

City of Rolling Hills Estates California

Comprehensive Annual Financial Report



HIGHRIDGE
PARK

CITY OF ROLLING HILLS ESTATES

Year Ended
June 30, 2011



Prepared by
Administrative Services Department





*Comprehensive Annual Financial Report
For the Year Ended June 30, 2011*

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

CITY OF ROLLING HILLS ESTATES
Comprehensive Annual Financial Report
Year Ended June 30, 2011

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INTRODUCTORY SECTION

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



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

January 13, 2012

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, 2011, 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. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of Rolling Hills Estates as legally defined), as well as its component unit, the Peppertree Foundation. A component unit is a legally separate entity for which the primary government is financially accountable. The City provides a broad range of services, including police protection, solid waste collection, construction and maintenance of highways, streets, and infrastructure, planning and zoning activities, recreational activities, cultural events, and general administrative services. The City 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 8,118. The City is a "bedroom" community with a commercial center. Rolling Hills Estates is home to the Promenade

on the Peninsula mall, Peninsula Center Shopping Center, and several other businesses in the City's commercial district.

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

Though the City's overall fund balance decreased during the fiscal year ended June 30, 2011, 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, 2011 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 approved amendments to the Municipal Code for the storage of large vehicles and to the Horse Overlay Zone for the keeping of horses.
- The Planning Commission and City Council reviewed and approved the Chandler Ranch and Rolling Hills Country Club project for the development of 114 single family homes and the development of a new country club building and redesigned 18-hole golf course.
- The Planning Commission approved a proposal for an expansion to Rolling Hills Covenant Church.
- The City continues to process plans for the Brickwalk project to repair the Indian Peak Landside project.
- The City continues to process plans for the Peter Weber Equestrian Center.
- The City continued to provide review and inspection services for commercial and residential projects of various types.
- The City continued to process code enforcement cases and adopted an administrative citation ordinance to assess fines for code violations.

Public Works

- Completed the Environmental Analysis and Preliminary Engineering phases of the PVDN Bikelane Project. This project is funded by a combination of Federal and State grants totaling \$2,081,000 and \$544,580, respectively. The improvements include the construction of an on-street bike path on both sides of PVDN between Crenshaw Boulevard and the west City limits, street resurfacing, drainage, and intersection improvements.
- Undertook the preliminary engineering phases of the Underground Utility District that will remove utility lines and poles on PVDN adjacent the intersection of PVDE. This project, with an estimated cost of \$1,525,000, is funded entirely with SCE Rule 20A funds at no cost to the City. Staff evaluated the feasibility of expanding the limits of the project in conjunction with the Butcher Project.
- Completed construction of the Palos Verdes Drive North resurfacing and rehabilitation project between Crenshaw Blvd. and Rolling Hills Road funded by American Recovery and Reinvestment Act (ARRA) of 2009 (\$391,080) and Prop C funds (\$90,115) in the total amount of \$481,195.
- Completed construction of the Illuminated Street Name Signs Project (\$65,765) the Traffic Signal Modification Project (\$52,228) funded by the federal American Recovery and Reinvestment Act (ARRA).
- Completed construction of the Pinto, Pony, Palomino and Shadow Lanes street resurfacing and rehabilitation project (\$218,725), utilizing Prop 1B, Measure R and General Funds.

Community Services

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

Administration

- The City Council engaged in extensive lobbying efforts on behalf of local government, particularly pertaining to protection of local revenues, and regional representation due in large to part to active roles Council Members took in League of California Cities and CCCA and South Bay Cities COG leadership and policy committees.

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, 2011, 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, 2011, the City had no general obligation debt and certificates of participation or revenue bonds. Feasible is a new debt obligation in the near future with the restricting of the City's Public Employee's Retirement System Miscellaneous Plan Unfunded Accrued Actuarial Liability.

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

OTHER INFORMATION

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

GFOA Certificate of Achievement Award. The Government Finance 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, 2010. This was the sixteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,



