525</u>	<u>\$ 7,495</u>

(c) *Interfund Receivable and Payable*

The composition of interfund balances as of June 30, 2016, are as follows:

<u>Due to other funds</u>	<u>Receivable Fund General Fund</u>
Proposition A- Parks Capital Project Fund	\$ 1,462,797
Nonmajor Governmental Funds	226,394
Nonmajor Enterprise Funds	4,607
	<u>\$ 1,693,798</u>

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2016

(3) 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.

<u>Advances to other funds</u>	<u>Receivable Fund General Fund</u>
Equestrian Operations Enterprise Fund	\$ 113,555

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, 2016, is \$1,150,000, payable through fiscal year 2021.

As of June 30, 2016, annual debt service requirements to maturity are as follows:

<u>Fiscal year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
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	<u>\$ 1,150,000</u>	<u>\$ 120,727</u>

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.

\$ 416,154

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2016

(3) 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, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2016</u>	<u>Due within one year</u>
Bonds payable	\$ 1,332,000	\$ -	\$ (182,000)	\$ 1,150,000	\$ 197,000
Compensated absences	395,609	33,405	(12,860)	416,154	41,615
	<u>\$ 1,727,609</u>	<u>\$ 33,405</u>	<u>\$ (194,860)</u>	<u>\$ 1,566,154</u>	<u>\$ 238,615</u>

Business-type Activities:

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

(4) OTHER INFORMATION

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

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

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 116 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, 2016

(4) 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 2015-16 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 2015-16 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, 2016

(4) OTHER INFORMATION (CONTINUED)

3. *Purchased Insurance*

Pollution Legal Liability Insurance –

The City 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. 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 participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City property is currently insured according to a schedule of covered property submitted by the City to the Authority. The City property currently has all-risk property insurance protection in the amount of \$5,979,667. 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 purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City property currently has earthquake protection in the amount of \$5,877,218. 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 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 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 according to a schedule. The City then pays for the insurance. The insurance is arranged by the Authority.

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2016

(4) 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 2015-16.

(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 \$26,319.

(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, 2016

(4) 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%

Contributions: Participants are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate which is 9.353% or 7.510% for non-safety employees of annual covered payroll depending upon hire date. 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..

Net Pension Liability: As of June 30, 2016, the City reported a liability of \$4,129,172 for its proportionate share of the net pension liability of the Plan. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, 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 0.168 percent, which was an increase of 0.12 percent from its proportion measured as of June 30, 2014.

Pension Expense and Deferred Flows of Resources Related to Pensions: For the year ended June 30, 2016, the City recognized pension expense of \$276,230. At June 30, 2016, 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, 2016

(4) OTHER INFORMATION (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 316,760	\$ -
Difference between expected and actual actuarial expectations	13,518	
Investment earnings related to pensions		64,115
Changes in assumptions		127,894
Change in employer's proportion		765,043
Difference in proportionate share of contributions related to pensions	-	319,500
Total	\$ 330,278	\$ 1,276,552

City contributions of \$316,760 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:

2017	(489,949)
2018	(482,627)
2019	(372,412)
2020	81,954
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, 2014 actuarial valuation which was rolled forward to June 30, 2015 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.50%
Inflation Rate	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% net of pension plan investment expenses; includes inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2016

(4) 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, 2014 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. The Experience Study report can be found on CalPERS' website under Forms and Publications.

Change in Assumptions: GASB Statement No. 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65 percent used from the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

Discount Rate: The discount rate used to measure the total pension liability was 7.65 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 of the plans, the tests revealed assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65 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.

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. 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. The present value of benefits was calculated using the expected nominal returns for both short-term and long-term. 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 one quarter of one percent. The table below reflects the long-term expected real rate of return by asset

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2016

(4) OTHER INFORMATION (CONTINUED)

class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocations shown was adopted by the CalPERS Board effective July 1, 2014.

<u>Asset Class</u>	<u>Allocaiton</u>	<u>Year 1-10(a)</u>	<u>Year 11+ (b)</u>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.50% used for this period.

(b) An expected inflation of 3.00% used for this period.

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 7.65 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 (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	Discount Rate – 1% (6.60%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Plan’s Net Pension Liability/(Asset)	\$7,258,441	\$4,129,172	\$1,545,597

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 (4)(c)1.

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

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

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements (Continued)

June 30, 2016

(5) SUBSEQUENT EVENTS

The City closed the Tennis Fund on July 1, 2016, and transferred assets totaling \$11,868 and liabilities of \$5,428 to the General Fund. Capital assets, net of depreciation of \$73,136 were transferred to Governmental Activities. All activity related to the tennis courts will now be accounted for in the General Fund as of July 1, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF ROLLING HILLS ESTATES

General Fund

Budgetary Comparison Schedule

Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 1,970,496	2,979,014	\$ 2,959,989	\$ (19,025)
Sales and use taxes	1,080,281	925,636	906,872	(18,764)
Business license taxes	240,000	240,000	237,784	(2,216)
Other taxes	655,000	687,000	809,403	122,403
Licenses and permits	3,108,000	3,274,000	3,129,514	(144,486)
Fines and forfeitures	38,000	38,000	33,581	(4,419)
Use of money and property	24,500	24,500	26,260	1,760
Charges for services	440,250	335,250	369,717	34,467
Revenues from other agencies	1,108,518	443,653	535,181	91,528
Other revenues	228,470	15,000	8,930	(6,070)
Total revenues	<u>8,893,515</u>	<u>8,962,053</u>	<u>9,017,231</u>	<u>55,178</u>
Expenditures:				
Current:				
General government	3,257,758	3,480,159	3,346,845	133,314
Public safety	1,803,621	1,886,121	1,978,714	(92,593)
Public works	458,811	273,845	242,908	30,937
Community services	1,245,846	1,245,845	1,268,280	(22,435)
Public health	20,000	20,000	19,239	761
Capital outlay	918,799	1,253,909	1,217,888	36,021
Debt service:				
Principal	182,000	182,000	182,000	-
Interest	46,689	46,589	47,228	(639)
Total expenditures	<u>7,933,524</u>	<u>8,388,468</u>	<u>8,303,102</u>	<u>85,366</u>
Excess (deficiency) of revenues over expenditures	<u>959,991</u>	<u>573,585</u>	<u>714,129</u>	<u>140,544</u>
Other financing sources:				
Transfers in	-	-	62,545	(62,545)
Total other financing sources	<u>-</u>	<u>-</u>	<u>62,545</u>	<u>(62,545)</u>
Net change in fund balances	959,991	573,585	776,674	77,999
Fund balance, beginning	<u>3,773,073</u>	<u>3,773,073</u>	<u>3,783,435</u>	<u>10,362</u>
Fund balance, ending	<u>\$ 4,733,064</u>	<u>\$ 4,346,658</u>	<u>\$ 4,560,109</u>	<u>\$ 88,361</u>

See Accompanying Note to Required Supplementary Information.

CITY OF ROLLING HILLS ESTATES
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability
 Last 10 Fiscal Years*

Measurement Period	2015	2014
Proportion of the net pension liability	0.060%	0.156%
Proportionate share of the net pension liability	\$ 4,129,172	\$ 3,857,655
Covered employee payroll - See note (1)	\$ 1,849,121	\$ 1,769,537
Proportionate share of the net pension liability as percentage of covered employee payroll	223%	218%
Plan fiduciary net position as a percentage of the total pension liability	78.40%	80.43%

Notes to Schedule:

(1) Covered-employee payroll for 2014 is based on pensionable earnings per CalPERS for 2014.

Change in benefit terms -The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden handshakes).

Changes in assumptions - The discount rate was changed from 7.50 percent (net of administrative expense) in 2015 to 7.65% in 2016.

* Since fiscal year 2015 was the first year of implementation, only two years are shown.

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

	2016	2015
Actuarially Determined Contribution (ADC)	\$ 316,760	\$ 218,382
Less: Contributions in relation to ADC	(316,760)	(218,382)
Contribution deficiency (excess)	-	-
City's covered-employee payroll - See note (1)	\$ 2,016,467	\$ 1,849,121
Contributions as a percentage of covered employee payroll	15.71%	11.81%

Notes to Schedule:

(1) Covered-employee payroll represents all pensionable wages of the City.

