

City of
Rolling Hills Estates
California

Comprehensive Annual
Financial Report

Year Ended
June 30, 2008



Prepared by
Administrative Services Department



*Comprehensive Annual Financial Report
For the Year Ended June 30, 2008*

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

**CITY OF ROLLING HILLS ESTATES,
CALIFORNIA**

Comprehensive Annual Financial Report

Year Ended June 30, 2008

Prepared by

City of Rolling Hills Estates

Administrative Services Department

**CITY OF ROLLING HILLS ESTATES
Comprehensive Annual Financial Report
Year Ended June 30, 2008**

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Year Ended June 30, 2008**

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FRANK V. ZERUNYAN
Mayor

JUDY MITCHELL
Mayor Pro Tem

JOHN C. ADDLEMAN
Council Member

SUSAN SEAMANS
Council Member

STEVEN ZUCKERMAN
Council Member

DOUGLAS R. PRICHARD
City Manager



City of

ROLLING HILLS ESTATES

4045 Palos Verdes Drive North • Rolling Hills Estates, CA 90274

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December 9, 2008

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, 2008, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the City of Rolling Hills Estates issue 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 units of the City of Rolling Hills Estates. 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.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section, which is unaudited, includes this Letter of Transmittal, an organizational chart and a directory of the City's principal elected and appointed officials. The financial section includes management's discussion and analysis (MD&A) the government-wide statements, notes to the financial statements, combining and individual fund financial statements, as well as the independent auditor's report on these financial statements and schedules. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year historical basis.

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 of Rolling Hills Estates 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 of Rolling Hills Estates 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. The City currently has a land area of 4.18 square miles and a population of 8,185. The City is a "bedroom" community with a commercial center. Rolling Hills Estates is home to the Avenue of the Peninsula mall, Peninsula Center Shopping Center, and several other businesses in the City's commercial district.

The City has operated under the council-manager form of government since incorporation. Policy-making and legislative authority are vested in the governing council, which consists of five council members, including the mayor and mayor pro-tem. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager and the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the government's departments. The Council is elected on a non-partisan, at-large basis. Council members are elected to four-year staggered terms with two or three council members elected every two years. The council designates the mayor and mayor pro-tem for a one-year term.

Though the City's overall fund balance decreased during the fiscal year ended June 30, 2008, 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, 2008 presents the expectation of a positive net operating result. Management continues to practice conservative fiscal policies as directed by Council.

MAJOR INITIATIVES

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

Planning, Building, and Code Enforcement

- The Planning Commission and City Council reviewed and conditionally approved a number of mixed use projects in the commercial district. Several additional projects are under review by staff.
- The City Council has made a priority of undertaking revisions to the Housing Element by 2008 and will pursue an update of the General Plan as soon as time and budget allow.
- The City continued to provide review and inspection services for commercial and residential projects of various types.
- Several "first look" committee meetings were held for large projects of community-wide interest.

Public Works

- Received approval for a Metro 2007 Call for Projects Grant for PVDN Phase III Improvements estimated at \$2,081,000.
- Continued to implement our prioritized schedule for storm drain maintenance and are nearly complete with Phase I of the program that includes improvements to PVDN, Silver Spur Road and Hawthorne Boulevard. A majority of the funding for this project came from a Highway-Through-Cities grant obtained from Supervisor Knabe (\$400,000) and Prop. C funds (\$300,000).
- Coordinated the permitting and installation of numerous microcell sites throughout the City in accordance with the cell site specification guidelines for Sprint, Verizon, NextG Network and Cingular.
- Installed a GPS level time-based coordination for all traffic signals on PVDN.
- Completed a City-wide striping and marking program for all City streets.

Community Services

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

Administration

- The City Council engaged in extensive lobbying efforts on behalf of local government, particularly pertaining to protection of local revenues, and regional representation due in large to part to active roles Council Members took in League of California Cities and CCCA and South Bay Cities COG leadership and policy committees.
- The City Council hosted several joint meetings with the Planning Commission to discuss a number of mixed use projects.
- Council and City Manager finalized implementation of all the short term and mid-term recommendations of an organization wide analysis of policies and procedures. Some long term recommendations are still under consideration.

- The Administrative Services Director oversaw a variety of technological improvements both within the department and organization-wide to improve staff's ability to serve the public, continuing a systematic schedule of replacement of hardware and software as well as computer training classes.
- On-going training in occupational safety continues following last year's award from the California JPIA in the area of Workers' Compensation program administration.

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 judgements by management.

Single Audit. As a recipient of federal, state, and county financial assistance, the City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. In years when over \$500,000 is expended on Federal financial assistance programs, the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. For the year ended June 30, 2008, less than \$500,000 was expended on Federal financial assistance programs; and therefore, a single audit was not required.

Budgeting Controls. The City of Rolling Hills Estates 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.

Debt Administration. At June 30, 2008, the City had no general obligation debt and certificates of participation or revenue bonds. No new debt obligations are anticipated in the near future.

Cash Management. The City Treasurer is responsible for the custody and investment of City funds, and monthly investment reports are submitted to the City Council. To obtain increased flexibility in cash management, the City employs a pooled cash system, and the goals of the City's investment policy are safety, liquidity, and yield, in that order. Investments are currently maintained with the State Treasurer's Local Agency Investment Fund (LAIF); however, the City's investment policy permits investments in treasury bills and certificates of deposit. LAIF provides high safety and liquidity and is operated specifically for local governments.

Risk Management. The City of Rolling Hills Estates is a member of the California Joint Powers Insurance Authority (CJPIA). With 119 members as of June 30, 2008, it is the largest joint powers insurance authority in California. Through the CJPIA, the City is self-insured against liability and workers' compensation claims. As protection against catastrophic loss, members fund a pool to finance large settlements. During the fiscal year ended June 30, 2008, Rolling Hills Estates continued its proactive liability risk management role through careful monitoring of losses, working closely with the CJPIA's third-party claims adjuster, and designing and implementing programs to minimize risks and reduce losses. In addition, the City Manager's staff analyzes workers compensation issues by monitoring work conditions, and organizing and implementing safety-training programs to reduce employee exposure to hazards. The City was recently presented with the award for Best Overall Performance for our Workers Compensation Program among the 119 member agencies of the California Joint Powers Insurance Authority by their Board of Directors. This award recognizes members who have demonstrated the best overall performance in each program evaluated by both quantitative and qualitative factors that are reflective of a member's risk management efforts.

Fiduciary Operations. The City of Rolling Hills Estates has two fiduciary funds that are 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 and CSMFO Chaper Agency funds are restricted as to its use and not available to fund the operating activities of the City, and as such, is offset by a liability equal to the carrying amount of the assets.

OTHER INFORMATION

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


GFOA Certificate of Achievement Award. The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Financial Reporting to the City of Rolling Hills Estates for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the thirteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,



Douglas R. Prichard
City Manager



Michael C. Whitehead
Administrative Services Director

CITY OF ROLLING HILLS ESTATES

Directory of City Officials

June 30, 2008

FRANK V. ZERUNYAN

MAYOR

JUDY MITCHELL

MAYOR PRO TEMPORE

STEVEN ZUCKERMAN

COUNCIL MEMBER

JOHN C ADDLEMAN

COUNCIL MEMBER

SUSAN SEAMANS

COUNCIL MEMBER

City Manager

Douglas R. Prichard

Assistant City Manager

Samuel R. Wise

City Attorney

Administrative Services Director

Director of Planning

Director of Community Services

Kristin Pelletier

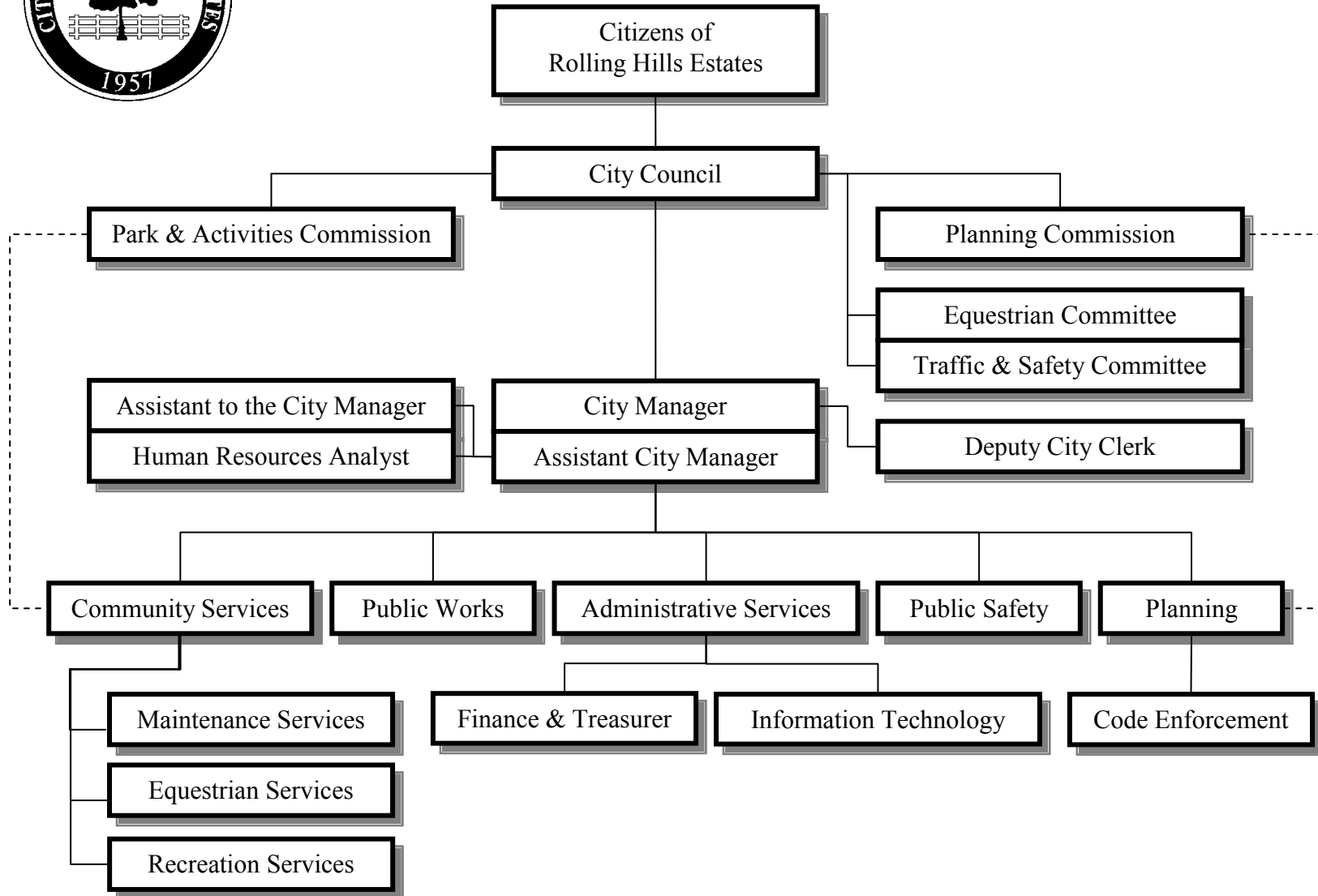
Michael C. Whitehead

David Wahba

Andy Clark



Rolling Hills Estates City Government



x

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, 2007

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



Chas S. Cox

President

Jeffrey R. Emer

Executive Director

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MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

