

**CITY OF ROLLING HILLS ESTATES,
CALIFORNIA**

Comprehensive Annual Financial Report

Year Ended June 30, 2017

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



Certified
Public
Accountants



*Comprehensive Annual Financial Report
For the Year Ended June 30, 2017*

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

CITY OF ROLLING HILLS ESTATES
 Comprehensive Annual Financial Report
 Year Ended June 30, 2017

Table of Contents

	<i>Page(s)</i>
<u>Introductory Section (Unaudited)</u>	
Letter of Transmittal	v
Directory of City Officials	x
Organization Chart.....	xi
Certificate of Achievement for Excellence in Financial Reporting	xii
 <u>Financial Section</u>	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis (Unaudited)	5
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Proprietary Fund Financial Statements:	
Statement of Fund Net Position – Proprietary Funds	21
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	22
Statement of Cash Flows – Proprietary Funds	23
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Net Position - Agency Fund	24
Notes to Financial Statements.....	25

CITY OF ROLLING HILLS ESTATES
 Comprehensive Annual Financial Report
 Year Ended June 30, 2017

Table of Contents
(continued)

	<i>Page(s)</i>
Required Supplementary Information (Unaudited):	
General Fund – Budgetary Comparison Schedule	51
Prop A 4 th District Special Revenue Fund – Budgetary Comparison Schedule	52
Schedule of Proportionate Share of the Net Pension Liability	53
Schedule of City Contributions to the Pension Plan	54
Note to Required Supplementary Information	55
 Supplementary Information:	
Nonmajor Funds Combining Statements:	
Combining Balance Sheet - Nonmajor Governmental Funds.....	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
Nonmajor Governmental Funds	60
Nonmajor Special Revenue and Capital Project Funds - Budgetary Comparison Schedules:	
Traffic Safety Special Revenue Fund	62
Prop A Transit Tax Special Revenue Fund	63
Air Quality Improvement Special Revenue Fund	64
Jr. Naturalist Grant Special Revenue Fund	65
Highway Users Tax Special Revenue Fund	66
Peppertree Foundation Special Revenue Fund.....	67
CDBG Grant Capital Project Fund	68
PEG Fees Capital Project Fund	69
Proposition C Capital Project Fund	70
Measure R Capital Project Fund.....	71
Quimby Fees Capital Project Fund	72
Prop A Parks Capital Project Fund.....	73
Chandler Contribution Capital Project Fund.....	74
STPL Grant Capital Projects Fund	75
CalRecycle Asphalt Capital Projects Fund.....	76
 <u>Statistical Section (Unaudited):</u>	
Net Position by Component.....	79
Changes in Net Position.....	80
Fund Balances of Governmental Funds	82
Changes in Fund Balances of Governmental Funds	83
Business Tax Rates	84
Principal Property Tax Payers	85

CITY OF ROLLING HILLS ESTATES
Comprehensive Annual Financial Report
Year Ended June 30, 2017

Citywide Assessed Value and Estimate Actual Value of Taxable Property	86
Net Assessed Value of Property by Use Code	87
Direct and Overlapping Property Tax Rates	88
Principal Sales Tax Producers	89
Direct and Overlapping Debt.....	90
Legal Debt Margin Information.....	91
Demographic and Economic Statistics	92
Principal Employers.....	93
Full-Time and Part-Time City Employees by Function.....	94
Operating Indicators by Function	95
Capital Asset Statistics by Function	96
Miscellaneous Statistics	97

This page intentionally left blank.

BRITT V. HUFF
Mayor
JUDY MITCHELL
Mayor Pro Tem
VELVETH SCHMITZ
Council Member
STEVEN ZUCKERMAN
Council Member
FRANK V. ZERUNYAN
Council Member
DOUGLAS R. PRICHARD
City Manager



City of
ROLLING HILLS ESTATES
4045 Palos Verdes Drive North • Rolling Hills Estates, CA 90274
310-377-1577 • FAX 310-377-4468
www.RHE.city

December 29, 2017

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, 2017, 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 8,059. 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. In 2017, to ensure compliance with the California Voter Participation Act, the City changed its election date to coincide with the Statewide election in June which resulted in the current Council members terms being extended by seven months.

Though the City's overall net position decreased during the fiscal year ended June 30, 2017, 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 City'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 completion of the remodel and expansion to the Peninsula Shopping Center. A 110 room boutique hotel application (proposed at the southeast corner of the Center) was filed in September 2017 and will be processed next year for Planning Commission and City Council review and approval.
- The City Council approved two assisted living projects last year; one at the Village Shopping Center (Merrill Gardens) and a second at the former office building named Peninsula Pointe. Grading and construction of the Merrill Gardens project is set to start in early 2018.
- Last year, the Planning Commission approved an expansion project for Rolling Hills United Methodist Church including expanded office areas and classrooms. Construction of this project is set to start in early 2018.
- Last year, the City Council approved a parcel map, zone change and General Plan Amendment for the construction of two single family homes and a two-lot subdivision at 5883 Crest Road (northeast corner of Highridge and Crest Roads). Construction of this project should commence by mid-2018.
- The City continued to monitor the development of the Butcher Ranch project, and the construction of the 627 and 927 Deep Valley Drive mixed-use projects. 627 Deep Valley Drive should be completed by the fall of 2018. 927 Deep Valley Drive should be completed by 2020.
- The City continued to monitor the construction of the two-level parking structure approved at the Village Shopping Center. This project should be completed in early 2018.
- 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. Grading for the project is complete and the golf course opened for play in November 2017. The clubhouse facility is nearly complete and should be fully operational by early

2018. Construction of the model home complex is nearing completion and should also be open in early 2018. All infrastructure for the remaining 114-home project has been installed and streets, curb and gutter, and building pads are nearly complete (certified for construction). This project should be completed with the build-out of the homes by 2020.

- The City is processing a public works application, including the CEQA document as the Lead Agency, for California Water Company, which will involve two new water mains going from their pumping facility located at Montecillo Drive and Palos Verdes Drive North, westbound on Palos Verdes Drive North towards Crenshaw Blvd., then southbound up Crenshaw to Crest Rd. A new pumping station is also proposed along Crenshaw Blvd., within the city of RHE. This project should go before the Planning Commission and City Council for review and approval in 2018 and construction is set to start in June of 2018 and be completed by the end of 2019. Note that this project is also in the jurisdictions of Los Angeles County and the City of Rancho Palos Verdes.
- 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 2016-17, the City completed “Year 3” 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.
- A Traffic Signal Modification Project at the intersection of Palos Verdes Drive North and Rolling Hills Road/Portuguese Bend Road to install new decorative traffic signal poles was completed in FY 2016-17. This improvement allows for a “protected/permissive” left-turn signal onto Rolling Hills Road and Portuguese Bend Road. Much of the project was funded with a “gift” of Proposition C and Measure R funds from the City of Rolling Hills.
- The City completed the 2016 Resurfacing on Various City Streets and Multi-Use Pedestrian Paths Project, which included re-paving Clubview Lane, Peacock Lane, Baymare Lane, Silver Bit Lane, Hitching Post Drive and Palos Verdes Drive North from Palos Verdes Drive East to 250’ west of Dapplegray Lane. The project utilized a variety of funding sources, including Proposition C and Measure R Funds, CalRecycle Rubberized Pavement Grant, STPL Fund Exchange and General Funds. The project also included re-paving the multi-use pedestrian pathways along the north side Palos Verdes Drive North from Crenshaw Boulevard to Palos Verdes Drive East and a small section along the upper eastside portion of Silver Spur Road; the parking lots at Highridge Park and Chandler Park/Pepperwood Park/Civic Center; and the Maintenance Yard parking lot and two handicap parking spaces at Ernie Howlett Park. This portion of the project was funded with Quimby funds.
- Last year, the City developed a storm drain repair prioritization plan based on the results of cleaning and video inspection that was conducted on 78 identified storm drain pipes to determine the type, extent and urgency of the needed repairs. A total of 45 storm drain pipes have been identified and prioritized for repairs over the next four fiscal years with a budgeted amount of \$500,000 per year.

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 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 Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. For the year ended June 30, 2017, 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, and Proprietary funds are included in the annual appropriated budgets of the government units. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the program level. Formal budgetary integration is employed as a management control device. Additionally, unexpected capital project account balances are carried over to the following year's budget appropriations with Council approval.

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

OTHER INFORMATION

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

GFOA Certificate of Achievement Award. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Financial Reporting to the City of Rolling Hills Estates for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the nineteenth 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

CITY OF ROLLING HILLS ESTATES

Directory of City Officials

June 30, 2017

FRANK V. ZERUNYAN

MAYOR

BRITT HUFF

MAYOR PRO TEMPORE

JUDY MITCHELL

COUNCIL MEMBER

VELVETH SCHMITZ

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

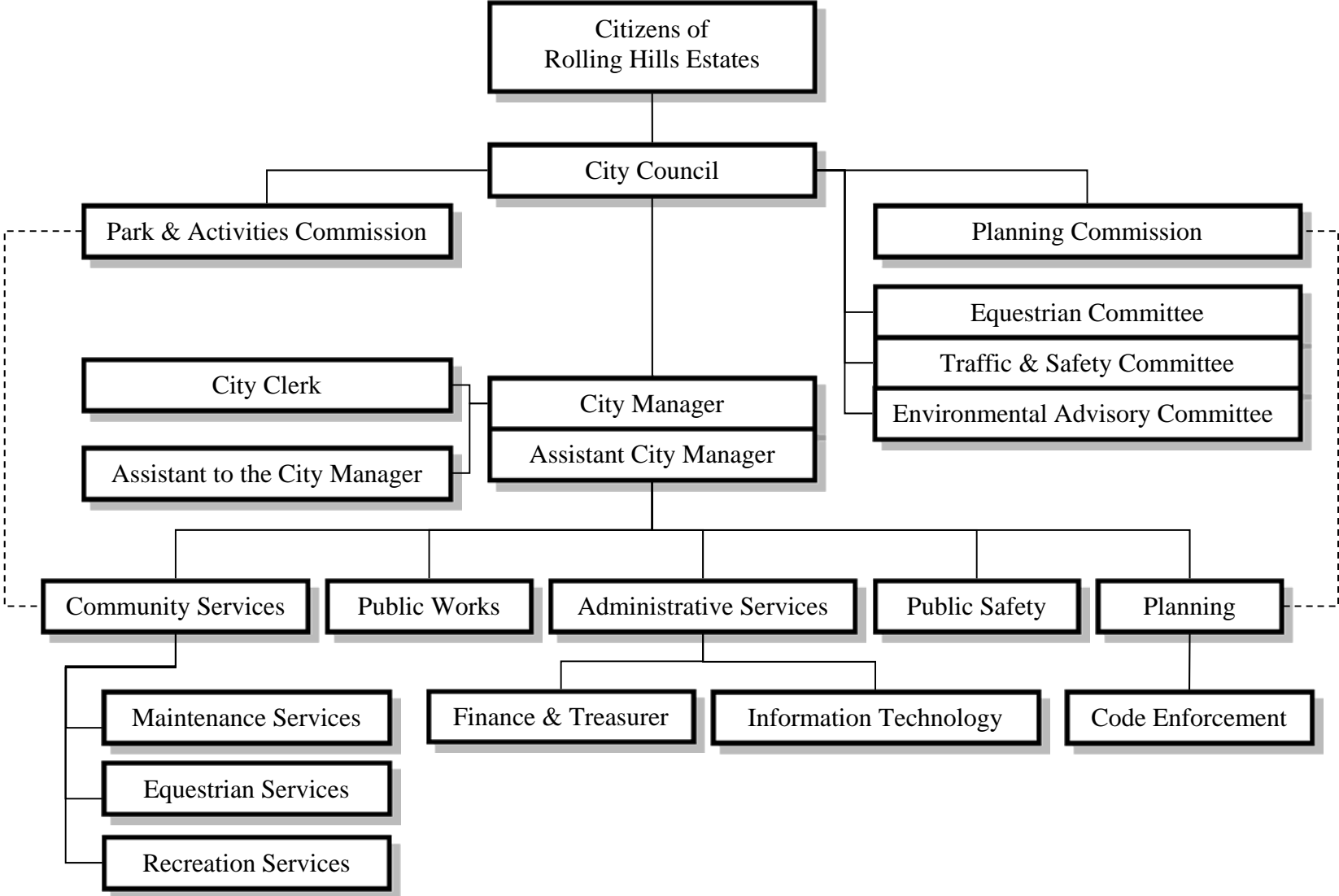
Donald M. Davis

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, 2016

Executive Director/CEO

FINANCIAL SECTION

This page intentionally left blank.



Independent Auditor's Report

To the City Council
City of Rolling Hills Estates, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rolling Hills Estates, California (City), as of and for the year ended June 30, 2017, 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, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information for the General Fund and Prop A 4th District 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, 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 29, 2017, 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 29, 2017

This page intentionally left blank.



CITY OF ROLLING HILLS ESTATES, CALIFORNIA
Management's Discussion and Analysis (Unaudited)
June 30, 2017

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, 2017. 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 \$5,553,069 as of the measurement date June 30, 2016, and reporting date June 30, 2017. NPL, the difference between the total pension liability (TPL) and the retirement plan's fiduciary net position, is an important measure required by Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* which required the City to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the 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 \$12,954,911 (*net position*).
- The City had a \$5,396,425 deficit in *unrestricted net position* that will be funded by future revenues. The City had \$922,371 in deferred outflows and \$830,298 in deferred inflows of resources as of June 30, 2017.
- The City's overall net position decreased by \$828,695 from the prior fiscal year.
- The City's governmental funds in total reported combined ending fund balances of \$3,007,145, a decrease of \$2,048,895 in comparison with the prior year. Approximately \$1,445,039 (*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, 2017 (page 19), the year-end deficits of \$614,176 for Prop A – Parks and \$230,888 for Prop A 4th District reflect monies advanced by the General Fund in anticipation of reimbursement through the approved grant sources.
- General Fund's fund balance decreased \$2,305,830 from \$4,560,109 on June 30, 2016 to \$2,524,279 on June 30, 2017. The decrease this year is attributed to the additional payment to PERS to decrease the unfunded accrued liability obligation.
- The General Fund unassigned fund balance was \$1,892,936 or 25%, of total General Fund current operating expenditures. Out of the General Fund's assigned fund balance, \$110,000 for equipment and \$495,871 for capital projects replacement.