Douglas R. Prichard
City Manager



Michael C. Whitehead
Administrative Services Director

CITY OF ROLLING HILLS ESTATES

Directory of City Officials

June 30, 2011

STEVEN ZUCKERMAN

MAYOR

SUSAN SEAMANS
MAYOR PRO TEMPORE

JUDY MITCHELL
COUNCIL MEMBER

FRANK V. ZERUNYAN
COUNCIL MEMBER

JOHN C. ADDLEMAN
COUNCIL MEMBER

City Manager

Douglas R. Prichard

Assistant City Manager

Gregory Grammer

City Attorney

Administrative Services Director

Director of Planning

Director of Community Services

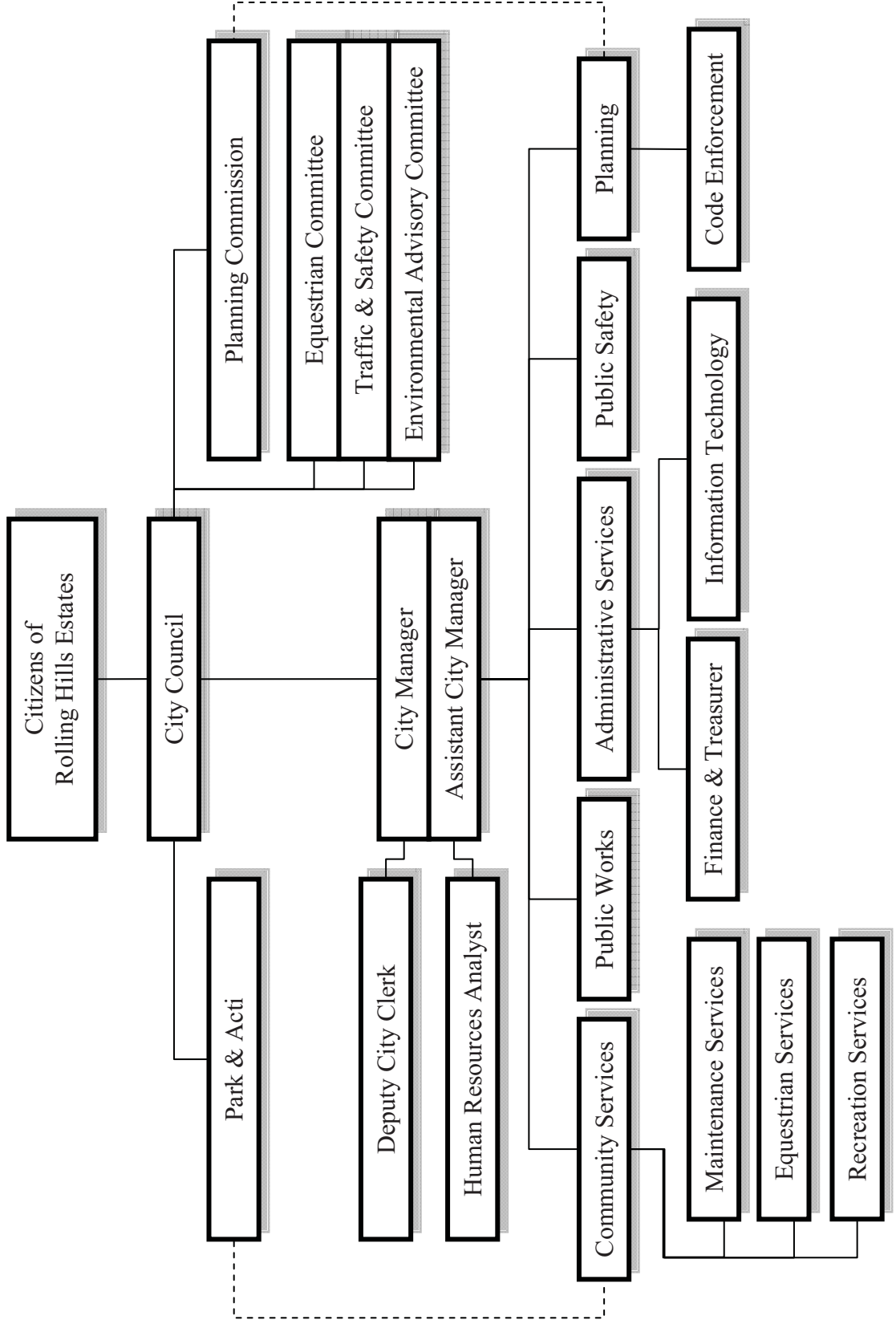
Robert J. Tyson

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, 2010

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.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

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 City of Rolling Hills Estates, California (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows 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 January 13, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 47 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to

the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Macias Jini & O'Connell LLP

Los Angeles, California
January 13, 2012



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, 2011. 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 \$10,331,123 (*net assets*). Of this amount, \$1,260,978 (*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 \$239,273 from the prior fiscal year.
- The City's governmental funds reported combined ending fund balances of \$3,120,041, a decrease of \$120,405 in comparison with the prior year. Approximately \$1,330,742 (*unassigned fund balance*) is available for spending at the government's discretion.
- The unassigned fund balance for the General fund was \$1,766,793 or 28%, of total General fund current operating expenditures. Out of the General fund balance, \$66,264 has been assigned for capital projects, \$50,000 for insurance claims, \$60,000 for equipment revolving, and \$326,000 for capital asset replacement. The total of assigned and unassigned fund balance is \$2,269,057.
- 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 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, State Gas Tax, Proposition A – Parks, Quimby Fees Special Revenue Funds are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these *non-major* governmental funds is provided in the form of *combining statements* (see table of contents).

The City of Rolling Hills Estates adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement has been provided for each governmental fund to demonstrate compliance with this budget.

The basic governmental fund financial statements are listed in the table of contents.

Proprietary funds. The City of Rolling Hills Estates maintains one type of *proprietary funds*.

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

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

Fiduciary fund. The City of Rolling Hills Estates maintains one *fiduciary fund*, the Peninsula Parking Agency Fund. The balance sheets present the assets and liabilities (no net assets are associated with fiduciary 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* including comparisons of budgeted revenues and expenditures to actual revenues and expenditures.

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 \$10,331,123 in FY 2010-11 an increase from 2009-10 when assets exceeded liabilities by \$10,091,850. The largest portion of the City's total net assets (76 percent in 2010-11, and 74 percent in 2009-10) 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 (\$1,200,294 or 12 percent in 2010-11, and \$963,108 or 10 percent in 2009-10) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted total net assets (\$1,260,978 or 12 percent in 2010-11, and \$1,641,442 or 16 percent in 2009-10) 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	
	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
Current and Other Assets	\$ 3,663,410	\$ 3,898,538	\$ (122,826)	\$ (26,131)	\$ 3,540,584	\$ 3,872,407
Capital Assets	7,823,648	7,437,235	46,203	50,065	7,869,851	7,487,300
Total Assets	11,487,058	11,335,773	(76,623)	23,934	11,410,435	11,359,707
Long-Term Liabilities	391,532	455,173	64,691	64,328	456,223	519,501
Other Liabilities	543,369	658,082	79,720	90,174	623,089	748,256
Total Liabilities	934,901	1,113,255	144,411	154,502	1,079,312	1,267,757
Invested in Capital Assets	7,823,648	7,437,235	46,203	50,065	7,869,851	7,487,300
Restricted	1,200,294	963,108	-	-	1,200,294	963,108
Unrestricted	1,528,215	1,822,165	(267,237)	(180,723)	1,260,978	1,641,442
Total Net Assets	\$10,552,157	\$10,222,508	\$ (221,034)	\$ (130,658)	\$10,331,123	\$10,091,850



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis

Governmental activities. Governmental activities increased the City's net assets by \$329,649 in 2010-11, and decreased by \$566,188 in 2009-10.