NEWPORT BEACH
1201 Dove Street, Suite 680
Newport Beach, CA 92660
949.221.0025

SACRAMENTO

OAKLAND

WALNUT CREEK

LOS ANGELES

SAN MARCOS

SAN DIEGO

The Honorable City Council of
the City of Rolling Hills Estates, California

Independent Auditor's Report

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rolling Hills Estates' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rolling Hills Estates, California, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2008 on our consideration of the City of Rolling Hills Estates' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, the combining and individual nonmajor fund financial statements and schedules listed as supplementary information in the table of contents, 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Fini & O'Connell LLP

Certified Public Accountants
Newport Beach, California

December 2, 2008



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis

As management of the City of Rolling Hills Estates, we offer readers of the City of Rolling Hills Estates' financial statements this narrative overview and analysis of the financial activities of the City of Rolling Hills Estates for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the City of Rolling Hills Estates exceed its liabilities, at the close of the fiscal year by \$12,415,782 (*net assets*). Of this amount, \$4,471,935 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$448,451 from the prior fiscal year.
- The City's governmental funds reported combined ending fund balances of \$5,230,303, a decrease of \$354,680 in comparison with the prior year. Approximately \$4,565,450 (*unreserved fund balance*) is available for spending at the government's discretion.
- The unreserved fund balance for the General fund was \$3,836,098 or 51%, of total General fund current operating expenditures. Of that amount, \$237,915 has been designated for FY 2009-10 capital projects, \$150,000 for insurance claims, \$400,000 for PERS rate stabilization, \$136,800 for equipment revolving, \$362,520 for capital asset replacement, and \$876,500 for future expenditures. Therefore, \$1,672,363 is unreserved and undesignated of the total \$3,836,098.
- The City has no bonded debt or certificates of participation debt.

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation and sick leave).

Both 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.



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis

The government-wide financial statements include not only the City of Rolling Hills Estates itself (known as the *primary government*), but also a legally separate Peppertree Foundation for which the City of Rolling Hills Estates 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 of Rolling Hills Estates, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of Rolling Hills Estates maintains 13 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, State Gas Tax Special Revenue Fund, and Proposition 1B Special Revenue Fund which are considered to be major funds. Data from the other 10 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 of Rolling Hills Estates 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 of Rolling Hills Estates maintains one type of *proprietary funds*.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily by user charges. The City uses enterprise funds to account for the operations of the City-owned stables, horse shows, and pony camps for young equestrians and to account for the operations of the City-owned tennis courts.

Individual proprietary fund financial statements are included as part of the government-wide financial statements on pages 20-23 of this report.

Fiduciary fund. The City of Rolling Hills Estates maintains two *fiduciary funds*, the Peninsula Parking Agency Fund, and the CSMFO Chapter Meetings Fund. Both balance sheets present the assets and liabilities (no net assets are associated with agency funds).



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis

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* concerning the City's progress in funding its obligation to provide pension benefits to its employees.

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Rolling Hills Estates, assets exceeded liabilities by \$12,415,782 in FY 2007-08 a decrease from 2006-07 which assets exceeded liabilities by \$12,864,233. The largest portion of the City's total net assets (61 percent in 2007-08, and 59 percent in 2006-07) 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 assets (\$378,721 or 3 percent in 2007-08, and \$144,809 or 1 percent in 2006-07) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted total net assets (\$4,471,935 or 36 percent in 2007-08, and \$5,163,266 or 40 percent in 2006-07) may be used to meet the government's ongoing obligations to citizens and creditors.

City of Rolling Hills Estates Net Assets	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2007-2008</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2006-2007</u>
Current and Other Assets	5,899,934	6,769,418	165,419	214,924	6,065,353	6,984,342
Capital Assets	7,507,337	7,494,508	57,789	61,650	7,565,126	7,556,158
Total Assets	13,407,271	14,263,926	223,208	276,574	13,630,479	14,540,500
Long-Term Liabilities	359,802	304,065	42,922	55,678	402,724	359,743
Other Liabilities	709,608	1,218,220	102,365	98,304	811,973	1,316,524
Total Liabilities	1,069,410	1,522,285	145,287	153,982	1,214,697	1,676,267
Invested in Capital Assets	7,507,337	7,494,508	57,789	61,650	7,565,126	7,556,158
Restricted	378,721	144,809	-	-	378,721	144,809
Unrestricted	4,451,803	5,102,324	20,132	60,942	4,471,935	5,163,266
Total Net Assets	\$ 12,337,861	\$ 12,741,641	\$ 77,921	\$ 122,592	\$ 12,415,782	\$ 12,864,233



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis

Governmental activities. Governmental activities decreased the City's net assets by \$403,780 in 2007-08, and increased by \$1,882,588 in 2006-07.

City of Rolling Hills Estates Changes in Net Assets	Governmental Activities		Business-Type Activities		Total Activities	
	2007-2008	2006-2007	2007-2008	2006-2007	2007-2008	2006-2007
Program Revenues:						
Charges for services	1,622,206	2,028,122	723,385	699,655	2,345,591	2,727,777
Operating grants and contributions	1,132,788	851,242			1,132,788	851,242
Capital grants and contributions		570,000			-	570,000
General Revenues:						
Property taxes	2,492,172	2,387,652			2,492,172	2,387,652
Local sales taxes	1,199,466	1,192,703			1,199,466	1,192,703
Other taxes	1,026,955	1,186,963			1,026,955	1,186,963
Other general revenues	196,124	1,233,482	7,342	11,074	203,466	1,244,556
Total Revenues	7,669,711	9,450,164	730,727	710,729	8,400,438	10,160,893
Expenses:						
General government	3,747,375	3,221,350			3,747,375	3,221,350
Public safety	1,898,712	1,878,066			1,898,712	1,878,066
Public works	831,273	711,452			831,273	711,452
Community Services	1,571,983	1,712,418			1,571,983	1,712,418
Public health	24,148	44,290			24,148	44,290
Equestrian			727,488	716,304	727,488	716,304
Tennis			47,910	48,595	47,910	48,595
Total Expenses	8,073,491	7,567,576	775,398	764,899	8,848,889	8,332,475
Increase (Decrease) in Net Assets	(403,780)	1,882,588	(44,671)	(54,170)	(448,451)	1,828,418
Net Assets, beginning of year	12,741,641	10,859,053	122,592	176,762	12,864,233	11,035,815
Net Assets, end of year	12,337,861	12,741,641	77,921	122,592	12,415,782	12,864,233

Business-type activities. Business-type activities decreased the City's net assets by \$44,671 compared to 2006-07, which decreased \$54,170.

Key elements of the \$448,451 decrease in total net assets from all activities are as follows:

- Sales tax revenues remained flat or basically unchanged from prior year.
- General revenues not realized in planning fees, building permits, and new construction tax.
- Interest income was less in other general revenues.

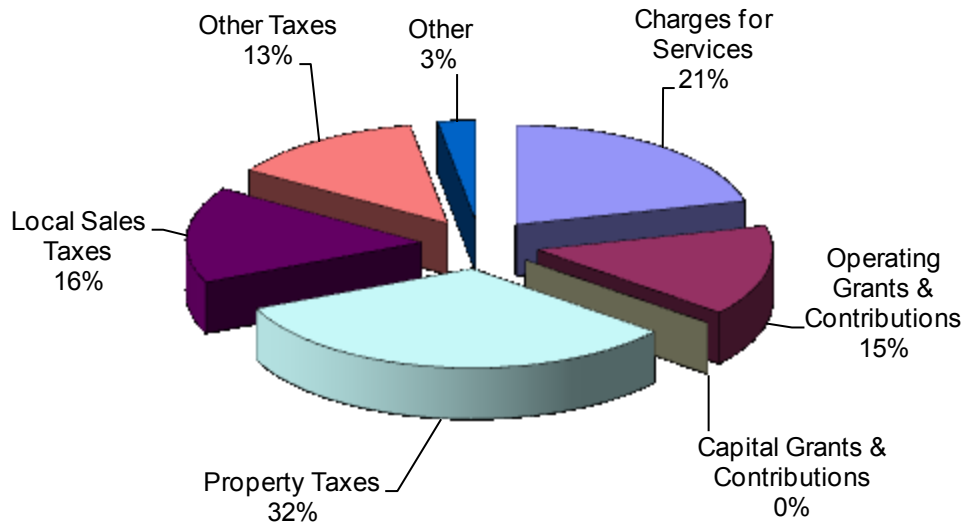


CITY OF ROLLING HILLS ESTATES, CALIFORNIA

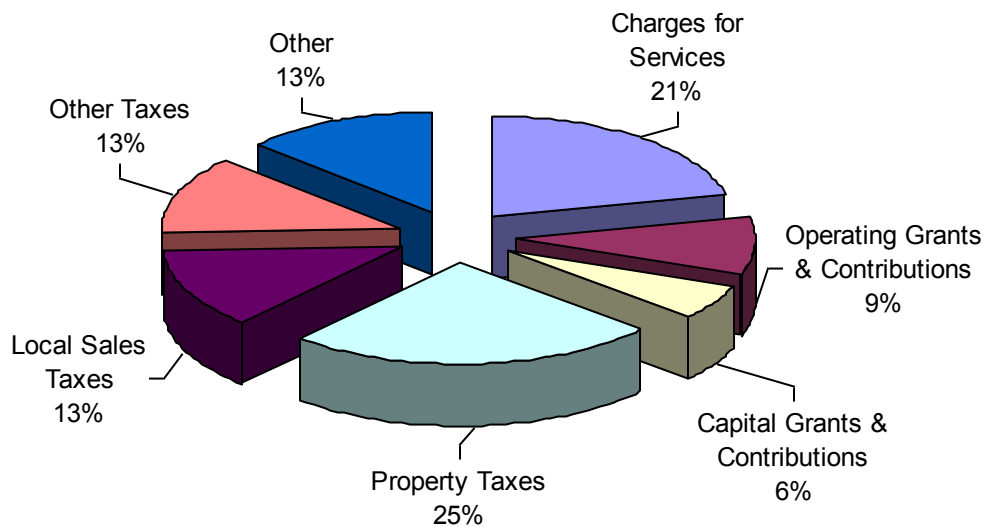
Management's Discussion and Analysis

Revenues by Source – Governmental Activities

Revenue 2007-2008



Revenue 2006-2007





CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,230,303, decrease of \$354,680 in comparison with the prior year, which ending fund balance was \$5,584,983. Approximately 87 percent of the combined ending fund balances (\$4,565,450) constitute unreserved fund balance, which is available for spending at the City's discretion. This is an increase from 85 percent reported for 2006-07. The remainder of the combined ending fund balances is reserved to indicate that it is not available for new spending because it has already been committed 1) to reserve the unspent portion of the CLEEP grant (\$34,483), 2) to reserve the Maintenance of Hawthorne Canyon (\$60,000), 3) for note receivable for sale of real property (\$560,000) and 4) for inventories (\$10,030).

