

# City of Rolling Hills Estates California

## Comprehensive Annual Financial Report

Year Ended  
June 30, 2007

Prepared by  
Administrative Services Department





*Comprehensive Annual Financial Report  
For the Year Ended June 30, 2007*

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

**CITY OF ROLLING HILLS ESTATES**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2007**

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



The City of

## ROLLING HILLS ESTATES

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

310-377-1577 • FAX 310-377-4468

[www.ci.Rolling-Hills-Estates.ca.us](http://www.ci.Rolling-Hills-Estates.ca.us)

October 12, 2007

### 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, 2007, 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 8,099. 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 increased during the fiscal year ended June 30, 2007, 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, 2007 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 abandoned a Program EIR for the Peninsula Village Mixed Use Overlay District, and will now exercise authority over proposed projects in the area on a case by case basis.
- 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**

- Completed resurfacing of Hidden Valley and Pleasant Hill with an asphalt concrete overlay.
- Upgraded signal synchronization technologies on Palos Verdes Drive North.
- The City recently completed Phase I of its storm drain improvement capital project renovating deteriorated pipes adjacent arterials and select neighborhoods. The current project included \$1.2 million in improvements with the installation of 42” casings under PVDN in 2 locations utilizing trench technologies and without any disruption to traffic. The project was funded through County HTC Funds, thanks to Supervisor Knabe, and Metro Proposition C funds.
- Completed a City-wide striping and marking program for all City streets.
- Coordinated the installation of Cellular telephone facilities in the public right of way.

### **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 four 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, Cross Country Runs, and Holiday Parade in celebration of the City’s 50th anniversary of incorporation.

### **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 mixed use projects, the Chandler reuse and Rolling Hills Covenant Church renovation plans.
- Council and City Manager continued implementation of many of the recommendations of an organization wide analysis of policies and procedures as well as implemented changes based on a comprehensive salary and benefits survey.

- 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.
- The City upgraded every computer workstation with new hardware and software, began a systematic schedule of replacement of such equipment and continued computer training classes on a regular basis for staff.
- On-going training in occupational safety earned the City the highest award from the California JPIA in the area of Worker's Compensation program administration.
- The City has eliminated two positions through attrition in an effort to continue to operate in as efficient a manner as possible.

## **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, 2007, 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, 2007, 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 114 members as of June 30, 2007, 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, 2007, 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 114 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 a fiduciary fund that is used to account for assets (cash) held by the City in a trustee capacity or as an agent for other governmental units, private organizations or individuals. The Peninsula Parking Agency fund is restricted as to its use and is not available to fund the operating activities of the City, and as such, is offset by a liability equal to the carrying amount of the assets.

## **OTHER INFORMATION**

**Independent Audit.** The City requires an annual audit by independent certified public accountants. The accounting firm of Moreland & Associates, Inc. conducted this year's audit. The auditors' 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, 2006. 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, Moreland & Associates, Inc., 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, 2007

SUSAN SEAMANS

MAYOR

FRANK V. ZERUNYAN  
MAYOR PRO TEMPORE

STEVEN ZUCKERMAN  
COUNCIL MEMBER

JOHN C ADDLEMAN  
COUNCIL MEMBER

JUDY MITCHELL  
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

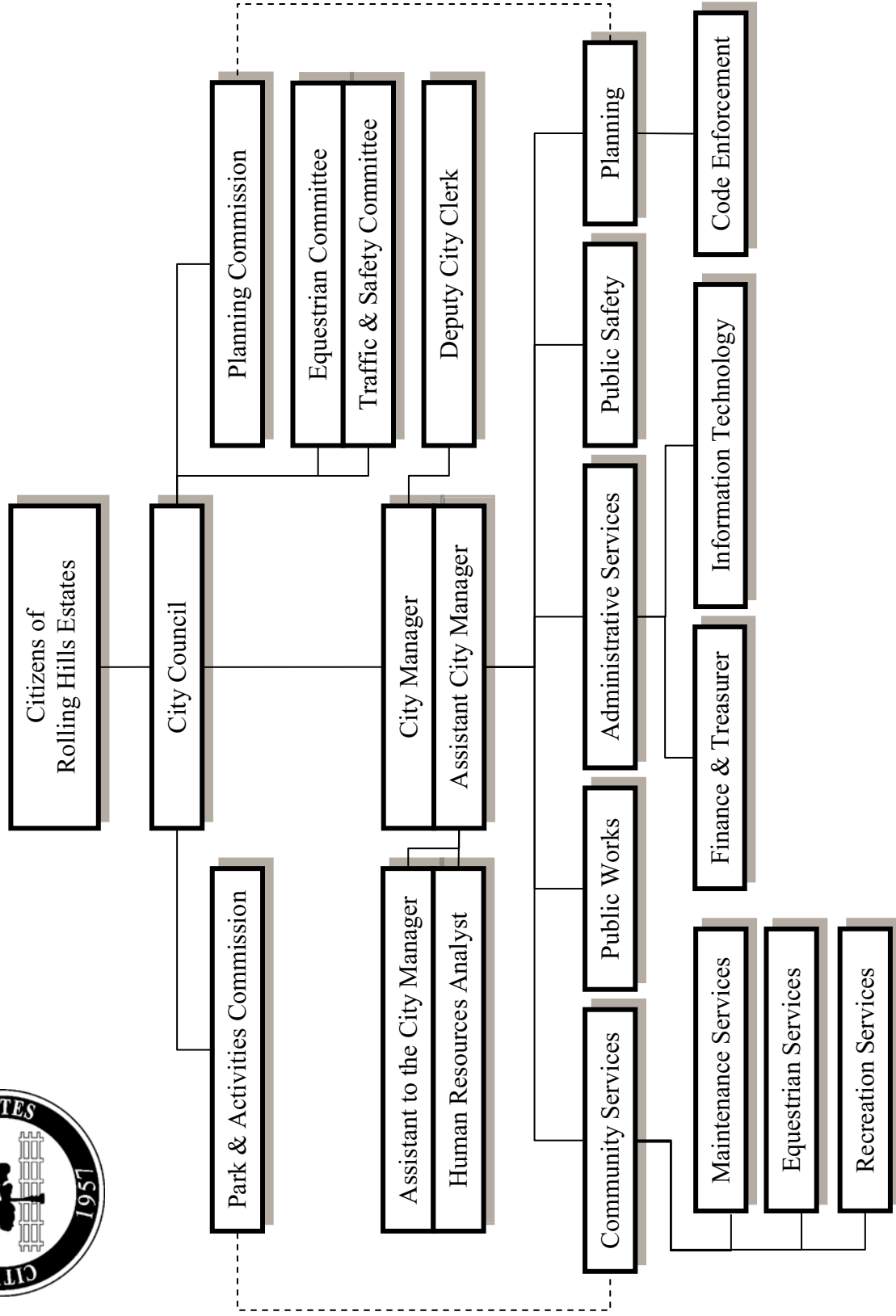
Michael C. Whitehead

David Wahba

Andy Clark



# Rolling Hills Estates City Government



# 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, 2006

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.



President

Executive Director

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October 15, 2007

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

Independent Auditors' 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, as of and for the year ended June 30, 2007, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2007, 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 October 15, 2007 on our consideration of the City of Rolling Hills Estates internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 and 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.

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## 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, 2007. 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 \$12,864,233 (*net assets*). Of this amount, \$5,163,266 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,828,418 from the prior fiscal year.
- The City's governmental funds reported combined ending fund balances of \$5,584,983, a increase of \$390,377 in comparison with the prior year. Approximately \$4,751,782 (*unreserved fund balance*) is available for spending at the government's discretion.
- The unreserved fund balance for the General fund was \$4,606,973, or 69%, of total General fund current operating expenditures. Of that amount, \$858,100 has been designated for FY 2007-08 capital projects, \$150,000 for insurance claims, \$400,000 for PERS rate stabilization, \$136,800 for equipment revolving, \$412,603 for capital asset replacement, and \$876,500 for future expenditures. Therefore, \$1,772,970 is unreserved and undesignated of the total \$4,606,973.
- 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 12 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, which is considered to be a major fund. Data from the other 11 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds is provided in the form of *combining statements* (see table of contents).