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)

June 30, 2017

(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 inflows of resources, with the difference between these items 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 City'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.



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)

June 30, 2017

(Continued)

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

The City maintains 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 Fund, Prop A Parks Fund, Chandler Contribution Fund and Prop A 4th District Fund which are considered to be major funds. Data from the other 13 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*. Proprietary 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 proprietary 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.

On July 1, 2016, the City disposed both proprietary funds during the year and transferred all operations to the General Fund; please refer to Note 10 for more information. Individual proprietary fund financial statements are included as part of the fund financial statements on pages 21-23 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 and liabilities 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 and schedules 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.



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)

June 30, 2017

(Continued)

Government-wide Financial Analysis

- Net position may serve over time as a useful indicator of a government's financial position. The City's net position of \$12,954,911 in fiscal year 2016-17, decreases from fiscal year 2015-16 by \$828,695. The largest portion of the City's total net position (\$16,804,702 or 130% in fiscal year 2016-17, and \$15,443,657 or 112% in fiscal year 2015-16, and) reflects its investment in capital assets (e.g. land, building, facilities, vehicles, equipment and infrastructure). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City's total net position (\$1,546,634 or 11.9% in fiscal year 2016-17, and \$2,150,212 or 15.6% in fiscal year 2015-16) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$-5,396,425 or -41.7% in fiscal year 2016-17, and \$-3,801,263 or -27.2% in fiscal year 2015-16) 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, 2017 and 2016:

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2016-2017	FY 2015-2016	FY 2016-2017	FY 2015-2016	FY 2016-2017	FY 2015-2016
Current and other assets	\$ 4,116,465	\$ 6,289,329	\$ -	\$ (73,670)	\$ 4,116,465	\$ 6,215,659
Capital assets	16,804,702	15,340,607	-	103,050	16,804,702	15,443,657
Total Assets	20,921,167	21,629,936	-	29,380	20,921,167	21,659,316
Deferred outflows of resources						
Difference between expected and actual actuarial experience	9,325	13,518	-	-	9,325	13,518
Difference between actual and expected investment earnings	595,648	-	-	-	595,648	-
Pension contributions after the measurement date	317,398	316,760	-	-	317,398	316,760
Total Deferred Outflows of Resources	922,371	330,278	-	-	922,371	330,278
Current liabilities	1,109,319	1,233,289	-	821	1,109,319	1,234,110
Long term liabilities	1,395,941	1,566,154	-	-	1,395,941	1,566,154
Net pension liability	5,553,069	4,129,172	-	-	5,553,069	4,129,172
Total Liabilities	8,058,329	6,928,615	-	821	8,058,329	6,929,436
Deferred inflows of resources						
Difference between actual and expected investment earnings	-	64,115	-	-	-	64,115
Change in assumptions	114,445	127,894	-	-	114,445	127,894
Change in employer's proportion	449,045	765,043	-	-	449,045	765,043
Change in proportionate share of contributions related to pension	266,808	319,500	-	-	266,808	319,500
Total Deferred Inflows of Resources	830,298	1,276,552	-	-	830,298	1,276,552
Investment in capital assets	16,804,702	15,340,607	-	103,050	16,804,702	15,443,657
Restricted	1,546,634	2,150,212	-	-	1,546,634	2,150,212
Unrestricted (deficit)	(5,396,425)	(3,735,772)	-	(74,491)	(5,396,425)	(3,810,263)
Total Net Position	\$ 12,954,911	\$ 13,755,047	\$ -	\$ 28,559	\$ 12,954,911	\$ 13,783,606



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)

June 30, 2017

(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 2016-2017	FY 2015-2016	FY 2016-2017	FY 2015-2016	FY 2016-2017	FY 2015-2016
Program Revenues:						
Charges for services	\$ 3,678,659	\$ 3,762,644	\$ 80,931	\$ 201,802	\$ 3,759,590	\$ 3,964,446
Operating grants and contributions	1,611,349	1,205,518	-	-	1,611,349	1,205,518
Capital grants and contributions	446,924	865,205	-	-	446,924	865,205
General Revenues:						
Property taxes	2,801,529	2,959,989	-	-	2,801,529	2,959,989
Local sales taxes	1,171,000	906,872	-	-	1,171,000	906,872
Other taxes	899,730	1,047,187	-	-	899,730	1,047,187
Capital contribution	268,257	-	-	-	268,257	-
Other general revenue	97,871	76,350	-	27	97,871	76,377
Total Revenues	10,975,319	10,823,765	80,931	201,829	11,056,250	11,025,594
Expenses:						
General government	5,653,201	3,470,235	-	-	5,653,201	3,470,235
Public safety	2,357,650	2,013,850	-	-	2,357,650	2,013,850
Public works	2,127,233	1,612,353	-	-	2,127,233	1,612,353
Community services	1,688,376	1,451,622	-	-	1,688,376	1,451,622
Public health	17,995	19,239	-	-	17,995	19,239
Interest on bond payable	40,490	47,228	-	-	40,490	47,228
Equestrian	-	-	-	802	-	802
Tennis	-	-	-	91,107	-	91,107
Total Expenses	11,884,945	8,614,527	-	91,909	11,884,945	8,706,436
(Decrease) Increase in Net Position	(909,626)	2,209,238	80,931	109,920	(828,695)	2,319,158
Net Position, beginning of year	13,755,047	11,545,809	28,559	(81,361)	13,783,606	11,464,448
Transfers of Operations - Note 10	109,490	-	(109,490)	-	-	-
Net Position, end of year	\$ 12,954,911	\$ 13,755,047	\$ -	\$ 28,559	\$ 12,954,911	\$ 13,783,606

Governmental activities. Governmental activities decreased the City's net position by \$800,136 in fiscal year 2016-2017, and increased by \$2,209,238 in fiscal year 2015-2016. Key elements of the \$800,136 decrease in net position are as follows:

- Operating grants and contributions increased by \$405,831 in fiscal year 2016-2017.
- General government expenses increased by \$2,182,966 related to pension with a payment of \$1,814,634 towards the pre-2013 PERS Unfunded Accrued Liability.



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

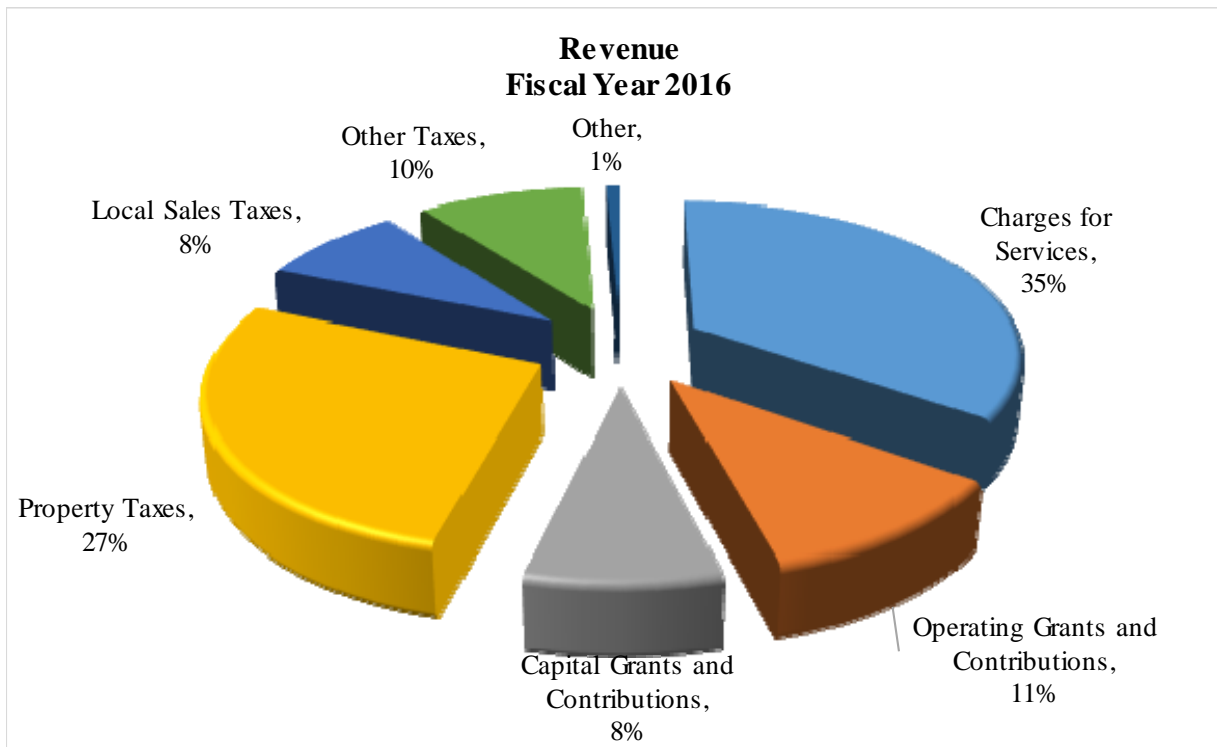
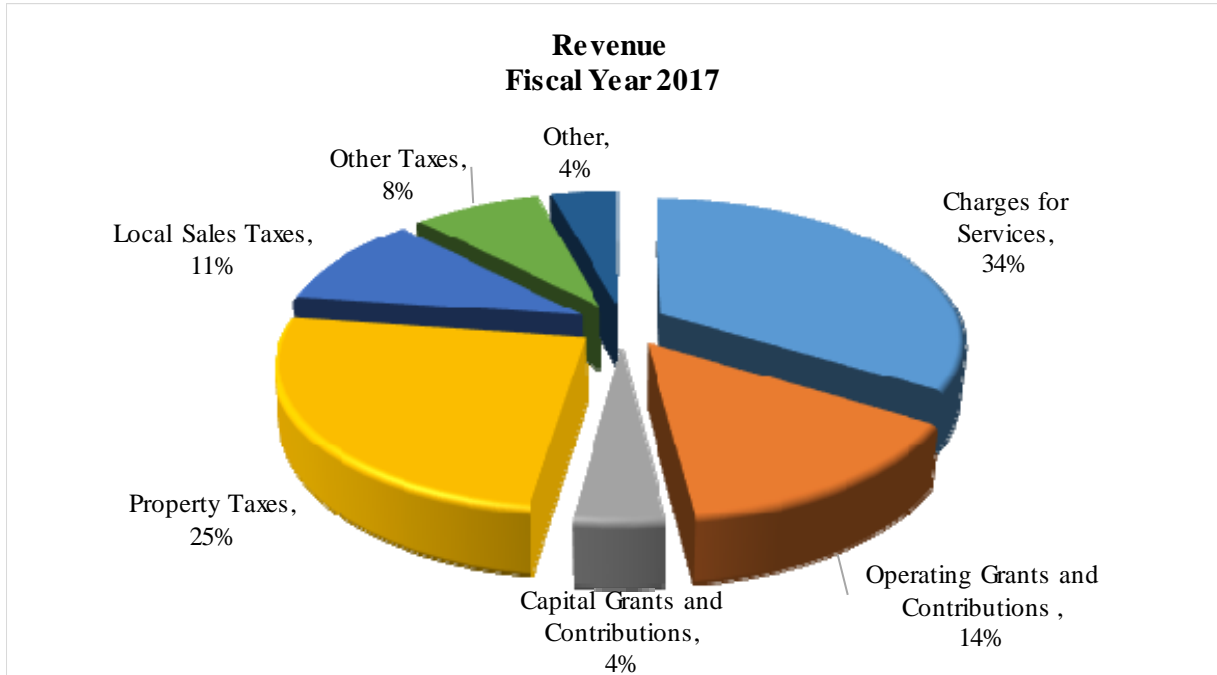
Management's Discussion and Analysis (Unaudited)

June 30, 2017

(Continued)

The following charts illustrate the proportion of sources of revenue for the fiscal years ended June 30, 2017 and 2016:

Revenues by Source – Governmental Activities





CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)

June 30, 2017

(Continued)

The City's governmental funds reported combined ending fund balances of \$3,007,145 at June 30, 2017, an decrease of \$2,048,895 in comparison with the prior year, for which ending fund balance was \$5,056,040. Approximately 48% of the combined ending fund balances (\$1,445,039) constitute unassigned and assigned fund balance, which is available for spending at the City's discretion. This is an increase from the 40% reported for fiscal year 2015-16. \$1,546,434 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 maintenance of Hawthorne Canyon (\$10,000), 2) transportation (\$525,771), 3) capital projects (\$41,106), and 4) park improvements (\$969,757). \$15,472 is a non-spendable for inventories. The City has assigned fund balances of \$110,000 for equipment and \$495,871 for capital projects replacement.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,892,936, an increase from the prior year unassigned fund balance by \$485,595.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$2,035,830. The key factor contributing to the increase is due to significant increase in general government and public works expenditures.

Capital Project Funds Highlights. The capital project funds, Quimby Fees Fund, Prop A Parks Fund, 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 \$849,192 as the City received reimbursements for some project costs during the year.

Special Revenue Funds Highlights. The special revenue fund, Prop A 4th District Fund, is reported as a major fund. The special revenue fund, Prop A 4th District, is reported as a major fund for the improvement to the City Municipal stables including a new horse barn with numerous stalls.