* Since fiscal year 2015 was the first year of implementation, only two years are shown.

CITY OF ROLLING HILLS ESTATES
Note to Required Supplementary Information
June 30, 2016

(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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 2,000	\$ 3,006	\$ 1,006
Revenues from other agencies	1,000,000	35,652	(964,348)
Total revenues	<u>1,002,000</u>	<u>38,658</u>	<u>(963,342)</u>
Expenditures:			
Capital outlay	540,000	122,591	417,409
Total expenditures	<u>540,000</u>	<u>122,591</u>	<u>417,409</u>
Excess of revenues over expenditures	462,000	(83,933)	(545,933)
Fund balance, beginning	<u>954,216</u>	<u>954,216</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 1,416,216</u>	<u>\$ 870,283</u>	<u>\$ (545,933)</u>

CITY OF ROLLING HILLS ESTATES

Prop A Parks Capital Project Fund

Budgetary Comparison Schedule

Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Use of money and property	\$ -	\$ -	\$ -
Revenues from other agencies	<u>2,049,799</u>	<u>782,148</u>	<u>(1,267,651)</u>
Total Revenues	2,049,799	782,148	(1,267,651)
Expenditures:			
Community services	19,000	14,428	4,572
Capital outlay	<u>249,500</u>	<u>353,972</u>	<u>(104,472)</u>
Total expenditures	<u>268,500</u>	<u>368,400</u>	<u>(99,900)</u>
Excess (deficiency) of revenues over expenditures	1,781,299	413,748	(1,367,551)
Fund balance (deficit), beginning	<u>(1,877,115)</u>	<u>(1,877,115)</u>	-
Fund balance (deficit), ending	<u><u>\$ (95,816)</u></u>	<u><u>\$ (1,463,367)</u></u>	<u><u>\$ (1,367,551)</u></u>

CITY OF ROLLING HILLS ESTATES
Chandler Contribution Capital Project Fund
Budgetary Comparison Schedule
Year Ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 1,000	\$ 2,718	\$ 1,718
Revenues from other agencies	800,000	-	(800,000)
Total Revenues	801,000	2,718	(798,282)
Expenditures:			
Capital outlay	351,000	164,818	186,182
Total expenditures	351,000	164,818	186,182
Excess (deficiency) of revenues over expenditures	450,000	(162,100)	(612,100)
Fund balance (deficit), beginning	900,078	900,078	-
Fund balance (deficit), ending	\$ 1,350,078	\$ 737,978	\$ (612,100)

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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 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 the State of California as reimbursement for park grant project expenditures.

Jr. Naturalist Park Grant – To account for a state grant received to help expand the hours, programs and events held at the George F. Canyon Nature Center.

Prop A 4th District Fund - To account for grant monies received from the State of California for the maintenance and development of parks, recreation facilities, and open space.

Peppertree Foundation Fund – To account for citizen donations to enrich the quality of life in the City.

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.

CDBG Grant Fund – To account for grant monies received from the Los Angeles County Community Development Commission utilized to eliminate slum and blighted conditions, assist low and moderate-income households or to meet the needs of special population groups, such as the disabled.

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.

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CITY OF ROLLING HILLS ESTATES
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds							
	Traffic	Prop A	Air Quality	State	Jr. Naturalist	Prop A	Peppertree	Highway
	<u>Safety</u>	<u>Transit Tax</u>	<u>Improvement</u>	<u>Park Grant</u>	<u>Park Grant</u>	<u>4th District</u>	<u>Foundation</u>	<u>Users Tax</u>
Assets:								
Cash and investments	\$ 23,104	\$ 47,628	\$ 61,316	\$ -	\$ -	\$ -	\$ 13,064	\$ -
Accounts receivable	1,924	35	2,870	-	-	-	12	1,345
Total assets	<u>\$ 25,028</u>	<u>\$ 47,663</u>	<u>\$ 64,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,076</u>	<u>\$ 1,345</u>
Liabilities:								
Accounts payable and accrued liabilities	\$ 2,476	\$ 264	\$ -	\$ -	\$ -	\$ -	\$ 260	\$ 39,563
Due to other funds	-	-	-	-	-	110,571	-	34,908
Unearned revenue	-	-	-	-	-	-	1,000	-
Total liabilities	<u>2,476</u>	<u>264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,571</u>	<u>1,260</u>	<u>74,471</u>
Fund balances (deficits):								
Restricted for:								
Transportation	22,552	47,399	64,186	-	-	-	-	(73,126)
Capital projects	-	-	-	-	-	-	-	-
Park Improvements	-	-	-	-	-	-	11,816	-
Unassigned	-	-	-	-	-	(110,571)	-	-
Total fund balances (deficits)	<u>22,552</u>	<u>47,399</u>	<u>64,186</u>	<u>-</u>	<u>-</u>	<u>(110,571)</u>	<u>11,816</u>	<u>(73,126)</u>
Total liabilities and fund balances (deficits)	<u>\$ 25,028</u>	<u>\$ 47,663</u>	<u>\$ 64,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,076</u>	<u>\$ 1,345</u>

(Continued)

CITY OF ROLLING HILLS ESTATES
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2016

	Capitol project Funds					Total Nonmajor Governmental	
	Local	CDBG	PEG	Prop	Measure		State
	Transportation	Grant	Fees	C	R	SR2S	
Assets:							
Cash and investments	\$ -	\$ 19,319	\$ 123,733	\$ 137,796	\$ 176,593	\$ -	\$ 602,553
Accounts receivable	15,773	5	7,461	99	184	-	29,708
Total assets	<u>\$ 15,773</u>	<u>\$ 19,324</u>	<u>\$ 131,194</u>	<u>\$ 137,895</u>	<u>\$ 176,777</u>	<u>\$ -</u>	<u>\$ 632,261</u>
Liabilities:							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 11,267	\$ -	\$ -	\$ 53,830
Due to other funds	15,773	-	-	-	-	65,142	226,394
Unearned revenue	-	-	-	-	-	-	1,000
Total liabilities	<u>15,773</u>	<u>-</u>	<u>-</u>	<u>11,267</u>	<u>-</u>	<u>65,142</u>	<u>281,224</u>
Fund balances (deficits):							
Restricted for:							
Transportation	-	-	-	126,628	176,777	-	364,416
Capital projects	-	19,324	131,194	-	-	-	150,518
Park Improvements	-	-	-	-	-	-	11,816
Unassigned	-	-	-	-	-	(65,142)	(175,713)
Total fund balances (deficits)	<u>-</u>	<u>19,324</u>	<u>131,194</u>	<u>126,628</u>	<u>176,777</u>	<u>(65,142)</u>	<u>351,037</u>
Total liabilities and fund balances (deficits)	<u>\$ 15,773</u>	<u>\$ 19,324</u>	<u>\$ 131,194</u>	<u>\$ 137,895</u>	<u>\$ 176,777</u>	<u>\$ -</u>	<u>\$ 632,261</u>

CITY OF ROLLING HILLS ESTATES
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2016