The City 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 17-20 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 \$12,864,233 in FY 2006-07 an increase from 2005-06 which assets exceeded liabilities by \$11,035,815. The largest portion of the City's total net assets (59 percent in 2006-07, and 55 percent in 2005-06) 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 (\$144,809 or 1 percent in 2006-07, and \$529,600 or 5 percent in 2005-06) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted total net assets (\$5,163,266 or 40 percent in 2006-07, and \$4,453,455 or 40 percent in 2005-06) 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>2006-2007</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2005-2006</u>
Current and Other Assets	6,769,418	5,882,143	214,924	293,032	6,984,342	6,175,175
Capital Assets	7,494,508	5,987,248	61,650	65,512	7,556,158	6,052,760
<b>Total Assets</b>	<b>14,263,926</b>	<b>11,869,391</b>	<b>276,574</b>	<b>358,544</b>	<b>14,540,500</b>	<b>12,227,935</b>
Long-Term Liabilities	304,065	290,521	55,678	56,772	359,743	347,293
Other Liabilities	1,218,220	719,817	98,304	125,011	1,316,524	844,828
<b>Total Liabilities</b>	<b>1,522,285</b>	<b>1,010,338</b>	<b>153,982</b>	<b>181,783</b>	<b>1,676,267</b>	<b>1,192,121</b>
Invested in Capital Assets	7,494,508	5,987,248	61,650	65,512	7,556,158	6,052,760
Restricted	144,809	529,600	-	-	144,809	529,600
Unrestricted	5,102,324	4,342,205	60,942	111,250	5,163,266	4,453,455
<b>Total Net Assets</b>	<b>\$ 12,741,641</b>	<b>\$ 10,859,053</b>	<b>\$ 122,592</b>	<b>\$ 176,762</b>	<b>\$ 12,864,233</b>	<b>\$ 11,035,815</b>



# CITY OF ROLLING HILLS ESTATES, CALIFORNIA

## Management's Discussion and Analysis

**Governmental activities.** Governmental activities increased the City's net assets by \$1,882,588 in 2006-07, and \$270,023 in 2005-06.

City of Rolling Hills Estates Changes in Net Assets	Governmental Activities		Business-Type Activities		Total Activities	
	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006
<b>Program Revenues:</b>						
Charges for services	2,028,122	1,537,858	699,655	676,500	2,727,777	2,214,358
Operating grants and contributions	851,242	903,422			851,242	903,422
Capital grants and contributions	570,000				570,000	-
<b>General Revenues:</b>						
Property taxes	2,387,652	2,189,508			2,387,652	2,189,508
Local sales taxes	1,192,703	1,252,817			1,192,703	1,252,817
Other taxes	1,186,963	1,044,967			1,186,963	1,044,967
Other general revenues	1,233,482	195,525	11,074	9,968	1,244,556	205,493
<b>Total Revenues</b>	<b>9,450,164</b>	<b>7,124,097</b>	<b>710,729</b>	<b>686,468</b>	<b>10,160,893</b>	<b>7,810,565</b>
<b>Expenses:</b>						
General government	3,221,350	2,973,724			3,221,350	2,973,724
Public safety	1,878,066	1,705,592			1,878,066	1,705,592
Public works	711,452	606,608			711,452	606,608
Community Services	1,712,418	1,531,124			1,712,418	1,531,124
Public health	44,290	37,026			44,290	37,026
Equestrian			716,304	704,009	716,304	704,009
Tennis			48,595	43,402	48,595	43,402
<b>Total Expenses</b>	<b>7,567,576</b>	<b>6,854,074</b>	<b>764,899</b>	<b>747,411</b>	<b>8,332,475</b>	<b>7,601,485</b>
<b>Increase (Decrease) in Net Assets</b>	<b>1,882,588</b>	<b>270,023</b>	<b>(54,170)</b>	<b>(60,943)</b>	<b>1,828,418</b>	<b>209,080</b>
<b>Net Assets, beginning of year</b>	<b>10,859,053</b>	<b>10,589,030</b>	<b>176,762</b>	<b>237,705</b>	<b>11,035,815</b>	<b>10,826,735</b>
<b>Net Assets, end of year</b>	<b>12,741,641</b>	<b>10,859,053</b>	<b>122,592</b>	<b>176,762</b>	<b>12,864,233</b>	<b>11,035,815</b>

**Business-type activities.** Business-type activities decreased the City's net assets by \$54,170, compared to 2005-06 which decreased \$60,943.

Key elements of the \$1,828,418 increase in total net assets from all activities are as follows:

- An increase in property tax, yet a decrease in sales taxes.
- Other general revenues increased with planning fees.
- Real property sale of right of way in other general revenues.

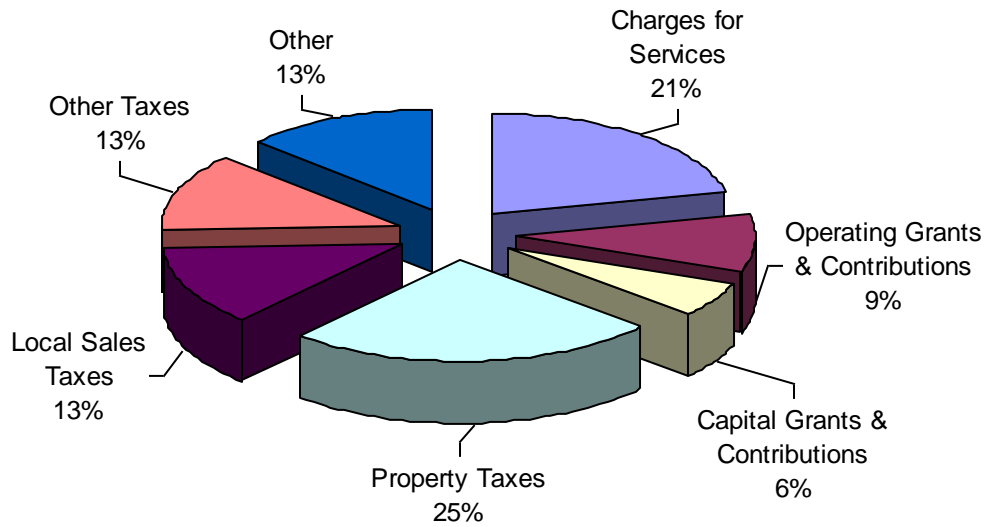


# CITY OF ROLLING HILLS ESTATES, CALIFORNIA

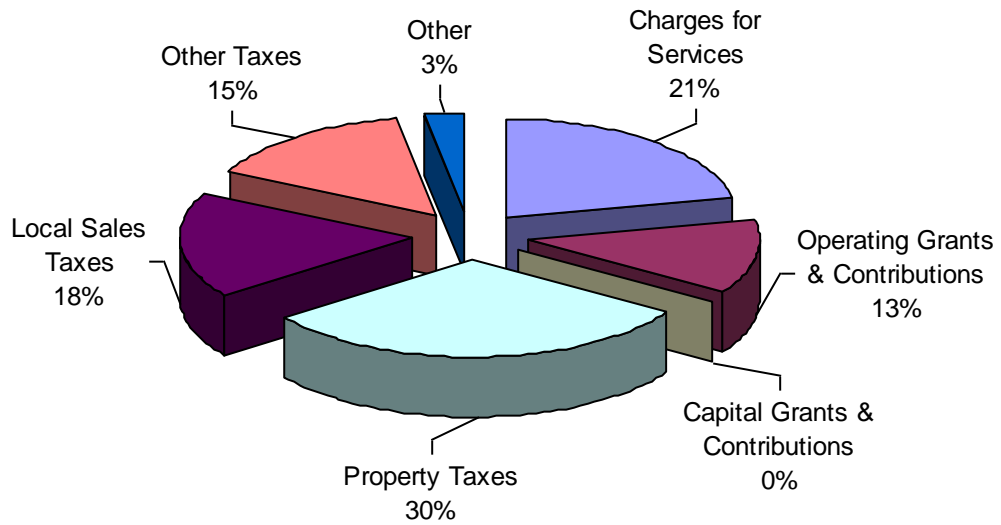
## Management's Discussion and Analysis

### Revenues by Source – Governmental Activities

#### Revenue 2006-2007



#### Revenue 2005-2006





## 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 \$5,584,983, increase of \$390,377 in comparison with the prior year, which ending fund balance was \$5,194,606. Approximately 85 percent of the combined ending fund balances (\$4,751,782) constitute unreserved fund balance, which is available for spending at the City's discretion. This is a decrease due to notes receivable from 97 percent reported for 2005-06. 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 (\$42,623), 2) to reserve the Maintenance of Hawthorne Canyon (\$60,000), 3) for note receivable for sale of real property (\$720,000, and 4) for inventories (\$10,578).

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 \$4,606,973 an increase from the prior year by \$93,066.

During the current fiscal year, the fund balance of the City's General fund increased by \$775,168. The key factor in this increase follows:

- Sale of real property in other financing sources of \$800,000.

*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 \$54,170 compared to a prior year's decrease of \$60,943.

### General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was an increase of \$342,234; and can be briefly summarized as follows:

- Account Clerk II position was vacant from January 1, 2007 to April 16, 2007.
- Continued for prior fiscal year to upgrade all City Hall's computer workstations, update software licensing, and upgrade server related hardware.
- Several planning projects were approved in FY 2006-07, and as such, revenues were received.
- An increase in capital outlay appropriations especially for storm drain improvements.