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 \$488,129, and is primarily due to the following revenues not budgeted in the original or final budget amounts:

- Additional revenues in licenses and permits.
- Budgeted projects in public works and capital outlays were not completed during fiscal year 2017.



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management’s Discussion and Analysis (Unaudited)

June 30, 2017

(Continued)

Capital Asset and Debt Administration

Capital assets. The City’s investment in capital assets for its governmental activities as of June 30, 2017 amounts to \$16,804,702 (net of accumulated depreciation). 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 9.6% primarily due to infrastructure upgrades.

The following table presents the City’s investment in capital assets, net of accumulated depreciation, as of June 30, 2017 and 2016:

Summary of Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY2016-2017	FY2015-2016	FY2016-2017	FY2015-2016	FY2016-2017	FY2015-2016
Land	\$ 4,242,690	\$ 3,864,943	\$ -	\$ -	\$ 4,242,690	\$ 3,864,943
Construction in Progress	89,274	2,474,795	-	-	89,274	2,474,795
Buildings & Improvements	2,799,321	515,854	-	32,557	2,799,321	548,411
Facilities & Improvements	808,267	769,798	-	70,493	808,267	840,291
Vehicles & Equipment	219,610	39,195	-	-	219,610	39,195
Furniture & Fixtures	4,978	4,998	-	-	4,978	4,998
Infrastructure	8,640,562	7,671,024	-	-	8,640,562	7,671,024
Total	\$ 16,804,702	\$ 15,340,607	\$ -	\$ 103,050	\$ 16,804,702	\$ 15,443,657

The City made significant capital improvements for a new horse barn for the Peter Weber Equestrian Center and street resurfacing projects. Additional information regarding the City’s capital assets can be found in Note 1(e)4 on pages 30, and Note 4 on pages 41-42.

Long-term liabilities. The City had total long-term liabilities of \$1,395,941 at June 30, 2017, which is a decrease of \$170,213 or 10.9% from the previous year.

The following is a summary of the City’s long-term liabilities as of June 30, 2017 and 2016:

Summary of Long-Term Liabilities

	Governmental Activities		Total Primary Government	
	FY2016-2017	FY2015-2016	FY2016-2017	FY2015-2016
Employee compensated absences	\$ 442,941	\$ 416,154	\$ 442,941	\$ 416,154
Bond payable	953,000	1,150,000	953,000	1,150,000
Total	\$ 1,395,941	\$ 1,566,154	\$ 1,395,941	\$ 1,566,154

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 6 on pages 42-43 of this report.



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis (Unaudited)

June 30, 2017

(Continued)

Net Pension Liability.

The City recorded \$5,553,069 in fiscal year 2017 to recognize the City's proportionate share of net pension liability. In addition to the net pension liability, the City also recognized the proportionate share of deferred outflows of resources for contributions after the measurement date related to pension of \$922,371 and \$830,298 deferred inflows of resources for investment earnings related to pensions. Implementation of GASB Statements No. 68 and 71 is solely for financial reporting purpose and it does not represent an immediate funding requirement.

Economic Factors and Next Year's Budgets and Rates

- Local property values remain modest, and account for approximately 27% 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.
- There is a rebound from the recession in the construction with building permit fees anticipated to exceed \$3,000,000 in revenue.
- Sales tax revenues remain affected by the "Triple Flip" mechanism, which reduces one-quarter of local sales tax revenue and supplements the loss with a new State subvention called "Property Tax in lieu of Sales Tax – State" under the Revenues from Other Agencies category. The Triple Flip has finally ended.
- Revenues from other agencies have eliminated the Motor Vehicle License Fees (VLF) in fiscal year 2011-2012, and Property Tax in lieu of Sales Tax is anticipated to increase slightly for fiscal year 2016-2017. As mentioned above, the "Triple Flip" increases State subventions to supplement the lost one-quarter of local sales tax revenues, however, the City receives back less than one-quarter after administration fees until it expires in fiscal year 2015-2016 and revenue is received as Sales Tax solely. The VLF backfill has been eliminated, replaced by a "Property Tax in lieu of VLF – State" account – which is anticipated to have a slight increase in revenue for fiscal year 2017-2018.

All four of these factors were considered in preparing the City's budget for fiscal year 2017-2018. 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, 2017

(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, 2017

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 3,568,009	\$ -	\$ 3,568,009
Accounts receivable	532,984	-	532,984
Inventories	15,472	-	15,472
Capital assets:			
Not being depreciated	4,331,963	-	4,331,963
Being depreciated, net	12,472,739	-	12,472,739
Total assets	20,921,167	-	20,921,168
Deferred Outflows of Resources			
Difference between expected and actual actuarial experience	9,325	-	9,325
Difference between actual and expected investment earnings	595,648	-	595,648
Contribution after measurement date related to pension	317,398	-	317,398
Total deferred outflows of resources	922,371	-	922,371
Liabilities:			
Accounts payable and accrued liabilities	825,922	-	825,922
Deposits payable	283,397	-	283,397
Non-current liabilities:			
Due within one year	256,294	-	256,294
Due in more than one year	1,139,647	-	1,139,647
Net pension liability	5,553,069	-	5,553,069
Total liabilities	8,058,329	-	8,058,329
Deferred Inflows of Resources			
Changes of assumptions	114,445	-	114,445
Change in employer's proportion	449,045	-	449,045
Difference in proportionate share of contributions related to pensions	266,808	-	266,808
Total deferred inflows of resources	830,298	-	830,298
Net Position:			
Investment in capital assets	16,804,702	-	16,804,702
Restricted for:			
Maintenance of Hawthorne Canyon	10,000	-	10,000
Transportation	525,771	-	525,771
Capital Projects	41,106	-	41,106
Park Improvements	969,757	-	969,757
Unrestricted (deficit)	(5,396,425)	-	(5,396,425)
Total net position	\$ 12,954,911	\$ -	\$ 12,954,911

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES

Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 5,653,201	\$ 3,023,534	\$ 10,252	\$ -	\$ (2,619,415)	\$ -	\$ (2,619,415)
Public safety	2,357,650	85,708	129,324	-	(2,142,618)	-	(2,142,618)
Public works	2,127,233	434,045	715,377	249,000	(728,811)	-	(728,811)
Community services	1,688,376	135,372	756,396	197,924	(598,684)	-	(598,684)
Public health	17,995	-	-	-	(17,995)	-	(17,995)
Interest on bond payable	40,490	-	-	-	(40,490)	-	(40,490)
Total governmental activities	<u>11,884,945</u>	<u>3,678,659</u>	<u>1,611,349</u>	<u>446,924</u>	<u>(6,148,013)</u>	<u>-</u>	<u>(6,148,013)</u>
Business-type activities:							
Equestrian	-	80,931	-	-	-	80,931	80,931
Tennis	-	-	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>80,931</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,931</u>	<u>80,931</u>
Total	<u>\$ 11,884,945</u>	<u>\$ 3,759,590</u>	<u>\$ 1,611,349.00</u>	<u>\$ 446,924.00</u>			
General revenues and contributions:							
Taxes:							
Property taxes					2,801,529	-	2,801,529
Sales taxes					1,171,000	-	1,171,000
Business license taxes					238,062	-	238,062
Franchise taxes					570,539	-	570,539
Other taxes					91,129	-	91,129
Use of money and property					10,251	-	10,251
Capital Contribution					268,257	-	268,257
Miscellaneous					87,620	-	87,620
Transfers					109,490	(109,490)	-
Total general revenues, contributions and transfers					<u>5,347,877</u>	<u>(109,490)</u>	<u>5,238,387</u>
Change in net position					(800,136)	(28,559)	(828,695)
Net position, beginning					13,755,047	28,559	13,783,606
Net position, ending					<u>\$ 12,954,911</u>	<u>\$ -</u>	<u>\$ 12,954,911</u>

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES

Balance Sheet
Governmental Funds
June 30, 2017

	Special Revenue Fund		Capital Project Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Prop A 4th District	Quimby Fees	Prop A Parks	Chandler Contribution		
Assets:							
Cash and investments	\$ 2,039,695	\$ -	\$ 234,886	\$ -	\$ 716,884	\$ 576,544	\$ 3,568,009
Accounts receivable	478,950	-	166	-	486	53,381	532,983
Due from other funds	1,083,805	-	-	-	-	-	1,083,805
Inventories	15,472	-	-	-	-	-	15,472
Total assets	<u>\$ 3,617,922</u>	<u>\$ -</u>	<u>\$ 235,052</u>	<u>\$ -</u>	<u>\$ 717,370</u>	<u>\$ 629,925</u>	<u>\$ 5,200,269</u>
Liabilities:							
Accounts payable and accrued liabilities	\$ 810,246	\$ -	\$ 7	\$ -	\$ -	\$ 15,669	\$ 825,922
Due to other funds	-	230,888	-	614,176	-	238,741	1,083,805
Deposits payable	283,397	-	-	-	-	-	283,397
Total liabilities	<u>1,093,643</u>	<u>230,888</u>	<u>7</u>	<u>614,176</u>	<u>-</u>	<u>254,410</u>	<u>2,193,124</u>
Fund balances (deficit):							
Nonspendable:							
Inventories	15,472	-	-	-	-	-	15,472
Restricted for:							
Maintenance of Hawthorne Canyon	10,000	-	-	-	-	-	10,000
Transportation	-	-	-	-	-	525,771	525,771
Capital projects	-	-	-	-	-	41,106	41,106
Park Improvements	-	-	235,045	-	717,370	17,342	969,757
Assigned to:							
Equipment	110,000	-	-	-	-	-	110,000
Capital projects replacement	495,871	-	-	-	-	-	495,871
Unassigned	1,892,936	(230,888)	-	(614,176)	-	(208,704)	839,168
Total fund balances (deficit)	<u>2,524,279</u>	<u>(230,888)</u>	<u>235,045</u>	<u>(614,176)</u>	<u>717,370</u>	<u>375,515</u>	<u>3,007,145</u>
Total liabilities and fund balances	<u>\$ 3,617,922</u>	<u>\$ -</u>	<u>\$ 235,052</u>	<u>\$ -</u>	<u>\$ 717,370</u>	<u>\$ 629,925</u>	<u>\$ 5,200,269</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, 2017

Total fund balances, governmental funds	\$ 3,007,145
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.	16,804,702
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds:	
Bonds payable	(953,000)
Compensated absences	(442,941)
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	(5,553,069)
Deferred inflow - Contributions after measurement date	317,398
Deferred inflow - Difference expected and actual actuarial expectations	9,325
Deferred outflow - Changes in assumptions	(114,445)
Deferred outflow - Difference between actual and expected investment earnings	595,648
Deferred outflow - Change in employer's proportion	(449,045)
Deferred outflow - Difference in proportionate share of contributions related to pensions	(266,808)
Net position of governmental activities	\$ 12,954,911

CITY OF ROLLING HILLS ESTATES
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	Special Revenue Fund		Capital Project Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Prop A 4th District	Quimby Fees	Prop A Parks	Chandler Contribution		
Revenues:							
Property taxes	\$ 2,801,529	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,801,529
Sales and use taxes	1,171,000	-	-	-	-	-	1,171,000
Business license taxes	238,062	-	-	-	-	-	238,062
Other taxes	661,668	-	-	-	-	-	661,668
Licenses and permits	3,061,756	-	-	-	-	-	3,061,756
Fines and forfeitures	114,259	-	-	-	-	25,966	140,225
Use of money and property	85,764	-	2,328	15	3,123	2,135	93,365
Charges for services	265,130	-	-	-	-	36,402	301,532
Revenues from other agencies	362,477	-	-	866,361	-	990,531	2,219,369
Other revenues	18,197	-	-	-	-	-	18,197
Total revenues	8,779,842	-	2,328	866,376	3,123	1,055,034	10,706,703
Expenditures:							
Current:							
General government	5,156,455	-	-	-	-	-	5,156,455
Public safety	2,321,132	-	-	-	-	36,518	2,357,650
Public works	344,797	-	-	-	-	385,370	730,167
Community services	1,378,176	-	-	14,072	-	53,540	1,445,788
Public health	17,995	-	-	-	-	-	17,995
Capital outlay	1,359,627	120,317	637,566	3,113	23,731	665,699	2,810,053
Debt Service:							
Principal	197,000	-	-	-	-	-	197,000
Interest	40,490	-	-	-	-	-	40,490
Total expenditures	10,815,672	120,317	637,566	17,185	23,731	1,141,127	12,755,598
Excess (deficiency) of revenues over expenditures	(2,035,830)	(120,317)	(635,238)	849,191	(20,608)	(86,093)	(2,048,895)
Net change in fund balances	(2,035,830)	(120,317)	(635,238)	849,191	(20,608)	(86,093)	(2,048,895)
Fund balances (deficit), beginning	4,560,109	(110,571)	870,283	(1,463,367)	737,978	461,608	5,056,040
Fund balances (deficit), ending	\$ 2,524,279	\$ (230,888)	\$ 235,045	\$ (614,176)	\$ 717,370	\$ 375,515	\$ 3,007,145

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, 2017

Net change in fund balances - total governmental funds	\$ (2,048,895)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation:	
Capital outlay	1,913,188
Depreciation expense	(826,479)
Gain of Capital Assets Dispositions	(360)
Capital contributions	377,747
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	197,000
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.	
	(26,787)
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.	
	(702,948)
Employer pension contributions made after the measurement date of the net pension liability as of June 30, 2016 which are recorded as deferred outflows of resources on the statement of net position	
	<u>317,398</u>
Change in net position of governmental activities	<u>\$ (800,136)</u>