	Special Revenue Funds							
	Traffic Safety	Prop A Transit Tax	Air Quality Improvement	State Park Grant	Jr. Naturalist Park Grant	Prop A 4th District	Peppertree Foundation	Highway Users Tax
Revenues:								
Fines and forfeitures	\$ 27,799	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	99	161	189	150	-	-	58	105
Charges for services	-	-	-	-	-	-	29,210	-
Revenues from other agencies	-	147,723	10,341	-	15,881	-	-	182,401
Total revenues	<u>27,898</u>	<u>147,884</u>	<u>10,530</u>	<u>150</u>	<u>15,881</u>	<u>-</u>	<u>29,268</u>	<u>182,506</u>
Expenditures:								
Current:								
Public safety	35,136	-	-	-	-	-	-	-
Public works	-	152,839	-	-	-	-	-	322,598
Community services	-	-	-	-	15,881	-	26,442	-
Capital outlay	-	-	-	-	-	110,571	5,652	-
Total expenditures	<u>35,136</u>	<u>152,839</u>	<u>-</u>	<u>-</u>	<u>15,881</u>	<u>110,571</u>	<u>32,094</u>	<u>322,598</u>
Excess (deficiency) of revenues over expenditures	(7,238)	(4,955)	10,530	150	-	(110,571)	(2,826)	(140,092)
Other financing sources (uses):								
Transfers out	-	-	-	(62,545)	-	-	-	-
Total other financing sources (uses)	-	-	-	(62,545)	-	-	-	-
Net change in fund balances	(7,238)	(4,955)	10,530	(62,395)	-	(110,571)	(2,826)	(140,092)
Fund balances (deficits), beginning	29,790	52,354	53,656	62,395	-	-	14,642	66,966
Fund balances (deficits), ending	<u>\$ 22,552</u>	<u>\$ 47,399</u>	<u>\$ 64,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (110,571)</u>	<u>\$ 11,816</u>	<u>\$ (73,126)</u>

CITY OF ROLLING HILLS ESTATES
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
Year Ended June 30, 2016

	Capital Project Funds						Total Nonmajor Governmental
	Local Transportation	CDBG Grant	PEG Fees	Proposition C	Measure R	State SR2S	
Revenues:							
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,799
Use of money and property	-	7	382	556	632	-	2,339
Charges for services	-	-	-	-	-	-	29,210
Revenues from other agencies	15,773	44,317	29,307	122,406	91,955	298,710	958,814
Total revenues	<u>15,773</u>	<u>44,324</u>	<u>29,689</u>	<u>122,962</u>	<u>92,587</u>	<u>298,710</u>	<u>1,018,162</u>
Expenditures:							
Current:							
Public safety	-	-	-	-	-	-	35,136
Public works	-	-	-	-	-	-	475,437
Community services	-	-	-	-	-	-	42,323
Capital outlay	15,773	25,000	6,837	172,854	80,104	328,700	745,491
Total expenditures	<u>15,773</u>	<u>25,000</u>	<u>6,837</u>	<u>172,854</u>	<u>80,104</u>	<u>328,700</u>	<u>1,298,387</u>
Excess (deficiency) of revenues over expenditures	-	19,324	22,852	(49,892)	12,483	(29,990)	(280,225)
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	(62,545)
Total other financing sources (uses)	-	-	-	-	-	-	(62,545)
Net change in fund balances	-	19,324	22,852	(49,892)	12,483	(29,990)	(342,770)
Fund balances (deficits), beginning	-	-	108,342	176,520	164,294	(35,152)	693,807
Fund balances (deficits), ending	<u>\$ -</u>	<u>\$ 19,324</u>	<u>\$ 131,194</u>	<u>\$ 126,628</u>	<u>\$ 176,777</u>	<u>\$ (65,142)</u>	<u>\$ 351,037</u>

CITY OF ROLLING HILLS ESTATES

Traffic Safety Special Revenue Fund

Budgetary Comparison Schedule

Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Fines and forfeitures	\$ 42,000	\$ 27,799	\$ (14,201)
Use of money and property	-	99	99
Total revenues	<u>42,000</u>	<u>27,898</u>	<u>(14,102)</u>
Expenditures:			
Public safety	<u>34,000</u>	<u>35,136</u>	<u>(1,136)</u>
Total expenditures	<u>34,000</u>	<u>35,136</u>	<u>(1,136)</u>
Excess (deficiency) of revenues over expenditures	8,000	(7,238)	(15,238)
Fund balance (deficit), beginning	<u>29,790</u>	<u>29,790</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 37,790</u>	<u>\$ 22,552</u>	<u>\$ (15,238)</u>

CITY OF ROLLING HILLS ESTATES
 Prop A Transit Tax Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 100	\$ 161	\$ 61
Revenues from other agencies	137,545	147,723	10,178
Total revenues	<u>137,645</u>	<u>147,884</u>	<u>10,239</u>
Expenditures:			
Public works	152,169	152,839	(670)
Total expenditures	<u>152,169</u>	<u>152,839</u>	<u>(670)</u>
Excess (deficiency) of revenues over expenditures	(14,524)	(4,955)	9,569
Fund balance, beginning	52,354	52,354	-
Fund balance, ending	<u>\$ 37,830</u>	<u>\$ 47,399</u>	<u>\$ 9,569</u>

CITY OF ROLLING HILLS ESTATES
 Air Quality Improvement Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ 50	\$ 189	\$ 139
Revenues from other agencies	9,100	10,341	1,241
Total revenues	<u>9,150</u>	<u>10,530</u>	<u>1,380</u>
Expenditures:			
Current:			
General government	40,000	-	40,000
Total expenditures	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Excess of revenues over expenditures	(30,850)	10,530	41,380
Fund balance, beginning	53,656	53,656	-
Fund balance, ending	<u>\$ 22,806</u>	<u>\$ 64,186</u>	<u>\$ -</u>

CITY OF ROLLING HILLS ESTATES

State Park Grant Special Revenue Fund

Budgetary Comparison Schedule

Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 1	\$ 150	\$ 149
Total revenues	<u>1</u>	<u>150</u>	<u>149</u>
Other financing (uses):			
Transfers out	<u>-</u>	<u>(62,545)</u>	<u>(62,545)</u>
Total other financing sources	<u>-</u>	<u>(62,545)</u>	<u>(62,545)</u>
Net change in fund balances	1	(62,395)	(62,396)
Fund balance, beginning	62,395	62,395	-
Fund balance, ending	<u>\$ 62,396</u>	<u>\$ -</u>	<u>\$ (62,396)</u>

CITY OF ROLLING HILLS ESTATES
 Jr. Naturalist Grant Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Revenues from other agencies	\$ 45,000	\$ 15,881	\$ (29,119)
Total revenues	<u>45,000</u>	<u>15,881</u>	<u>(29,119)</u>
Expenditures:			
Community services	<u>45,000</u>	<u>15,881</u>	<u>29,119</u>
Total expenditures	<u>45,000</u>	<u>15,881</u>	<u>29,119</u>
Excess (deficiency) of revenues over expenditures	-	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ROLLING HILLS ESTATES
 Prop A 4th District Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Revenues from other agencies	\$ 300,000	\$ -	\$ (300,000)
Total revenues	300,000	-	(300,000)
Expenditures:			
Capital Outlay	-	110,571	(110,571)
Total expenditures	-	110,571	(110,571)
Excess (deficiency) of revenues over expenditures	300,000	(110,571)	(410,571)
Fund balance, beginning	-	-	-
Fund balance, ending	\$ 300,000	\$ (110,571)	\$ (410,571)

CITY OF ROLLING HILLS ESTATES
 Peppertree Foundation Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 58	\$ 58
Charges for services	30,000	29,210	(790)
Total revenues	30,000	29,268	(732)
Expenditures:			
Community services	28,700	26,442	2,258
Capital outlay	3,000	5,652	(2,652)
Total expenditures	31,700	32,094	(394)
Excess (deficiency) of revenues over expenditures	(1,700)	(2,826)	(1,126)
Fund balance (deficit), beginning	14,642	14,642	-
Fund balance (deficit), ending	\$ 12,942	\$ 11,816	\$ (1,126)

CITY OF ROLLING HILLS ESTATES
 Highway Users Tax Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 150	\$ 105	\$ (45)
Revenues from other agencies	243,336	182,401	(60,935)
Total revenues	243,486	182,506	(60,980)
Expenditures:			
Public works	265,000	322,598	(57,598)
Total expenditures	265,000	322,598	(57,598)
Excess (deficiency) of revenues over expenditures	(21,514)	(140,092)	(118,578)
Fund balance, beginning	66,966	66,966	-
Fund balance (deficit), ending	\$ 45,452	\$ (73,126)	\$ (118,578)