Additionally, general fund reserved fund balances are \$833,201 for CLEEP grant, inventories, maintenance of Hawthorne Canyon, and note receivable. The general fund unreserved, designated fund balances are \$2,834,003 for future expenditures, capital improvements projects, insurance claims, PERS rate stabilization, equipment revolving, and capital asset replacement. Lastly, there is \$1,772,970 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, 2007, amounts to \$7,494,508 (net of accumulated depreciation). The business-type activities investment is \$61,650. 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 24.8 percent primarily due to storm drain 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>2006-2007</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2005-2006</u>
	Land	3,863,667	3,863,667			3,863,667
Buildings & Improvements	578,576	384,429	45,718	47,180	624,294	431,609
Facilities & Improvements	556,942	568,073	15,932	18,332	572,874	586,405
Vehicles & Equipment	272,896	336,096			272,896	336,096
Furniture & Fixtures	7,610	10,795			7,610	10,795
Infrastructure	2,214,817	824,188			2,214,817	824,188
<b>Total</b>	<b>7,494,508</b>	<b>5,987,248</b>	<b>61,650</b>	<b>65,512</b>	<b>7,556,158</b>	<b>6,052,760</b>

Additional information regarding the City's capital assets can be found in Note I.E.4 on pages 28, and Note III.C on pages 34-35.

**Long-term debt.** At the end of the current fiscal year, the City of Rolling Hills Estates had total debt outstanding of \$399,714 up slightly from the previous year which was \$385,881. 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>2006-2007</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2005-2006</u>
	Employee Compensated Absences	337,850	322,801	61,864	63,080	399,714
<b>Total</b>	<b>337,850</b>	<b>322,801</b>	<b>61,864</b>	<b>63,080</b>	<b>399,714</b>	<b>385,881</b>

The City's total debt increased by \$13,833 (3.6 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 \$319,062,938. 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 III.E on pages 36-37 of this report.

### Economic Factors and Next Year's Budgets and Rates

- Local property values remain modest. Property tax revenue (approximately 25 percent of City-wide revenues) grew at a .9% annual increase.
- 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 2006-07 was \$1,192,703 a decrease from \$1,252,817 in FY 2005-06.



## CITY OF ROLLING HILLS ESTATES, CALIFORNIA

### Management's Discussion and Analysis

- Revenues from Other Agencies (i.e. Vehicle License Fees) have changed dramatically for FY 2006-2007. As mentioned above, the "Triple Flip" increases State subventions to supplement lost local sales tax revenues. The VLF backfill has been eliminated, replaced by a new "Property Tax in lieu of VLF – State" account.
- \$109,203 in revenue was "contributed" each year by the City in FY 2004-05 and FY 2005-06 under ERAF III and this ended for FY 2006-07.

All four of these factors were considered in preparing the City's budget for FY 2006-2007. 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 increased from \$4,513,907 in 2005-06 to \$4,606,973 in 2006-07. 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](http://www.ci.Rolling-Hills-Estates.ca.us) for additional financial information (Click "City Departments and Services" and then click "Administrative Services Department").





**CITY OF ROLLING HILLS ESTATES**

**Statement of Net Assets**

**June 30, 2007**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and investments	\$ 5,430,044	\$ 203,927	\$ 5,633,971
Accounts receivable	608,795	9,283	618,078
Note receivable	720,000		720,000
Inventories	10,579	1,714	12,293
Capital Assets:			
Not being depreciated	3,863,667		3,863,667
Being depreciated (net of accumulated depreciation)	3,630,841	61,650	3,692,491
 Total Assets	 <u>14,263,926</u>	 <u>276,574</u>	 <u>14,540,500</u>
 <u>Liabilities</u>			
Accounts payable and accrued liabilities	1,133,170	30,679	1,163,849
Deposits payable	47,720	38,789	86,509
Unearned revenue	3,545	22,650	26,195
Non-current Liabilities:			
Due within one year	33,785	6,186	39,971
Due in more than one year	304,065	55,678	359,743
 Total Liabilities	 <u>1,522,285</u>	 <u>153,982</u>	 <u>1,676,267</u>
 <u>Net Assets</u>			
Invested in capital assets	7,494,508	61,650	7,556,158
Restricted for:			
Transportation	144,809		144,809
Unrestricted	5,102,324	60,942	5,163,266
 Total Net Assets	 <u>\$ 12,741,641</u>	 <u>\$ 122,592</u>	 <u>\$ 12,864,233</u>

See Accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS ESTATES**

**Statement of Activities  
Year Ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government	\$ 3,221,350	\$ 1,683,238	\$ 12,192	
Public safety	1,878,066	107,778	100,000	
Public works	711,452	128,179	600,370	\$ 570,000
Community services	1,712,418	108,927	119,608	
Public health	44,290		19,072	
<b>Total Governmental Activities</b>	<b>7,567,576</b>	<b>2,028,122</b>	<b>851,242</b>	<b>570,000</b>
<b>Business-type Activities:</b>				
Equestrian	716,304	650,405		
Tennis	48,595	49,250		
<b>Total Business-type Activities</b>	<b>764,899</b>	<b>699,655</b>		
<b>Total</b>	<b>\$ 8,332,475</b>	<b>\$ 2,727,777</b>	<b>\$ 851,242</b>	<b>\$ 570,000</b>

General revenues:

Taxes:

Property taxes

Sales taxes

Motor vehicle in lieu taxes unrestricted

Business license taxes

Franchise taxes

Other taxes

Use of money and property

Gain 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
\$ (1,525,920)		\$ (1,525,920)
(1,670,288)		(1,670,288)
587,097		587,097
(1,483,883)		(1,483,883)
(25,218)		(25,218)
<u>(4,118,212)</u>		<u>(4,118,212)</u>
	\$ (65,899)	(65,899)
	655	655
	<u>(65,244)</u>	<u>(65,244)</u>
<u>(4,118,212)</u>	<u>(65,244)</u>	<u>(4,183,456)</u>
2,387,652		2,387,652
1,192,703		1,192,703
47,500		47,500
508,260		508,260
474,638		474,638
156,565		156,565
334,457	11,074	345,531
800,000		800,000
99,025		99,025
<u>6,000,800</u>	<u>11,074</u>	<u>6,011,874</u>
1,882,588	(54,170)	1,828,418
<u>10,859,053</u>	<u>176,762</u>	<u>11,035,815</u>
<u>\$ 12,741,641</u>	<u>\$ 122,592</u>	<u>\$ 12,864,233</u>

**CITY OF ROLLING HILLS ESTATES**

**Balance Sheet  
Governmental Funds  
June 30, 2007**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and investments	\$ 5,024,943	\$ 405,101	\$ 5,430,044
Accounts receivable	539,888	68,907	608,795
Note receivable	720,000		720,000
Due from other funds	162,412		162,412
Inventories	10,579		10,579
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 6,457,822</u>	<u>\$ 474,008</u>	<u>\$ 6,931,830</u>
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 966,383	\$ 166,787	\$ 1,133,170
Due to other funds		162,412	162,412
Deposits payable	47,720		47,720
Deferred revenue	3,545		3,545
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>1,017,648</u>	<u>329,199</u>	<u>1,346,847</u>
<u>Fund Balance</u>			
Reserved:			
CLEEP grant	42,623		42,623
Inventories	10,578		10,578
Maintenance of Hawthorne Canyon	60,000		60,000
Note receivable	720,000		720,000
Unreserved, designated			
Future expenditures	876,500		876,500
Capital projects	858,100		858,100
Insurance	150,000		150,000
PERS rate stabilization	400,000		400,000
Equipment revolving	136,800		136,800
Capital asset replacement	412,603		412,603
Unreserved, undesignated:			
General Fund	1,772,970		1,772,970
Special Revenue		144,809	144,809
	<hr/>	<hr/>	<hr/>
Total Fund Balance	<u>5,440,174</u>	<u>144,809</u>	<u>5,584,983</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	<u>\$ 6,457,822</u>	<u>\$ 474,008</u>	<u>\$ 6,931,830</u>

See Accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS ESTATES**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2007**

Total fund balance, governmental funds	\$ 5,584,983
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.	7,494,508
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>(337,850)</u>
Net Assets of Governmental Activities	<u><u>\$ 12,741,641</u></u>

See Accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS ESTATES**  
**Statement of Revenues, Expenditures and Change in Fund Balance**  
**Governmental Funds**  
**Year Ended June 30, 2007**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Sales and use taxes	\$ 1,192,703		\$ 1,192,703
Business license taxes	508,260		508,260
Other taxes	3,018,854		3,018,854
Licenses and permits	968,981		968,981
Fines and forfeitures	40,564	\$ 60,038	100,602
Use of money and property	346,339	17,148	363,487
Charges for services	804,907	38,088	842,995
Revenues from other agencies	892,581	666,253	1,558,834
Other revenues	95,449		95,449
Total Revenues	7,868,638	781,527	8,650,165
Expenditures:			
Current:			
General government	3,134,345		3,134,345
Public safety	1,810,355	67,711	1,878,066
Public works	284,839	305,052	589,891
Community services	1,366,286	251,080	1,617,366
Public health	44,290		44,290
Capital outlay	1,253,355	542,475	1,795,830
Total Expenditures	7,893,470	1,166,318	9,059,788
Excess (Deficiency) of Revenues Over Expenditures	(24,832)	(384,791)	(409,623)
Other Financing Sources:			
Sale of capital asset	800,000		800,000
Net Change in Fund Balance	775,168	(384,791)	390,377
Fund Balance, Beginning	4,665,006	529,600	5,194,606
Fund Balance, Ending	\$ 5,440,174	\$ 144,809	\$ 5,584,983
Net change in fund balance			\$ 390,377

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.