The General fund is the chief operating fund of the City of Rolling Hills Estates. At the end of the current fiscal year, unreserved fund balance of the General fund was \$3,836,098 a decrease from the prior year by \$798,475.

During the current fiscal year, the fund balance of the City's General fund decreased by \$939,223. The key factor in this decrease is as follows:

- Loss of General Fund Revenues from planning projects and interest income.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The major proprietary fund is the Equestrian Operation, and the nonmajor proprietary fund is the Tennis Operations. The total decrease in proprietary fund net assets was \$44,671 compared to a prior year's decrease of \$54,170.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was an increase of \$382,442; and can be briefly summarized as follows:

- Capital Projects were budgeted but not undertaken in Street Resurfacing, Curb Repair, Traffic Signal Improvement, and Council Chambers Multimedia.
- Several planning projects did not materialize in FY 2007-08, and as such, no revenues were received.

Additionally, general fund reserved fund balances are \$664,853 for CLEEP grant, inventories, maintenance of Hawthorne Canyon, and note receivable. The general fund unreserved, designated fund balances are \$2,163,235 for future expenditures, capital improvements projects, insurance claims, PERS rate stabilization, equipment revolving, and capital asset replacement. Lastly, there is \$1,672,363 in the general fund's unreserved, undesignated fund balance.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$7,507,337 (net of accumulated depreciation). The business-type activities investment is \$57,789. 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 0.1 percent primarily due to infrastructure improvements.



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis

City of Rolling Hills Estates Capital Assets (Net Depreciation)	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2007-2008</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2006-2007</u>
	Land	3,864,943	3,863,667			3,864,943
Buildings & Improvements	606,726	578,576	44,257	45,718	650,983	624,294
Facilities & Improvements	535,568	556,942	13,532	15,932	549,100	572,874
Vehicles & Equipment	175,010	272,896			175,010	272,896
Furniture & Fixtures	4,424	7,610			4,424	7,610
Infrastructure	2,320,666	2,214,817			2,320,666	2,214,817
Total	7,507,337	7,494,508	57,789	61,650	7,565,126	7,556,158

Additional information regarding the City's capital assets can be found in Note 1 e 4 on pages 30, and Note 3 d on pages 37-38.

Long-term debt. At the end of the current fiscal year, the City of Rolling Hills Estates had total debt outstanding of \$447,470 up slightly from the previous year, which was \$399,714. The City has no bonded debt or certificates of participation debt.

City of Rolling Hills Estates Outstanding Debt As of June 30, 2007	Governmental Activities		Business-Type Activities		Total Activities	
	<u>2007-2008</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2006-2007</u>
	Employee Compensated Absences	399,779	337,850	47,691	61,864	447,470
Total	399,779	337,850	47,691	61,864	447,470	399,714

The City's total debt increased by \$47,756 (11.9 percent) during the current fiscal year, due to the slight accumulation of additional employee compensated absences.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total assessed valuation. The current debt limitation for the City of Rolling Hills Estates is \$337,396,194. With no general obligation debt, the City operates well within the legal limit imposed by the State.

Additional information on the City's long-term debt can be found in Note 3 g on pages 39-40 of this report.

Economic Factors and Next Year's Budgets and Rates

- Local property values remain modest, and account for approximately 32 percent of General Fund revenues. Assessed Property Valuations in the City increased annually by 6.5%.
- 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. Sales tax revenue for FY 2007-08 was flat with at \$1,199,466, a minimal increase from \$1,192,703 in FY 2006-07.



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis

- Declining revenues from other agencies include Motor Vehicle License Fees, and Property Tax in lieu of Sales Tax from the State in FY 2007-2008. As mentioned above, the "Triple Flip" increases State subventions to supplement the lost one-quarter of local sales tax revenues, however, the City receives back less than one-quarter after administration fees. The VLF backfill has been eliminated, replaced by a "Property Tax in lieu of VLF – State" account – which has a slight increase in revenue for FY 2007-2008.

All three of these factors were considered in preparing the City's budget for FY 2007-2008. The loss of local control over local revenues has made the City's budgeting process more complex.

During the current fiscal year, unreserved fund balance in the General fund decreased from \$4,606,973 in 2006-07 to \$3,836,098 in 2007-08. Additionally, the City has adjusted the fees and charges revenue for certain activities such as park usage fees, tennis fees, and recreation fees.

Requests for Information

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



CITY OF ROLLING HILLS ESTATES
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 4,383,799	\$ 155,350	\$ 4,539,149
Accounts receivable	946,105	5,650	951,755
Note receivable	560,000	-	560,000
Inventories	10,030	4,419	14,449
Capital assets:			
Not being depreciated	3,864,943	-	3,864,943
Being depreciated (net of accumulated depreciation)	<u>3,642,394</u>	<u>57,789</u>	<u>3,700,183</u>
 Total assets	 <u>13,407,271</u>	 <u>223,208</u>	 <u>13,630,479</u>
Liabilities:			
Accounts payable and accrued liabilities	615,626	41,241	656,867
Deposits payable	46,624	33,495	80,119
Unearned revenue	7,381	22,860	30,241
Non-current Liabilities:			
Due within one year	39,977	4,769	44,746
Due in more than one year	<u>359,802</u>	<u>42,922</u>	<u>402,724</u>
 Total liabilities	 <u>1,069,410</u>	 <u>145,287</u>	 <u>1,214,697</u>
Net assets:			
Invested in capital assets	7,507,337	57,789	7,565,126
Restricted for:			
Transportation	378,721	-	378,721
Unrestricted	<u>4,451,803</u>	<u>20,132</u>	<u>4,471,935</u>
 Total net assets	 <u>\$ 12,337,861</u>	 <u>\$ 77,921</u>	 <u>\$ 12,415,782</u>

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES
Statement of Activities
Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
General government	\$ 3,747,375	\$ 1,269,611	\$ 9,673
Public safety	1,898,712	154,439	100,000
Public works	831,273	145,452	815,012
Community services	1,571,983	52,704	189,120
Public health	24,148	-	18,983
Total governmental activities	<u>8,073,491</u>	<u>1,622,206</u>	<u>1,132,788</u>
Business-type activities:			
Equestrian	727,488	670,547	-
Tennis	47,910	52,838	-
Total business-type activities	<u>775,398</u>	<u>723,385</u>	<u>-</u>
Total	<u>\$ 8,848,889</u>	<u>\$ 2,345,591</u>	<u>\$ 1,132,788</u>

General revenues:

Intergovernmental:

Property taxes

Sales taxes

Motor vehicle in lieu taxes unrestricted

Taxes:

Business license taxes

Franchise taxes

Other taxes

Use of money and property

Loss on sale of capital asset

Miscellaneous

Total general revenues

Change in net assets

Net assets, beginning

Net assets, ending

See Accompanying Notes to Financial Statements.

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

Governmental Activities	Business-type Activities	Total
\$ (2,468,091)	\$ -	\$ (2,468,091)
(1,644,273)	-	(1,644,273)
129,191	-	129,191
(1,330,159)	-	(1,330,159)
(5,165)	-	(5,165)
<u>(5,318,497)</u>	<u>-</u>	<u>(5,318,497)</u>
-	(56,941)	(56,941)
-	4,928	4,928
<u>-</u>	<u>(52,013)</u>	<u>(52,013)</u>
<u>(5,318,497)</u>	<u>(52,013)</u>	<u>(5,370,510)</u>
2,492,172	-	2,492,172
1,199,466	-	1,199,466
36,304	-	36,304
407,451	-	407,451
530,806	-	530,806
52,394	-	52,394
206,181	7,342	213,523
(25,560)	-	(25,560)
15,503	-	15,503
<u>4,914,717</u>	<u>7,342</u>	<u>4,922,059</u>
(403,780)	(44,671)	(448,451)
<u>12,741,641</u>	<u>122,592</u>	<u>12,864,233</u>
<u>\$ 12,337,861</u>	<u>\$ 77,921</u>	<u>\$ 12,415,782</u>

CITY OF ROLLING HILLS ESTATES
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General Fund</u>	<u>State Gas Tax Special Revenue Fund</u>	<u>Proposition 1B Special Revenue Fund</u>
Assets:			
Cash and investments	\$ 3,927,238	\$ -	\$ -
Accounts receivable	479,356	49,957	400,000
Note receivable	560,000	-	-
Due from other funds	134,593	-	-
Inventories	10,030	-	-
Total assets	<u>\$ 5,111,217</u>	<u>\$ 49,957</u>	<u>\$ 400,000</u>
Liabilities:			
Accounts payable and accrued liabilities	\$ 556,261	\$ 43,438	\$ -
Due to other funds	-	58,415	-
Deposits payable	46,624	-	-
Deferred revenue	7,381	-	-
Total liabilities	<u>610,266</u>	<u>101,853</u>	<u>-</u>
Fund balances:			
Reserved:			
CLEEP grant	34,823	-	-
Inventories	10,030	-	-
Maintenance of Hawthorne Canyon	60,000	-	-
Note receivable	560,000	-	-
Unreserved, designated:			
Future expenditures	876,500	-	-
Capital projects	237,915	-	-
Insurance	150,000	-	-
PERS rate stabilization	400,000	-	-
Equipment revolving	136,800	-	-
Capital asset replacement	349,416	-	-
Unreserved, undesignated:			
General fund	1,685,467	-	-
Special revenue	-	(51,896)	400,000
Total fund balances	<u>4,500,951</u>	<u>(51,896)</u>	<u>400,000</u>
Total liabilities and fund balances	<u>\$ 5,111,217</u>	<u>\$ 49,957</u>	<u>\$ 400,000</u>

See Accompanying Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 456,561	\$ 4,383,799
16,792	946,105
-	560,000
-	134,593
-	10,030
<u>\$ 473,353</u>	<u>\$ 6,034,527</u>
\$ 15,927	\$ 615,626
76,178	134,593
-	46,624
-	7,381
<u>92,105</u>	<u>804,224</u>
-	34,823
-	10,030
-	60,000
-	560,000
-	876,500
-	237,915
-	150,000
-	400,000
-	136,800
-	349,416
-	1,685,467
381,248	729,352
<u>381,248</u>	<u>5,230,303</u>
<u>\$ 473,353</u>	<u>\$ 6,034,527</u>

CITY OF ROLLING HILLS ESTATES
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2008

Total fund balances, governmental funds	\$ 5,230,303
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	7,507,337
Long-term liabilities, such as compensated absences are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(399,779)</u>
Net assets of governmental activities	<u><u>\$ 12,337,861</u></u>

See Accompanying Notes to Financial Statements.