CITY OF ROLLING HILLS ESTATES
 Local Transportation Capital Project Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Revenues from other agencies	\$ 5,000	\$ 15,773	\$ 10,773
Total revenues	<u>5,000</u>	<u>15,773</u>	<u>10,773</u>
Expenditures:			
Capital outlay	5,000	15,773	(10,773)
Total expenditures	<u>5,000</u>	<u>15,773</u>	<u>(10,773)</u>
Excess (deficiency) of revenues over expenditures	-	-	-
Fund balance, beginning	-	-	-
Fund balance (deficit), ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ROLLING HILLS ESTATES

CDBG Grant Capital Project Fund

Budgetary Comparison Schedule

Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Use of money and property	\$ -	\$ 7	\$ 7
Revenues from other agencies	25,000	44,317	19,317
Total revenues	<u>25,000</u>	<u>44,324</u>	<u>19,324</u>
Expenditures:			
Capital outlay	25,000	25,000	-
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	19,324	19,324
Fund balance, beginning	-	-	-
Fund balance (deficit), ending	<u>\$ -</u>	<u>\$ 19,324</u>	<u>\$ 19,324</u>

CITY OF ROLLING HILLS ESTATES

PEG Fees Capital Project Fund
Budgetary Comparison Schedule
Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 100	\$ 382	\$ 282
Revenues from other agencies	25,600	29,307	3,707
Total revenues	<u>25,700</u>	<u>29,689</u>	<u>3,989</u>
Expenditures:			
Capital outlay	210,000	6,837	203,163
Total expenditures	<u>210,000</u>	<u>6,837</u>	<u>203,163</u>
Excess (deficiency) of revenues over expenditures	(184,300)	22,852	207,152
Fund balance, beginning	108,342	108,342	-
Fund balance (deficit), ending	<u>\$ (75,958)</u>	<u>\$ 131,194</u>	<u>\$ 207,152</u>

CITY OF ROLLING HILLS ESTATES

Prop C Capital Project Fund
Budgetary Comparison Schedule
Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ 100	\$ 556	\$ 456
Revenues from other agencies	118,245	122,406	4,161
Total revenues	<u>118,345</u>	<u>122,962</u>	<u>4,617</u>
Expenditures:			
Capital outlay	185,000	172,854	12,146
Total expenditures	<u>185,000</u>	<u>172,854</u>	<u>12,146</u>
Excess (deficiency) of revenues over expenditures	(66,655)	(49,892)	16,763
Fund balance, beginning	176,520	176,520	-
Fund balance, ending	<u>\$ 109,865</u>	<u>\$ 126,628</u>	<u>\$ 16,763</u>

CITY OF ROLLING HILLS ESTATES

Measure R Capital Project Fund

Budgetary Comparison Schedule

Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ 50	\$ 632	\$ 582
Revenues from other agencies	<u>85,567</u>	<u>91,955</u>	<u>6,388</u>
Total revenues	<u>85,617</u>	<u>92,587</u>	<u>6,970</u>
Expenditures:			
Capital outlay	<u>180,770</u>	<u>80,104</u>	<u>100,666</u>
Total expenditures	<u>180,770</u>	<u>80,104</u>	<u>100,666</u>
Excess (deficiency) of revenues over expenditures	(95,153)	12,483	107,636
Fund balance, beginning	164,294	164,294	-
Fund balance, ending	<u>\$ 69,141</u>	<u>\$ 176,777</u>	<u>\$ 107,636</u>

CITY OF ROLLING HILLS ESTATES

State SR2S Capital Project Fund

Budgetary Comparison Schedule

Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Revenue from other agencies	\$ 328,700	\$ 298,710	\$ (29,990)
Total revenues	<u>328,700</u>	<u>298,710</u>	<u>(29,990)</u>
Expenditures:			
Capital outlay	<u>-</u>	<u>328,700</u>	<u>(328,700)</u>
Total expenditures	<u>-</u>	<u>328,700</u>	<u>(328,700)</u>
Excess (deficiency) of revenues over expenditures	328,700	(29,990)	(358,690)
Fund balance (deficit), beginning	(35,152)	(35,152)	-
Fund balance (deficit), ending	<u>\$ 293,548</u>	<u>\$ (65,142)</u>	<u>\$ (358,690)</u>

CITY OF ROLLING HILLS ESTATES

Comprehensive Annual Financial Report

Year Ended June 30, 2016

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>83</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>94</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>100</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>102</i>
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<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>105</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Investment in capital assets	\$ 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	\$ 15,340,607
Restricted	144,809	378,721	533,470	963,108	1,200,294	1,097,622	1,051,065	385,690	2,598,454	2,150,212
Unrestricted	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)	(3,735,772)
Total governmental activities net position	<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>	<u>\$ 13,755,047</u>
Business-type activities:										
Investment in capital assets	\$ 61,650	\$ 57,789	\$ 53,927	\$ 50,065	\$ 46,203	\$ 42,341	\$ 38,479	\$ 118,040	\$ 110,545	\$ 103,050
Unrestricted	60,942	20,132	(127,910)	(180,723)	(267,237)	(379,604)	(317,937)	(303,006)	(191,906)	(74,491)
Total business-type activities net position	<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>	<u>\$ 28,559</u>
Primary government:										
Investment in capital assets	\$ 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	\$ 15,443,657
Restricted	144,809	378,721	533,470	963,108	1,200,294	1,097,622	1,051,065	385,690	2,598,454	2,150,212
Unrestricted	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)	(3,810,263)
Total primary government net position	<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>	<u>\$ 13,783,606</u>

Source: City Administrative Services Department.

CITY OF ROLLING HILLS ESTATES

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses:					
Governmental activities:					
General government	\$ 3,221,350	\$ 3,747,375	\$ 3,369,758	\$ 3,004,041	\$ 3,075,846
Public safety	1,878,066	1,898,712	2,111,932	1,819,095	1,830,016
Public works	711,452	831,273	1,170,470	912,695	1,114,138
Community services	1,712,418	1,571,983	1,432,368	1,302,670	1,341,466
Public health	44,290	24,148	28,101	34,059	21,329
Interest on bond payable	-	-	-	-	-
Total governmental activities expenses	<u>7,567,576</u>	<u>8,073,491</u>	<u>8,112,629</u>	<u>7,072,560</u>	<u>7,382,795</u>
Business-type activities:					
Equestrian	716,304	727,488	803,244	775,686	760,759
Tennis	48,595	47,910	79,890	71,075	75,132
Total business-type activities expenses	<u>764,899</u>	<u>775,398</u>	<u>883,134</u>	<u>846,761</u>	<u>835,891</u>
Total primary government expenses	<u>8,332,475</u>	<u>8,848,889</u>	<u>8,995,763</u>	<u>7,919,321</u>	<u>8,218,686</u>
Program revenues:					
Governmental activities:					
Charges for services:					
General government	1,683,238	1,269,611	839,830	927,498	957,765
Public safety	107,778	154,439	118,323	120,235	92,018
Public works	128,179	145,452	167,659	171,782	178,088
Community services	108,927	52,704	60,771	75,083	59,559
Operating grants and contributions	851,242	1,132,788	722,578	776,625	1,295,997
Capital grants and contributions	570,000	-	76,110	158,306	758,259
Total governmental activities program revenues	<u>3,449,364</u>	<u>2,754,994</u>	<u>1,985,271</u>	<u>2,229,529</u>	<u>3,341,686</u>
Business-type activities:					
Charges for services:					
Equestrian	650,405	670,547	668,641	730,410	688,871
Tennis	49,250	52,838	59,804	58,923	56,167
Capital grants and contributions	-	-	-	-	-
Total business-type activities	<u>699,655</u>	<u>723,385</u>	<u>728,445</u>	<u>789,333</u>	<u>745,038</u>
Total primary government program revenues	<u>4,149,019</u>	<u>3,478,379</u>	<u>2,713,716</u>	<u>3,018,862</u>	<u>4,086,724</u>
Net revenues (expenses):					
Governmental activities	(4,118,212)	(5,318,497)	(6,127,358)	(4,843,031)	(4,041,109)
Business-type activities	(65,244)	(52,013)	(154,689)	(57,428)	(90,853)
Total net revenues (expenses)	<u>(4,183,456)</u>	<u>(5,370,510)</u>	<u>(6,282,047)</u>	<u>(4,900,459)</u>	<u>(4,131,962)</u>