	\$ 1,752,754	
Capital outlay		
Depreciation expense	(245,494)	1,507,260

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

(15,049)  
\$ 1,882,588

See Accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS ESTATES**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2007**

	Equestrian Operations Fund	Nonmajor Tennis Operations Fund	Total
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 66,987	\$ 136,940	\$ 203,927
Accounts receivable	3,555	5,728	9,283
Inventories	1,714		1,714
Total Current Assets	72,256	142,668	214,924
Capital assets			
being depreciated, net	37,133	24,517	61,650
Total Assets	109,389	167,185	276,574
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable and accrued liabilities	30,075	604	30,679
Deposits	38,789		38,789
Unearned revenue	20,320	2,330	22,650
Due within one year	6,186		6,186
Total Current Liabilities	95,370	2,934	98,304
Noncurrent Liabilities:			
Due in more than one year	55,678		55,678
Total Liabilities	151,048	2,934	153,982
<u>Net Assets</u>			
Invested in capital assets	37,133	24,517	61,650
Unrestricted	(78,792)	139,734	60,942
Total Net Assets	\$ (41,659)	\$ 164,251	\$ 122,592

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, 2007**

	Equestrian Operations Fund	Nonmajor Tennis Operations Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Operating Revenues:			
Charges for services	\$ 650,405	\$ 49,250	\$ 699,655
Operating Expenses:			
Personnel	397,678	28,543	426,221
Administrative	33,000	7,000	40,000
Materials and supplies	284,824	9,992	294,816
Depreciation	802	3,060	3,862
	<u>          </u>	<u>          </u>	<u>          </u>
Total Operating Expenses	716,304	48,595	764,899
	<u>          </u>	<u>          </u>	<u>          </u>
Operating Income (Loss)	(65,899)	655	(65,244)
Nonoperating revenues:			
Interest income	4,650	6,424	11,074
	<u>          </u>	<u>          </u>	<u>          </u>
Change in Net Assets	(61,249)	7,079	(54,170)
Total Net Assets, Beginning	19,590	157,172	176,762
	<u>          </u>	<u>          </u>	<u>          </u>
Total Net Assets, Ending	<u>\$ (41,659)</u>	<u>\$ 164,251</u>	<u>\$ 122,592</u>

See Accompanying Notes to Financial Statements.



**CITY OF ROLLING HILLS ESTATES**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2007**

	Equestrian Operations Fund	Nonmajor Tennis Operations Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 634,609	\$ 48,931	\$ 683,540
Cash paid to suppliers of goods and services	(323,925)	(16,981)	(340,906)
Cash paid to employees	(398,895)	(28,543)	(427,438)
Net Cash Provided by (Used for) Operating Activities	(88,211)	3,407	(84,804)
Cash Flows from Investing Activities:			
Interest on investments	4,650	6,424	11,074
Net Increase (Decrease) in Cash and Cash Equivalents	(83,561)	9,831	(73,730)
Cash and Cash Equivalents, Beginning	150,548	127,109	277,657
Cash and Cash Equivalents, Ending	\$ 66,987	\$ 136,940	\$ 203,927

See Accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS ESTATES**  
**Statement of Cash Flows**  
**Proprietary Funds (Continued)**  
**Year Ended June 30, 2007**

	<u>Equestrian Operations Fund</u>	<u>Nonmajor Tennis Operations Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	\$ (65,899)	\$ 655	\$ (65,244)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	802	3,060	3,862
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	3,868	(138)	3,730
(Increase) decrease in inventory	650		650
Increase (decrease) in accounts payable and accrued liabilities	(6,752)	10	(6,742)
Increase (decrease) in unearned revenue	(22,000)	(180)	(22,180)
Increase (decrease) in deposits	2,337		2,337
Increase (decrease) in compensated absences	<u>(1,217)</u>		<u>(1,217)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (88,211)</u>	<u>\$ 3,407</u>	<u>\$ (84,804)</u>

See Accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS ESTATES**  
**Statement of Fiduciary Net Assets**  
**Agency Funds**  
**June 30, 2007**

<u>Assets</u>	
Cash and investments	<u>\$ 13,623</u>
<u>Liabilities</u>	
Accounts payable	\$ 13,462
Deposits payable	<u>161</u>
Total liabilities	<u>\$ 13,623</u>

See Accompanying Notes to Financial Statements.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements**  
**June 30, 2007**

I. 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, 2007**

The Palos Verdes Peninsula Transit Authority's fiscal year ended on June 30. As of June 30, 2006 (most recent information available), audited financial statements indicated the following:

Total Assets	\$ 1,501,041
	<u>                    </u>
Total Liabilities	\$ -
	<u>                    </u>
Total Equity	\$ 1,501,041
	<u>                    </u>
Charges for services	\$ 384,670
JPA member contributions	61,812
	<u>                    </u>
Total Operating Revenues	446,482
Total Operating Expenses	(1,646,940)
Total Non-Operating Revenues	1,301,902
	<u>                    </u>
Net Income	\$ 101,444
	<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

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports a major governmental fund:

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.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

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 Fund:

Fiduciary Fund financial statements include a Statement of Net Assets. The City fiduciary fund is custodial in nature (assets equal liabilities) and does 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 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, 2007**

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 on 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.



**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

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.

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, 2007. 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.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

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

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.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

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.

II. Stewardship, Compliance and Accountability

A. Budgetary Data

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

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

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

B. Excess of Expenditures over Appropriations

The following individual funds exceeded the expenditures budget:

<u>General Fund</u>	<u>Amount over Budget</u>
Public Safety	\$ 24,259
Public Works	17,936
Community Services	72,166
Public Health	9,290

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

<u>Special Revenue Funds</u>	<u>Amount over Budget</u>
State Gas Tax – Public works	\$ 29,273
Traffic Safety – Public safety	4,175
Transit Improvement Tax – Public works	2,857
Proposition C – Capital outlay	46,264
State Park Grant – Community services	28,465
Proposition A – Parks – Capital outlay	9,228

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, 2007:

Special Revenues:	
State Park Grant	\$ 165,367
Proposition A – Parks	23,437
Proposition 40 – Parks	56
Proprietary – Equestrian Operations	41,659

This deficit will be funded with future grant revenues or transfers from other funds.

III. Detailed Notes on All Funds

A. Cash and Investments

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of Net Assets	
Cash and investments	\$ 5,633,971
Fiduciary Funds	
Cash and investments	<u>13,623</u>
	<u><u>\$ 5,647,594</u></u>

Cash and investments were comprised of the following as of June 30, 2007:

Cash on hand and demand deposits	\$ 461,204
Investments - LAIF	<u>5,186,390</u>
	<u><u>\$ 5,647,594</u></u>

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

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:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentages of Portfolio *</u>	<u>Maximum Investment in One Issuer</u>
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.

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 investment contained in the LAIF investment pool is 176 days at June 30, 2007.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

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 Entity'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	\$ 5,186,390	N/A	\$ 5,186,390

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, 2007**

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.

B. Note Receivable

The City has sold parcels of land as well 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 away 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, 2007, \$720,000 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>
2008	\$ 160,000	\$ 34,000
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>\$ 720,000</u>	<u>\$ 90,000</u>

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

C. 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, 2007 is as follows:

	<u>Balance at</u> <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> <u>June 30, 2007</u>
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 3,863,667			\$ 3,863,667
Capital Assets, Being Depreciated:				
Buildings and improvements	1,027,761	\$ 230,633		1,258,394
Facilities and improvements	1,388,757	35,272		1,424,029
Vehicles and equipment	807,713	17,734	\$ (42,710)	782,737
Furniture and fixtures	86,064			86,064
Infrastructure	906,593	1,469,115		2,375,708
Total Capital Assets, Being Depreciated	<u>4,216,888</u>	<u>1,752,754</u>	<u>(42,710)</u>	<u>5,926,932</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(643,332)	(36,486)		(679,818)
Facilities and improvements	(820,684)	(46,403)		(867,087)
Vehicles and equipment	(471,617)	(80,934)	42,710	(509,841)
Furniture and fixtures	(75,269)	(3,185)		(78,454)
Infrastructure	(82,405)	(78,486)		(160,891)
Total Accumulated Depreciation	<u>(2,093,307)</u>	<u>(245,494)</u>	<u>42,710</u>	<u>(2,296,091)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,123,581</u>	<u>1,507,260</u>		<u>3,630,841</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,987,248</u>	<u>\$ 1,507,260</u>	<u>\$ -</u>	<u>\$ 7,494,508</u>



**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

	Balance at July 1, 2006	Increases	Decreases	Balance at June 30, 2007
Business-type Activities:				
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	(240,390)	\$ (1,462)		(241,852)
Facilities and improvements	(219,619)	(2,400)		(222,019)
Vehicles and equipment	(41,055)			(41,055)
Furniture and fixtures	(21,033)			(21,033)
Total Accumulated Depreciation	(522,097)	(3,862)		(525,959)
Business-type Activities Capital Assets, Net	\$ 65,512	\$ (3,862)	\$ -	\$ 61,650

Depreciation expense of \$249,356 was charged to the following functions:

	Governmental Activities	Business-type Activities
General government	\$ 71,956	
Community services	95,052	
Public works	78,486	
Equestrian operations		\$ 802
Tennis operations		3,060
Total	\$ 245,494	\$ 3,862

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

D. Interfund Receivable and Payable

Due to/from other funds:

	Due from other funds
Due to other funds	General Fund
Nonmajor Governmental Funds	\$ 162,412

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.