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CITY OF ROLLING HILLS ESTATES
Statement of Revenues, Expenditures and Change in Fund Balances
Governmental Funds
Year Ended June 30, 2008

	General Fund	State Gas Tax Special Revenue Fund	Proposition 1B Special Revenue Fund
Revenues:			
Sales and use taxes	\$ 1,199,467	\$ -	\$ -
Business license taxes	407,452	-	-
Other taxes	3,075,374	-	-
Licenses and permits	733,268	-	-
Fines and forfeitures	61,384	-	-
Use of money and property	206,540	-	-
Charges for services	585,313	-	-
Revenues from other agencies	331,225	147,879	400,000
Other revenues	7,873	-	-
Total revenues	6,607,896	147,879	400,000
Expenditures:			
Current:			
General government	3,619,451	-	-
Public safety	1,842,588	-	-
Public works	238,353	199,775	-
Community services	1,411,151	-	-
Public health	24,148	-	-
Capital outlay	385,884	-	-
Total expenditures	7,521,575	199,775	-
Excess (deficiency) of revenues over expenditures	(913,679)	(51,896)	400,000
Other financing sources:			
Transfers in	11,259	-	-
Transfers out	(36,803)	-	-
Total other financing sources (uses)	(25,544)	-	-
Net change in fund balances	(939,223)	(51,896)	400,000
Fund balances, beginning	5,440,174	-	-
Fund balances, ending	\$ 4,500,951	\$ (51,896)	\$ 400,000
Net change in fund balance			\$ (354,680)

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 is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 302,449	
Depreciation expense	(264,060)	
Loss on sale of capital asset	(25,560)	12,829

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Change in net assets of governmental activities

(61,929)
\$ (403,780)

See Accompanying Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,199,467
-	407,452
-	3,075,374
-	733,268
89,107	150,491
14,949	221,489
45,445	630,758
389,995	1,269,099
-	7,873
539,496	7,695,271
-	3,619,451
56,124	1,898,712
113,360	551,488
61,344	1,472,495
-	24,148
97,773	483,657
328,601	8,049,951
210,895	(354,680)
36,803	48,062
(11,259)	(48,062)
25,544	-
236,439	(354,680)
144,809	5,584,983
\$ 381,248	\$ 5,230,303

CITY OF ROLLING HILLS ESTATES
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Equestrian Operations Fund	Nonmajor Tennis Operations Fund	Total
Assets:			
Current assets:			
Cash and investments	\$ 2,227	\$ 153,123	\$ 155,350
Accounts receivable	443	5,207	5,650
Inventories	4,419	-	4,419
Total current assets	7,089	158,330	165,419
Capital assets being depreciated, net	36,331	21,458	57,789
Total assets	43,420	179,788	223,208
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	40,143	1,098	41,241
Deposits	33,495	-	33,495
Unearned revenue	19,110	3,750	22,860
Due within one year	4,769	-	4,769
Total current liabilities	97,517	4,848	102,365
Noncurrent liabilities:			
Due in more than one year	42,922	-	42,922
Total liabilities	140,439	4,848	145,287
Net assets (deficit):			
Invested in capital assets	36,331	21,458	57,789
Unrestricted	(133,350)	153,482	20,132
Total net assets (deficit)	\$ (97,019)	\$ 174,940	\$ 77,921

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2008

	<u>Equestrian Operations Fund</u>	<u>Nonmajor Tennis Operations Fund</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 670,547	\$ 52,838	\$ 723,385
Operating expenses:			
Personnel	393,978	27,623	421,601
Administrative	34,000	8,000	42,000
Materials and supplies	298,709	9,227	307,936
Depreciation	801	3,060	3,861
	<u>727,488</u>	<u>47,910</u>	<u>775,398</u>
Total operating expenses			
Operating income (loss)	(56,941)	4,928	(52,013)
Nonoperating revenues:			
Interest income	<u>1,581</u>	<u>5,761</u>	<u>7,342</u>
Change in net assets	(55,360)	10,689	(44,671)
Total net assets (deficit), beginning	<u>(41,659)</u>	<u>164,251</u>	<u>122,592</u>
Total net assets (deficit), ending	<u><u>\$ (97,019)</u></u>	<u><u>\$ 174,940</u></u>	<u><u>\$ 77,921</u></u>

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2008

	Equestrian Operations Fund	Nonmajor Tennis Operations Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 667,156	\$ 54,778	\$ 721,934
Cash paid to suppliers of goods and services	(325,345)	(16,733)	(342,078)
Cash paid to employees	(408,152)	(27,623)	(435,775)
Net cash provided by (used for) operating activities	(66,341)	10,422	(55,919)
Cash flows from investing activities:			
Interest on investments	1,581	5,761	7,342
Net increase (decrease) in cash and cash equivalents	(64,760)	16,183	(48,577)
Cash and cash equivalents, beginning	66,987	136,940	203,927
Cash and cash equivalents, ending	\$ 2,227	\$ 153,123	\$ 155,350

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES
Statement of Cash Flows
Proprietary Funds (Continued)
Year Ended June 30, 2008

	Equestrian Operations Fund	Nonmajor Tennis Operations Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (56,941)	\$ 4,928	\$ (52,013)
 Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	801	3,060	3,861
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	3,113	520	3,633
(Increase) decrease in inventory	(2,704)	-	(2,704)
Increase (decrease) in accounts payable and accrued liabilities	10,068	494	10,562
Increase (decrease) in unearned revenue	(1,210)	1,420	210
Increase (decrease) in deposits	(5,294)	-	(5,294)
Increase (decrease) in compensated absences	(14,174)	-	(14,174)
	<u>(14,174)</u>	<u>-</u>	<u>(14,174)</u>
 Net cash provided by (used for) operating activities	<u>\$ (66,341)</u>	<u>\$ 10,422</u>	<u>\$ (55,919)</u>

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

Assets:

Cash and investments	\$ 13,439
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Liabilities:

Accounts payable	\$ 12,955
Deposits payable	484

Total liabilities	\$ 13,439
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See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

Peppertree Foundation (the Foundation)

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

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

Joint Ventures

The City is a member of the Palos Verdes Peninsula Transit Joint Powers Authority. The Transit Authority is comprised of three member cities and is organized under a Joint Powers Agreement pursuant to the California Government Code. Each member City provides an annually determined contribution towards the ongoing operation. The City does not have a specified equity interest; however, in the event of dissolution of the Authority, available assets shall be distributed to the member agencies in proportion to the aggregate contribution made by each member agency during the entire term of the agreement. The purpose of the Authority is to study, implement, and provide a public transit system within and around the Palos Verdes Peninsula. These transit services include Palos Verdes Transit (expanded to include two MTA 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, 2008

The Palos Verdes Peninsula Transit Authority's fiscal year ended on June 30. As of June 30, 2007 (most recent information available), audited financial statements indicated the following:

Total assets	\$ 1,464,370
	<u> </u>
Total liabilities	\$ -
	<u> </u>
Total equity	\$ 1,464,370
	<u> </u>
Charges for services	\$ 368,193
JPA member contributions and other income	233,299
	<u> </u>
Total operating revenues	601,492
Total operating expenses	(1,970,624)
Total non-operating revenues	1,376,428
	<u> </u>
Net income	\$ 7,296
	<u> </u>

Separate financial statements are available at:

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

(b) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2008

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

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

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are not recognized until paid.

Property taxes, charges for services, 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

The State Gas Tax Special Revenue fund is used to account for State gasoline taxes received by the City. Revenue received is used for street maintenance, construction, and/or right of way acquisition.

The Proposition 1B Special Revenue fund is used to account of revenue received from the Proposition 1 B Transportation Bond. The funds are used for projects that will assist in reducing local traffic congestion

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2008

The City reports a major proprietary fund:

The Equestrian Operations Fund is used to account for the financial activity of the City-owned stables and horse shows. The costs of providing these services to the general public are financed or recovered primarily through user charges.

Additionally, the City reports the following fund types:

Governmental Funds:

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

Proprietary Funds:

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

Fiduciary Funds:

Fiduciary Funds financial statements include a statement of fiduciary assets and liabilities. The City fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has two agency funds. The agency funds are accounted for on an accrual basis of accounting as are the proprietary funds explained above.

The City reports the following fiduciary funds which are excluded from the government-wide financial statements:

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

CSMFO Chapter Fund – To account for monies received from members for attendance at the California Society of Municipal Finance Officers South Bay Chapter Meetings.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the business-type activities in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2008

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Equestrian Operations Enterprise Fund and the Tennis Operations Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

(d) Property Taxes

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

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

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

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

1. Cash and Investments

Investments are reported in the accompanying statement of net assets at fair value. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income 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, 2008

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

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

2. *Receivables and Payables*

Activity 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" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The amounts recorded as a receivable due from other governments include amounts collected or provided by Federal, State and County governments and not remitted to the City as of June 30, 2008. The County of Los Angeles assesses, bills, and collects taxes for the City.

3. *Inventories*

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

4. *Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. As a phase 3 government under GASB Statement 34, the City has elected to report only major general infrastructure assets acquired subsequent to June 30, 2003. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at the fair value of the assets on the date on which they were contributed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The City utilizes a capitalization threshold of \$5,000.

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

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

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2008

5. *Compensated Absences*

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

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

6. *Fund Equity*

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

(2) Stewardship, Compliance and Accountability

(a) *Budgetary Data*

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

Budgets are reported on the same basis as the fund types and are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. The legal level of control or the level at which expenditures may not legally exceed appropriations is at the program level. The program level includes General Government, Public Safety, Public Works, Community Services, Public Health and Capital Outlay. Unexpended budgetary appropriations lapse at year-end. The City does not budget for the Proposition 1B Special Revenue Fund.