CITY OF ROLLING HILLS ESTATES

Statement of Net Position

Proprietary Funds

June 30, 2017

	Business-type Activities - Enterprise Funds		
	Equestrian Operations	Tennis Operations	Total
Assets:			
Current assets:			
Cash and investments	\$ -	\$ -	\$ -
Accounts receivable	-	-	-
Total current assets	-	-	-
Capital assets			
being depreciated, net	-	-	-
Total assets	-	-	-
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	-	-	-
Due to other funds	-	-	-
Advances from other fund	-	-	-
Total liabilities	-	-	-
Net Position:			
Investment in capital assets	-	-	-
Unrestricted (deficit)	-	-	-
Total net position	\$ -	\$ -	\$ -

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, 2017

	Business-type Activities - Enterprise Funds		
	Equestrian Operations	Tennis Operations	Total
Operating revenues:			
Charges for services	\$ 80,931	\$ -	\$ 80,931
Operating income	80,931	-	80,931
Transfers out	(29,914)	(79,576)	(109,490)
Change in net position	51,017	(79,576)	(28,559)
Total net position (deficit), beginning	(51,017)	79,576	28,559
Total net position (deficit), ending	\$ -	\$ -	\$ -

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds		
	<u>Equestrian Operations</u>	<u>Tennis Operations</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from contractors/customers	\$ 113,555	\$ 11,818	\$ 125,373
Cash paid to suppliers of goods and services	-	(821)	(821)
Net cash provided by operating activities	<u>113,555</u>	<u>10,997</u>	<u>124,552</u>
Cash flows from noncapital financing activities:			
Cash paid to other funds	(113,555)	(11,047)	(124,602)
Net cash used for noncapital financing activities	<u>(113,555)</u>	<u>(11,047)</u>	<u>(124,602)</u>
Net decrease in cash and cash equivalents	-	(50)	(50)
Cash and cash equivalents, beginning	<u>-</u>	<u>50</u>	<u>50</u>
Cash and cash equivalents, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income to net cash provided by (used for) operating activities			
Operating income	\$ 80,931	\$ -	\$ 80,931
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Increase in accounts receivable	32,624	11,818	44,442
Decrease in accounts payable and accrued liabilities	-	(821)	(821)
Net cash provided by operating activities	<u>\$ 113,555</u>	<u>\$ 10,997</u>	<u>\$ 124,552</u>
Non-cash capital financing activities:			
Transfer of Capital Assets to Governmental Activities (Note 10)	\$ (29,914)	\$ (79,576)	\$ (109,490)

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES

Statement of Fiduciary Net Position

Agency Fund

June 30, 2017

	Peninsula Parking
Assets:	
Accounts receivable	\$ 16,053
Total Assets	<u>\$ 16,053</u>
Liabilities:	
Accounts payable	\$ 16,053
Total Liabilities	<u>\$ 16,053</u>

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES

Notes to Financial Statements

June 30, 2017

(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 basic 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 City's operations and so data from this unit is combined with the data of the City's primary government.

Peppertree Foundation (the Foundation)

The Foundation is an organization responsible for the development and maintenance of the parks located within the City. The City controls and is financially accountable for the Foundation as City Council serves as members of the Foundation's governing board. 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

(b) *Joint Ventures*

The City is a member of the Palos Verdes Peninsula Transit Joint Powers Authority (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, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Palos Verdes Peninsula Transit Authority’s fiscal year ended on June 30. As of June 30, 2016 (most recent information available), audited financial statements indicated the following:

Total assets	\$ 3,141,649
Total liabilities	237,683
Total net position	\$ 2,903,966
Charges for services	\$ 345,337
JPA member contributions and other income	609,076
Governmental sources	32,000
Total operating revenues	986,413
Total operating expenses	2,429,247
Total non-operating revenues	1,407,983
Change in Net Position	\$ (34,851)

Separate financial statements are available at:

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

(c) *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.

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

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide, proprietary and fiduciary funds 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.

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.

The City reports the following major governmental funds:

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

The **Prop A 4th District – Special Revenue Fund** is used to account for grant monies received from the State of California for the maintenance and development of parks, recreation facilities, and open space.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The City reports the following major proprietary funds:

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

The **Tennis Operations Fund** is used to account for the financial activity of the City owned tennis courts.

Effective July 1, 2016, the City closed out the Equestrian and Tennis Operations Funds and transferred equestrian and tennis activities to the general fund. Please refer to Note 10 for more information regarding the transfer.

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 Proprietary 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 Fund:

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; however, does not present a net position.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The **Peninsula Parking Agency Fund** is used 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.

(e) *Interfund Activity*

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. 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."

(f) *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.

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

Cash and Investments

Investments are reported in the accompanying statement of net position and balance sheet 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, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City pools its 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 basic financial statements as pooled 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 State of California Local Agency Investment Fund (LAIF) is also considered to be cash equivalents.

Accounts Receivable and Allowance for Bad Debt

The \$532,984 recorded as accounts receivable consist of \$42,151 due from businesses and individuals and \$490,833 due from State and County governments for amounts collected and not remitted to the City as of June 30, 2017. 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.

Inventories

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

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 \$10,000. 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, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Fund Balance

Fund balance for governmental funds is classified as follows:

Nonspendable – includes amounts that cannot be converted to cash and amounts that will not be converted to cash soon enough to affect the current reporting period (i.e. long-term receivables, prepaids, inventory, land held for resale).

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, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned – comprise of 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 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, 2017, \$1,892,936 of unassigned fund balance has been identified for future operating expenditures.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualify for reporting in this category; deferred pension related items reported in the statement of net position.

In addition to liabilities, the balance sheet or statement of net position will sometimes reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category, deferred inflows of resources related to the City's net pension liability.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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 time frames:

Valuation Date (VD) – June 30, 2015
Measurement Date (MD) – June 30, 2016
Measurement Period (MP) – July 1, 2015 to June 30, 2016

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.

New Pronouncements

Implementation of the following GASB Statements is effective for fiscal year 2017:

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.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 had no impact upon the basic financial statements.

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. This statement has no impact on the basic financial statements.

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. The City did not have any tax abatement agreements in place during fiscal year ended June 30, 2017; therefore this statement had no impact on the City's basic financial statements.

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 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*. The City has fully adopted the requirements of this statement.

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. This statement has no impact on the City's basic financial statements.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The City has fully adopted this standard into its basic financial statements.

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. 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.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs). This includes establishing criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, and the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. Implementation of this statement is effective fiscal year 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Implementation of this statement is effective fiscal year 2020.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*, which is meant to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Implementation of this statement is effective fiscal year 2019.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which will establish accounting principles and disclosure requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish debt. This statement will also require in financial statements using the economic resources measurement focus to recognize any difference between the reacquisition price and net carrying amount (including prepaid insurance) of the defeased debt as a separately gain and loss. Implementation of this statement is effective for fiscal year 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*, which will supercede previous standards on accounting for leases. This statement will require the recognition of assets, deferred outflows and inflows, liabilities on certain lease agreements that were previously recognized as operating leases. Implementation of this statement is effective for fiscal year 2021.

(2) DEFICIT FUND BALANCES

The following funds have an accumulated deficit at June 30, 2017:

Special Revenue Fund:	
Prop A 4th District	230,888
Highway Users Tax	142,843
Capital Project:	
Prop A - Parks	614,176
CDBG	17,177
State SR2S	6,025
CalRecycle Asphalt	42,659

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, 2017

(3) CASH AND INVESTMENTS

Cash and investments as of June 30, 2017, are classified in the accompanying basic financial statements as follows:

Statement of net position:

Cash and investments	\$ <u>3,568,009</u>
----------------------	---------------------

Cash and investments were comprised of the following as of June 30, 2017:

Cash on hand	\$ 1,550
Deposits with financial institution	2,182,752
Investments	<u>1,383,707</u>
Total cash and investments	<u>\$ 3,568,009</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. The City investments in an external government investment pool, which is not subject to reporting within the level hierarchy. In addition, the City holds certificates of deposits with separate financial institutions, which are not subject to the level of hierarchy. Please see additional information in "Investment in State Investment Pool".

(a) *Investments Authorized by the City'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, 2017

(3) CASH AND INVESTMENTS (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.

(b) 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	\$ 976,157
Certificates of Deposits	407,550
	<u>\$ 1,383,707</u>

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(3) CASH AND INVESTMENTS (CONTINUED)

(c) 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.

Investment Type	Total Investment	Minimum Legal Rating	Not Rated
LAIF	\$ 976,157	N/A	\$ 976,157
Certificates of Deposits	407,550	N/A	407,550
	\$ 1,383,707		\$ 1,383,707

(d) 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 external investment pools) that represent 5% or more of total City investments.

(e) 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, 2017, the carrying amount of the City’s bank deposits was \$2,160,325, and the respective bank balances totaled \$2,463,714. Of the bank balance, \$250,000 was insured through the Federal Deposit Insurance Corporation.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(3) CASH AND INVESTMENTS (CONTINUED)

(f) *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 basic 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, 2017, was \$22.7 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2017, had a balance of \$77.6 billion. Of that amount 2.89% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 194 days as of June 30, 2017. LAIF is unrated as to credit quality.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(4) 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, 2017, is as follows:

<u>Governmental activities</u>	<u>Balance at July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2017</u>
Capital assets, not being depreciated:				
Land	\$ 3,864,943	\$ 377,747	\$ -	\$ 4,242,690
Construction in progress	2,474,795	71,273	(2,456,795)	89,273
Total capital assets, not being depreciated	<u>6,339,738</u>	<u>449,020</u>	<u>(2,456,795)</u>	<u>4,331,963</u>
Capital assets, being depreciated:				
Buildings and improvements	1,495,859	2,353,394	-	3,849,253
Facilities and improvements	2,212,929	135,747	(153,287)	2,195,389
Vehicles and equipment	870,487	220,813	(348,097)	743,203
Furniture and fixtures	92,444	-	-	92,444
Infrastructure	<u>9,732,824</u>	<u>1,588,755</u>	<u>-</u>	<u>11,321,579</u>
Total capital assets, being depreciated	<u>14,404,543</u>	<u>4,298,709</u>	<u>(501,384)</u>	<u>18,201,868</u>
Less accumulated depreciation for:				
Buildings and improvements	(980,005)	(69,926)	-	(1,049,931)
Facilities and improvements	(1,443,131)	(96,918)	152,928	(1,387,121)
Vehicles and equipment	(831,292)	(40,398)	348,096	(523,594)
Furniture and fixtures	(87,446)	(20)	-	(87,466)
Infrastructure	<u>(2,061,800)</u>	<u>(619,217)</u>	<u>-</u>	<u>(2,681,017)</u>
Total accumulated depreciation	<u>(5,403,674)</u>	<u>(826,479)</u>	<u>501,024</u>	<u>(5,729,129)</u>
Total capital assets, being depreciated, net	<u>9,000,869</u>	<u>3,472,230</u>	<u>(360)</u>	<u>12,472,739</u>
Governmental activities capital assets, net	<u>\$ 15,340,607</u>	<u>\$ 3,921,250</u>	<u>\$ (2,457,155)</u>	<u>\$ 16,804,702</u>

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(4) CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the following functions:

	Governmental Activities
General government	\$ 84,050
Community services	619,218
Public works	123,211
Total	\$ 826,479

(5) INTERFUND RECEIVABLE AND PAYABLE

The composition of interfund balances as of June 30, 2017, are as follows:

	Receivable Fund
Due to other funds	General Fund
Proposition A- Parks Capital Project Fund	\$ 614,176
Proposition A 4th District Special Revenue Fund	230,888
Nonmajor Governmental Funds	238,741
	\$ 1,083,805

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.

(6) LONG-TERM LIABILITIES

(a) 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, 2017, is \$953,000, payable through fiscal year 2021.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(6) LONG-TERM LIABILITIES (CONTINUED)

As of June 30, 2017, annual debt service requirements to maturity are as follows:

<u>Fiscal year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2018	212,000	32,598
2019	230,000	24,761
2020	246,000	16,290
2021	265,000	7,222
Total requirements	<u>\$ 953,000</u>	<u>\$ 80,871</u>

(b) *Compensated Absences Payable*

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

\$ 442,941

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

	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2017</u>	<u>Due within one year</u>
Bonds payable	\$ 1,150,000	\$ -	\$ (197,000)	\$ 953,000	\$ 212,000
Compensated absences	416,154	33,912	(7,125)	442,941	44,294
	<u>\$ 1,566,154</u>	<u>\$ 33,912</u>	<u>\$ (204,125)</u>	<u>\$ 1,395,941</u>	<u>\$ 256,294</u>

(7) RISK MANAGEMENT

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

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.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(7) RISK MANAGEMENT (CONTINUED)

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.

Liability – In the liability program claims are pooled separately between police and non-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 2016-17 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.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(7) RISK MANAGEMENT (CONTINUED)

For 2016-17 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.

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. then pays for the insurance. The insurance is arranged by the Authority.

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 2016-17.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(8) 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, 2017 were \$145,247.

(9) RETIREMENT PLANS

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.

	<u>Misc</u>	<u>2nd Tier</u>	<u>Pepra Misc</u>
Hire date	Prior to 12/6/2011	Between 12/6/2011 and 12/31/2012	On/after 1/1/2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	5 years	monthly for life
Retirement age	50-63 & Up	60 & Up	62 & Up
Monthly benefits, as a percentage of eligible compensation	1.426% - 2.418%	1.000% - 2.000%	1.000% - 2.000%
Required employee contribution rates	7%	7%	7%

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(9) RETIREMENT PLANS (CONTINUED)

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, 2017, the City reported a liability of \$5,553,069 for its proportionate share of the net pension liability of the Plan. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, 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, 2017, which is the accounting date, the City's proportion was 0.164 percent, which was an increase of 0.01 percent from its proportion measured as of June 30, 2015.