E. Long-Term Liabilities

Governmental Activities:

Compensated Absences Payable

The City's policies relating to compensated absences are described in Note I. E. 5. This liability will be paid from future resources primarily from the general fund.

\$337,850

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

	Balance at July 1, 2006	Additions	Reductions	Balance at June 30, 2007	Due within one year
Compensated Absences Payable	\$ 322,801	\$ 36,553	\$ (21,504)	\$ 337,850	\$ 33,785

Business-type Activities:

Compensated Absences Payable

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

\$61,864

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

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

	<u>Balance at July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2007</u>	<u>Due within one year</u>
Compensated Absences Payable	\$ 63,080	\$ -	\$ (1,216)	\$ 61,864	\$ 6,186

IV. 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 114 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, which currently includes one member of the City Council.

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). Six months 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 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 \$10,000,000, \$18,000,000 to \$23,000,000, and \$45,000,000 to \$50,000,000 and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$10,000,000 to \$18,000,000 and \$23,000,000 to \$45,000,000 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.

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

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). Six months 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 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 \$200,000,000 are transferred to reinsurance carriers. Costs in excess of \$200,000,000 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. Total all-risk property insurance coverage is \$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.

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

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

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 17.419% 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 2007, the City's annual pension cost of \$349,558 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increase that vary by duration of service, and (c) 3.25% per year cost-

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smooth market value).

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>
6/30/05	\$ 189	100%	\$ -
6/30/06	319	100%	-
6/30/07	350	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 IV.B.1.).

**CITY OF ROLLING HILLS ESTATES**  
**Notes to Financial Statements (Continued)**  
**June 30, 2007**

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

During the year, the City contributed \$87,079. The total covered payroll of employees participating in the plan for the year ended June 30, 2007 was \$1,739,239. The total payroll for the year was \$2,006,764.

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**  
**Required Supplementary Information**  
**PERS Schedule of Funding Progress (in thousands)**  
**June 30, 2007**

(\$ Amount in Thousands)

Actuarial Valuation Date	Actuarial Asset Value (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded Liability/ (Excess Asset) [(b)-(a)]	Funded Ratio [(a)/(b)]	Covered Payroll (e)	UAAL as a % of Covered Payroll {[(b)-(a)]/(e)}
6/30/03: <sup>(1)</sup>						
Misc.	\$ 2,372,879	\$ 2,596,967	\$ 224,088	91.4%	\$ 725,020	30.908%
6/30/04: <sup>(1)</sup>						
Misc.	2,460,945	2,746,096	285,151	89.6%	743,692	38.343%
6/30/05: <sup>(1)</sup>						
Misc.	2,588,713	2,891,461	302,748	89.6%	755,047	40.097%

<sup>(1)</sup> Assembly Bill 1974 added Sections 20840, 20841, and 20842 to the Government Code allowing the CalPERS Board to create risk pools and mandate public agency participation in the pools where there are fewer than 100 active members in the organization. Article 7.5 was added to Title 2 of the California Code of Regulations establishing the criteria for participation into risk pools.

Risk pooling is the process of combining assets and liabilities across employers to produce large risk sharing pools. These risk sharing pools will help dramatically reduce or eliminate the large fluctuations in the employer's contribution rate caused by unexpected demographic events.

**CITY OF ROLLING HILLS ESTATES**  
**General Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2007**

	Original Budget Amounts	Final Budget Amounts	Actual	Variance Over (Under)
<b>Revenues:</b>				
Sales and use taxes	\$ 1,290,440	\$ 1,242,261	\$ 1,192,703	\$ (49,558)
Business license taxes	909,921	909,921	508,260	(401,661)
Other taxes	2,909,689	2,893,629	3,018,854	125,225
Licenses and permits	1,031,000	1,031,000	968,981	(62,019)
Fines and forfeitures	37,575	37,575	40,564	2,989
Use of money and property	144,000	234,333	346,339	112,006
Charges for services	337,700	918,890	804,907	(113,983)
Revenues from other agencies	842,135	848,703	892,581	43,878
Other revenues	87,319	256,319	95,449	(160,870)
<b>Total Revenues</b>	<b>7,589,779</b>	<b>8,372,631</b>	<b>7,868,638</b>	<b>(503,993)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	3,149,498	3,181,603	3,134,345	(47,258)
Public safety	1,786,096	1,786,096	1,810,355	24,259
Public works	266,903	266,903	284,839	17,936
Community services	1,286,120	1,294,120	1,366,286	72,166
Public health	35,000	35,000	44,290	9,290
Capital outlay	1,072,204	1,472,717	1,253,355	(219,362)
<b>Total Expenditures</b>	<b>7,595,821</b>	<b>8,036,439</b>	<b>7,893,470</b>	<b>(142,969)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(6,042)</b>	<b>336,192</b>	<b>(24,832)</b>	<b>(361,024)</b>
<b>Other Financing Sources:</b>				
Sale of capital asset			800,000	800,000
<b>Net Change in Fund Balance</b>	<b>(6,042)</b>	<b>336,192</b>	<b>775,168</b>	<b>438,976</b>
Fund Balance, Beginning	4,665,006	4,665,006	4,665,006	
Fund Balance, Ending	<u>\$ 4,658,964</u>	<u>\$ 5,001,198</u>	<u>\$ 5,440,174</u>	<u>\$ 438,976</u>

See Accompanying Note to Required Supplementary Information.

**CITY OF ROLLING HILLS ESTATES**  
**Note to Required Supplementary Information**  
**June 30, 2007**

I. Budgetary Data

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

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

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

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## DESCRIPTION OF NONMAJOR FUNDS

### SPECIAL REVENUE FUNDS

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

State Gas Tax Fund - To account for state gas taxes, which funds may be used for street maintenance, right-of-way acquisition and street construction.

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

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

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

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

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

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

Proposition A - Parks Fund - To account for grant monies received from Los Angeles County for the maintenance and development of parks.

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

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

Traffic Signal Fund - To account for grant monies received for the upgrade of traffic signals city-wide that included the installation of UPS (Uninterruptible Power Source) units and energy efficient LED modules.

### AGENCY FUNDS

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

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

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

**CITY OF ROLLING HILLS ESTATES**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2007**

	<u>State Gas Tax</u>	<u>Local Transportation</u>	<u>Traffic Safety</u>	<u>Transit Improvement Tax</u>
<u>Assets</u>				
Cash and investments	\$ 79,053	\$ 10,543		\$ 109,475
Accounts receivable	<u>25,565</u>	<u>118</u>	<u>\$ 10,484</u>	<u>1,132</u>
Total Assets	<u><u>\$ 104,618</u></u>	<u><u>\$ 10,661</u></u>	<u><u>\$ 10,484</u></u>	<u><u>\$ 110,607</u></u>
 <u>Liabilities and Fund Balance</u>				
Accounts payable and accrued liabilities	\$ 104,618		\$ 1,616	\$ 252
Due to other funds	<u>                    </u>	<u>                    </u>	<u>7,412</u>	<u>                    </u>
Total Liabilities	104,618		9,028	252
Fund Balance:				
Unreserved, undesignated	<u>                    </u>	<u>\$ 10,661</u>	<u>1,456</u>	<u>110,355</u>
Total Liabilities and Fund Balance	<u><u>\$ 104,618</u></u>	<u><u>\$ 10,661</u></u>	<u><u>\$ 10,484</u></u>	<u><u>\$ 110,607</u></u>

<u>Proposition C</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>
\$ 26,705	\$ 131,126			\$ 37,078		\$ 11,121	\$ 405,101
361	3,995	\$ 26,441		811			68,907
<u>\$ 27,066</u>	<u>\$ 135,121</u>	<u>\$ 26,441</u>	<u>\$ -</u>	<u>\$ 37,889</u>	<u>\$ -</u>	<u>\$ 11,121</u>	<u>\$ 474,008</u>
		\$ 59,204	\$ 1,097				\$ 166,787
		132,604	22,340		\$ 56		162,412
		191,808	23,437		56		329,199
<u>\$ 27,066</u>	<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>\$ 27,066</u>	<u>\$ 135,121</u>	<u>\$ 26,441</u>	<u>\$ -</u>	<u>\$ 37,889</u>	<u>\$ -</u>	<u>\$ 11,121</u>	<u>\$ 474,008</u>