City of Rolling Hills Estates Changes in Net Assets	Governmental Activities		Business-Type Activities		Total Activities	
	2010-11	2009-2010	2010-11	2009-2010	2010-11	2009-2010
Program Revenues:						
Charges for services	\$ 1,287,430	\$ 1,294,598	\$ 745,038	\$ 789,333	\$ 2,032,468	\$ 2,083,931
Operating grants and contributions	1,295,997	776,625			1,295,997	776,625
Capital grants and contributions	758,259	158,306			758,259	158,306
General Revenues:						
Property taxes	2,494,828	2,369,270			2,494,828	2,369,270
Local sales taxes	917,016	917,855			917,016	917,855
Other taxes	899,681	803,805			899,681	803,805
Other general revenues	59,233	185,913	477	753	59,710	186,666
Total Revenues	7,712,444	6,506,372	745,515	790,086	8,457,959	7,296,458
Expenses:						
General government	3,075,846	3,004,041			3,075,846	3,004,041
Public safety	1,830,016	1,819,095			1,830,016	1,819,095
Public works	1,114,138	912,695			1,114,138	912,695
Community Services	1,341,466	1,302,670			1,341,466	1,302,670
Public health	21,329	34,059			21,329	34,059
Equestrian			760,759	775,686	760,759	775,686
Tennis			75,132	71,075	75,132	71,075
Total Expenses	7,382,795	7,072,560	835,891	846,761	8,218,686	7,919,321
Increase (Decrease) in Net Assets	329,649	(566,188)	(90,376)	(56,675)	239,273	(622,863)
Net Assets, beginning of year	10,222,508	10,788,696	(130,658)	(73,983)	10,091,850	10,714,713
Net Assets, end of year	\$10,552,157	\$10,222,508	\$ (221,034)	\$ (130,658)	\$10,331,123	\$10,091,850

Business-type activities. Business-type activities decreased the City's net assets by \$90,376 compared to 2009-10, which decreased \$56,675.

Key elements of the \$239,273 increase in total net assets from all activities are as follows:

- Operating and Capital grants increased from prior year due to three new grants received in 2010-11 relating to renovation projects and road construction.
- Increased spending on Public Work Projects than prior year due to increase in renovation projects.
- Property tax revenues increased from prior year due to slightly better property assessments during 2010-11
- Overall sluggish economy is slowly rebounding with improved revenues.

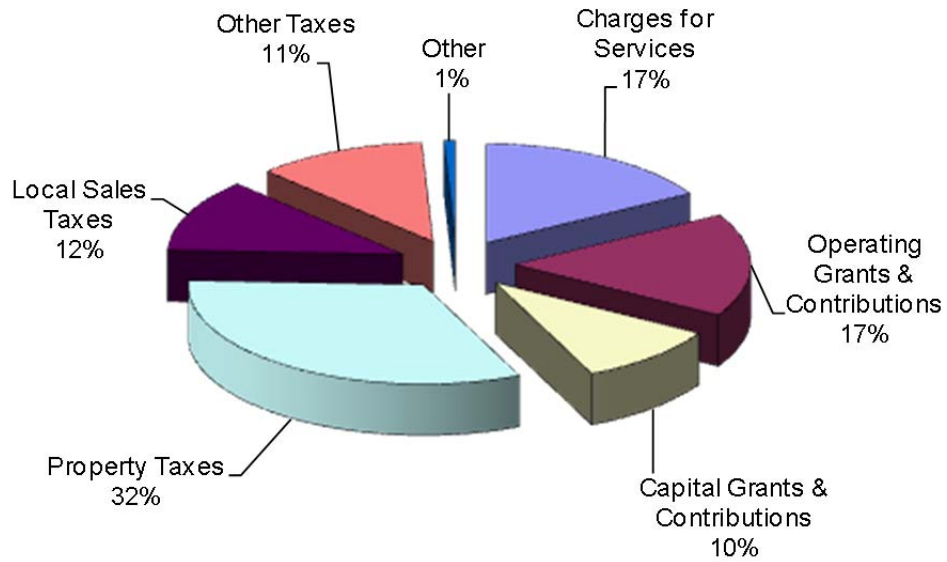


CITY OF ROLLING HILLS ESTATES, CALIFORNIA

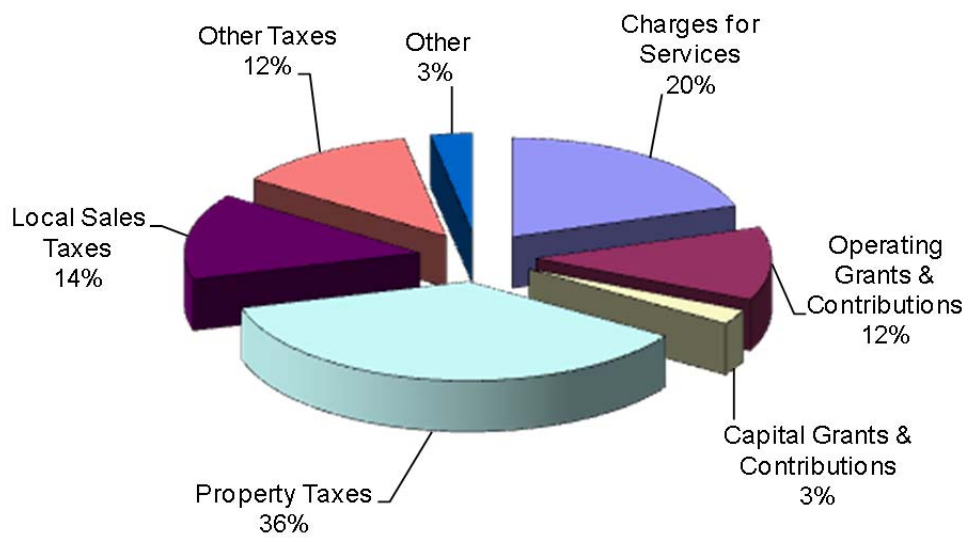
Management's Discussion and Analysis

Revenues by Source – Governmental Activities

Revenue 2010-2011



Revenue 2009-2010





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 \$3,120,041, decrease of \$120,405 in comparison with the prior year, which ending fund balance was \$3,240,446. Approximately 43 percent of the combined ending fund balances (\$1,330,742) constitute unassigned fund balance, which is available for spending at the City's discretion. This is no change from the 43 percent reported for 2009-10. The remainder of the combined ending fund balances is restricted to indicate that it is not available for new spending because it has already been restricted to: 1) the unspent portion of the CLEEP grant (\$27,172), 2) to the maintenance of Hawthorne Canyon (\$10,000), 3) transportation (\$1,088,377), 4) capital projects (\$74,745); and Nonspendable are: 1) note receivable for sale of real property (\$80,000), and 2) for inventories (\$6,741).