(Continued)

Fiscal Year				
2012	2013	2014	2015	2016
\$ 2,881,374	\$ 2,742,166	\$ 2,759,181	\$ 2,944,743	\$ 3,470,235
1,588,967	1,739,467	1,906,657	1,870,550	2,013,850
846,106	949,190	937,914	1,144,208	1,612,353
1,285,501	1,324,048	1,403,739	1,364,917	1,451,622
16,568	14,781	26,478	25,422	19,239
-	54,335	59,059	53,407	47,228
<u>6,618,516</u>	<u>6,823,987</u>	<u>7,093,028</u>	<u>7,403,247</u>	<u>8,614,527</u>
431,121	804	802	802	802
79,373	75,536	75,138	77,578	91,107
<u>510,494</u>	<u>76,340</u>	<u>75,940</u>	<u>78,380</u>	<u>91,909</u>
<u>7,129,010</u>	<u>6,900,327</u>	<u>7,168,968</u>	<u>7,481,627</u>	<u>8,706,436</u>
1,213,944	1,213,474	1,860,491	2,190,470	3,134,137
123,578	85,883	92,028	76,791	63,027
579,149	181,759	367,966	349,482	495,338
61,664	68,415	69,922	69,240	70,142
885,398	720,544	767,769	2,704,107	1,205,518
356,336	588,410	2,511,836	403,567	865,205
<u>3,220,069</u>	<u>2,858,485</u>	<u>5,670,012</u>	<u>5,793,657</u>	<u>5,833,367</u>
333,106	65,332	101,525	104,388	127,749
60,849	68,607	68,854	77,579	74,053
-	-	-	-	-
<u>393,955</u>	<u>133,939</u>	<u>170,379</u>	<u>181,967</u>	<u>201,802</u>
<u>3,614,024</u>	<u>2,992,424</u>	<u>5,840,391</u>	<u>5,975,624</u>	<u>6,035,169</u>
(3,398,447)	(3,965,502)	(1,423,016)	(1,609,590)	(2,781,160)
(116,539)	57,599	94,439	103,587	109,893
<u>(3,514,986)</u>	<u>(3,907,903)</u>	<u>(1,328,577)</u>	<u>(1,506,003)</u>	<u>(2,671,267)</u>

(Continued)

CITY OF ROLLING HILLS ESTATES

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General revenues and other changes in net position:					
governmental activities:					
Taxes:					
Property taxes	\$ 2,387,652	\$ 2,492,172	\$ 2,525,072	\$ 2,369,270	\$ 2,494,828
Sales taxes	1,192,703	1,199,466	986,408	917,855	917,016
Motor vehicle in lieu taxes -general purpose	47,500	36,304	27,834	24,024	41,550
Business license taxes	508,260	407,451	383,777	221,600	267,177
Franchise taxes	474,638	530,806	513,902	492,746	518,175
Other taxes	156,565	52,394	40,548	65,435	72,779
Use of money and property	334,457	206,181	91,946	30,770	18,467
Gain (Loss) on sale of capital asset	800,000	(25,560)	-	-	-
Miscellaneous	99,025	15,503	8,706	155,143	40,766
Total governmental activities	<u>6,000,800</u>	<u>4,914,717</u>	<u>4,578,193</u>	<u>4,276,843</u>	<u>4,370,758</u>
Business-type activities:					
Use of money and property	11,074	7,342	2,785	753	477
Total primary government	<u>6,011,874</u>	<u>4,922,059</u>	<u>4,580,978</u>	<u>4,277,596</u>	<u>4,371,235</u>
Changes in net position:					
Governmental activities	1,882,588	(403,780)	(1,549,165)	(566,188)	329,649
Business-type activities	<u>(54,170)</u>	<u>(44,671)</u>	<u>(151,904)</u>	<u>(56,675)</u>	<u>(90,376)</u>
Total primary government	<u>\$ 1,828,418</u>	<u>\$ (448,451)</u>	<u>\$ (1,701,069)</u>	<u>\$ (622,863)</u>	<u>\$ 239,273</u>

(Continued)

Source: City Administrative Services Department.

Fiscal Year				
2012	2013	2014	2015	2016
\$ 2,492,529	\$ 2,531,240	\$ 2,724,873	\$ 2,953,241	\$ 2,959,989
871,060	893,871	902,838	908,399	906,872
-	-	-	-	-
236,334	250,668	247,188	236,503	237,784
551,059	508,991	558,571	564,891	618,698
69,824	157,810	86,828	106,140	190,705
8,706	5,355	2,337	3,689	13,575
-	-	-	-	-
121,641	20,643	16,040	75,179	62,775
<u>4,351,153</u>	<u>4,368,578</u>	<u>4,538,675</u>	<u>4,848,042</u>	<u>4,990,398</u>
310	206	53	18	27
<u>4,351,463</u>	<u>4,368,784</u>	<u>4,538,728</u>	<u>4,848,060</u>	<u>4,990,425</u>
952,706	403,076	3,115,659	3,238,452	2,209,238
(116,229)	57,805	94,492	103,605	109,920
<u>\$ 836,477</u>	<u>\$ 460,881</u>	<u>\$ 3,210,151</u>	<u>\$ 3,342,057</u>	<u>\$ 2,319,158</u>

(Continued)