**CITY OF ROLLING HILLS ESTATES**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2007**

	<u>State Gas Tax</u>	<u>Local Transportation</u>	<u>Traffic Safety</u>	<u>Transit Improvement Tax</u>
Revenues:				
Fines and forfeitures			\$ 60,038	
Use of money and property	\$ 986	\$ 160	100	\$ 3,359
Charges for services				
Revenues from other agencies	<u>151,949</u>	<u>10,501</u>	<u>          </u>	<u>131,114</u>
Total Revenues	<u>152,935</u>	<u>10,661</u>	<u>60,138</u>	<u>134,473</u>
Expenditures:				
Current:				
Public safety			\$ 67,711	
Public works	195,273			109,779
Community services				
Capital outlay	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	<u>195,273</u>	<u>          </u>	<u>67,711</u>	<u>109,779</u>
Net Change in Fund Balance	(42,338)	10,661	(7,573)	24,694
Fund Balance, Beginning	<u>42,338</u>	<u>          </u>	<u>9,029</u>	<u>85,661</u>
Fund Balance, Ending	<u><u>\$ -</u></u>	<u><u>\$ 10,661</u></u>	<u><u>\$ 1,456</u></u>	<u><u>\$ 110,355</u></u>



<u>Proposition C</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>
							\$ 60,038
\$ 4,384	\$ 5,866			\$ 2,127		\$ 166	17,148
				38,088			38,088
<u>108,976</u>	<u>12,193</u>	<u>\$ 81,520</u>				<u>170,000</u>	<u>666,253</u>
<u>113,360</u>	<u>18,059</u>	<u>81,520</u>		<u>40,215</u>		<u>170,166</u>	<u>781,527</u>
							67,711
							305,052
		204,064	\$ 13,500	33,516			251,080
<u>364,948</u>			<u>9,228</u>	<u>9,198</u>	<u>\$ 56</u>	<u>159,045</u>	<u>542,475</u>
<u>364,948</u>		<u>204,064</u>	<u>22,728</u>	<u>42,714</u>	<u>56</u>	<u>159,045</u>	<u>1,166,318</u>
(251,588)	18,059	(122,544)	(22,728)	(2,499)	(56)	11,121	(384,791)
<u>278,654</u>	<u>117,062</u>	<u>(42,823)</u>	<u>(709)</u>	<u>40,388</u>			<u>529,600</u>
<u>\$ 27,066</u>	<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>

**CITY OF ROLLING HILLS ESTATES**  
**State Gas Tax Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2007**

	<u>Final Budget</u> Amounts	<u>Actual</u>	Variance Over (Under)
Revenues:			
Use of money and property	\$      700	\$      986	\$      286
Revenues from other agencies	<u>159,700</u>	<u>151,949</u>	<u>(7,751)</u>
Total Revenues	160,400	152,935	(7,465)
Expenditures:			
Current:			
Public works	<u>166,000</u>	<u>195,273</u>	<u>29,273</u>
Net Change in Fund Balance	(5,600)	(42,338)	(36,738)
Fund Balance, Beginning	<u>42,338</u>	<u>42,338</u>	<u>          </u>
Fund Balance, Ending	<u>\$  36,738</u>	<u>\$          -</u>	<u>\$  (36,738)</u>

**CITY OF ROLLING HILLS ESTATES**  
**Local Transportation Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2007**

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Use of money and property	\$ 30	\$ 160	\$ 130
Revenues from other agencies	5,300	10,501	5,201
Total Revenues	5,330	10,661	5,331
Fund Balance, Beginning			
Fund Balance, Ending	\$ 5,330	\$ 10,661	\$ 5,331

**CITY OF ROLLING HILLS ESTATES**  
**Traffic Safety Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2007**

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Fines and forfeitures	\$ 42,000	\$ 60,038	\$ 18,038
Use of money and property	120	100	(20)
Total Revenues	42,120	60,138	18,018
Expenditures:			
Current:			
Public safety	63,536	67,711	4,175
Net Change in Fund Balance	(21,416)	(7,573)	13,843
Fund Balance, Beginning	9,029	9,029	
Fund Balance, Ending	\$ (12,387)	\$ 1,456	\$ 13,843

**CITY OF ROLLING HILLS ESTATES**  
**Transit Improvement Tax Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2007**

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Use of money and property	\$ 900	\$ 3,359	\$ 2,459
Revenues from other agencies	126,732	131,114	4,382
Total Revenues	127,632	134,473	6,841
Expenditures:			
Current:			
Public works	106,922	109,779	2,857
Net Change in Fund Balance	20,710	24,694	3,984
Fund Balance, Beginning	85,661	85,661	
Fund Balance, Ending	\$ 106,371	\$ 110,355	\$ 3,984

**CITY OF ROLLING HILLS ESTATES**  
**Proposition C Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2007**

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Use of money and property	\$ 4,500	\$ 4,384	\$ (116)
Revenues from other agencies	105,278	108,976	3,698
Total Revenues	109,778	113,360	3,582
Expenditures:			
Capital outlay	318,684	364,948	46,264
Net Change in Fund Balance	(208,906)	(251,588)	(42,682)
Fund Balance, Beginning	278,654	278,654	
Fund Balance, Ending	\$ 69,748	\$ 27,066	\$ (42,682)

**CITY OF ROLLING HILLS ESTATES**  
**Air Quality Improvement Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2007**

	<u>Final Budget</u> <u>Amounts</u>	<u>Actual</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>
Revenues:			
Use of money and property	\$ 1,550	\$ 5,866	\$ 4,316
Revenues from other agencies	<u>9,100</u>	<u>12,193</u>	<u>3,093</u>
Total Revenues	10,650	18,059	7,409
Fund Balance, Beginning	<u>117,062</u>	<u>117,062</u>	
Fund Balance, Ending	<u><u>\$ 127,712</u></u>	<u><u>\$ 135,121</u></u>	<u><u>\$ 7,409</u></u>

**CITY OF ROLLING HILLS ESTATES**  
**State Park Grant Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2007**

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Revenues from other agencies	\$ 114,549	\$ 81,520	\$ (33,029)
Expenditures:			
Current:			
Community services	175,599	204,064	28,465
Net Change in Fund Balance	(61,050)	(122,544)	(61,494)
Fund Balance, Beginning	(42,823)	(42,823)	
Fund Balance, Ending	\$ (103,873)	\$ (165,367)	\$ (61,494)



**CITY OF ROLLING HILLS ESTATES**  
**Proposition A - Parks Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2007**

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Revenues from other agencies	\$ 13,900		\$ (13,900)
Expenditures:			
Current:			
Community services	14,000	\$ 13,500	(500)
Capital outlay		9,228	9,228
Total Expenditures	14,000	22,728	8,728
Net Change in Fund Balance	(100)	(22,728)	(22,628)
Fund Balance, Beginning	(709)	(709)	
Fund Balance, Ending	\$ (809)	\$ (23,437)	\$ (22,628)

**CITY OF ROLLING HILLS ESTATES**  
**Peppertree Foundation Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2007**

	<u>Final Budget</u> <u>Amounts</u>	<u>Actual</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>
Revenues:			
Use of money and property	\$ 1,248	\$ 2,127	\$ 879
Charges for services	<u>50,000</u>	<u>38,088</u>	<u>(11,912)</u>
Total Revenues	<u>51,248</u>	<u>40,215</u>	<u>(11,033)</u>
Expenditures:			
Current:			
Community services	42,500	33,516	(8,984)
Capital outlay	<u>12,650</u>	<u>9,198</u>	<u>(3,452)</u>
Total Expenditures	<u>55,150</u>	<u>42,714</u>	<u>(12,436)</u>
Net Change in Fund Balance	(3,902)	(2,499)	1,403
Fund Balance, Beginning	<u>40,388</u>	<u>40,388</u>	<u>          </u>
Fund Balance, Ending	<u><u>\$ 36,486</u></u>	<u><u>\$ 37,889</u></u>	<u><u>\$ 1,403</u></u>

**CITY OF ROLLING HILLS ESTATES**  
**Proposition 40 - Parks Grant Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2007**

	<u>Final Budget</u> <u>Amounts</u>	<u>Actual</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>
Revenues:			
Revenues from other agencies	\$ 63,000		\$ (63,000)
Expenditures:			
Capital outlay	<u>10,000</u>	<u>\$ 56</u>	<u>(9,944)</u>
Net Change in Fund Balance	53,000	(56)	(53,056)
Fund Balance, Beginning	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fund Balance, Ending	<u><u>\$ 53,000</u></u>	<u><u>\$ (56)</u></u>	<u><u>\$ (53,056)</u></u>

**CITY OF ROLLING HILLS ESTATES**  
**Traffic Signal Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2007**

	Final Budget Amounts	Actual	Variance Over (Under)
Revenues:			
Use of money and property		\$ 166	\$ 166
Revenues from other agencies	\$ 170,000	170,000	
Total Revenues	170,000	170,166	166
Expenditures:			
Capital outlay	170,000	159,045	(10,955)
Net Change in Fund Balance		11,121	11,121
Fund Balance, Beginning			
Fund Balance, Ending	\$ -	\$ 11,121	\$ 11,121