The General fund is the chief operating fund of the City of Rolling Hills Estates. At the end of the current fiscal year, unassigned fund balance of the General fund was \$1,766,793 a decrease from the prior year unassigned fund balance by \$115,329.

During the current fiscal year, the fund balance of the City's General fund decreased by \$424,017. The key factor in this decrease is as follows:

- Loss of General Fund Revenue due to developer fees not received in the current year as most developmental projects were completed in the prior year.

Special revenue fund highlights. The special revenue funds, State Gas Tax, Proposition A - Parks, and Quimby Fees, are reported as major funds on the balance sheet. The State Gas Tax fund is utilized for various street improvements and repairs and these funds will be used as needed by specified projects. The Proposition A Parks Grant fund is to account for grant monies received from Los Angeles County for maintenance and development of parks. The Quimby Fees fund is to account for park-in-lieu fees for all new residential projects from developers who cannot provide land and park improvements as part of their development.

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 \$90,376 compared to a prior year's decrease of \$56,675.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a net decrease in fund balance of \$335,917; and can be briefly summarized as follows:

- The budget was reduced because revenues fell short of expectations, as several planning projects did not materialize in FY 2010-11.

Additionally, general fund nonspendable and restricted fund balances are \$123,913 (restricted for CLEEP grant and Hawthorne Canyon, and nonspendable inventories and note receivable). The general fund assigned fund balances are \$502,264 for capital improvements projects, insurance claims, equipment revolving, and capital asset replacement. Lastly, there is \$1,766,793 in the general fund's unassigned fund balance.



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$7,823,648 (net of accumulated depreciation). The business-type activities investment is \$46,203. 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 5.1 percent primarily due to equipment purchases and infrastructure upgrades.

City of Rolling Hills Estates Capital Assets (Net Depreciation)	Governmental Activities		Business-Type Activities		Total Activities	
	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
Land	\$ 3,864,943	\$ 3,864,943			\$ 3,864,943	\$ 3,864,943
Buildings & Improvements	592,375	618,351	40,531	41,333	632,906	659,684
Facilities & Improvements	564,948	509,201	5,672	8,732	570,620	517,933
Vehicles & Equipment	182,371	89,341			182,371	89,341
Furniture & Fixtures	1	620			1	620
Infrastructure	2,619,010	2,354,779			2,619,010	2,354,779
Total	\$ 7,823,648	\$ 7,437,235	\$ 46,203	\$ 50,065	\$ 7,869,851	\$ 7,487,300

Additional information regarding the City's capital assets can be found in Note 1(e)4 on pages 30-31, and Note 3(c) on pages 38-39.

Long-term liabilities. At the end of the current fiscal year, the City of Rolling Hills Estates had total debt outstanding of \$456,223 down slightly from the previous year, which was \$519,501. The City has no bonded debt or certificates of participation debt.

City of Rolling Hills Estates Outstanding Debt As of June 30, 2011	Governmental Activities		Business-Type Activities		Total Activities	
	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
Employee Compensated Absences	\$ 391,532	\$ 455,173	\$ 64,691	\$ 64,328	\$ 456,223	\$ 519,501
Total	\$ 391,532	\$ 455,173	\$ 64,691	\$ 64,328	\$ 456,223	\$ 519,501

The City's total debt decreased by \$63,278 (-12.2 percent) during the current fiscal year, due to employee retirements and not back filling the positions creating lower staffing levels.

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 \$366,953,026. 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 liabilities can be found in Note 3(e) on pages 40-41 of this report.



CITY OF ROLLING HILLS ESTATES, CALIFORNIA

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

- Local property values remain modest, and account for approximately 29 percent of General Fund revenues. Los Angeles County Net Local Roll of Assessed Property Valuations is forecasted to increase by 0.99%.
- Revenues from other agencies have eliminated the Motor Vehicle License Fees for FY 2011-2012, and Property Tax in lieu of Sales Tax is anticipated to remain flat. As mentioned above, the "Triple Flip" increases State subventions to supplement the lost one-quarter of local sales tax revenues, however, the City receives back less than one-quarter after administration fees. The VLF backfill has been eliminated, replaced by a "Property Tax in lieu of VLF – State" account – which has a slight increase in revenue for FY 2011-2012.

All factors above were considered in preparing the City's budget for FY 2011-2012. The uncertainty of the economy and declining revenues has made the City's budgeting process more complex.