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

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2008

(b) Excess of Expenditures over Appropriations

The following individual funds exceeded the expenditures budget:

	Amounts Over Budget
General fund- general government	\$ 7,594
General fund- public safety	749
Special revenue funds:	
State Gas Tax - Public works	27,775
Transit Improvement Tax - Public works	777
Proposition A - Parks - Captial outlay	2,127

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

(c) Deficit Fund Equity

The following funds have an accumulated deficit at June 30, 2008:

Proprietary:	
Equestrian operations	\$ 97,019
Special Revenue:	
State Gas Tax	51,896
State Park Grant	16,970
Proposition A Parks	72,869
Proposition 40 Parks	56

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

(3) Detailed Notes on All Funds

(a) Cash and Investments

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 4,539,149
Fiduciary funds:	
Cash and investments	13,439
	\$ 4,552,588

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2008

Cash and investments were comprised of the following as of June 30, 2008:

Cash on hand and demand deposits	\$	351,393
Investments - LAIF		4,201,195
Total		\$ 4,552,588

Investments Authorized by the Entity's Investment Policy

The City of Rolling Hills Estates' Statement of Investment Policy is reviewed and adopted by the City Council each year. The investment policy is more conservative and restrictive than the investment vehicles authorized by Section 53601 of the California Government Code. Investment vehicles not specifically mentioned in the City's investment policy are not authorized unless the policy is amended by the City Council or are approved as part of the provisions of the bond indentures. Investments are limited to:

Authorized Investment Type	Maximum Maturity	Maximum Percentages of Portfolio *	Maximum Investment in One Issuer
U.S. Treasury Bills **	1 year	N/A	90%
U.S. Treasury Notes **	10 years	N/A	90%
U.S. Treasury Bonds **	30 years	N/A	90%
Certificate of Deposit	5 years	30%	90%
Local Agency Investment Fund (LAIF)	N/A	90% ***	None
Savings Passbook	N/A	None	90%

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

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

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

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

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2008

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. The average life-month end (in days) of the investments contained in the LAIF investment pool is 212 days at June 30, 2008.

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Total Investment</u>	<u>Minimum Legal Rating</u>	<u>Not Required To Be Rated</u>
LAIF	\$ 4,201,195	N/A	\$ 4,201,195

Concentration of Credit Risk

The investment policy of the City contains 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 that represent 5% or more of total City's investments.

Custodial Credit Risk

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

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2008

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

LAIF management has indicated that as of June 30, 2008, the amortized cost of the pool was \$70,027,950,242 and the estimated fair value of the pool was \$70,024,464,150. Included in the LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes, totaling \$6,113.006 million and asset backed securities totaling \$4,188.272 million.

(b) Accounts Receivable

Gas tax is a derived tax (nonexchange) revenue reported in a governmental fund; accordingly, an availability period is utilized for revenue recognition under the modified accrual basis of accounting in the governmental fund financial statements. In a normal year, distribution of gas tax to the local government is one month in arrears, resulting in the recognition of a receivable/revenue equal to the amount of gas tax received from the State during the first month following the fiscal year-end. Due to the State's budget crisis, an unusual funding mechanism has been legislated for gas tax payments which are unique to the 2008 budget year. The new law (AB3X 7) delays payment of gas tax revenues in April through August 2008 (gas tax collected during March, April, May, June and July). The law provides that these delayed HUTA funds are to be repaid in bulk to local governments in September 2008. The City elects to recognize the gas tax revenue beyond its normal availability period and the amount of the accrual is \$49,957 as of June 30, 2008.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2008

(c) Note Receivable

The City has sold parcels of land in exchange for a promissory note in the amount of \$800,000 to Chandler Ranch Properties, LLC for the purpose of redevelopment of the site. These parcels of land were public right of way that the City did not have recorded as infrastructure. The City opted not to record any prior infrastructure when implementing GASB 34. The loan is secured by a deed of trust and bears interest at a rate of 5% per annum on the unpaid principal balance. As of June 30, 2008, \$560,000 of the note receivable remains outstanding. Payments of principal and interest shall be paid semi-annually.

<u>For the Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 160,000	\$ 26,000
2010	160,000	18,000
2011	160,000	10,000
2012	<u>80,000</u>	<u>2,000</u>
Total	<u>\$ 560,000</u>	<u>\$ 56,000</u>

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2008

(d) 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, 2008 is as follows:

<u>Governmental activities</u>	<u>Balance at July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2008</u>
Capital assets, not being depreciated:				
Land	\$ 3,863,667	\$ 1,276	\$ -	\$ 3,864,943
Capital assets, being depreciated:				
Buildings and improvements	1,258,394	71,647	-	1,330,041
Facilities and improvements	1,424,029	25,100	-	1,449,129
Vehicles and equipment	782,737	-	(115,686)	667,051
Furniture and fixtures	86,064	-	-	86,064
Infrastructure	2,375,708	204,426	-	2,580,134
Total capital assets, being depreciated	<u>5,926,932</u>	<u>301,173</u>	<u>(115,686)</u>	<u>6,112,419</u>
Less accumulated depreciation for:				
Buildings and improvements	(679,818)	(43,497)	-	(723,315)
Facilities and improvements	(867,087)	(46,474)	-	(913,561)
Vehicles and equipment	(509,841)	(72,326)	90,126	(492,041)
Furniture and fixtures	(78,454)	(3,186)	-	(81,640)
Infrastructure	(160,891)	(98,577)	-	(259,468)
Total accumulated depreciation	<u>(2,296,091)</u>	<u>(264,060)</u>	<u>90,126</u>	<u>(2,470,025)</u>
Total capital assets, being depreciated, net	<u>3,630,841</u>	<u>37,113</u>	<u>(25,560)</u>	<u>3,642,394</u>
Governmental activities capital assets, net	<u>\$ 7,494,508</u>	<u>\$ 38,389</u>	<u>\$ (25,560)</u>	<u>\$ 7,507,337</u>

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2008

Business-type activities	Balance at July 1, 2007	Increases	Decreases	Balance at June 30, 2008
Capital assets, being depreciated:				
Buildings and improvements	\$ 287,570	\$ -	\$ -	\$ 287,570
Facilities and improvements	237,951	-	-	237,951
Vehicles and equipment	41,055	-	-	41,055
Furniture and fixtures	21,033	-	-	21,033
Total capital assets, being depreciated	587,609	-	-	587,609
Less accumulated depreciation for:				
Buildings and improvements	(241,852)	(1,461)	-	(243,313)
Facilities and improvements	(222,019)	(2,400)	-	(224,419)
Vehicles and equipment	(41,055)	-	-	(41,055)
Furniture and fixtures	(21,033)	-	-	(21,033)
Total accumulated depreciation	(525,959)	(3,861)	-	(529,820)
Business-type activities capital assets, net	\$ 61,650	\$ (3,861)	\$ -	\$ 57,789

Depreciation expense of \$267,921 was charged to the following functions:

	Governmental Activities	Business-type Activities
General government	\$ 65,995	\$ -
Community services	99,488	-
Public works	98,577	-
Equestrian operations	-	801
Tennis operations	-	3,060
Total	\$ 264,060	\$ 3,861

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2008

(e) Interfund Receivable and Payable

Due to/from other funds:

Due to other funds	Due from other funds
	General Fund
State Gas Tax Fund	\$ 58,415
Nonmajor Governmental Funds	76,178
	\$ 134,593

These 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.

(f) Transfers In/Out

Transfers Out	Transfers In		
	General Fund	Nonmajor Governmental	Total
General Fund	\$ -	\$ 36,803	\$ 36,803
Nonmajor governmental funds	11,259	-	11,259
Total	\$ 11,259	\$ 36,803	\$ 48,062

The General Fund received \$11,259 to close out the Traffic Signal Special Revenue Fund.

The State Park Grant Special Revenue Fund received transfers of \$36,803 representing General Fund support.

(g) Long-Term Liabilities

Governmental Activities:

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.

\$ 399,779

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2008

Summary of Changes in Long-term Liabilities for Governmental Activities:

	<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2008</u>	<u>Due within one year</u>
Compensated Absences Payable	\$ 337,850	\$ 67,392	\$ (5,463)	\$ 399,779	\$ 39,977

Business-type Activities:

Compensated Absences Payable

The City's policies relating to employee leave benefits are described in Note (1)(e)5. This liability will be paid from future resources.

\$ 47,691

Summary of Changes in Long-term Liabilities for Business-type Activities:

	<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2008</u>	<u>Due within one year</u>
Compensated Absences Payable	\$ 61,864	\$ 3,295	\$ (17,468)	\$ 47,691	\$ 4,769

(4) Other Information

(a) Liability, Property and Workers' Compensation Protection

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

The City of Rolling Hills Estates is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 119 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 coverages. The Authority's pool 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 9-member Executive Committee.

2. Self-Insurance Programs of the Authority

General Liability – Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are spread to members as follows: the

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2008

first \$30,000 of each occurrence is charged directly to the member's primary deposit; costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000. Losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$5,000,000 to \$50,000,000 are currently paid by excess insurance. Costs of covered claims for subsidence losses from \$15,000,000 to \$25,000,000 are paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid from the Authority's investment earnings.

Workers' Compensation – The City of Rolling Hills Estates also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Each member has a retention level of \$50,000 for each loss and this is charged directly to the member's primary deposit. Losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2,000,000 and employer's liability losses from \$5,000,000 to \$10,000,000 and loss development reserves associated with those losses are pooled based on payroll. Losses from \$2,000,000 to \$5,000,000 are pooled with California State Association of Counties – Excess Insurance Authority members. Costs from \$2,000,000 to \$300,000,000 are transferred to reinsurance carriers. Costs in excess of \$300,000,000 are pooled among the Members based on payroll. Protection is provided per statutory liability under California Workers' Compensation law. Administrative expenses are paid from the Authority's investment earnings.

3. *Purchased Insurance*

Environmental Insurance – The City of Rolling Hills Estates participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Rolling Hills Estates. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2005 through July 1, 2008. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

Property Insurance – The City of Rolling Hills Estates participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City of Rolling Hills Estates property is currently insured according to a schedule of covered property submitted by the City of Rolling Hills Estates to the Authority. The City of Rolling Hills Estates property currently has all-risk property insurance protection in the amount of \$4,332,296. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2008

Earthquake and Flood Insurance – The City of Rolling Hills Estates purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City of Rolling Hills Estates property currently has earthquake protection in the amount of \$4,173,212. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

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

4. Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

(b) City Employees Retirement Plans

1. Defined Benefit Pension Plan

Plan Description: The City of Rolling Hills Estates contributes to the California Public Employees Retirement System (PERS), cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 "P" Street, Sacramento, CA 95814.