**CITY OF ROLLING HILLS ESTATES**  
**Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**Year Ended June 30, 2007**

<u>Peninsula Parking</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Assets:</b>				
Cash and investments	\$ 20,865	\$ 75,622	\$ 83,025	\$ 13,462
<b>Liabilities:</b>				
Accounts payable	\$ 14,737		\$ 1,275	\$ 13,462
Due to City of Rolling Hills Estates	6,128		6,128	
Total Liabilities	\$ 20,865	\$ -	\$ 7,403	\$ 13,462
<u>CSMFO Chapter</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Assets:</b>				
Cash and investments	\$ -	\$ 161	\$ -	\$ 161
<b>Liabilities:</b>				
Deposits payable	\$ -	\$ 161	\$ -	\$ 161
<u>Total Agency Funds</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Assets:</b>				
Cash and investments	\$ 20,865	\$ 75,783	\$ 69,563	\$ 13,623
<b>Liabilities:</b>				
Accounts payable	\$ 14,737		\$ 1,275	\$ 13,462
Deposits payable		\$ 161		161
Due to City of Rolling Hills Estates	6,128		6,128	
Total Liabilities	\$ 20,865	\$ 161	\$ 7,403	\$ 13,623

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**CITY OF ROLLING HILLS ESTATES**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2007**

**STATISTICAL SECTION**

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

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Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	64
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Debt Capacity <i>These schedules contain present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	74
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	76
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**CITY OF ROLLING HILLS ESTATES**  
**Net Assets by Component**  
**Last Four Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year			
	2004	2005	2006	2007
<b>Governmental Activities:</b>				
Invested in capital assets	\$ 5,251,555	\$ 5,341,886	\$ 5,987,248	\$ 7,494,508
Restricted	179,635	215,475	529,600	144,809
Unrestricted	<u>4,687,641</u>	<u>5,031,669</u>	<u>4,342,205</u>	<u>5,102,324</u>
 Total Governmental Activities Net Assets	 <u>\$ 10,118,831</u>	 <u>\$ 10,589,030</u>	 <u>\$ 10,859,053</u>	 <u>\$ 12,741,641</u>
 <b>Business-type Activities:</b>				
Invested in capital assets	\$ 77,958	\$ 70,600	\$ 65,512	\$ 61,650
Unrestricted	<u>172,296</u>	<u>167,105</u>	<u>111,250</u>	<u>60,942</u>
 Total Business-type Activities Net Assets	 <u>\$ 250,254</u>	 <u>\$ 237,705</u>	 <u>\$ 176,762</u>	 <u>\$ 122,592</u>
 <b>Primary Government:</b>				
Invested in capital assets	\$ 5,329,513	\$ 5,412,486	\$ 6,052,760	\$ 7,556,158
Restricted	179,635	215,475	529,600	144,809
Unrestricted	<u>4,859,937</u>	<u>5,198,774</u>	<u>4,453,455</u>	<u>5,163,266</u>
 Total Primary Government Net Assets	 <u>\$ 10,369,085</u>	 <u>\$ 10,826,735</u>	 <u>\$ 11,035,815</u>	 <u>\$ 12,864,233</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 four years of data for this schedule.*

Source: City Administrative Services Department.



**CITY OF ROLLING HILLS ESTATES**

**Changes in Net Assets  
Last Four Fiscal Years  
(Accrual Basis of Accounting)**

	Fiscal Year			
	2004	2005	2006	2007
Expenses:				
Governmental activities:				
General government	\$ 2,280,561	\$ 2,254,568	\$ 2,973,724	\$ 3,221,350
Public safety	1,666,584	1,666,787	1,705,592	1,878,066
Public works	493,892	765,218	606,608	711,452
Community services	1,352,068	1,408,536	1,531,124	1,712,418
Public health	31,600	34,968	37,026	44,290
Total Governmental Activities Expenses	<u>5,824,705</u>	<u>6,130,077</u>	<u>6,854,074</u>	<u>7,567,576</u>
Business-type activities:				
Equestrian	596,933	627,980	704,009	716,304
Tennis	62,512	53,302	43,402	48,595
Total Business-type Activities Expenses	<u>659,445</u>	<u>681,282</u>	<u>747,411</u>	<u>764,899</u>
Total Primary Government Expenses	<u>6,484,150</u>	<u>6,811,359</u>	<u>7,601,485</u>	<u>8,332,475</u>
Program Revenues:				
Governmental activities:				
Charges for services:				
General government	809,092	1,063,064	1,187,773	1,683,238
Public safety	117,180	106,084	110,482	107,778
Public works	50,226	110,005	121,529	128,179
Community services	144,718	177,682	118,074	108,927
Operating grants and contributions	594,393	704,988	903,422	851,242
Capital grants and contributions				570,000
Total Governmental Activities Program Revenues	<u>1,715,609</u>	<u>2,161,823</u>	<u>2,441,280</u>	<u>3,449,364</u>
Business-type activities:				
Charges for services:				
Equestrian	535,648	619,158	630,146	650,405
Tennis	41,597	44,040	46,354	49,250
Capital grants and contributions	33,244			
Total Business-type Activities Program Revenues	<u>610,489</u>	<u>663,198</u>	<u>676,500</u>	<u>699,655</u>
Total Primary Government Program Revenues	<u>2,326,098</u>	<u>2,825,021</u>	<u>3,117,780</u>	<u>4,149,019</u>
Net Revenues (Expenses):				
Governmental activities	(4,109,096)	(3,968,254)	(4,412,794)	(4,118,212)
Business-type activities	(48,956)	(18,084)	(70,911)	(65,244)
Total Net Revenues (Expenses)	<u>(4,158,052)</u>	<u>(3,986,338)</u>	<u>(4,483,705)</u>	<u>(4,183,456)</u>

(Continued)

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

	Fiscal Year			
	2004	2005	2006	2007
General Revenues and Other				
Changes in Net Assets:				
Governmental activities:				
Taxes:				
Property taxes	1,175,763	2,028,224	2,189,508	2,387,652
Sales taxes	1,519,280	1,176,372	1,252,817	1,192,703
Motor vehicle in lieu				
taxes -general purpose	390,246	196,408	60,142	47,500
Business license taxes	414,400	469,858	447,760	508,260
Franchise taxes	381,790	360,033	449,007	474,638
Other taxes	82,115	83,640	88,058	156,565
Use of money and property	46,668	84,432	183,821	334,457
Gain on sale of capital asset				800,000
Miscellaneous	17,875	39,486	11,704	99,025
Total Governmental Activities	<u>4,028,137</u>	<u>4,438,453</u>	<u>4,682,817</u>	<u>6,000,800</u>
Business-type Activities:				
Use of money and property	2,866	5,535	9,968	11,074
Total Primary Government	<u>4,031,003</u>	<u>4,443,988</u>	<u>4,692,785</u>	<u>6,011,874</u>
Changes in Net Assets:				
Governmental activities	(80,959)	470,199	270,023	1,882,588
Business-type activities	(46,090)	(12,549)	(60,943)	(54,170)
Total Primary Government	<u>\$ (127,049)</u>	<u>\$ 457,650</u>	<u>\$ 209,080</u>	<u>\$ 1,828,418</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 four years of data for this schedule.*

Source: City Administrative Services Department.

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

	Fiscal Year			
	2004	2005	2006	2007
General Fund:				
Reserved	\$ 143,075	\$ 142,169	\$ 151,099	\$ 833,201
Unreserved	3,748,269	4,032,898	4,513,907	4,606,973
Total General Fund	<u>\$ 3,891,344</u>	<u>\$ 4,175,067</u>	<u>\$ 4,665,006</u>	<u>\$ 5,440,174</u>
All Other Governmental Funds:				
Unreserved, reported in:				
Special revenue funds	<u>\$ 227,795</u>	<u>\$ 353,650</u>	<u>\$ 529,600</u>	<u>\$ 144,809</u>
Total All Other Governmental Funds	<u>\$ 227,795</u>	<u>\$ 353,650</u>	<u>\$ 529,600</u>	<u>\$ 144,809</u>

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

Source: City Administrative Services Department.

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

	Fiscal Year			
	2004	2005	2006	2007
<b>Revenues:</b>				
Sales and use taxes	\$ 1,519,280	\$ 1,176,372	\$ 1,252,817	\$ 1,192,703
Business license taxes	404,400	469,858	447,760	508,260
Other taxes	1,639,669	2,471,897	2,726,573	3,018,854
Licenses and permits	728,509	943,695	1,012,310	968,981
Fines and forfeitures	110,207	97,555	104,315	100,602
Use of money and property	89,995	118,395	239,659	363,487
Charges for services	231,346	311,571	316,052	842,995
Revenues from other agencies	992,944	949,400	1,034,968	1,558,834
Other revenues	6,904	27,762	3,150	95,449
<b>Total Revenues</b>	<b>5,723,254</b>	<b>6,566,505</b>	<b>7,137,604</b>	<b>8,650,165</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	2,224,260	2,359,003	2,891,255	3,134,345
Public safety	1,666,584	1,666,786	1,705,599	1,878,066
Public works	445,103	678,543	428,794	589,891
Community services	1,327,666	1,365,740	1,444,252	1,617,366
Public health	31,600	34,968	37,026	44,290
Capital outlay	570,639	51,887	959,921	1,795,830
<b>Total Expenditures</b>	<b>6,265,852</b>	<b>6,156,927</b>	<b>7,466,847</b>	<b>9,059,788</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(542,598)</b>	<b>409,578</b>	<b>(329,243)</b>	<b>(409,623)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in		67,874		
Transfers out		(67,874)		
Sale of capital asset				800,000
<b>Total Other Financing Sources (Uses)</b>				<b>800,000</b>
<b>Net Change in Fund Balances</b>	<b>\$ (542,598)</b>	<b>\$ 409,578</b>	<b>\$ (329,243)</b>	<b>\$ 390,377</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

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

Source: City Administrative Services Department.