Requests for Information

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



CITY OF ROLLING HILLS ESTATES
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 2,623,336	\$ 113,311	\$ 2,736,647
Accounts receivable	672,535	31,631	704,166
Note receivable	80,000	-	80,000
Internal balances	280,798	(280,798)	-
Inventories	6,741	13,030	19,771
Capital assets:			
Not being depreciated	3,864,943	-	3,864,943
Being depreciated (net of accumulated depreciation)	3,958,705	46,203	4,004,908
 Total assets	 11,487,058	 (76,623)	 11,410,435
Liabilities:			
Accounts payable and accrued liabilities	388,808	32,371	421,179
Deposits payable	154,561	33,749	188,310
Unearned revenue	-	13,600	13,600
Non-current liabilities:			
Due within one year	39,153	6,433	45,586
Due in more than one year	352,379	58,258	410,637
 Total liabilities	 934,901	 144,411	 1,079,312
Net assets (deficit):			
Invested in capital assets	7,823,648	46,203	7,869,851
Restricted for:			
Cleop grant	27,172	-	27,172
Maintenance of Hawthorne Canyon	10,000	-	10,000
Transportation	1,088,377	-	1,088,377
Capital projects	74,745	-	74,745
Unrestricted	1,528,215	(267,237)	1,260,978
 Total net assets (deficit)	 \$ 10,552,157	 \$ (221,034)	 \$ 10,331,123

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES
Statement of Activities
Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 3,075,846	\$ 957,765	\$ 8,836	\$ -
Public safety	1,830,016	92,018	100,679	-
Public works	1,114,138	178,088	546,870	-
Community services	1,341,466	59,559	623,202	758,259
Public health	21,329	-	16,410	-
Total governmental activities	<u>7,382,795</u>	<u>1,287,430</u>	<u>1,295,997</u>	<u>758,259</u>
Business-type activities:				
Equestrian	760,759	688,871	-	-
Tennis	75,132	56,167	-	-
Total business-type activities	<u>835,891</u>	<u>745,038</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,218,686</u>	<u>\$ 2,032,468</u>	<u>\$ 1,295,997</u>	<u>\$ 758,259</u>

General revenues:
Intergovernmental:
Property taxes
Sales taxes
Motor vehicle in lieu taxes unrestricted
Taxes:
Business license taxes
Franchise taxes
Other taxes
Use of money and property
Miscellaneous
Total general revenues
Change in net assets
Net assets (deficit), beginning
Net assets (deficit), ending

See Accompanying Notes to Financial Statements.

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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,109,245)	\$ -	\$ (2,109,245)
(1,637,319)	-	(1,637,319)
(389,180)	-	(389,180)
99,554	-	99,554
(4,919)	-	(4,919)
(4,041,109)	-	(4,041,109)
-	(71,888)	(71,888)
-	(18,965)	(18,965)
-	(90,853)	(90,853)
(4,041,109)	(90,853)	(4,131,962)
2,494,828	-	2,494,828
917,016	-	917,016
41,550	-	41,550
267,177	-	267,177
518,175	-	518,175
72,779	-	72,779
18,467	477	18,944
40,766	-	40,766
4,370,758	477	4,371,235
329,649	(90,376)	239,273
10,222,508	(130,658)	10,091,850
\$ 10,552,157	\$ (221,034)	\$ 10,331,123

CITY OF ROLLING HILLS ESTATES
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>State Gas Tax</u>	<u>Proposition A - Parks</u>
Assets:			
Cash and investments	\$ 1,485,510	\$ 59,169	\$ -
Accounts receivable	625,928	34,596	
Note receivable	80,000	-	-
Due from other funds	716,700	-	-
Inventories	6,741	-	-
Total assets	<u>\$ 2,914,879</u>	<u>\$ 93,765</u>	<u>-</u>
Liabilities:			
Accounts payable and accrued liabilities	\$ 367,348	\$ 18,112	\$ 1,454
Due to other funds	-	-	301,461
Deposits payable	154,561	-	-
Total liabilities	<u>521,909</u>	<u>18,112</u>	<u>302,915</u>
Fund balances (deficit):			
Nonspendable:			
Note receivable	80,000	-	-
Inventories	6,741	-	-
Restricted for:			
Cleop grant	27,172	-	-
Maintenance of Hawthorne Canyon	10,000	-	-
Transportation	-	75,653	-
Capital projects	-	-	-
Assigned to:			
Equipment	60,000	-	-
Capital asset replacement	326,000	-	-
Capital projects	66,264	-	-
Insurance claims	50,000	-	-
Unassigned	1,766,793	-	(302,915)
Total fund balances (deficit)	<u>2,392,970</u>	<u>75,653</u>	<u>(302,915)</u>
Total liabilities and fund balances (deficit)	<u>\$ 2,914,879</u>	<u>\$ 93,765</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements.

	Quimby Fees	Nonmajor Governmental	Total Governmental
\$	656,711	\$ 421,946	\$ 2,623,336
	368	11,643	672,535
	-	-	80,000
	-	-	716,700
	-	-	6,741
	<u>657,079</u>	<u>\$ 433,589</u>	<u>\$ 4,099,312</u>
		\$ 1,894	\$ 388,808
	-	134,441	435,902
	-	-	154,561
	<u>-</u>	<u>136,335</u>	<u>979,271</u>
			80,000
			6,741
			27,172
			10,000
	657,079	355,645	1,088,377
	-	74,745	74,745
			60,000
			326,000
			66,264
			50,000
		(133,136)	1,330,742
	<u>657,079</u>	<u>297,254</u>	<u>3,120,041</u>
\$	<u>657,079</u>	<u>\$ 433,589</u>	<u>\$ 4,099,312</u>

CITY OF ROLLING HILLS ESTATES
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2011

Total fund balances, governmental funds	\$ 3,120,041
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.	7,823,648
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>(391,532)</u>
Net assets of governmental activities	<u><u>\$ 10,552,157</u></u>

See Accompanying Notes to Financial Statements.

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CITY OF ROLLING HILLS ESTATES
Statement of Revenues, Expenditures and Change in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	<u>General</u>	<u>State Gas Tax</u>	<u>Proposition A - Parks</u>
Revenues:			
Sales and use taxes	\$ 917,016	\$ -	\$ -
Business license taxes	267,177	-	-
Property taxes	2,494,828	-	-
Other taxes	590,954	-	-
Licenses and permits	681,549	-	-
Fines and forfeitures	64,733	-	-
Use of money and property	30,192	160	-
Charges for services	299,674	-	-
Revenues from other agencies	419,336	238,194	159,249
Other revenues	15,317	-	-
Total revenues	<u>5,780,776</u>	<u>238,354</u>	<u>159,249</u>
Expenditures:			
Current:			
General government	2,886,610	-	-
Public safety	1,756,145	-	-
Public works	227,667	189,926	-
Community services	1,246,778	-	17,453
Public health	21,329	-	-
Capital outlay	66,264	-	50,194
Total expenditures	<u>6,204,793</u>	<u>189,926</u>	<u>67,647</u>
Net change in fund balances	(424,017)	48,428	91,602
Fund balances (deficit), beginning	<u>2,816,987</u>	<u>27,225</u>	<u>(394,517)</u>
Fund balances (deficit), ending	<u>\$ 2,392,970</u>	<u>\$ 75,653</u>	<u>\$ (302,915)</u>

Net change in fund balances

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay
 Depreciation expense

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

See Accompanying Notes to Financial Statements.