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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
	2007	2008	2009	2010 ¹	2011
General fund:					
Reserved	\$ 833,201	\$ 664,853	\$ 502,156	\$ -	\$ -
Unreserved	4,606,973	3,836,098	2,838,092	-	-
Nonspendable	-	-	-	247,242	86,741
Restricted	-	-	-	44,823	37,172
Assigned	-	-	-	642,800	502,264
Unassigned	-	-	-	1,882,122	1,766,793
Total general fund	<u>\$ 5,440,174</u>	<u>\$ 4,500,951</u>	<u>\$ 3,340,248</u>	<u>\$ 2,816,987</u>	<u>\$ 2,392,970</u>
All other governmental funds:					
Unreserved, reported in:					
Special revenue funds	\$ 144,809	\$ 729,352	\$ 361,329	\$ 361,329	\$ -
Restricted	-	-	-	-	2,135,011
Unassigned	-	-	-	-	(1,639,080)
Special revenue funds	-	-	-	361,329	-
Total all other governmental funds	<u>\$ 144,809</u>	<u>\$ 729,352</u>	<u>\$ 361,329</u>	<u>\$ 722,658</u>	<u>\$ 495,931</u>
General fund:	2012	2013	2014	2015	2016
Nonspendable	\$ 10,406	\$ 445,585	\$ 348,303	\$ 278,987	\$ 126,377
Restricted	37,172	32,922	15,201	15,201	15,201
Assigned	651,223	738,925	860,108	1,449,819	2,040,000
Unassigned	2,101,763	1,352,820	1,578,477	2,039,428	2,378,531
Total general fund	<u>\$ 2,800,564</u>	<u>\$ 2,570,252</u>	<u>\$ 2,802,089</u>	<u>\$ 3,783,435</u>	<u>\$ 4,560,109</u>
All other governmental funds:					
Nonspendable					
Restricted	\$ 1,060,450	\$ 1,018,143	\$ 370,489	\$ 2,583,253	\$ 2,135,011
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(302,206)	(978,078)	(740,122)	(1,912,267)	(1,639,080)
Total other governmental funds	<u>\$ 758,244</u>	<u>\$ 40,065</u>	<u>\$ (369,633)</u>	<u>\$ 670,986</u>	<u>\$ 495,931</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)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues:					
Property taxes	\$ 2,387,652	\$ 2,492,172	\$ 2,525,072	\$ 2,369,270	\$ 2,494,828
Sales and use taxes	1,192,703	1,199,467	986,408	917,855	917,016
Business license taxes	508,260	407,452	383,777	221,600	267,177
Other taxes	631,202	583,202	554,450	558,182	590,954
Licenses and permits	968,981	733,268	491,632	674,137	681,549
Fines and forfeitures	100,602	150,491	114,203	123,547	103,258
Use of money and property	363,487	221,489	107,527	49,555	34,489
Charges for services	842,995	630,758	442,179	345,137	345,871
Revenues from other agencies	1,558,834	1,269,099	955,535	1,099,465	2,261,985
Other revenues	95,449	7,873	2,681	147,624	15,317
Total revenues	<u>8,650,165</u>	<u>7,695,271</u>	<u>6,563,464</u>	<u>6,506,372</u>	<u>7,712,444</u>
Expenditures:					
Current:					
General government	3,134,345	3,619,451	3,257,757	2,913,496	3,040,509
Public safety	1,878,066	1,898,712	2,111,932	1,819,095	1,830,016
Public works	589,891	551,488	533,166	591,294	545,170
Community services	1,617,366	1,472,495	1,347,204	1,215,844	1,300,490
Public health	44,290	24,148	28,101	34,059	21,329
Capital outlay	1,795,830	483,657	814,030	393,715	1,095,335
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>9,059,788</u>	<u>8,049,951</u>	<u>8,092,190</u>	<u>6,967,503</u>	<u>7,832,849</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(409,623)</u>	<u>(354,680)</u>	<u>(1,528,726)</u>	<u>(461,131)</u>	<u>(120,405)</u>
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)	<u>800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 390,377</u>	<u>\$ (354,680)</u>	<u>\$ (1,528,726)</u>	<u>\$ (461,131)</u>	<u>\$ (120,405)</u>
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				
		2012	2013	2014	2015	2016
\$	2,492,529	\$ 2,531,240	\$ 2,724,873	\$ 2,953,241	\$ 2,959,989	
	871,060	893,871	902,838	908,399	906,872	
	236,334	250,668	247,188	236,503	237,784	
	620,883	666,801	645,399	671,031	809,403	
	945,463	1,057,943	1,628,949	2,074,361	3,129,514	
	123,299	86,871	88,962	76,532	61,380	
	26,341	24,759	26,586	22,569	34,323	
	336,337	255,098	416,141	363,640	398,927	
	1,779,337	1,146,994	3,700,252	3,380,710	2,311,795	
	39,642	11,459	9,533	38,887	8,930	
	<u>7,471,225</u>	<u>6,925,704</u>	<u>10,390,721</u>	<u>10,725,873</u>	<u>10,858,917</u>	
	2,821,517	4,367,972	2,700,233	2,753,752	3,346,845	
	1,588,967	1,739,467	1,906,657	1,870,550	2,013,850	
	545,997	521,988	747,844	663,858	718,345	
	1,188,626	1,219,020	1,278,713	1,206,302	1,325,031	
	16,568	14,781	26,478	25,422	19,239	
	970,781	1,539,850	3,694,598	1,962,616	2,604,760	
	-	152,000	155,700	168,000	182,000	
	-	54,335	58,359	53,407	47,228	
	-	71,784	-	-	-	
	<u>7,132,456</u>	<u>9,681,197</u>	<u>10,568,582</u>	<u>8,703,907</u>	<u>10,257,298</u>	
	<u>338,769</u>	<u>(2,755,493)</u>	<u>(177,861)</u>	<u>2,021,966</u>	<u>601,619</u>	
	13,395	100,355	74,047	-	62,545	
	(13,395)	(100,355)	(74,047)	-	(62,545)	
	-	1,807,000	-	-	-	
	-	-	-	-	-	
	100,000	-	-	-	-	
	<u>100,000</u>	<u>1,807,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	
\$	<u>438,769</u>	<u>(948,493)</u>	<u>(177,861)</u>	<u>2,021,966</u>	<u>601,619</u>	
	N/A	2.6%	3.2%	3.4%	2.9%	

CITY OF ROLLING HILLS ESTATES

Business Tax Rates

June 30, 2016

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

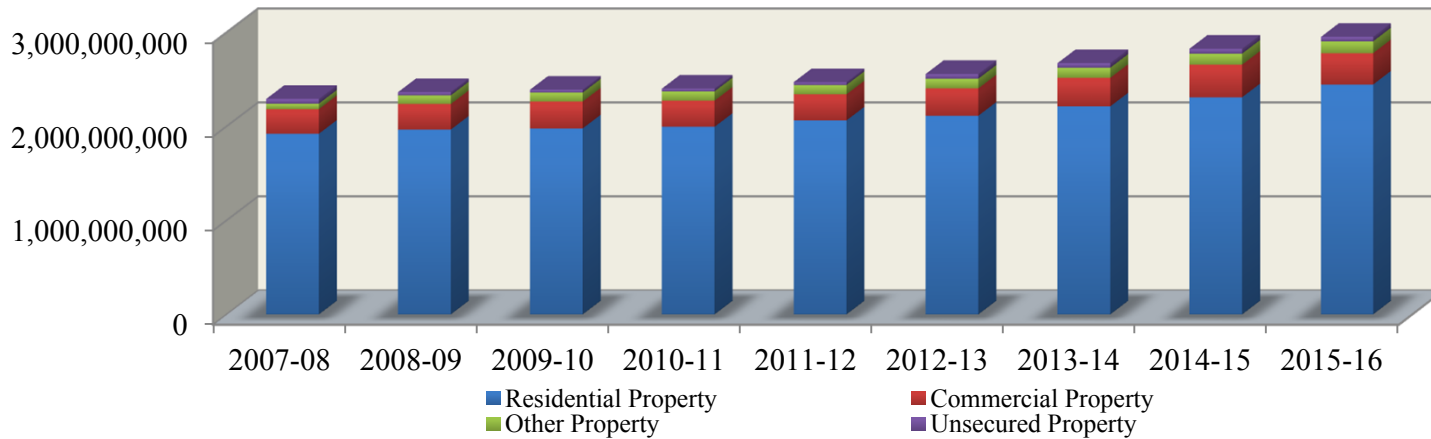
Property Tax-Principal Payers
Last Fiscal Year and Nine Years Ago

Taxpayer	2015-16		2006-07	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
609 Deep Valley Llc	6,507,497	0.22%		
Anastasi Dev Company Llc	17,725,764	0.61%		
Brickwalk Llc	3,985,747	0.14%	3,505,312	0.17%
Cento Family 1 Llc	4,930,272	0.17%		
Chandler S Palos Verdes Sand G	4,006,297	0.14%		
Continental Rhe Corp	10,786,230	0.37%	9,486,000	0.45%
Cox Communications Inc.	17,986,925	0.62%	12,880,508	0.61%
Deep Valley Drive Llc	3,785,111	0.13%	3,326,839	0.16%
Freer Randy	4,179,365	0.14%		
Highpoint Assoc Iii Llc	10,963,332	0.38%	4,557,235	0.21%
Jpmorgan Chase Bank	8,569,650	0.29%		
Koll Per Peninsula Pointe Llc	10,472,404	0.36%	9,210,000	0.43%
Longs Drug Stores Inc.	7,836,837	0.27%		
Merryweather Properties	3,832,937	0.13%	3,370,896	0.16%
Norris Center For Performing A	8,735,021	0.30%		
Park Rolling Hills Llc	8,226,072	0.28%		
Pop Aiv Llc	86,800,223	2.98%		
Post Avenue Real Property Lp	3,862,510	0.13%	3,396,906	0.16%
Refoua Llc	4,607,386	0.16%		
Rolling Hills Capital Llc	3,516,839	0.12%	3,092,903	0.15%
Rolling Hills Country Club	6,357,081	0.22%	5,318,624	0.25%
Silver Spur Shopping Center Ll	10,423,989	0.36%	9,167,462	0.43%
Stockton Richard Larissa	3,587,000	0.12%		
Szymczak William Teresa	3,750,000	0.13%		
Vestar Peninsula Retail Llc	89,448,496	3.07%		
Baskovic Ante & Janie			2,543,000	0.12%
Chang Robert S & Susan E Trs			3,200,000	0.15%
Chiang Martin K & Jane Trs			2,695,550	0.13%
Cousins Properties Inc			81,715,776	3.85%
Faragalla Maged & Margrite			2,850,000	0.13%
Fechner Steven P & Lorene A			2,605,000	0.12%
Gogian John J Co Tr			2,573,000	0.12%
H & F Associates			2,695,994	0.13%
Irp Silver Spur Associates Llc			3,621,000	0.17%
Principal Life Insurance Compa			53,674,470	2.53%
Rolling Hills Estate			4,842,922	0.23%
Rolling Hills Investments Inc			2,808,528	0.13%
Tumanjan George Tr			5,723,049	0.27%
Wynne Theodore			5,258,421	0.25%
Total Top 25 Taxpayers	344,882,985	11.84%	244,119,395	11.51%
Total Taxable Value	\$ 2,913,061,367	100.00%	\$ 2,122,539,380	100.00%