Funding Policy: Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of the City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 17.922% for non-safety employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pensions Cost: For 2008, the City's annual pension cost of \$373,449 for PERS was equal to the City's required and actual contributions.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2008

THREE-YEAR TREND INFORMATION FOR PERS

Schedule of Employer Contributions (\$ Amount in Thousands)

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$ 319	100%	\$ -
6/30/07	350	100%	-
6/30/08	373	100%	-

2. *Defined Contribution Retirement System*

The City contributes to the Public Agency Retirement System (PARS), which is a defined contribution retirement plan. A defined contribution retirement plan provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Benefit provisions and all other requirements are established by state statute and city ordinance.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

The City of Rolling Hills Estates has adopted this tax qualified governmental defined contribution plan for the benefit of its eligible employees (full-time employee) to provide supplemental retirement benefits to eligible employees in addition to the benefits employees will receive from the Public Employees' Retirement System (Note (4)(b)1).

The City contributes a percentage of gross earnings based on the number of years of service.

During the year, the City contributed \$89,895. The total covered payroll of employees participating in the plan for the year ended June 30, 2008 was \$1,903,623. The total payroll for the year was \$2,083,774.

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.

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CITY OF ROLLING HILLS ESTATES
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:				
Sales and use taxes	\$ 1,272,932	\$ 1,192,688	\$ 1,199,467	\$ 6,779
Business license taxes	550,000	550,000	407,452	(142,548)
Other taxes	3,078,977	3,052,229	3,075,374	23,145
Licenses and permits	1,166,000	1,166,000	733,268	(432,732)
Fines and forfeitures	36,000	36,000	61,384	25,384
Use of money and property	231,000	231,000	206,540	(24,460)
Charges for services	687,700	688,297	585,313	(102,984)
Revenues from other agencies	405,250	464,879	331,225	(133,654)
Other revenues	163,200	3,200	7,873	4,673
Total revenues	<u>7,591,059</u>	<u>7,384,293</u>	<u>6,607,896</u>	<u>(776,397)</u>
Expenditures:				
Current:				
General government	3,566,661	3,611,857	3,619,451	7,594
Public safety	1,866,419	1,841,839	1,842,588	749
Public works	253,357	240,420	238,353	(2,067)
Community services	1,390,225	1,466,222	1,411,151	(55,071)
Public health	35,000	35,000	24,148	(10,852)
Capital outlay	862,745	954,745	385,884	(568,861)
Total expenditures	<u>7,974,407</u>	<u>8,150,083</u>	<u>7,521,575</u>	<u>(628,508)</u>
Excess (deficiency) of revenues over expenditures	(383,348)	(765,790)	(913,679)	(147,889)
Other financing sources:				
Transfers in	-	-	11,259	11,259
Transfers out	-	-	(36,803)	(36,803)
Net change in fund balance	(383,348)	(765,790)	(939,223)	(173,433)
Fund balance, beginning	<u>5,440,174</u>	<u>5,440,174</u>	<u>5,440,174</u>	<u>-</u>
Fund balance, ending	<u>\$ 5,056,826</u>	<u>\$ 4,674,384</u>	<u>\$ 4,500,951</u>	<u>\$ (173,433)</u>

See Accompanying Note to Required Supplementary Information.

CITY OF ROLLING HILLS ESTATES
State Gas Tax Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:				
Revenues from other agencies	\$ 157,200	\$ 155,700	\$ 147,879	\$ (7,821)
Expenditures:				
Current:				
Public works	<u>162,000</u>	<u>172,000</u>	<u>199,775</u>	<u>27,775</u>
Net change in fund balance	(4,800)	(16,300)	(51,896)	(35,596)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u><u>\$ (4,800)</u></u>	<u><u>\$ (16,300)</u></u>	<u><u>\$ (51,896)</u></u>	<u><u>\$ (35,596)</u></u>

See Accompanying Note to Required Supplementary Information.

CITY OF ROLLING HILLS ESTATES
Note to Required Supplementary Information
June 30, 2008

(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.

The City does not budget for the Proposition 1B Special Revenue fund.

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CITY OF ROLLING HILLS ESTATES
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	<u>Local Transportation</u>	<u>Traffic Safety</u>	<u>Transit Improvement Tax</u>	<u>Proposition C</u>
Assets:				
Cash and investments	\$ 11,028	25,041	\$ 129,461	\$ 91,757
Accounts receivable	<u>76</u>	<u>\$ 11,505</u>	<u>820</u>	<u>560</u>
Total assets	<u>\$ 11,104</u>	<u>\$ 36,546</u>	<u>\$ 130,281</u>	<u>\$ 92,317</u>
Liabilities and fund balance:				
Accounts payable and accrued liabilities	\$ -	\$ 1,409	\$ 335	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	-	1,409	335	-
Fund balance:				
Unreserved, undesignated	<u>11,104</u>	<u>35,137</u>	<u>129,946</u>	<u>92,317</u>
Total liabilities and fund balance	<u>\$ 11,104</u>	<u>\$ 36,546</u>	<u>\$ 130,281</u>	<u>\$ 92,317</u>

Air Quality Improvement	State Park Grant	Proposition A Parks	Peppertree Foundation	Proposition 40 Parks	Traffic Signal	Total Nonmajor Governmental Funds
\$ 146,958	\$ -	\$ -	\$ 52,316	\$ -	\$ -	\$ 456,561
3,519	-	-	312	-	-	16,792
<u>\$ 150,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 473,353</u>
\$ -	\$ 3,999	\$ 9,718	\$ 466	\$ -	\$ -	\$ 15,927
-	12,971	63,151	-	56	-	76,178
-	16,970	72,869	466	56	-	92,105
<u>150,477</u>	<u>(16,970)</u>	<u>(72,869)</u>	<u>52,162</u>	<u>(56)</u>	<u>-</u>	<u>381,248</u>
<u>\$ 150,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 473,353</u>

CITY OF ROLLING HILLS ESTATES
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008

	<u>Local Transportation</u>	<u>Traffic Safety</u>	<u>Transit Improvement Tax</u>	<u>Proposition C</u>
Revenues:				
Fines and forfeitures	\$ -	\$ 89,107	\$ -	\$ -
Use of money and property	443	698	3,955	2,247
Charges for services	-	-	-	-
Revenues from other agencies	-	-	128,996	107,650
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	443	89,805	132,951	109,897
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Current:				
Public safety	-	56,124	-	-
Public works	-	-	113,360	-
Community services	-	-	-	-
Capital outlay	-	-	-	44,646
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	56,124	113,360	44,646
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	443	33,681	19,591	65,251
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources:				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	443	33,681	19,591	65,251
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, beginning	10,661	1,456	110,355	27,066
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, ending	<u>\$ 11,104</u>	<u>\$ 35,137</u>	<u>\$ 129,946</u>	<u>\$ 92,317</u>

<u>Air Quality Improvement</u>	<u>State Park Grant</u>	<u>Proposition A Parks</u>	<u>Peppertree Foundation</u>	<u>Proposition 40 Parks</u>	<u>Traffic Signal</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,107
5,683	-	-	1,785	-	138	14,949
-	-	-	45,445	-	-	45,445
9,673	126,481	17,195	-	-	-	389,995
<u>15,356</u>	<u>126,481</u>	<u>17,195</u>	<u>47,230</u>	<u>-</u>	<u>138</u>	<u>539,496</u>
-	-	-	-	-	-	56,124
-	-	-	-	-	-	113,360
-	14,887	13,500	32,957	-	-	61,344
-	-	53,127	-	-	-	97,773
<u>-</u>	<u>14,887</u>	<u>66,627</u>	<u>32,957</u>	<u>-</u>	<u>-</u>	<u>328,601</u>
15,356	111,594	(49,432)	14,273	-	138	210,895
-	36,803	-	-	-	-	36,803
-	-	-	-	-	(11,259)	(11,259)
-	36,803	-	-	-	(11,259)	25,544
15,356	148,397	(49,432)	14,273	-	(11,121)	236,439
<u>135,121</u>	<u>(165,367)</u>	<u>(23,437)</u>	<u>37,889</u>	<u>(56)</u>	<u>11,121</u>	<u>144,809</u>
<u>\$ 150,477</u>	<u>\$ (16,970)</u>	<u>\$ (72,869)</u>	<u>\$ 52,162</u>	<u>\$ (56)</u>	<u>\$ -</u>	<u>\$ 381,248</u>

CITY OF ROLLING HILLS ESTATES
Local Transportation Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008

	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
Use of money and property	\$ 138	\$ 443	\$ 305
Fund balance, beginning	<u>10,661</u>	<u>10,661</u>	<u>-</u>
Fund balance, ending	<u>\$ 10,799</u>	<u>\$ 11,104</u>	<u>\$ 305</u>

CITY OF ROLLING HILLS ESTATES
Traffic Safety Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Fines and forfeitures	\$ 43,677	\$ 89,107	\$ 45,430
Use of money and property	120	698	578
Total revenues	43,797	89,805	46,008
Expenditures:			
Current:			
Public safety	56,175	56,124	(51)
Net change in fund balance	(12,378)	33,681	46,059
Fund balance, beginning	1,456	1,456	-
Fund Balance, ending	\$ (10,922)	\$ 35,137	\$ 46,059

CITY OF ROLLING HILLS ESTATES
Transit Improvement Tax Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008

	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
Use of money and property	\$ 1,006	\$ 3,955	\$ 2,949
Revenues from other agencies	129,958	128,996	(962)
Total revenues	130,964	132,951	1,987
Expenditures:			
Current:			
Public works	112,583	113,360	777
Net change in fund balance	18,381	19,591	1,210
Fund balance, beginning	110,355	110,355	-
Fund balance, ending	<u>\$ 128,736</u>	<u>\$ 129,946</u>	<u>\$ 1,210</u>

CITY OF ROLLING HILLS ESTATES
Proposition C Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008

	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
Use of money and property	\$ 5,000	\$ 2,247	\$ (2,753)
Revenues from other agencies	<u>107,811</u>	<u>107,650</u>	<u>(161)</u>
Total revenues	112,811	109,897	(2,914)
Expenditures:			
Capital outlay	<u>44,646</u>	<u>44,646</u>	<u>-</u>
Net change in fund balance	68,165	65,251	(2,914)
Fund balance, beginning	<u>27,066</u>	<u>27,066</u>	<u>-</u>
Fund balance, ending	<u>\$ 95,231</u>	<u>\$ 92,317</u>	<u>\$ (2,914)</u>

CITY OF ROLLING HILLS ESTATES
Air Quality Improvement Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008

	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
Use of money and property	\$ 4,000	\$ 5,683	\$ 1,683
Revenues from other agencies	9,100	9,673	573
Total revenues	13,100	15,356	2,256
Fund balance, beginning	135,121	135,121	-
Fund balance, ending	<u>\$ 148,221</u>	<u>\$ 150,477</u>	<u>\$ 2,256</u>

CITY OF ROLLING HILLS ESTATES
State Park Grant Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008