<u>Quimby Fees</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
\$ -	\$ -	\$ 917,016
-	-	267,177
-	-	2,494,828
-	-	590,954
-	-	681,549
-	38,525	103,258
1,943	2,194	34,489
-	46,197	345,871
392,206	1,053,000	2,261,985
-	-	15,317
<u>394,149</u>	<u>1,139,916</u>	<u>7,712,444</u>
-	153,899	3,040,509
-	73,871	1,830,016
-	127,577	545,170
-	36,259	1,300,490
-	-	21,329
-	978,877	1,095,335
<u>-</u>	<u>1,370,483</u>	<u>7,832,849</u>
394,149	(230,567)	(120,405)
<u>262,930</u>	<u>527,821</u>	<u>3,240,446</u>
<u>\$ 657,079</u>	<u>\$ 297,254</u>	<u>\$ 3,120,041</u>
		\$ (120,405)
		650,005
		(263,592)
		<u>63,641</u>
		<u>\$ 329,649</u>

CITY OF ROLLING HILLS ESTATES
Statement of Net Assets
Proprietary Funds
June 30, 2011

	<u>Equestrian Operations</u>	<u>Nonmajor Tennis Operations</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and investments	\$ -	\$ 113,311	\$ 113,311
Accounts receivable	27,694	3,937	31,631
Inventories	13,030	-	13,030
	<hr/>	<hr/>	<hr/>
Total current assets	40,724	117,248	157,972
Capital assets			
being depreciated, net	33,925	12,278	46,203
	<hr/>	<hr/>	<hr/>
Total assets	74,649	129,526	204,175
	<hr/>	<hr/>	<hr/>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	30,597	1,774	32,371
Due to other funds	280,798	-	280,798
Deposits	33,749	-	33,749
Unearned revenue	13,600	-	13,600
Due within one year	6,433	-	6,433
	<hr/>	<hr/>	<hr/>
Total current liabilities	365,177	1,774	366,951
Noncurrent liabilities:			
Due in more than one year	58,258	-	58,258
	<hr/>	<hr/>	<hr/>
Total liabilities	423,435	1,774	425,209
	<hr/>	<hr/>	<hr/>
Net assets (deficit):			
Invested in capital assets	33,925	12,278	46,203
Unrestricted	(382,711)	115,474	(267,237)
	<hr/>	<hr/>	<hr/>
Total net assets (deficit)	\$ (348,786)	\$ 127,752	\$ (221,034)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2011

	<u>Equestrian Operations</u>	<u>Nonmajor Tennis Operations</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 688,871	\$ 56,167	\$ 745,038
Operating expenses:			
Personnel	434,056	52,378	486,434
Administrative	37,000	11,000	48,000
Materials and supplies	288,901	8,694	297,595
Depreciation	802	3,060	3,862
Total operating expenses	<u>760,759</u>	<u>75,132</u>	<u>835,891</u>
Operating loss	(71,888)	(18,965)	(90,853)
Nonoperating revenues:			
Interest income	<u>-</u>	<u>477</u>	<u>477</u>
Change in net assets	(71,888)	(18,488)	(90,376)
Total net assets (deficit), beginning	<u>(276,898)</u>	<u>146,240</u>	<u>(130,658)</u>
Total net assets (deficit), ending	<u>\$ (348,786)</u>	<u>\$ 127,752</u>	<u>\$ (221,034)</u>

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011

	<u>Equestrian Operations</u>	<u>Nonmajor Tennis Operations</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 678,070	\$ 57,854	\$ 735,924
Cash paid to suppliers of goods and services	(343,663)	(18,860)	(362,523)
Cash paid to employees	<u>(433,693)</u>	<u>(52,378)</u>	<u>(486,071)</u>
Net cash used for operating activities	(99,286)	(13,384)	(112,670)
Cash flows from noncapital financing activities:			
Cash received from other funds	99,286	-	99,286
Cash flows from investing activities:			
Interest on investments	-	477	477
Net decrease in cash and cash equivalents	-	(12,907)	(12,907)
Cash and cash equivalents, beginning	<u>-</u>	<u>126,218</u>	<u>126,218</u>
Cash and cash equivalents, ending	<u>\$ -</u>	<u>\$ 113,311</u>	<u>\$ 113,311</u>

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES
Statement of Cash Flows
Proprietary Funds (Continued)
Year Ended June 30, 2011

	Equestrian Operations	Nonmajor Tennis Operations	Total
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$ (71,888)	\$ (18,965)	\$ (90,853)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation expense	802	3,060	3,862
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(12,685)	1,687	(10,998)
(Increase) in inventory	(4,500)	-	(4,500)
Increase (decrease) in accounts payable and accrued liabilities	(13,262)	834	(12,428)
Increase in unearned revenue	8,430	-	8,430
(Decrease) in deposits	(6,546)	-	(6,546)
Increase in compensated absences	363	-	363
	<u>363</u>	<u>-</u>	<u>363</u>
Net cash used for operating activities	<u>\$ (99,286)</u>	<u>\$ (13,384)</u>	<u>\$ (112,670)</u>

CITY OF ROLLING HILLS ESTATES
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2011

	<u>Peninsula Parking</u>
Assets:	
Cash and investments	\$ <u>2,318</u>
Liabilities:	
Accounts payable	\$ <u>2,318</u>