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

Fiscal Year	Secured Value	Unsecured Value	Assessed Value	Total Direct Tax Rate
1998	\$ 1,112,253,296	\$ 19,208,319	\$ 1,131,461,615	*
1999	1,190,852,785	23,333,370	1,214,186,155	*
2000	1,270,499,502	30,101,652	1,300,601,154	*
2001	1,398,348,264	34,272,670	1,432,620,934	*
2002	1,508,087,869	46,147,255	1,554,235,124	*
2003	1,581,558,435	45,765,795	1,627,324,230	*
2004	1,686,087,686	46,405,485	1,732,493,353	0.068%
2005	1,868,786,044	40,602,044	1,909,388,088	0.106%
2006	1,949,362,993	40,951,928	1,990,314,921	0.110%
2007	2,081,834,402	45,251,848	2,127,086,250	0.112%

**NOTE:**

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Los Angeles County Auditor-Controller's Office.

\* Data not readily available

**CITY OF ROLLING HILLS ESTATES**  
**Direct and Overlapping Property Taxes**  
**(Per \$100 of Assessed Valuation)**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Basic County Levy</u>	<u>School District</u>	<u>Flood Control</u>	<u>Metropolitan Water District</u>	<u>Library District</u>	<u>Community College District</u>	<u>County</u>	<u>Total</u>
1998	1.0000	.0000	.0022	.0089	.0147	.0000	.0016	1.0274
1999	1.0000	.0000	.0020	.0089	.0114	.0000	.0015	1.0238
2000	1.0000	.0000	.0018	.0089	.0113	.0000	.0014	1.0234
2001	1.0000	.0161	.0016	.0088	.0114	.0000	.0013	1.0392
2002	1.0000	.0155	.0011	.0077	.0096	.0160	.0011	1.0510
2003	1.0000	.0151	.0009	.0067	.0097	.0146	.0010	1.0480
2004	1.0000	.0147	.0005	.0061	.0090	.0199	.0010	1.0512
2005	1.0000	.0150	.0002	.0058	.0085	.0181	.0009	1.0485
2006	1.0000	.0195	.0000	.0052	.0078	.0143	.0008	1.0476
2007	1.0000	.0141	.0001	.0047	.0073	.0215	.0007	1.0483

Note: The state constitutional amendment Proposition 13 provided that the tax rate be limited to 1% of market value, levied only by the County and shared with all other jurisdictions. All other jurisdictions and the County can levy a tax rate for voter-approved debt.

Source: Taxpayers' Guide, Los Angeles County Auditor-Controller's Office.  
Typical tax rate area #7100 in the City of Rolling Hills Estates

**CITY OF ROLLING HILLS ESTATES**  
**Principal Franchise Fee Payers**  
**Current Year and Nine Years Ago**

Franchise/Franchisee	Total Base	Direct Rate	Total Fees	Total Fees	FY 97/98 *
<b>Waste Disposal</b>					
<b>Waste Management</b>					
Residential	\$ 832,880.44	12.00%	\$ 99,945.65	21.06%	
Commercial	400,177.79	10.00%	40,017.78	8.43%	
AWIN Commercial	<u>323,017.48</u>	10.00%	<u>32,301.75</u>	<u>6.81%</u>	
Total Waste Disposal	1,556,075.71		172,265.18	36.29%	
<b>Cable</b>					
Cox Communications	2,173,229.26	5.00%	108,661.47	22.89%	
<b>Electricity</b>					
So. Cal. Edison	11,684,342.90	1.00%	119,954.51	25.27%	
<b>Gas</b>					
<b>So. Cal. Gas Co.</b>					
Gross Receipts	3,181,052.75	1.00%	31,810.53	6.70%	
Municipal Surcharge	<u>627,148.50</u>	2.00%	<u>12,542.97</u>	<u>2.64%</u>	
Total	3,808,201.25		44,353.50	9.34%	
<b>Water</b>					
California Water	1,470,159.70	2.00%	29,403.19	6.19%	
<b>TOTAL FRANCHISE FEES</b>	<u>\$ 20,692,008.82</u>		<u>474,637.84</u>	<u>100.00%</u>	

Source: City Administrative Services Department

\* Data not readily available

**CITY OF ROLLING HILLS ESTATES**

**Direct and Overlapping Debt**

**June 30, 2007**

	Debt	% Applicable <sup>(1)</sup>	City's Share of Debt
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>June 30, 2007</u>		<u>June 30, 2007</u>
Los Angeles County Flood Control District	\$ 11,356,000	0.270%	\$ 306,612
Metropolitan Water District	359,115,000	0.131%	470,441
Los Angeles Community College District	1,005,200,000	0.469%	4,714,388
Palos Verdes Peninsula Unified School District	70,980,681	13.886%	9,856,377
<b>City of Rolling Hills Estates</b>		<b>100.000%</b>	
Palos Verdes Library District	9,845,000	13.185%	1,298,063
Los Angeles County Regional Park and and Open Space Assessment District	<u>304,235,000</u>	0.262%	<u>797,096</u>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	<b><u>\$ 1,760,731,681</u></b>		<b><u>\$ 17,442,977</u></b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>			
Los Angeles County General Fund Obligations	\$ 1,084,851,959	0.262%	\$ 2,842,312
Los Angeles County Pension Obligations	546,849,147	0.262%	1,432,745
Los Angeles County Superintendent of Schools Certificates of Participation	19,817,270	0.262%	51,921
Los Angeles County Sanitation District No. 5 Authority	64,943,439	3.355%	2,178,852
Los Angeles County Sanitation District South Bay Cities Authority	<u>11,065,017</u>	0.019%	<u>2,102</u>
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>	<b><u>\$ 1,727,526,832</u></b>		<b><u>\$ 6,507,932</u></b>
<b>Net Combined Total Debt</b>	<b><u>\$ 3,488,258,513</u></b>		<b><u>\$ 23,950,909</u></b> <sup>(2)</sup>

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

<sup>(2)</sup> 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 .....	0.82%
Combined Total Debt .....	1.13%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: \$0



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**CITY OF ROLLING HILLS ESTATES**  
**Legal Debt Margin Information**  
**Last Six 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 six years of data for this schedule.*

Source: City Administrative Services Department

Fiscal Year		
2005	2006	2007
\$ 1,909,388,088	\$ 1,990,314,921	\$ 2,127,086,250
15%	15%	15%
286,408,213	298,547,238	319,062,938
\$ 286,408,213	\$ 298,547,238	\$ 319,062,938
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)
1998	8,294	\$ 253,516	\$ 27,220	*
1999	8,625	263,987	27,973	*
2000	8,787	279,050	29,232	1.4%
2001	7,842	294,508	30,503	1.4%
2002	7,918	301,003	30,828	1.8%
2003	8,051	310,044	31,452	1.9%
2004	8,125	329,048	33,179	1.8%
2005	8,191	*	*	1.4%
2006	8,073	*	*	1.2%
2007	8,099	209,302	25,843	1.2%

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

\* Data not readily available

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

2007

Employer	Number of Employees	Percent of Total Employment
Palos Verdes Peninsula Unified School District	1,800 *	43.90%
Dell Computer Consulting Inc.	165	4.02%
Pavilions	150	3.66%
Rolling Hills Country Club	100	2.44%
Bristol Farms	100	2.44%
Longs Drugs	67	1.63%
Cox Communications	49	1.20%
Red Onion Restaurant	44	1.07%
TJ Maxx	37	0.90%
City of Rolling Hills Estates	35	0.85%
Total Top Employers	2,547	62.12%
Total City Employment <sup>(1)</sup>	4,100	

<sup>(1)</sup> 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.

Source: 2006-07 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 Two Fiscal Years**

Full-Time and Part-Time Employees as of June 30,

<u>Function</u>	<u>2006</u>	<u>2007</u>
General government	15	15
Public safety	3	1
Community services	12	9
Equestrian	7	6
Tennis	4	4
Total	<u>41</u>	<u>35</u>

Source: City Administrative Services Department

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

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

Source: City Administrative Services Department

\*Data not readily available

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

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

Source: City Administrative Services Department



**CITY OF ROLLING HILLS ESTATES**

**Miscellaneous Statistics**

**June 30, 2007**

Date of incorporation	September 18, 1957
Population	8,099
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	29
Other	6
Business licenses issued	1,135
Number of Registered Voters	5,364

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

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