	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
Revenues from other agencies	\$ 63,233	\$ 126,481	\$ 63,248
Expenditures:			
Current:			
Community services	<u>63,233</u>	<u>14,887</u>	<u>(48,346)</u>
Excess (deficiency) of revenues over expenditures	-	111,594	111,594
Other financing sources:			
Transfers in	<u>-</u>	<u>36,803</u>	<u>36,803</u>
Net change in fund balance	-	148,397	148,397
Fund balance, beginning	<u>(165,367)</u>	<u>(165,367)</u>	<u>-</u>
Fund balance, ending	<u><u>\$ (165,367)</u></u>	<u><u>\$ (16,970)</u></u>	<u><u>\$ 148,397</u></u>

CITY OF ROLLING HILLS ESTATES
Proposition A - Parks Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008

	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
Revenues from other agencies	\$ 13,900	\$ 17,195	\$ 3,295
Expenditures:			
Current:			
Community services	14,000	13,500	(500)
Capital outlay	<u>51,000</u>	<u>53,127</u>	<u>2,127</u>
Total expenditures	<u>65,000</u>	<u>66,627</u>	<u>1,627</u>
Net change in fund balance	(51,100)	(49,432)	1,668
Fund balance, beginning	<u>(23,437)</u>	<u>(23,437)</u>	<u>-</u>
Fund balance, ending	<u><u>\$ (74,537)</u></u>	<u><u>\$ (72,869)</u></u>	<u><u>\$ 1,668</u></u>

CITY OF ROLLING HILLS ESTATES
Peppertree Foundation Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Use of money and property	\$ 2,000	\$ 1,785	\$ (215)
Charges for services	50,000	45,445	(4,555)
Total revenues	<u>52,000</u>	<u>47,230</u>	<u>(4,770)</u>
Expenditures:			
Current:			
Community services	26,100	32,957	6,857
Capital outlay	14,156	-	(14,156)
Total expenditures	<u>40,256</u>	<u>32,957</u>	<u>(7,299)</u>
Net change in fund balance	11,744	14,273	2,529
Fund balance, beginning	<u>37,889</u>	<u>37,889</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 49,633</u></u>	<u><u>\$ 52,162</u></u>	<u><u>\$ 2,529</u></u>

CITY OF ROLLING HILLS ESTATES
Proposition 40 - Parks Grant Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008

	Final Budget Amounts	Actual	Variance Over (Under)
Fund balance, beginning	\$ (56)	\$ (56)	\$ -
Fund balance, ending	\$ (56)	\$ (56)	\$ -

CITY OF ROLLING HILLS ESTATES
Traffic Signal Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2008

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Use of money and property	\$ 138	\$ 138	\$ -
Other Financing Uses:			
Transfers out	-	(11,259)	(11,259)
Net change in fund balance	138	(11,121)	(11,259)
Fund balance, beginning	11,121	11,121	-
Fund balance, ending	\$ 11,259	\$ -	\$ (11,259)

CITY OF ROLLING HILLS ESTATES
Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2008

<u>Peninsula Parking</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
Assets:				
Cash and investments	\$ 13,462	\$ 80,112	\$ 80,619	\$ 12,955
Liabilities:				
Accounts payable	\$ 13,462	\$ 31,193	\$ 31,700	\$ 12,955
<u>CSMFO Chapter</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
Assets:				
Cash and investments	\$ 161	\$ 5,203	\$ 4,880	\$ 484
Liabilities:				
Deposits payable	\$ 161	\$ 5,203	\$ 4,880	\$ 484
<u>Total Agency Funds</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
Assets:				
Cash and investments	\$ 13,623	\$ 85,315	\$ 85,499	\$ 13,439
Liabilities:				
Accounts payable	\$ 13,462	\$ 31,193	\$ 31,700	\$ 12,955
Deposits payable	161	5,203	4,880	484
Total liabilities	\$ 13,623	\$ 36,396	\$ 36,580	\$ 13,439

**CITY OF ROLLING HILLS ESTATES
Comprehensive Annual Financial Report
Year Ended June 30, 2008**

STATISTICAL SECTION

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

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

	Fiscal Year		
	2004	2005	2006
Governmental activities:			
Invested in capital assets	\$ 5,251,555	\$ 5,341,886	\$ 5,987,248
Restricted	179,635	215,475	529,600
Unrestricted	<u>4,687,641</u>	<u>5,031,669</u>	<u>4,342,205</u>
Total governmental activities net assets	<u>\$ 10,118,831</u>	<u>\$ 10,589,030</u>	<u>\$ 10,859,053</u>
Business-type activities:			
Invested in capital assets	\$ 77,958	\$ 70,600	\$ 65,512
Unrestricted	<u>172,296</u>	<u>167,105</u>	<u>111,250</u>
Total business-type activities net assets	<u>\$ 250,254</u>	<u>\$ 237,705</u>	<u>\$ 176,762</u>
Primary government:			
Invested in capital assets	\$ 5,329,513	\$ 5,412,486	\$ 6,052,760
Restricted	179,635	215,475	529,600
Unrestricted	<u>4,859,937</u>	<u>5,198,774</u>	<u>4,453,455</u>
Total primary government net assets	<u>\$ 10,369,085</u>	<u>\$ 10,826,735</u>	<u>\$ 11,035,815</u>

The City of Rolling Hills Estates implemented GASB 34 for the fiscal year ended June 30, 2004. The City has elected to show only five years of data for this schedule.

Source: City Administrative Services Department.

Fiscal Year	
2007	2008
\$ 7,494,508	\$ 7,507,337
144,809	378,721
<u>5,102,324</u>	<u>4,451,803</u>
<u>\$ 12,741,641</u>	<u>\$ 12,337,861</u>
\$ 61,650	\$ 57,789
<u>60,942</u>	<u>20,132</u>
<u>\$ 122,592</u>	<u>\$ 77,921</u>
\$ 7,556,158	\$ 7,565,126
144,809	378,721
<u>5,163,266</u>	<u>4,471,935</u>
<u>\$ 12,864,233</u>	<u>\$ 12,415,782</u>

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

	Fiscal Year		
	2004	2005	2006
Expenses:			
Governmental activities:			
General government	\$ 2,280,561	\$ 2,254,568	\$ 2,973,724
Public safety	1,666,584	1,666,787	1,705,592
Public works	493,892	765,218	606,608
Community services	1,352,068	1,408,536	1,531,124
Public health	31,600	34,968	37,026
Total governmental activities expenses	<u>5,824,705</u>	<u>6,130,077</u>	<u>6,854,074</u>
Business-type activities:			
Equestrian	596,933	627,980	704,009
Tennis	62,512	53,302	43,402
Total business-type activities expenses	<u>659,445</u>	<u>681,282</u>	<u>747,411</u>
Total primary government expenses	<u>6,484,150</u>	<u>6,811,359</u>	<u>7,601,485</u>
Program revenues:			
Governmental activities:			
Charges for services:			
General government	809,092	1,063,064	1,187,773
Public safety	117,180	106,084	110,482
Public works	50,226	110,005	121,529
Community services	144,718	177,682	118,074
Operating grants and contributions	594,393	704,988	903,422
Capital grants and contributions	-	-	-
Total governmental activities program revenues	<u>1,715,609</u>	<u>2,161,823</u>	<u>2,441,280</u>
Business-type activities:			
Charges for services:			
Equestrian	535,648	619,158	630,146
Tennis	41,597	44,040	46,354
Capital grants and contributions	33,244	-	-
Total business-type activities program revenues	<u>610,489</u>	<u>663,198</u>	<u>676,500</u>
Total primary government program revenues	<u>2,326,098</u>	<u>2,825,021</u>	<u>3,117,780</u>
Net revenues (expenses):			
Governmental activities	(4,109,096)	(3,968,254)	(4,412,794)
Business-type activities	(48,956)	(18,084)	(70,911)
Total net revenues (expenses)	<u>(4,158,052)</u>	<u>(3,986,338)</u>	<u>(4,483,705)</u>

Fiscal Year	
2007	2008
\$ 3,221,350	\$ 3,747,375
1,878,066	1,898,712
711,452	831,273
1,712,418	1,571,983
44,290	24,148
<u>7,567,576</u>	<u>8,073,491</u>
716,304	727,488
48,595	47,910
<u>764,899</u>	<u>775,398</u>
<u>8,332,475</u>	<u>8,848,889</u>
1,683,238	1,269,611
107,778	154,439
128,179	145,452
108,927	52,704
851,242	1,132,788
570,000	-
<u>3,449,364</u>	<u>2,754,994</u>
650,405	670,547
49,250	52,838
-	-
<u>699,655</u>	<u>723,385</u>
<u>4,149,019</u>	<u>3,478,379</u>
(4,118,212)	(5,318,497)
(65,244)	(52,013)
<u>(4,183,456)</u>	<u>(5,370,510)</u>

(Continued)

CITY OF ROLLING HILLS ESTATES
Changes in Net Assets
Last Five Fiscal Years (Continued)
(Accrual Basis of Accounting)

	Fiscal Year		
	2004	2005	2006
General revenues and other changes in net assets:			
governmental activities:			
Intergovernmental:			
Property taxes	1,175,763	2,028,224	2,189,508
Sales taxes	1,519,280	1,176,372	1,252,817
Motor vehicle in lieu taxes -general purpose	390,246	196,408	60,142
Taxes:			
Business license taxes	414,400	469,858	447,760
Franchise taxes	381,790	360,033	449,007
Other taxes	82,115	83,640	88,058
Use of money and property	46,668	84,432	183,821
Loss on sale of capital asset	-	-	-
Miscellaneous	17,875	39,486	11,704
Total governmental activities	<u>4,028,137</u>	<u>4,438,453</u>	<u>4,682,817</u>
Business-type activities:			
Use of money and property	2,866	5,535	9,968
Total primary government	<u>4,031,003</u>	<u>4,443,988</u>	<u>4,692,785</u>
Changes in net assets:			
Governmental activities	(80,959)	470,199	270,023
Business-type activities	<u>(46,090)</u>	<u>(12,549)</u>	<u>(60,943)</u>
Total primary government	<u>\$ (127,049)</u>	<u>\$ 457,650</u>	<u>\$ 209,080</u>

The City of Rolling Hills Estates implemented GASB 34 for the fiscal year ended June 30, 2004. The City has elected to show only five years of data for this schedule.

Source: City Administrative Services Department.