See Accompanying Notes to Financial Statements.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements
June 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

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

Peppertree Foundation (the Foundation)

The Foundation is an organization responsible for the development and maintenance of the parks in the City. The City is financially accountable for the Foundation as the City Council serves as members of the Foundation's governing board and controls its operations. The financial transactions and balances of the Peppertree Foundation have been blended into the City's basic financial statements and are presented in a special revenue fund. Additional information on 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, 2011

The Palos Verdes Peninsula Transit Authority's fiscal year ended on June 30. As of June 30, 2010 (most recent information available), audited financial statements indicated the following:

Total assets	\$ <u>2,363,286</u>
Total liabilities	\$ <u>272,865</u>
Total equity	\$ <u>2,090,421</u>
Charges for services	\$ 393,483
JPA member contributions and other income	<u>249,504</u>
Total operating revenues	642,987
Total operating expenses	(2,247,399)
Total non-operating revenues	<u>1,930,748</u>
Net income	\$ <u>326,336</u>

Separate financial statements are available at:

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

(b) Government-Wide and Fund Financial Statements

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

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

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

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, motor vehicle in lieu 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. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirement have been met. Grant funds received before the revenue recognition criteria have been met are reported as deferred revenues.

The City reports the following major governmental funds:

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

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

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

The Proposition A- Parks Special Revenue Fund is used to account for grant monies received from Los Angeles County for the maintenance and development of parks.

The Quimby Fees Special Revenue Fund is used to account for park-in-lieu fees for all new residential projects from developers who cannot provide land and park improvements as part of their development.

The City reports a major proprietary fund:

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

Additionally, the City reports the following fund types:

Governmental Funds:

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

Proprietary Funds:

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

Fiduciary Funds:

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

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

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

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

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

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

(d) Property Taxes

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

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

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

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

(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, 2011. The County of Los Angeles assesses, bills, and collects taxes for the City.

3. Inventories

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

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. As a phase 3 government under GASB Statement 34, the City has elected to report only major general infrastructure assets acquired subsequent to June 30, 2003. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are valued at the fair value of

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

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.

6. *Fund Equity*

Fund balance for governmental funds is classified as follows:

- Nonspendable – includes amounts that are (a) not in a spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

- Committed – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).
- Assigned – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the City Council or (b) a body (for example: a budget or finance committee) or Administrative Service Director.
- Unassigned – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

The City Council adopts the City Fund Balance Policy annually. The policy establishes guidelines for budget decisions as to the appropriate use of General Fund resources and the maintenance of adequate reserves for contingencies, emergencies, capital improvements, and other such uses as determined by the City Council. Assigned fund balance for capital projects expenditures is based on the Six Year Capital Improvement plan forecast, within the limits of the overall Fund Balance Policy. Capital improvements are funded by prior year operating surpluses.

General Fund reserve requirements - Appropriation for contingencies are maintained at approximately two months of operating expenditures. Unassigned fund balance is eligible for use at the discretion of the City Council at a time of an unforeseen fiscal crisis. Such determinations are made by the City Council on a case-by-case basis. The unassigned fund balance of the General Fund must not be less than \$1.2M at any time. At June 30, 2011, \$200,000 of unassigned fund balance has been identified for PERS rate stabilization, which is for any unforeseen change in the City’s PERS rates.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(a) Budgetary Data

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

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

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:

General Fund- General government	\$ 1,767
General Fund- Community services	25,225
General Fund- Capital outlay	16,264
State Gas Tax Fund	32,926
Special revenue funds:	
Local Transportation- Capital outlay	4,000
Traffic Safety - Public safety	11,156
Air Quality Improvement- General government	16,464
Peppertree Foundation - Capital outlay	5,018
Measure R- Capital outlay	3,167
Federal ARRA- Capital outlay	73,499

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

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

(c) Deficit Fund Equity

The following funds have an accumulated deficit at June 30, 2011:

Proprietary:	
Equestrian Operations	\$ 348,786
Special Revenue:	
Peppertree Foundation	28,715
Proposition 40 Parks Grant	53,442
Proposition A Parks	302,915
Federal STIP	26,372
Traffic Safety	13,852
Measure R	4,439
Federal ARRA	6,316

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

(3) DETAILED NOTES ON ALL FUNDS

(a) Cash and Investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 2,736,647
Fiduciary funds:	
Cash and investments	<u>2,318</u>
	<u>\$ 2,738,965</u>

Cash and investments were comprised of the following as of June 30, 2011:

Cash on hand	\$ 685
Deposits with financial institution	967,498
Investments	<u>1,770,782</u>
Total cash and investments	<u>\$ 2,738,965</u>

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

Investments Authorized by the Entity's Investment Policy

The City of Rolling Hills Estates' Statement of Investment Policy is reviewed and adopted by the City Council each year. The investment policy is more conservative and the investment types authorized are more restrictive than the investment vehicles authorized by Section 53601 of the California Government Code. 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%
Negotiable Certificates of Deposit	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	90% ***	\$50M
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.

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

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

Investment Types	Remaining Maturity (in Months)
	12 Months Or Less
LAIF	\$ 1,301,430
Negotiable certificates of deposit	469,352
Total	<u>\$ 1,770,782</u>

Disclosures Relating to Credit Risk

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

Investment Type	Total Investment	Minimum Legal Rating	Not Rated
LAIF	\$ 1,301,430	N/A	\$ 1,301,430
Negotiable certificates of deposit	<u>469,352</u>	N/A	<u>469,352</u>
Total	<u>\$ 1,770,782</u>		<u>\$ 1,770,782</u>

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount	% of Portfolio
Bank of China	Negotiable certificate of deposit	\$ 200,000	11.3%
Malaga Bank	Negotiable certificate of deposit	201,352	11.4%

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

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.