Pension Expense and Deferred Flows of Resources Related to Pensions: For the year ended June 30, 2017, the City recognized pension expense of \$702,948. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 317,398	\$ -
Change in assumptions	-	114,445
Differences between expected and actual experience	12,097	2,772
Net differences between projected and actual earnings on plan investments	595,648	-
Changes in employer's proportion	216,571	483,379
Difference between the employer's contributions and the employer's proportionate share of contributions	-	449,045
Total	\$ 1,141,714	\$ 1,049,641

City contributions of \$317,398 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 ending June 30, 2018.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(9) RETIREMENT PLANS (CONTINUED)

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:	
2018	(385,182)
2019	(250,973)
2020	256,550
2021	154,280
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, 2015 actuarial valuation which was rolled forward to June 30, 2016 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
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

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 April 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, 2015 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 7.65 percent used for the June 30, 2016 measurement date was net of administrative expenses.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(9) RETIREMENT PLANS (CONTINUED)

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 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.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2017

(9) RETIREMENT PLANS (CONTINUED)

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% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Net Pension Liability	\$8,730,771	\$5,553,069	\$2,926,856

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

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.

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.

(10) TRANSFER OF EQUESTRIAN AND TENNIS OPERATIONS

City Council elected to close the Equestrian and Tennis Proprietary Funds and transfer all equestrian and tennis operations to the General Fund. Since the General Fund reports on the modified accrual basis of accounting, capital assets transferred from the Equestrian and Tennis Funds are not reflected in the General Fund. The transfer of Equestrian and Tennis operations was effective July 1, 2016, thus, fees charged for these services are accounted for as charges for services in the General Fund; and expenditures are recorded under Community Services. On July 1, 2016, net assets totaling \$29,914 and \$79,576 were transferred from the Equestrian and Tennis Funds to Governmental Activities, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank.

CITY OF ROLLING HILLS ESTATES

General Fund

Budgetary Comparison Schedule

Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 2,009,906	\$ 2,787,253	\$ 2,801,529	\$ 14,276
Sales and use taxes	1,166,303	1,166,303	1,171,000	4,697
Business license taxes	240,000	240,000	238,062	(1,938)
Other taxes	690,000	645,000	661,668	16,668
Licenses and permits	4,158,000	2,833,000	3,061,756	228,756
Fines and forfeitures	38,000	118,000	114,259	(3,741)
Use of money and property	65,945	79,000	85,764	6,764
Charges for services	534,390	475,271	265,130	(210,141)
Revenues from other agencies	880,315	362,963	362,477	(486)
Other revenues	231,870	15,000	18,197	3,197
Total revenues	<u>10,014,729</u>	<u>8,721,790</u>	<u>8,779,842</u>	<u>58,052</u>
Expenditures:				
Current:				
General government	5,591,592	5,189,152	5,156,455	32,697
Public safety	1,993,194	2,268,194	2,321,132	(52,938)
Public works	456,002	415,003	344,797	70,206
Community services	1,315,082	1,362,681	1,378,176	(15,495)
Public health	20,000	20,000	17,995	2,005
Capital outlay	1,638,888	1,753,863	1,359,627	394,236
Debt service:				
Principal	197,000	197,000	197,000	-
Interest	39,856	39,856	40,490	(634)
Total expenditures	<u>11,251,614</u>	<u>11,245,749</u>	<u>10,815,672</u>	<u>430,077</u>
Excess (deficiency) of revenues over expenditures	<u>(1,236,885)</u>	<u>(2,523,959)</u>	<u>(2,035,830)</u>	<u>488,129</u>
Net change in fund balances	(1,236,885)	(2,523,959)	(2,035,830)	488,129
Fund balance, beginning	4,560,109	4,560,109	4,560,109	-
Fund balance, ending	<u>\$ 3,323,224</u>	<u>\$ 2,036,150</u>	<u>\$ 2,524,279</u>	<u>\$ 488,129</u>

CITY OF ROLLING HILLS ESTATES

Prop A 4th District Special Revenue Fund

Budgetary Comparison Schedule

Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Revenues from other agencies	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Capital Outlay	<u>71,000</u>	<u>120,000</u>	<u>120,317</u>	<u>(317)</u>
Total expenditures	<u>71,000</u>	<u>120,000</u>	<u>120,317</u>	<u>(317)</u>
Excess (deficiency) of revenues over expenditures	(71,000)	(120,000)	(120,317)	(317)
Fund deficit, beginning	<u>(110,571)</u>	<u>(110,571)</u>	<u>(110,571)</u>	<u>-</u>
Fund deficit, ending	<u>\$ (181,571)</u>	<u>\$ (230,571)</u>	<u>\$ (230,888)</u>	<u>\$ (317)</u>

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

Measurement Period	2016	2015	2014
Proportion of the net pension liability	0.064%	0.060%	0.156%
Proportionate share of the net pension liability	\$ 5,553,069	\$ 4,129,172	\$ 3,857,655
Covered payroll - See note (1)	\$ 2,016,467	\$ 1,849,121	\$ 1,769,537
Proportionate share of the net pension liability as percentage of covered payroll	275%	223%	218%
Plan fiduciary net position as a percentage of the total pension liability	74.06%	78.40%	80.43%

Notes to Schedule:

(1) Covered 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 three years are shown.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution (ADC)	\$ 317,398	\$ 316,760	\$ 218,382
Less: Contributions in relation to ADC	<u>(317,398)</u>	<u>(316,760)</u>	<u>(218,382)</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
City's covered-employee payroll - See note (1)	\$ 1,995,167	\$ 2,016,467	\$ 1,849,121
Contributions as a percentage of covered employee payroll	15.91%	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 three years are shown.

CITY OF ROLLING HILLS ESTATES
 Note to Required Supplementary Information
 June 30, 2017

(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.

(a) Expenditures in Excess of Appropriations

The following funds reported an excess of expenditures over appropriations:

Fund	Amounts Over Budget
General Fund - Public safety	\$ 52,938
General Fund - Community services	15,495
General Fund - Interest	634
Prop A 4th District Special Revenue Fund - Capital outlay	317

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

This page intentionally left blank.

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.

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.

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.

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.

STPL Grant – To account for funds received for improvements to the City's bike lanes.

CalRecycle Asphalt Fund – To account for funds received from the State Transportation Improvement Program for transportation projects.

CITY OF ROLLING HILLS ESTATES
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds					
	Traffic Safety	Prop A Transit Tax	Air Quality Improvement	Jr. Naturalist Park Grant	Highway Users Tax	Peppertree Foundation
Assets:						
Cash and investments	\$ 13,599	\$ 39,863	\$ 72,068	\$ -	\$ -	\$ 17,936
Accounts receivable	1,844	19	2,653	-	897	12
Total assets	<u>\$ 15,443</u>	<u>\$ 39,882</u>	<u>\$ 74,721</u>	<u>\$ -</u>	<u>\$ 897</u>	<u>\$ 17,948</u>
Liabilities:						
Accounts payable and accrued liabilities	\$ 3,362	\$ 378	\$ -	\$ -	\$ 11,324	\$ 605
Due to other funds	-	-	-	-	132,416	-
Total liabilities	<u>3,362</u>	<u>378</u>	<u>-</u>	<u>-</u>	<u>143,740</u>	<u>605</u>
Fund balances (deficits):						
Restricted for:						
Transportation	12,081	39,504	74,721	-	-	-
Capital projects	-	-	-	-	-	-
Park Improvements	-	-	-	-	-	17,342
Unassigned	-	-	-	-	(142,843)	-
Total fund balances (deficits)	<u>12,081</u>	<u>39,504</u>	<u>74,721</u>	<u>-</u>	<u>(142,843)</u>	<u>17,342</u>
Total liabilities and fund balances (deficits)	<u>\$ 15,443</u>	<u>\$ 39,882</u>	<u>\$ 74,721</u>	<u>\$ -</u>	<u>\$ 897</u>	<u>\$ 17,948</u>

CITY OF ROLLING HILLS ESTATES
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Capital Project Funds							
	CDBG Grant	PEG Fees	Proposition C	Measure R	State SR2S	STPL Grant	Calrecycle Grant	Total Nonmajor Governmental
Assets:								
Cash and investments	\$ -	\$ 33,869	\$ 254,385	\$ 144,824	\$ -	\$ -	\$ -	\$ 576,544
Accounts receivable	-	7,237	164	92	-	-	40,464	53,381
Total assets	<u>\$ -</u>	<u>\$ 41,106</u>	<u>\$ 254,549</u>	<u>\$ 144,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,464</u>	<u>\$ 629,925</u>
Liabilities:								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,669
Due to other funds	17,177	-	-	-	6,025	-	83,123	238,741
Total liabilities	<u>17,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,025</u>	<u>-</u>	<u>83,123</u>	<u>254,410</u>
Fund balances (deficits):								
Restricted for:								
Transportation	-	-	254,549	144,916	-	-	-	525,771
Capital projects	-	41,106	-	-	-	-	-	41,106
Park Improvements	-	-	-	-	-	-	-	17,342
Unassigned	(17,177)	-	-	-	(6,025)	-	(42,659)	(208,704)
Total fund balances (deficits)	<u>(17,177)</u>	<u>41,106</u>	<u>254,549</u>	<u>144,916</u>	<u>(6,025)</u>	<u>-</u>	<u>(42,659)</u>	<u>375,515</u>
Total liabilities and fund balances (deficits)	<u>\$ -</u>	<u>\$ 41,106</u>	<u>\$ 254,549</u>	<u>\$ 144,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,464</u>	<u>\$ 629,925</u>

CITY OF ROLLING HILLS ESTATES
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue Funds					
	Traffic Safety	Prop A Transit Tax	Air Quality Improvement	Jr. Naturalist Park Grant	Highway Users Tax	Peppertree Foundation
Revenues:						
Fines and forfeitures	\$ 25,966	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	81	147	283	-	-	89
Charges for services	-	-	-	-	-	36,402
Revenues from other agencies	-	150,048	10,252	22,575	157,563	-
Total revenues	<u>26,047</u>	<u>150,195</u>	<u>10,535</u>	<u>22,575</u>	<u>157,563</u>	<u>36,491</u>
Expenditures:						
Current:						
Public safety	36,518	-	-	-	-	-
Public works	-	158,090	-	-	227,280	-
Community services	-	-	-	22,575	-	30,965
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>36,518</u>	<u>158,090</u>	<u>-</u>	<u>22,575</u>	<u>227,280</u>	<u>30,965</u>
Excess (deficiency) of revenues over expenditures	<u>(10,471)</u>	<u>(7,895)</u>	<u>10,535</u>	<u>-</u>	<u>(69,717)</u>	<u>5,526</u>
Net change in fund balances	(10,471)	(7,895)	10,535	-	(69,717)	5,526
Fund balances (deficits), beginning	<u>22,552</u>	<u>47,399</u>	<u>64,186</u>	<u>-</u>	<u>(73,126)</u>	<u>11,816</u>
Fund balances (deficits), ending	<u>\$ 12,081</u>	<u>\$ 39,504</u>	<u>\$ 74,721</u>	<u>\$ -</u>	<u>\$ (142,843)</u>	<u>\$ 17,342</u>

CITY OF ROLLING HILLS ESTATES
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

Capital Project Funds

	CDBG Grant	PEG Fees	Proposition C	Measure R	State SR2S	STPL Grant	CalRecycle Asphalt	Total Nonmajor Governmental
Revenues:								
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,966
Use of money and property	39	306	653	537	-	-	-	2,135
Charges for services	-	-	-	-	-	-	-	36,402
Revenues from other agencies	45,745	28,982	189,401	144,138	59,117	142,246	40,464	990,531
Total revenues	<u>45,784</u>	<u>29,288</u>	<u>190,054</u>	<u>144,675</u>	<u>59,117</u>	<u>142,246</u>	<u>40,464</u>	<u>1,055,034</u>
Expenditures:								
Current:								
Public safety	-	-	-	-	-	-	-	36,518
Public works	-	-	-	-	-	-	-	385,370
Community services	-	-	-	-	-	-	-	53,540
Capital outlay	82,285	119,376	62,133	176,536	-	142,246	83,123	665,699
Total expenditures	<u>82,285</u>	<u>119,376</u>	<u>62,133</u>	<u>176,536</u>	<u>-</u>	<u>142,246</u>	<u>83,123</u>	<u>1,141,127</u>
Excess (deficiency) of revenues over expenditures	<u>(36,501)</u>	<u>(90,088)</u>	<u>127,921</u>	<u>(31,861)</u>	<u>59,117</u>	<u>-</u>	<u>(42,659)</u>	<u>(86,093)</u>
Net change in fund balances	(36,501)	(90,088)	127,921	(31,861)	59,117	-	(42,659)	(86,093)
Fund balances (deficits), beginning	19,324	131,194	126,628	176,777	(65,142)	-	-	461,608
Fund balances (deficits), ending	<u>\$ (17,177)</u>	<u>\$ 41,106</u>	<u>\$ 254,549</u>	<u>\$ 144,916</u>	<u>\$ (6,025)</u>	<u>\$ -</u>	<u>\$ (42,659)</u>	<u>\$ 375,515</u>

CITY OF ROLLING HILLS ESTATES

Traffic Safety Special Revenue Fund

Budgetary Comparison Schedule

Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Fines and forfeitures	\$ 42,000	\$ 25,966	\$ (16,034)
Use of money and property	-	81	81
Total revenues	<u>42,000</u>	<u>26,047</u>	<u>(15,953)</u>
Expenditures:			
Public safety	<u>37,645</u>	<u>36,518</u>	<u>1,127</u>
Total expenditures	<u>37,645</u>	<u>36,518</u>	<u>1,127</u>
Excess (deficiency) of revenues over expenditures	4,355	(10,471)	(14,826)
Fund balance (deficit), beginning	<u>22,552</u>	<u>22,552</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 26,907</u>	<u>\$ 12,081</u>	<u>\$ (14,826)</u>