Source: Los Angeles County Assessor data, MuniServices, LLC

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)
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
2015-16	2,444,015,432	334,019,396	125,709,811	47,521,915	38,205,187	2,913,061,367	4.47%	.066911	3,916,598,128	1.344496



Source: County Assessor data, MuniServices, LLC

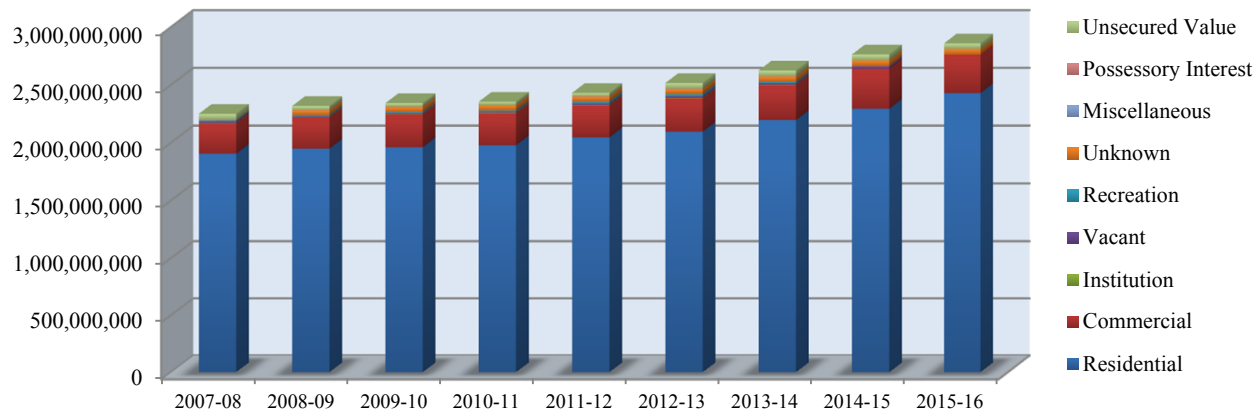
(-) Data Unavailable

(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
Last Nine Fiscal Years

Category	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Residential	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	2,428,447,608
Commercial	262,225,643	272,293,616	286,265,572	278,682,956	277,847,185	290,637,062	303,903,169	346,844,193	334,012,396
Institution	2,995,194	3,211,846	3,373,427	4,696,332	3,537,694	3,585,954	3,643,361	3,166,911	3,950,005
Vacant	16,180,135	6,605,565	6,398,075	8,982,524	11,676,070	13,318,109	14,000,694	21,138,113	27,500,350
Recreation	7,801,680	7,610,444	7,956,210	8,167,553	16,305,996	16,715,571	8,610,967	18,382,835	18,443,549
Unknown	3,917,620	42,048,529	44,462,502	44,690,082	42,582,090	45,404,330	47,148,755	51,187,553	49,056,260
Miscellaneous	91,437	93,264	95,127	94,900	126,614	124,224	126,708	52,394	54,100
Possessory Interest	3,313,171	3,069,879	3,158,329	3,164,332	3,458,601	2,983,592	3,341,813	3,472,543	4,170,184
Net Secured Value	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	2,865,634,452
Unsecured Value	49,163,371	34,174,843	30,362,260	28,849,924	29,656,454	49,056,518	48,685,757	51,430,127	47,426,915
Net Assessed Value	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	2,913,061,367



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

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
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	0.238551	0.238551	0.238551	0.238551	0.238551	0.238551	0.238551
LA COUNTY FIRE	0.000000	0.000000	0.007086	0.007086	0.007086	0.007086	0.007086	0.007086	0.007086
CONSOL. FPD OF LA CO.	0.000000	0.000000	0.172646	0.172646	0.172646	0.172646	0.172646	0.172646	0.172646
LA CO FLOOD CONTROL	0.000000	0.000000	0.011279	0.011279	0.011279	0.011279	0.011279	0.011279	0.011279
PALOS VERDES LIBRARY DIST	0.000000	0.000000	0.033231	0.033231	0.033231	0.033231	0.033231	0.033231	0.033231
LA CO WEST VECTOR CONT.	0.000000	0.000000	0.000669	0.000669	0.000669	0.000669	0.000669	0.000669	0.000669
CO SANITATION DIST NO.5	0.000000	0.000000	0.011980	0.011980	0.011980	0.011980	0.011980	0.011980	0.011980
WTR REPLEN DIST OF SO CAL	0.000000	0.000000	0.000171	0.000171	0.000171	0.000171	0.000171	0.000171	0.000171
EDUCATIONAL REV AUGM FD	0.000000	0.000000	0.209606	0.209606	0.209606	0.209606	0.209606	0.209606	0.209606
LA CITY COMM COLLEGE DIST	0.000000	0.000000	0.029718	0.029718	0.030025	0.030025	0.030025	0.030025	0.030025
PALOS VERDES PENINS. UNI	0.000000	0.000000	0.200387	0.200387	0.200387	0.200387	0.200387	0.200387	0.200387
COUNTY LIGHTING MAINT	0.000000	0.000000	0.004074	0.004074	0.004074	0.004074	0.004074	0.004074	0.004074
LA COUNTY ACCUM CAP	0.000000	0.000000	0.000112	0.000112	0.000112	0.000112	0.000112	0.000112	0.000112
LA COUNTY SCHOOLS	0.000000	0.000000	0.243684	0.243684	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	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
UNIFIED SCHOOLS	0.019760	0.020177	0.021642	0.022493	0.022511	0.024102	0.023109	0.023289	0.023433
COMMNTY COLLEGE	0.008794	0.022115	0.023112	0.040310	0.035296	0.048750	0.044541	0.040174	0.035755
PALOS VERDES LIB	0.006854	0.006801	0.006618	0.006719	0.006359	0.006441	0.006118	0.005854	0.005630
METRO WATER DIST	0.004500	0.004300	0.004300	0.003700	0.003700	0.003500	0.003500	0.003500	0.003500
TOTAL OVERRIDE RATE	0.039908	0.053393	0.055672	0.073222	0.067866	0.082793	0.077268	0.072817	0.068318
TOTAL TAX RATE	1.039908	1.053393	1.055672	1.073222	1.067866	1.082793	1.077268	1.072817	1.068318

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

2015-16	2006-07
Taxpayer	Taxpayer
Abercrombie & Fitch	Abercrombie & Fitch
Ann Taylor	Ann Taylor
Arco AM/PM Mini Marts	Arco AM/PM Mini Marts
AT & T Mobility	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	Domino's Pizza
Good Stuff Restaurant	J. Crew
J. Crew	Marmalade Cafe
Medawar Fine Jewelers	Morgan's Jewelers
Morgan's Jewelers	Petco Animal Supplies
Petco Animal Supplies	Red Onion Restaurant
Red Onion Restaurant	Restoration Hardware
Rite Aid Drug Stores	Rite Aid Drug Stores
Rolling Hills Country Club	Rolling Hills Country Club
Rubio's Baja Grill	Ruby's Diner
Ruby's Diner	Stein Mart
The Gap	Talbots Store
TJ Maxx	The Gap
Ulta Beauty	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, 2016