Fiscal Year	
2007	2008
2,387,652	2,492,172
1,192,703	1,199,466
47,500	36,304
508,260	407,451
474,638	530,806
156,565	52,394
334,457	206,181
800,000	(25,560)
99,025	15,503
6,000,800	4,914,717
11,074	7,342
6,011,874	4,922,059
1,882,588	(403,780)
(54,170)	(44,671)
\$ 1,828,418	\$ (448,451)

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

	Fiscal Year		
	2004	2005	2006
General fund:			
Reserved	\$ 143,075	\$ 142,169	\$ 151,099
Unreserved	3,748,269	4,032,898	4,513,907
	<u>3,891,344</u>	<u>4,175,067</u>	<u>4,665,006</u>
Total general fund	<u>\$ 3,891,344</u>	<u>\$ 4,175,067</u>	<u>\$ 4,665,006</u>
All other governmental funds:			
Unreserved, reported in:			
Special revenue funds	\$ 227,795	\$ 353,650	\$ 529,600
	<u>227,795</u>	<u>353,650</u>	<u>529,600</u>
Total all other governmental funds	<u>\$ 227,795</u>	<u>\$ 353,650</u>	<u>\$ 529,600</u>

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

Source: City Administrative Services Department.

Fiscal Year	
2007	2008
\$ 833,201	\$ 664,853
<u>4,606,973</u>	<u>3,836,098</u>
<u>\$ 5,440,174</u>	<u>\$ 4,500,951</u>
<u>\$ 144,809</u>	<u>\$ 729,352</u>
<u>\$ 144,809</u>	<u>\$ 729,352</u>

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

	Fiscal Year		
	2004	2005	2006
Revenues:			
Sales and use taxes	\$ 1,519,280	\$ 1,176,372	\$ 1,252,817
Business license taxes	404,400	469,858	447,760
Other taxes	1,639,669	2,471,897	2,726,573
Licenses and permits	728,509	943,695	1,012,310
Fines and forfeitures	110,207	97,555	104,315
Use of money and property	89,995	118,395	239,659
Charges for services	231,346	311,571	316,052
Revenues from other agencies	992,994	949,400	1,034,968
Other revenues	6,904	27,762	3,150
Total revenues	<u>5,723,304</u>	<u>6,566,505</u>	<u>7,137,604</u>
Expenditures:			
Current:			
General government	2,224,260	2,359,003	2,891,255
Public safety	1,666,584	1,666,786	1,705,599
Public works	445,103	678,543	428,794
Community services	1,327,666	1,365,740	1,444,252
Public health	31,600	34,968	37,026
Capital outlay	570,639	51,887	959,921
Total expenditures	<u>6,265,852</u>	<u>6,156,927</u>	<u>7,466,847</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(542,548)</u>	<u>409,578</u>	<u>(329,243)</u>
Other financing sources (uses):			
Transfers in	-	67,874	-
Transfers out	-	(67,874)	-
Gain on sale of capital asset	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (542,548)</u>	<u>\$ 409,578</u>	<u>\$ (329,243)</u>
Debt service as a percentage of noncapital expenditures	N/A	N/A	N/A

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

Source: City Administrative Services Department.

Fiscal Year	
2007	2008
\$ 1,192,703	\$ 1,199,467
508,260	407,452
3,018,854	3,075,374
968,981	733,268
100,602	150,491
363,487	221,489
842,995	630,758
1,558,834	1,269,099
95,449	7,873
8,650,165	7,695,271
3,134,345	3,619,451
1,878,066	1,898,712
589,891	551,488
1,617,366	1,472,495
44,290	24,148
1,795,830	483,657
9,059,788	8,049,951
(409,623)	(354,680)
-	48,062
-	(48,062)
800,000	-
800,000	-
\$ 390,377	\$ (354,680)
N/A	N/A

CITY OF ROLLING HILLS ESTATES
Business Tax Rates
June 30, 2008

FEE TYPE	BUSINESS TYPE / DESCRIPTION
Application fee	
\$20	New license
\$10	Renewal
Flat fee	
\$40	Contractor
\$100	Delivery, gardener, maintenance, seasonal businesses
\$300.00	Horse trainer
\$25	Performing arts theatre
Base fee	
\$25.00	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.
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 ten years.

Source: City Administrative Services Department.

CITY OF ROLLING HILLS ESTATES
Business Tax - Principal Payors
June 30, 2008

2008 Principal Payors

Bristol Farms

Chandlers Sand & Gravel LLC

Longs Drug Store #50

Pavilions-Vons #2233

Peninsula Heritage School

Rite Aid #5480

Rolling Hills Country Day School

Silver Spur Services Inc.

Standard Concrete Products

T J Maxx #631

Note: Information regarding the principal business tax payors for 1999 is not available.

Source: City Administrative Services Department.

CITY OF ROLLING HILLS ESTATES
Direct and Overlapping Debt
June 30, 2008

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Debt June 30, 2008</u>	<u>% Applicable ⁽¹⁾</u>	<u>City's Share of Debt June 30, 2008</u>
Los Angeles County Flood Control District	\$ 99,210,000	0.266%	\$ 263,899
Metropolitan Water District	327,215,000	0.128%	418,835
Los Angeles Community College District	1,370,820,000	0.461%	6,319,480
Palos Verdes Peninsula Unified School District	69,950,681	14.012%	9,801,489
City of Rolling Hills Estates		100.000%	
Palos Verdes Library District	9,075,000	13.300%	1,206,975
Los Angeles County Regional Park and and Open Space Assessment District	<u>269,995,000</u>	0.258%	<u>696,587</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u><u>\$ 2,146,265,681</u></u>		<u><u>\$ 18,707,265</u></u>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>			
Los Angeles County General Fund Obligations	\$ 1,019,552,788	0.258%	\$ 2,630,446
Los Angeles County Pension Obligations	352,255,398	0.258%	908,819
Los Angeles County Superintendent of Schools Certificates of Participation	17,861,064	0.258%	46,082
Los Angeles County Sanitation District No. 5 Authority	62,386,329	3.310%	2,064,987
Los Angeles County Sanitation District South Bay Cities Authority	<u>10,629,338</u>	0.019%	<u>2,020</u>
TOTAL OVERLAPPING GENERAL FUND DEBT	<u><u>\$ 1,462,684,917</u></u>		<u><u>\$ 5,652,354</u></u>
Net Combined Total Debt	<u><u>\$ 3,608,950,598</u></u>		<u><u>\$ 24,359,619 ⁽²⁾</u></u>

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

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

Ratios to Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	0.83%
Combined Total Debt	1.08%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: \$0

Source: California Municipal Statistics, Inc.

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

	Fiscal Year		
	2002	2003	2004
Assessed valuation	\$ 1,554,235,124	\$ 1,627,324,230	\$ 1,732,493,353
Debt limit percentage	15%	15%	15%
Debt limit	233,135,269	244,098,635	259,874,003
Total net debt applicable to limit:			
General obligation bonds	-	-	-
Legal debt margin	<u>\$ 233,135,269</u>	<u>\$ 244,098,635</u>	<u>\$ 259,874,003</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%

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

Source: City Administrative Services Department

Fiscal Year			
2005	2006	2007	2008
\$ 1,909,388,088	\$ 1,990,314,921	\$ 2,127,086,250	\$ 2,249,307,961
15%	15%	15%	15%
286,408,213	298,547,238	319,062,938	337,396,194
-	-	-	-
<u>\$ 286,408,213</u>	<u>\$ 298,547,238</u>	<u>\$ 319,062,938</u>	<u>\$ 337,396,194</u>
0.0%	0.0%	0.0%	0.0%

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

Calendar Year	Population (1)	Personal Income (in millions) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
1999	8,625	\$ 263,987	\$ 27,973	*
2000	8,787	279,050	29,232	1.4%
2001	7,842	294,508	30,510	1.4%
2002	7,918	301,003	30,856	1.8%
2003	8,051	309,827	31,512	1.9%
2004	8,125	326,402	33,034	1.8%
2005	8,191	346,423	35,022	1.4%
2006	8,073	369,174	37,362	1.2%
2007	8,099	209,302	25,843	1.2%
2008	8,185	217,549	26,579	1.3%

Sources: (1) State Department of Finance
(2) State Department of Finance (data shown is for Los Angeles County)
(3) State of California Employment Development Department

CITY OF ROLLING HILLS ESTATES
Principal Employers
Current Year

2008		
Employer	Number of Employees	Percent of Total Employment
Palos Verdes Peninsula Unified School District	1,800 *	42.86%
Delta Computer Consulting Inc.	187	4.45%
Pavilions	150	3.57%
Rolling Hills Country Club	102	2.43%
Bristol Farms	100	2.38%
Longs Drugs	55	1.31%
Cox Communications	56	1.33%
Rolling Hills Covenant Church	95	2.26%
Abercrombi & Fitch	60	1.43%
Equinox Palos Verdes	115	2.74%
Total Top Employers	2,720	64.76%
Total City Employment ⁽¹⁾	4,200	

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

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

The City of Rolling Hills Estates has elected to present only current year data. Data from nine years prior is not readily available.

Source: 2007-08 MuniServices, LLC

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

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

Full-Time and Part-Time Employees as of June 30,			
Function	2006	2007	2008
General government	15	15	15
Public safety	3	1	1
Community services	12	9	10
Equestrian	7	6	7
Tennis	4	4	3
Total	41	35	36

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

Source: City Administrative Services Department

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

	Fiscal Year		
	2006	2007	2008
Police:			
Arrests	113	87	186
Parking citations issued	434	562	783
Fire:			
Number of emergency calls	521	*	*
Inspections	1,110	*	*
Public works:			
Street resurfacing (miles)	3	3	2
Community services:			
Number of recreation classes	20	21	21
Number of facility rentals	9	0	0
Equestrian:			
Number of equestrian classes	45	48	48
Number of facility rentals	20	18	16
Tennis:			
Number of tennis classes	80	80	80

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

Source: City Administrative Services Department

*Data not readily available

CITY OF ROLLING HILLS ESTATES
Capital Asset Statistics
by Function
Last Three Fiscal Years

	Fiscal Year		
	2006	2007	2008
Police:			
Stations	0	0	0
Fire:			
Fire stations	1 LA County's	1 LA County's	1 LA County's
Public works:			
Streets (miles)	30	30	30
Streetlights	0	0	0
Traffic signals	17 intersections	17 intersections	17 intersections
Community services:			
Parks	7	7	7
Community centers	1	1	1
Equestrian:			
Facilities	1	1	1
Tennis:			
Facilities	1	1	1

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

Source: City Administrative Services Department

CITY OF ROLLING HILLS ESTATES
Miscellaneous Statistics
June 30, 2008

Date of incorporation	September 18, 1957
Population	8,185
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	XO Communication
City Facilities:	
Streets	30 miles
Bike paths	10 miles
Bridle trails	16 miles
Parks	7 with 52.5 acres
Stables	1 with 112 stalls
Employees:	
Full-time	30
Other	7
Business licenses issued	1,904
Number of Registered Voters	5,449

Source: City Departments; Los Angeles County Registrar - Recorder.

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