CITY OF ROLLING HILLS ESTATES
 Prop A Transit Tax Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 100	\$ 147	\$ 47
Revenues from other agencies	142,554	150,048	7,494
Total revenues	<u>142,654</u>	<u>150,195</u>	<u>7,541</u>
Expenditures:			
Public works	156,379	158,090	(1,711)
Total expenditures	<u>156,379</u>	<u>158,090</u>	<u>(1,711)</u>
Excess (deficiency) of revenues over expenditures	(13,725)	(7,895)	5,830
Fund balance, beginning	47,399	47,399	-
Fund balance, ending	<u>\$ 33,674</u>	<u>\$ 39,504</u>	<u>\$ 5,830</u>

CITY OF ROLLING HILLS ESTATES
 Air Quality Improvement Special Revenue Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ 50	\$ 283	\$ 233
Revenues from other agencies	9,100	10,252	1,152
Total revenues	<u>9,150</u>	<u>10,535</u>	<u>1,385</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)	10,535	41,385
Fund balance, beginning	64,186	64,186	-
Fund balance, ending	<u>\$ 33,336</u>	<u>\$ 74,721</u>	<u>\$ 41,385</u>

CITY OF ROLLING HILLS ESTATES

Jr. Naturalist Grant Special Revenue Fund

Budgetary Comparison Schedule

Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Revenues from other agencies	\$ 22,575	\$ 22,575	\$ -
Total revenues	<u>22,575</u>	<u>22,575</u>	<u>-</u>
Expenditures:			
Community services	<u>22,574</u>	<u>22,575</u>	<u>(1)</u>
Total expenditures	<u>22,574</u>	<u>22,575</u>	<u>(1)</u>
Excess (deficiency) of revenues over expenditures	1	-	(1)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 1</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1)</u></u>

CITY OF ROLLING HILLS ESTATES
Highway Users Tax Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2017

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Use of money and property	\$ 150	\$ -	\$ (150)
Revenues from other agencies	173,940	157,563	(16,377)
Total revenues	174,090	157,563	(16,527)
Expenditures:			
Public works	280,000	227,280	52,720
Total expenditures	280,000	227,280	52,720
Excess (deficiency) of revenues over expenditures	(105,910)	(69,717)	36,193
Fund balance, beginning	(73,126)	(73,126)	-
Fund balance (deficit), ending	\$ (179,036)	\$ (142,843)	\$ 36,193

CITY OF ROLLING HILLS ESTATES
Peppertree Foundation Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ -	\$ 89	\$ 89
Charges for services	30,000	36,402	6,402
Total revenues	30,000	36,491	6,491
Expenditures:			
Community services	28,700	30,965	(2,265)
Total expenditures	28,700	30,965	(2,265)
Excess (deficiency) of revenues over expenditures	1,300	5,526	4,226
Fund balance (deficit), beginning	11,816	11,816	-
Fund balance (deficit), ending	\$ 13,116	\$ 17,342	\$ 4,226

CITY OF ROLLING HILLS ESTATES

CDBG Grant Capital Project Fund

Budgetary Comparison Schedule

Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Use of money and property	\$ -	\$ 39	\$ 39
Revenues from other agencies	25,000	45,745	20,745
Total revenues	<u>25,000</u>	<u>45,784</u>	<u>20,784</u>
Expenditures:			
Capital outlay	82,013	82,285	(272)
Total expenditures	<u>82,013</u>	<u>82,285</u>	<u>(272)</u>
Excess (deficiency) of revenues over expenditures	(57,013)	(36,501)	20,512
Fund balance, beginning	19,324	19,324	-
Fund balance (deficit), ending	<u>\$ (37,689)</u>	<u>\$ (17,177)</u>	<u>\$ 20,512</u>

CITY OF ROLLING HILLS ESTATES

PEG Fees Capital Project Fund
Budgetary Comparison Schedule
Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ 100	\$ 306	\$ 206
Revenues from other agencies	25,600	28,982	3,382
Total revenues	<u>25,700</u>	<u>29,288</u>	<u>3,588</u>
Expenditures:			
Capital outlay	210,000	119,376	90,624
Total expenditures	<u>210,000</u>	<u>119,376</u>	<u>90,624</u>
Excess (deficiency) of revenues over expenditures	(184,300)	(90,088)	94,212
Fund balance, beginning	131,194	131,194	-
Fund balance (deficit), ending	<u>\$ (53,106)</u>	<u>\$ 41,106</u>	<u>\$ 94,212</u>

CITY OF ROLLING HILLS ESTATES

Prop C Capital Project Fund
Budgetary Comparison Schedule
Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ 100	\$ 653	\$ 553
Revenues from other agencies	118,245	189,401	71,156
Total revenues	<u>118,345</u>	<u>190,054</u>	<u>71,709</u>
Expenditures:			
Capital outlay	112,133	62,133	50,000
Total expenditures	<u>112,133</u>	<u>62,133</u>	<u>50,000</u>
Excess (deficiency) of revenues over expenditures	6,212	127,921	121,709
Fund balance, beginning	126,628	126,628	-
Fund balance, ending	<u>\$ 132,840</u>	<u>\$ 254,549</u>	<u>\$ 121,709</u>

CITY OF ROLLING HILLS ESTATES

Measure R Capital Project Fund

Budgetary Comparison Schedule

Year Ended June 30, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Use of money and property	\$ 50	\$ 537	\$ 487
Revenues from other agencies	88,685	144,138	55,453
Total revenues	<u>88,735</u>	<u>144,675</u>	<u>55,940</u>
Expenditures:			
Capital outlay	176,536	176,536	-
Total expenditures	<u>176,536</u>	<u>176,536</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(87,801)	(31,861)	55,940
Fund balance, beginning	176,777	176,777	-
Fund balance, ending	<u>\$ 88,976</u>	<u>\$ 144,916</u>	<u>\$ 55,940</u>

CITY OF ROLLING HILLS ESTATES

Quimby Fees Capital Project Fund

Budgetary Comparison Schedule

Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 2,000	\$ 2,328	\$ 328
Total revenues	<u>2,000</u>	<u>2,328</u>	<u>328</u>
Expenditures:			
Capital outlay	<u>741,500</u>	<u>637,566</u>	<u>103,934</u>
Total expenditures	<u>741,500</u>	<u>637,566</u>	<u>103,934</u>
Excess of revenues over expenditures	(739,500)	(635,238)	104,262
Fund balance, beginning	<u>870,283</u>	<u>870,283</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 130,783</u>	<u>\$ 235,045</u>	<u>\$ 104,262</u>

CITY OF ROLLING HILLS ESTATES

Prop A Parks Capital Project Fund

Budgetary Comparison Schedule

Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Use of money and property	\$ -	\$ 15	\$ 15
Revenues from other agencies	<u>880,361</u>	<u>866,361</u>	<u>(14,000)</u>
Total Revenues	880,361	866,376	(13,985)
Expenditures:			
Community services	19,000	14,072	4,928
Capital outlay	<u>254,018</u>	<u>3,113</u>	<u>250,905</u>
Total expenditures	<u>273,018</u>	<u>17,185</u>	<u>255,833</u>
Excess (deficiency) of revenues over expenditures	607,343	849,191	241,848
Fund balance (deficit), beginning	<u>(1,463,367)</u>	<u>(1,463,367)</u>	-
Fund balance (deficit), ending	<u><u>\$ (856,024)</u></u>	<u><u>\$ (614,176)</u></u>	<u><u>\$ 241,848</u></u>

CITY OF ROLLING HILLS ESTATES
Chandler Contribution Capital Project Fund
Budgetary Comparison Schedule
Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 500	\$ 3,123	\$ 2,623
Total Revenues	<u>500</u>	<u>3,123</u>	<u>2,623</u>
Expenditures:			
Capital outlay	<u>396,500</u>	<u>23,731</u>	<u>372,769</u>
Total expenditures	<u>396,500</u>	<u>23,731</u>	<u>372,769</u>
Excess (deficiency) of revenues over expenditures	(396,000)	(20,608)	375,392
Fund balance (deficit), beginning	<u>737,978</u>	<u>737,978</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 341,978</u>	<u>\$ 717,370</u>	<u>\$ 375,392</u>

CITY OF ROLLING HILLS ESTATES

STPL Grant Capital Project Fund

Budgetary Comparison Schedule

Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 10	\$ -	\$ (10)
Revenue from other agencies	142,246	142,246	-
Total revenues	<u>142,256</u>	<u>142,246</u>	<u>-</u>
Expenditures:			
Capital outlay	142,246	142,246	-
Total expenditures	<u>142,246</u>	<u>142,246</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	10	-	(10)
Fund balance (deficit), beginning	-	-	-
Fund balance (deficit), ending	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ (10)</u>

CITY OF ROLLING HILLS ESTATES

CalRecycle Capital Project Fund

Budgetary Comparison Schedule

Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Revenue from other agencies	\$ 83,123	\$ 40,464	\$ (42,659)
Total revenues	<u>83,123</u>	<u>40,464</u>	<u>(42,659)</u>
Expenditures:			
Capital outlay	<u>83,123</u>	<u>83,123</u>	<u>-</u>
Total expenditures	<u>83,123</u>	<u>83,123</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	(42,659)	(42,659)
Fund balance (deficit), beginning	-	-	-
Fund balance (deficit), ending	<u>\$ -</u>	<u>\$ (42,659)</u>	<u>\$ (42,659)</u>

CITY OF ROLLING HILLS ESTATES
Comprehensive Annual Financial Report
Year Ended June 30, 2017

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 basic financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Table of Contents

	<i>Page(s)</i>
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>	<i>79</i>
Revenue Capacity	
<i>These schedules contain trend information to help the reader assess the government’s most significant current local revenue sources, property taxes, and business and sales taxes.</i>	<i>84</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>90</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>92</i>
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	<i>95</i>

This page intentionally left blank.

STATISTICAL INFORMATION

This page intentionally left blank.

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Investment in capital assets	\$ 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	\$ 16,804,702
Restricted	378,721	533,470	963,108	1,200,294	1,097,622	1,051,065	385,690	2,598,454	2,150,212	546,634
Unrestricted	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)	(5,396,425)
Total governmental activities net position	<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>	<u>\$ 11,954,911</u>
Business-type activities:										
Investment in capital assets	\$ 57,789	\$ 53,927	\$ 50,065	\$ 46,203	\$ 42,341	\$ 38,479	\$ 118,040	\$ 110,545	\$ 103,050	\$ -
Unrestricted	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>\$ 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>	<u>\$ -</u>
Primary government:										
Investment in capital assets	\$ 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	\$ 16,804,702
Restricted	378,721	533,470	963,108	1,200,294	1,097,622	1,051,065	385,690	2,598,454	2,150,212	546,634
Unrestricted	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)	(5,396,425)
Total primary government net position	<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>	<u>\$ 11,954,911</u>

Source: City Administrative Services Department.

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental activities:										
General government	\$ 3,747,375	\$ 3,369,758	\$ 3,004,041	\$ 3,075,846	\$ 2,881,374	\$ 2,742,166	\$ 2,759,181	\$ 2,944,743	\$ 3,470,235	\$ 5,653,201
Public safety	1,898,712	2,111,932	1,819,095	1,830,016	1,588,967	1,739,467	1,906,657	1,870,550	2,013,850	2,357,650
Public works	831,273	1,170,470	912,695	1,114,138	846,106	949,190	937,914	1,144,208	1,612,353	2,127,233
Community services	1,571,983	1,432,368	1,302,670	1,341,466	1,285,501	1,324,048	1,403,739	1,364,917	1,451,622	1,688,376
Public health	24,148	28,101	34,059	21,329	16,568	14,781	26,478	25,422	19,239	17,995
Interest on bond payable	-	-	-	-	-	54,335	59,059	53,407	47,228	40,490
Total governmental activities expenses	8,073,491	8,112,629	7,072,560	7,382,795	6,618,516	6,823,987	7,093,028	7,403,247	8,614,527	11,884,945
Business-type activities:										
Equestrian	727,488	803,244	775,686	760,759	431,121	804	802	802	802	-
Tennis	47,910	79,890	71,075	75,132	79,373	75,536	75,138	77,578	91,107	-
Total business-type activities expenses	775,398	883,134	846,761	835,891	510,494	76,340	75,940	78,380	91,909	-
Total primary government expenses	8,848,889	8,995,763	7,919,321	8,218,686	7,129,010	6,900,327	7,168,968	7,481,627	8,706,436	11,884,945
Program revenues:										
Governmental activities:										
Charges for services:										
General government	1,269,611	839,830	927,498	957,765	1,213,944	1,213,474	1,860,491	2,190,470	3,134,137	3,023,534
Public safety	154,439	118,323	120,235	92,018	123,578	85,883	92,028	76,791	63,027	85,708
Public works	145,452	167,659	171,782	178,088	579,149	181,759	367,966	349,482	495,338	434,045
Community services	52,704	60,771	75,083	59,559	61,664	68,415	69,922	69,240	70,142	135,372
Operating grants and contributions	1,132,788	722,578	776,625	1,295,997	885,398	720,544	767,769	2,704,107	1,205,518	1,611,349
Capital grants and contributions	-	76,110	158,306	758,259	356,336	588,410	2,511,836	403,567	865,205	446,924
Total governmental activities program revenues	2,754,994	1,985,271	2,229,529	3,341,686	3,220,069	2,858,485	5,670,012	5,793,657	5,833,367	5,736,932
Business-type activities:										
Charges for services:										
Equestrian	670,547	668,641	730,410	688,871	333,106	65,332	101,525	104,388	127,749	80,931
Tennis	52,838	59,804	58,923	56,167	60,849	68,607	68,854	77,579	74,053	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities	723,385	728,445	789,333	745,038	393,955	133,939	170,379	181,967	201,802	80,931
Total primary government program revenues	3,478,379	2,713,716	3,018,862	4,086,724	3,614,024	2,992,424	5,840,391	5,975,624	6,035,169	5,817,863
Net revenues (expenses):										
Governmental activities	(5,318,497)	(6,127,358)	(4,843,031)	(4,041,109)	(3,398,447)	(3,965,502)	(1,423,016)	(1,609,590)	(2,781,160)	(6,067,082)
Business-type activities	(52,013)	(154,689)	(57,428)	(90,853)	(116,539)	57,599	94,439	103,587	109,893	-
Total net revenues (expenses)	(5,370,510)	(6,282,047)	(4,900,459)	(4,131,962)	(3,514,986)	(3,907,903)	(1,328,577)	(1,506,003)	(2,671,267)	(6,067,082)