2015-16 Assessed Valuation: \$2,928,139,367

	Total Debt 6/30/2016	% Applicable (1)	City's Share of Debt 6/30/16
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Los Angeles County Flood Control District	\$ 12,630,000	0.234%	\$ 29,554
Metropolitan Water District	92,865,000	0.119%	110,509
Los Angeles Community College District	3,671,000,000	0.416%	15,271,360
Palos Verdes Peninsula Unified School District	69,065,015	13.603%	9,394,914
City of Rolling Hills Estates	-	100.000%	-
Palos Verdes Library District	1,245,000	12.958%	161,327
Los Angeles County Regional Park and Open Space Assessment District	50,610,000	0.230%	116,403
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 3,897,415,015		\$ 25,084,067
 DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Los Angeles County General Fund Obligations	\$ 2,029,010,694	0.230%	\$ 4,666,725
Los Angeles County Superintendent of Schools Certificates of Participation	7,944,360	0.230%	18,272
Los Angeles County Sanitation District No. 5 Authority	27,560,973	3.187%	878,368
Los Angeles County Sanitation District South Bay Cities Authority	4,699,750	0.028%	1,316
SUBTOTAL GROSS OVERLAPPING GENERAL FUND DEBT			5,564,681
City of Rolling Hills Estates Pension Obligation Bonds	1,150,000	100.000%	1,150,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$6,714,681
 TOTAL DIRECT DEBT			\$1,150,000
TOTAL OVERLAPPING DEBT			\$30,648,748
 COMBINED TOTAL DEBT			\$31,798,748 (2)

(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

(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	0.86%
Total Direct Debt (\$1,150,000)	0.04%
Combined Total Debt	1.09%

AB:(\$475)

Source: MuniServices, LLC

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

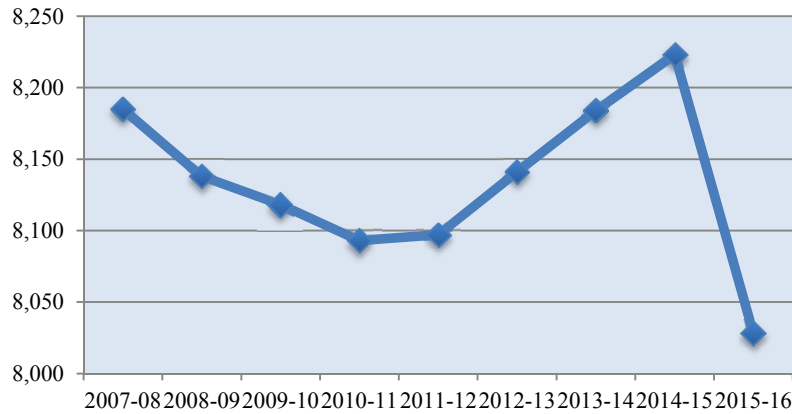
	Fiscal Year					Fiscal Year				
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed valuation	\$ 2,111,502,850	\$ 2,249,307,961	\$ 2,316,877,079	\$ 2,341,956,315	\$ 2,354,374,158	\$ 2,430,380,908	\$ 2,516,504,541	\$ 2,624,732,544	\$ 2,788,550,739	\$ 2,913,061,367
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	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	436,959,205
Total net debt applicable to limit: General obligation bonds	-	-	-	-	-	-	1,655,000.00	1,500,000.00	1,332,000.00	1,150,000.00
Legal debt margin	<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>	<u>\$ 435,809,205</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%	0.4%	0.4%	0.3%	0.3%

Source: MuniServices, LLC & City

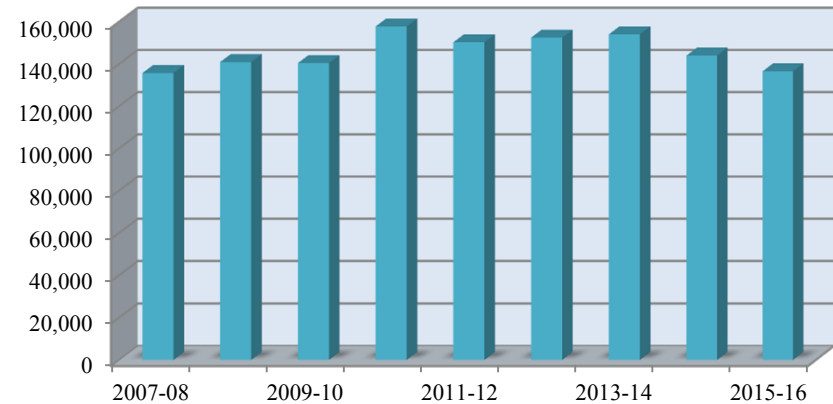
CITY OF ROLLING HILLS ESTATES
 Demographic and Economic Statistics
 Last Nine Fiscal Years

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)
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
2015-16	8,028	543,229,392	69,599	48.7	11,499	6.7	3.2	10,241,335	2.70	97.4	136,477

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	2015-16		2006-07	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Palos Verdes Peninsula Unified School District	1,468	12.77%	1,800	43.09%
Equinox Palos Verdes	120	1.04%		0.00%
Rolling Hills Covenant Church	116	1.01%	100	0.00%
Bristol Farms	110	0.96%	100	3.66%
Vons Co/Pavillions Store #2333	97	0.84%	150	2.44%
Pinnisula Center Library	93	0.81%		0.00%
Spectrum Health Club	68	0.59%		0.00%
Rolling Hills Country Club*	60	0.52%		2.44%
Wells Fargo Advisors	55	0.48%		0.00%
Red Onion Restaurant	42	0.37%	44	1.07%
Delta Computer Consulting Inc			165	4.02%
Longs			67	1.63%
Cox Communications			49	1.20%
TJ Maxx			37	0.90%
City of Rolling Hills Estates			35	0.85%
Total Top Employers	2,229	19.39%	2,547	61.30%
Total City Labor Force (1)	11,499		4,100	

Source: MuniServices, LLC

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

*Includes full and part time. Club is temporarily closed for renovations.

(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	2012	2013	2014	2015	2016
General government	15	13	13	12	12
Public safety	2	2	0	0	0
Community services	7	7	7	7	7
Equestrian	7	6	0	0	0
Tennis	4	3	4	4	4
Total	35	31	24	23	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				
	2012	2013	2014	2015	2016
Police:					
Arrests	113	80	53	95	164
Parking citations issued	635	333	214	156	195
Fire:					
Number of emergency calls	531	691	706	787	775
Inspections	3	263	515	859	1,215
Public works:					
Street resurfacing (miles)	<1	1.2	<1	<1	<1
Community services:					
Number of recreation classes	5	5	5	5	5
Number of facility rentals	10	10	10	14	14
Equestrian:					
Number of equestrian classes	40	40	20	20	20
Number of facility rentals	16	16	15	17	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 Sheriffs 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				
	2012	2013	2014	2015	2016
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

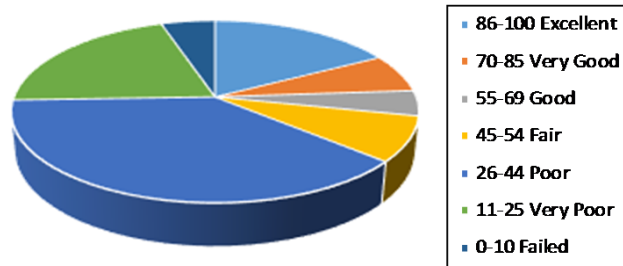
June 30, 2016

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

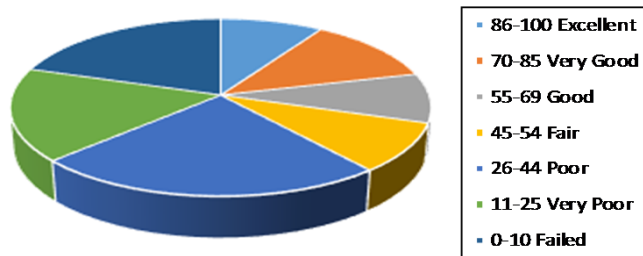
Average PCI = 47.9



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 HILSS ESTATES

Miscellaneous Statistics

June 30, 2016

Date of incorporation	September 18, 1957
Population	8,028
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	1,300
Number of Registered Voters	5,551

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