(Continued)

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General revenues and other changes in net position:										
governmental activities:										
Taxes:										
Property taxes	\$ 2,492,172	\$ 2,525,072	\$ 2,369,270	\$ 2,494,828	\$ 2,492,529	\$ 2,531,240	\$ 2,724,873	\$ 2,953,241	\$ 2,959,989	\$ 2,801,529
Sales taxes	1,199,466	986,408	917,855	917,016	871,060	893,871	902,838	908,399	906,872	1,171,000
Motor vehicle in lieu taxes -general purpose	36,304	27,834	24,024	41,550	-	-	-	-	-	-
Business license taxes	407,451	383,777	221,600	267,177	236,334	250,668	247,188	236,503	237,784	238,062
Franchise taxes	530,806	513,902	492,746	518,175	551,059	508,991	558,571	564,891	618,698	570,539
Other taxes	52,394	40,548	65,435	72,779	69,824	157,810	86,828	106,140	190,705	91,129
Use of money and property	206,181	91,946	30,770	18,467	8,706	5,355	2,337	3,689	13,575	10,251
Gain (Loss) on sale of capital asset	(25,560)	-	-	-	-	-	-	-	-	-
Capital Contributions	-	-	-	-	-	-	-	-	-	268,251
Miscellaneous	15,503	8,706	155,143	40,766	121,641	20,643	16,040	75,179	62,775	87,620
Transfers	-	-	-	-	-	-	-	-	-	109,490
Total governmental activities	4,914,717	4,578,193	4,276,843	4,370,758	4,351,153	4,368,578	4,538,675	4,848,042	4,990,398	5,347,871
Business-type activities:										
Use of money and property	7,342	2,785	753	477	310	206	53	18	27	-
Transfers	-	-	-	-	-	-	-	-	-	(109,490)
Total primary government	4,914,717	4,578,193	4,276,843	4,370,758	4,351,153	4,368,578	4,538,675	4,848,042	4,990,398	5,238,381
Changes in net position:										
Governmental activities	(403,780)	(1,549,165)	(566,188)	329,649	952,706	403,076	3,115,659	3,238,452	2,209,238	(800,136)
Business-type activities	(52,013)	(154,689)	(57,428)	(90,853)	(116,539)	57,599	94,439	103,587	109,893	(28,559)
Total primary government	\$ (455,793)	\$ (1,703,854)	\$ (623,616)	\$ 238,796	\$ 836,167	\$ 460,675	\$ 3,210,098	\$ 3,342,039	\$ 2,319,131	\$ (828,695)

Source: City Administrative Services Department.

CITY OF ROLLING HILLS ESTATES

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2008	2009	2010 ¹	2011	2012
General fund:					
Reserved	\$ 664,853	\$ 502,156	\$ -	\$ -	\$ -
Unreserved	3,836,098	2,838,092	-	-	-
Nonspendable	-	-	247,242	86,741	10,406
Restricted	-	-	44,823	37,172	37,172
Assigned	-	-	642,800	502,264	651,223
Unassigned	-	-	1,882,122	1,766,793	2,101,763
Total general fund	<u>\$ 4,500,951</u>	<u>\$ 3,340,248</u>	<u>\$ 2,816,987</u>	<u>\$ 2,392,970</u>	<u>\$ 2,800,564</u>
All other governmental funds:					
Unreserved, reported in:					
Special revenue funds	\$ 729,352	\$ 361,329	\$ 361,329	\$ -	\$ -
Restricted	-	-	-	2,135,011	1,060,450
Unassigned	-	-	-	(1,639,080)	(302,206)
Special revenue funds	-	-	361,329	-	-
Total all other governmental funds	<u>\$ 729,352</u>	<u>\$ 361,329</u>	<u>\$ 722,658</u>	<u>\$ 495,931</u>	<u>\$ 758,244</u>
General fund:					
	2013	2014	2015	2016	2017
Nonspendable	\$ 445,585	\$ 348,303	\$ 278,987	\$ 126,377	\$ 15,472
Restricted	32,922	15,201	15,201	15,201	10,000
Assigned	738,925	860,108	1,449,819	2,040,000	605,871
Unassigned	1,352,820	1,578,477	2,039,428	2,378,531	1,892,936
Total general fund	<u>\$ 2,570,252</u>	<u>\$ 2,802,089</u>	<u>\$ 3,783,435</u>	<u>\$ 4,560,109</u>	<u>\$ 2,524,279</u>
All other governmental funds:					
Nonspendable					
Restricted	\$ 1,018,143	\$ 370,489	\$ 2,583,253	\$ 2,135,011	\$ 1,536,634
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(978,078)	(740,122)	(1,912,267)	(1,639,080)	(1,053,768)
Total other governmental funds	<u>\$ 40,065</u>	<u>\$ (369,633)</u>	<u>\$ 670,986</u>	<u>\$ 495,931</u>	<u>\$ 482,866</u>

Source: City Administrative Services Department.

Note:

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

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Property taxes	\$ 2,492,172	\$ 2,525,072	\$ 2,369,270	\$ 2,494,828	\$ 2,492,529	\$ 2,531,240	\$ 2,724,873	\$ 2,953,241	\$ 2,959,989	\$ 2,801,529
Sales and use taxes	1,199,467	986,408	917,855	917,016	871,060	893,871	902,838	908,399	906,872	1,171,000
Business license taxes	407,452	383,777	221,600	267,177	236,334	250,668	247,188	236,503	237,784	238,062
Other taxes	583,202	554,450	558,182	590,954	620,883	666,801	645,399	671,031	809,403	661,668
Licenses and permits	733,268	491,632	674,137	681,549	945,463	1,057,943	1,628,949	2,074,361	3,129,514	3,061,756
Fines and forfeitures	150,491	114,203	123,547	103,258	123,299	86,871	88,962	76,532	61,380	140,225
Use of money and property	221,489	107,527	49,555	34,489	26,341	24,759	26,586	22,569	34,323	93,365
Charges for services	630,758	442,179	345,137	345,871	336,337	255,098	416,141	363,640	398,927	301,532
Revenues from other agencies	1,269,099	955,535	1,099,465	2,261,985	1,779,337	1,146,994	3,700,252	3,380,710	2,311,795	2,219,369
Other revenues	7,873	2,681	147,624	15,317	39,642	11,459	9,533	38,887	8,930	18,197
Total revenues	<u>7,695,271</u>	<u>6,563,464</u>	<u>6,506,372</u>	<u>7,712,444</u>	<u>7,471,225</u>	<u>6,925,704</u>	<u>10,390,721</u>	<u>10,725,873</u>	<u>10,858,917</u>	<u>10,706,703</u>
Expenditures:										
Current:										
General government	3,619,451	3,257,757	2,913,496	3,040,509	2,821,517	4,367,972	2,700,233	2,753,752	3,346,845	5,156,455
Public safety	1,898,712	2,111,932	1,819,095	1,830,016	1,588,967	1,739,467	1,906,657	1,870,550	2,013,850	2,357,650
Public works	551,488	533,166	591,294	545,170	545,997	521,988	747,844	663,858	718,345	730,167
Community services	1,472,495	1,347,204	1,215,844	1,300,490	1,188,626	1,219,020	1,278,713	1,206,302	1,325,031	1,445,788
Public health	24,148	28,101	34,059	21,329	16,568	14,781	26,478	25,422	19,239	17,995
Capital outlay	483,657	814,030	393,715	1,095,335	970,781	1,539,850	3,694,598	1,962,616	2,604,760	2,810,053
Debt Service:										
Principal	-	-	-	-	-	152,000	155,700	168,000	182,000	197,000
Interest	-	-	-	-	-	54,335	58,359	53,407	47,228	40,490
Bond issuance costs	-	-	-	-	-	71,784	-	-	-	-
Total expenditures	<u>8,049,951</u>	<u>8,092,190</u>	<u>6,967,503</u>	<u>7,832,849</u>	<u>7,132,456</u>	<u>9,681,197</u>	<u>10,568,582</u>	<u>8,703,907</u>	<u>10,257,298</u>	<u>12,755,598</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(354,680)</u>	<u>(1,528,726)</u>	<u>(461,131)</u>	<u>(120,405)</u>	<u>338,769</u>	<u>(2,755,493)</u>	<u>(177,861)</u>	<u>2,021,966</u>	<u>601,619</u>	<u>(2,048,895)</u>
Other financing sources (uses):										
Transfers in	48,062	-	-	-	13,395	100,355	74,047	-	62,545	-
Transfers out	(48,062)	-	-	-	(13,395)	(100,355)	(74,047)	-	(62,545)	-
Bond issued	-	-	-	-	-	1,807,000	-	-	-	-
Gain on sale of capital asset	-	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	100,000	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>1,807,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (354,680)</u>	<u>\$ (1,528,726)</u>	<u>\$ (461,131)</u>	<u>\$ (120,405)</u>	<u>\$ 438,769</u>	<u>\$ (948,493)</u>	<u>\$ (177,861)</u>	<u>\$ 2,021,966</u>	<u>\$ 601,619</u>	<u>\$ (2,048,895)</u>
Debt service as a percentage of noncapital expenditures	N/A	N/A	N/A	N/A	N/A	2.6%	3.2%	3.4%	2.9%	2.5%

Source: City Administrative Services Department.

CITY OF ROLLING HILLS ESTATES

Business Tax Rates

June 30, 2017

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 four years.

Source: City's Administrative Services Department.

City of Rolling Hills Estates

Principal Property Tax Payers Last Fiscal Year and Nine Years Ago

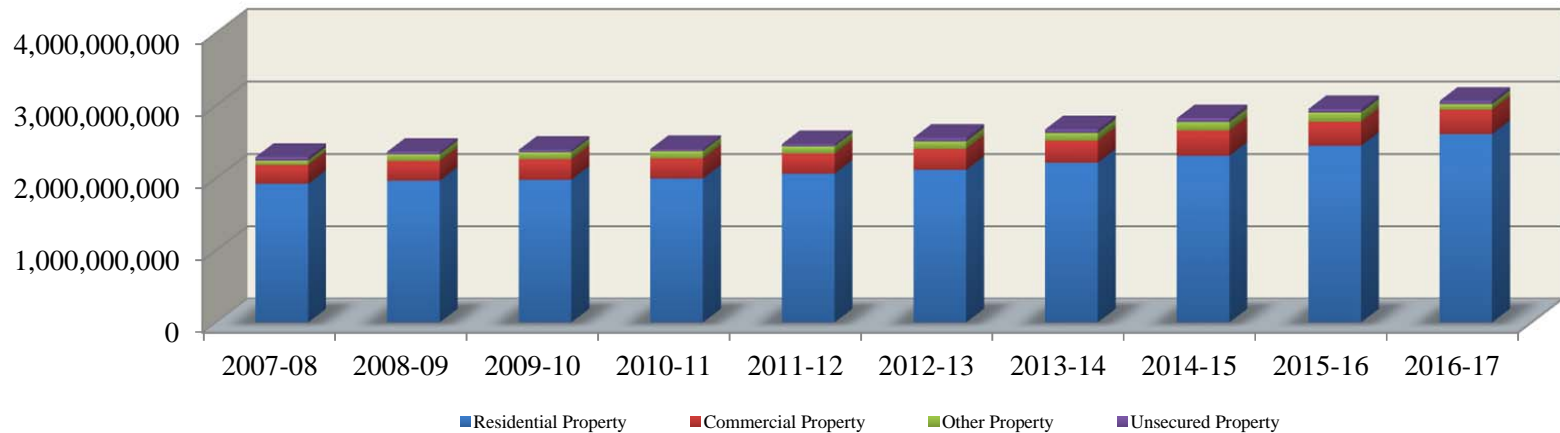
Taxpayer	2016-17		2007-08	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
Vestar Peninsula Retail LLC	90,812,575	2.99%		
Promenade LLC	88,123,914	2.90%		
Anastasi Dev Company LLC	17,996,080	0.59%		
Cox Communications Palos Verde	17,442,835	0.57%	15,886,354	0.71%
Rolling Hills Covenant Church	15,596,978	0.51%		
Continental Rhe Corp	13,603,159	0.45%	9,675,720	0.43%
Highpoint Assoc III LLC	11,130,519	0.37%	4,648,376	0.21%
Sre Dcm Pv LLC	10,632,106	0.35%		
Silver Spur Shopping Center Ll	10,582,948	0.35%	9,350,803	0.42%
Norris Center For Performing A	8,855,521	0.29%		
Jpmorgan Chase Bank	8,552,886	0.28%		
Park Rolling Hills LLC	8,351,517	0.27%		
Longs Drug Stores Inc.	7,961,045	0.26%		
Rolling Hills Country Club	6,947,537	0.23%	5,486,710	0.24%
609 Deep Valley LLC	6,606,736	0.22%		
Cento Family 1 LLC	5,005,458	0.16%		
Chiang Martin K Jane	4,907,749	0.16%		
Refoua LLC	4,677,648	0.15%		
Freer Randy	4,243,099	0.14%		
Brickwalk LLC	4,046,528	0.13%	3,575,415	0.16%
Post Avenue Real Property LP	3,921,412	0.13%	3,464,843	0.15%
Merryweather Properties	3,891,388	0.13%	3,438,313	0.15%
Deep Valley Drive LLC	3,842,833	0.13%	3,393,374	0.15%
Yu Weiyi Cai	3,780,000	0.12%		
Szymczak William Teresa	3,750,000	0.12%		
Stopen LLC			95,630,000	4.25%
Principal Life Insurance Compa			54,747,952	2.43%
Koll Per LLC			9,398,600	0.42%
Sudo Takashi Et Al			7,379,190	0.33%
Tumanjan George Tr			5,837,509	0.26%
Wynne Corporation			5,780,000	0.26%
Palos Verdes Medical Center			5,671,750	0.25%
Rolling Hills Estate			4,373,141	0.19%
Peninsula Capital Group LLC			4,056,164	0.18%
R E Silver Lining Inc			3,708,000	0.16%
Irp Silver Spur Associates LLC			3,693,419	0.16%
Chen Philip C			3,275,000	0.15%
Moon David D & Insun			3,258,900	0.14%
Rolling Hills Capital LLC			3,154,760	0.14%
Faragalla Maged & Margrite			2,907,000	0.13%
Rolling Hills Investments Inc			2,864,697	0.13%
Total Top 25 Taxpayers	365,262,471	12.01%	274,655,990	12.21%
Total Taxable Value	3,041,697,884	100.00%	2,249,307,961	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 Fiscal Year and Nine Years Ago

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	10.99%	.066911	3,916,598,128	1.344496
2016-17	2,607,283,739	336,276,281	76,647,661	45,366,521	23,876,318	3,041,697,884	9.08%	.066911	4,227,050,591	1.389701



Source: County Assessor data, MuniServices, LLC

Data Unavailable

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

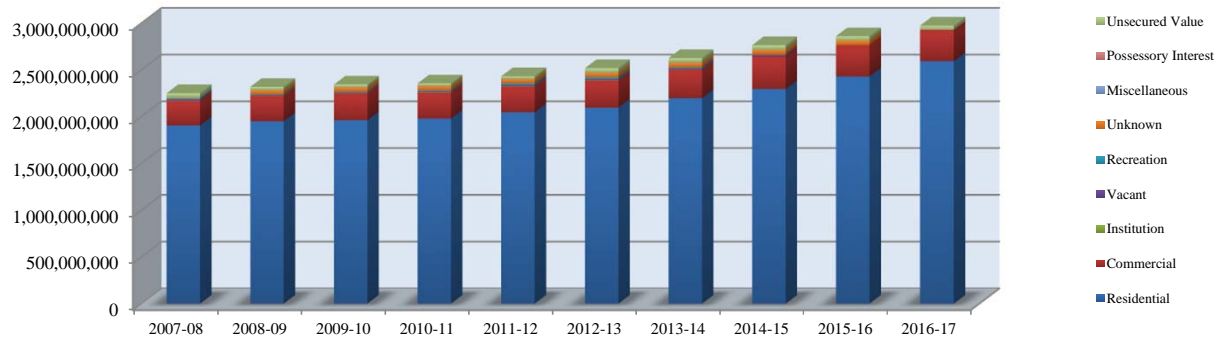
(2.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices. Based on these calculations a multiplier value was extrapolated and applied to current assessed values.

(-)

City of Rolling Hills Estates

Net Assessed Value of Property by Use Code, Citywide Last Fiscal Year and Nine Years Ago

Category	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
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	2,591,479,127
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	336,269,281
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	18,429,621
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	25,433,017
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	19,350,903
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	0
Miscellaneous	91,437	93,264	95,127	94,900	126,614	124,224	126,708	52,394	54,100	25,779
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	5,348,635
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	2,996,336,363
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	45,361,521
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	3,041,697,884



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 Fiscal Year and Nine Years Ago

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
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	0.066911
COUNTY OF LA	0.933089	0.933089	0.238551	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	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	0.172646
LA CO FLOOD CONTROL	0.000000	0.000000	0.011279	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	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	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	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	0.000171
EDUCATIONAL REV AUGM FD	0.000000	0.000000	0.209606	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	0.030025
PALOS VERDES PENINS. UNI	0.000000	0.000000	0.200387	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	0.004074
LA COUNTY ACCUM CAP	0.000000	0.000000	0.000112	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	0.013272
TOTAL 1% BREAKOUT	1.000000	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	0.000000
UNIFIED SCHOOLS	0.019760	0.020177	0.021642	0.022493	0.022511	0.024102	0.023109	0.023289	0.023433	0.023197
COMMNTY COLLEGE	0.008794	0.022115	0.023112	0.040310	0.035296	0.048750	0.044541	0.040174	0.035755	0.035956
PALOS VERDES LIB	0.006854	0.006801	0.006618	0.006719	0.006359	0.006441	0.006118	0.005854	0.005563	0.000000
METRO WATER DIST	0.004500	0.004300	0.004300	0.003700	0.003700	0.003500	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	0.062653
TOTAL TAX RATE	1.039908	1.053393	1.055672	1.073222	1.067866	1.082793	1.077268	1.072817	1.068318	1.062653

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

2016-17	2007-08
Taxpayer	Taxpayer
Ann Taylor	Abercrombie & Fitch
ARCO AM/PM Mini Marts	Ann Taylor
Banana Republic	ARCO AM/PM Mini Marts
Bristol Farms Market	Banana Republic
Chicken Maison	Borders Books & Music
Chico's	Bristol Farms Market
Chipotle Mexican Grill	Chandler's Sand & Gravel
CVS/Pharmacy	Chico's
El Pollo Inka	CVS/Pharmacy
Good Stuff Restaurant	Frascati Ristorante
J. Crew	J. Crew
Medawar Fine Jewelers	Marmalade Cafe
Pet Food Express	Morgan's Jewelers
Petco Animal Supplies	Petco Animal Supplies
Red Onion Restaurant	Red Onion Restaurant
Rite Aid Drug Stores	Restoration Hardware
Rolling Hills Country Club	Rite Aid Drug Stores
Rubio's Baja Grill	Rolling Hills Country Club
Ruby's Diner	Ruby's Diner
The Gap	Stein Mart
The Habit Burger Grill	Talbots Store
TJ Maxx	The Gap
Ulta Beauty	TJ Maxx
Vons Grocery Company	Vons Grocery Company
Williams-Sonoma	Williams-Sonoma

Source: MuniServices, LLC

Top Sales Tax Producers listed in alphabetical order.

CITY OF ROLLING HILLS ESTATES

Direct and Overlapping Debt June 30, 2017

2016-17 Assessed Valuation: \$3,056,558,884

	Total Debt 6/30/2017	% Applicable (1)	City's Share of Debt 6/30/17
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Los Angeles County Flood Control District	\$ 10,060,000	0.232%	\$ 23,339
Metropolitan Water District	74,905,000	0.118%	88,388
Los Angeles Community College District	3,847,880,000	0.409%	15,737,829
Palos Verdes Peninsula Unified School District	65,322,853	13.584%	8,873,456
Los Angeles County Regional Park and Open Space Assessment District	38,895,000	0.227%	88,292
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 4,037,062,853		\$ 24,811,304
 DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Los Angeles County General Fund Obligations	\$ 1,996,576,065	0.227%	\$ 4,532,228
Los Angeles County Superintendent of Schools Certificates of Participation	7,204,988	0.227%	16,355
Los Angeles County Sanitation District No. 5 Authority	23,288,051	3.192%	743,355
Los Angeles County Sanitation District South Bay Cities Authority	3,969,369	0.026%	1,032
City of Rolling Hills Estates Pension Obligation Bonds	953,000	100.000%	953,000
SUBTOTAL GROSS OVERLAPPING GENERAL FUND DEBT			\$ 6,245,970
 TOTAL DIRECT DEBT			 \$953,000
TOTAL OVERLAPPING DEBT			\$30,104,274
 COMBINED TOTAL DEBT			 \$31,057,274 (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 taxable assessed value.

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

Ratios to Assessed Valuation:

Total Overlapping Tax and Assessment Debt	0.81%
Total Direct Debt (\$953,000)	0.03%
Combined Total Debt	1.02%

AB:(\$500)

Source: MuniServices, LLC

CITY OF ROLLING HILLS ESTATES

Legal Debt Margin Information Last Ten Fiscal Years

	Fiscal Year					Fiscal Year				
	2007	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed valuation	\$ 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	\$ 3,041,697,884
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	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	456,254,683
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	953,000.00
Legal debt margin	<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>	<u>\$ 455,301,683</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%	0.3%	0.3%	0.2%

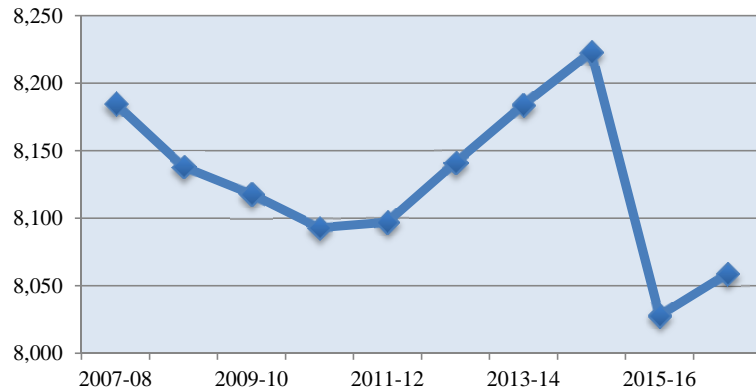
Source: MuniServices, LLC & City

City of Rolling Hills Estates

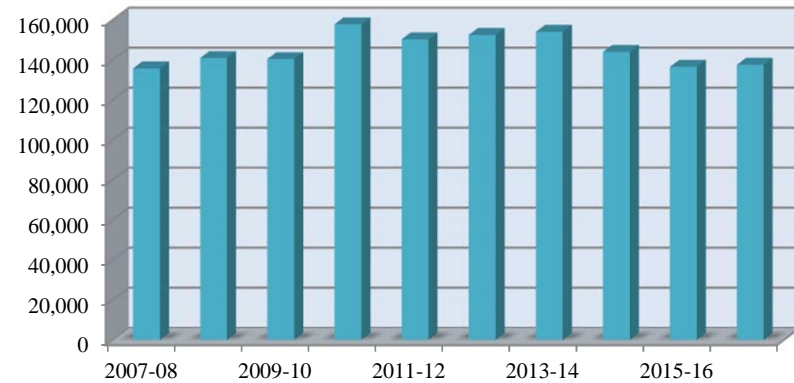
Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income	Median Age (3)	Public School Enrollment	County Unemployment Rate (%) (4)	City Unemployment Rate (%) (4)	*County Population	Average Household Size (3)	% High School Grads (3)	Median 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
2016-17	8,059	587,893,654	72,949	50.1	11,428	5.2	2.5	10,241,278	2.68	98.0	137,500

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 Employers Last Fiscal Year and Nine Years Ago

Business Name	2016-17		2007-08	
	Number of Employees	Percent of Total Employment (%)	Number of Employees	Percent of Total Employment (%)
Palos Verdes Peninsula Unified*	1,444	40.11%	1,800	42.86%
Equinox Palos Verdes	130	3.61%	115	2.74%
Von's Co/Pavilions Store #2233	114	3.17%	150	3.57%
Rolling Hills Covenant Church**	101	2.81%	95	2.26%
Pennisula Center Library (Palos Verde Library Dis	90	2.50%		
Bristol Farms	86	2.39%	100	2.38%
Rolling Hills Country Club**	76	2.11%	102	2.43%
Spectrum Health Club (Bay Club)	70	1.94%		
Wells Fargo Advisors	58	1.61%		
Red Onion Restaurant	44	1.22%		
Delta Computer Consulting Inc			187	4.45%
Abercrombi & Fitch			60	1.43%
Cox Communications			56	1.33%
Longs Drugs			55	1.31%
Total Top Employers	2,213	61.47%	2,720	64.76%
Total City Labor Force (1)	3,600		4,200	

Source: MuniServices, LLC

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

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

*Active position employees-not subs

**Includes full and part time.

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	2013	2014	2015	2016	2017
General government	13	13	12	12	12
Public safety	2	0	0	0	0
Community services	7	7	7	7	7
Equestrian	6	0	0	0	0
Tennis	3	4	4	4	6
Total	<u>31</u>	<u>24</u>	<u>23</u>	<u>23</u>	<u>25</u>

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				
	2013	2014	2015	2016	2017
Police:					
Arrests	80	53	95	164	180
Parking citations issued	333	214	156	195	253
Fire:					
Number of emergency calls	691	706	787	775	752
Inspections	263	515	859	1,215	1,931
Public works:					
Street resurfacing (miles)	1.2	<1	<1	<1	<1
Community services:					
Number of recreation classes	5	5	5	5	5
Number of facility rentals	10	10	14	14	14
Equestrian:					
Number of equestrian classes	40	20	20	20	20
Number of facility rentals	16	15	17	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.

CITY OF ROLLING HILLS ESTATES

Capital Asset Statistics by Function Last Five Fiscal Years

	Fiscal Year				
	2013	2014	2015	2016	2017
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	14 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

Miscellaneous Statistics

June 30, 2017

Date of incorporation	September 18, 1957
Population	8,059
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	6
Business licenses issued	1,350
Number of Registered Voters	5,764

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