Investment in State Investment Pool

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

The total amount invested by all public agencies in LAIF as of June 30, 2011 was \$23.9 billion. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2011 had a balance of \$66.4 billion. Of that amount 5.01% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 237 days as of June 30, 2011. LAIF is unrated as to credit quality.

(b) *Note Receivable*

The City has sold parcels of land in exchange for a promissory note in the amount of \$800,000 to Chandler Ranch Properties, LLC, for the purpose of redevelopment of the site. 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, 2011, \$80,000 of the note receivable remains outstanding. Payments of principal and interest shall be paid semi-annually.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

For the Year Ending June 30	Principal	Interest
2012	\$ <u>80,000</u>	\$ <u>2,000</u>
Total	\$ <u><u>80,000</u></u>	\$ <u><u>2,000</u></u>

(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, 2011 is as follows:

	Balance at July 1, 2010	Increases	Decreases	Balance at June 30, 2011
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 3,864,943	\$ -	\$ -	\$ 3,864,943
Capital assets, being depreciated:				
Buildings and improvements	1,429,516	15,000	-	1,444,516
Facilities and improvements	1,518,620	107,892	-	1,626,512
Vehicles and equipment	713,011	139,244	-	852,255
Furniture and fixtures	86,064	-	-	86,064
Infrastructure	2,833,854	387,869	-	3,221,723
Total capital assets, being depreciated	<u>6,581,065</u>	<u>650,005</u>	<u>-</u>	<u>7,231,070</u>
Less accumulated depreciation for:				
Buildings and improvements	(811,165)	(40,976)	-	(852,141)
Facilities and improvements	(1,009,419)	(52,145)	-	(1,061,564)
Vehicles and equipment	(623,670)	(46,214)	-	(669,884)
Furniture and fixtures	(85,444)	(619)	-	(86,063)
Infrastructure	(479,075)	(123,638)	-	(602,713)
Total accumulated depreciation	<u>(3,008,773)</u>	<u>(263,592)</u>	<u>-</u>	<u>(3,272,365)</u>
Total capital assets, being depreciated, net	<u>3,572,292</u>	<u>386,413</u>	<u>-</u>	<u>3,958,705</u>
Governmental activities capital assets, net	<u>\$ 7,437,235</u>	<u>\$ 386,413</u>	<u>\$ -</u>	<u>\$ 7,823,648</u>

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

<u>Business-type activities</u>	<u>Balance at July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2011</u>
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
	<u>587,609</u>	<u>-</u>	<u>-</u>	<u>587,609</u>
Less accumulated depreciation for:				
Buildings and improvements	(246,237)	(802)	-	(247,039)
Facilities and improvements	(229,219)	(3,060)	-	(232,279)
Vehicles and equipment	(41,055)	-	-	(41,055)
Furniture and fixtures	(21,033)	-	-	(21,033)
	<u>(537,544)</u>	<u>(3,862)</u>	<u>-</u>	<u>(541,406)</u>
Total capital assets, being depreciated	<u>587,609</u>	<u>-</u>	<u>-</u>	<u>587,609</u>
	<u>(537,544)</u>	<u>(3,862)</u>	<u>-</u>	<u>(541,406)</u>
Business-type activities capital assets, net	<u>\$ 50,065</u>	<u>\$ (3,862)</u>	<u>\$ -</u>	<u>\$ 46,203</u>

Depreciation expense of \$267,454 was charged to the following functions:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
General government	\$ 76,838	\$ -
Community services	80,012	-
Public works	106,742	-
Equestrian operations	-	802
Tennis operations	-	3,060
	<u>-</u>	<u>3,060</u>
Total	<u>\$ 263,592</u>	<u>\$ 3,862</u>

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

(d) Interfund Receivable and Payable

Due to/from other funds:

Due to other funds	Due from other funds
	General Fund
Proposition A- Parks Special Revenue Fund	\$ 301,461
Nonmajor Governmental Funds	134,441
Equestrian Operations Enterprise Fund	280,798
	\$ 716,700

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 (1)(e)5. This liability will be paid from future resources primarily from the General Fund.

\$ 391,532

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

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011	Due within one year
Compensated Absences Payable	\$ 455,173	\$ 35,058	\$ (98,699)	\$ 391,532	\$ 39,153

Business-type Activities:

Compensated Absences Payable

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

\$ 64,691

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

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

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2011</u>	<u>Due within one year</u>
Compensated Absences Payable	\$ 64,328	\$ 2,150	\$ (1,787)	\$ 64,691	\$ 6,433

(4) OTHER INFORMATION

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

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

The City of Rolling Hills Estates is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The Authority began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

2. Self-Insurance Programs of the Authority

General Liability – Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) 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; (3) losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$5,000,000 to \$10,000,000 are paid under reinsurance policies and are subject to a \$2,500,000 annual aggregate deductible; (4b) costs of covered claims from \$10,000,000 to \$50,000,000 are covered through excess insurance policies; (4c) Costs of covered claims for subsidence losses are paid by excess insurance with a sub-limit of \$25,000,000 per occurrence per member. This \$25,000,000 subsidence sub-limit is composed of \$10,000,000 in reinsurance and \$15,000,000 in excess insurance. The excess insurance layer has a \$15,000,000 annual aggregate. The costs associated with 4a, 4b, and 4c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence.

Workers' Compensation – The City of Rolling Hills Estates also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$50,000 of each loss is charged directly to the member's primary deposit; (2) 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; (3) losses from \$100,000 to \$2,000,000 and the loss development reserves associated with those losses are pooled based on payroll; (4) losses from \$2,000,000 up to statutory limits are paid under an excess insurance policy. Protection is provided per statutory liability under California Workers' Compensation law.

Employer's Liability losses are pooled among members to \$2,000,000, coverage from \$2,000,000 to \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,000 to \$10,000,000 are pooled among members.

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, 2008 through July 1, 2011. Each member of the Authority has a \$10,000,000 sub-limit during the 3-year term of the policy.

Property Insurance – The City of Rolling Hills Estates participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City of Rolling Hills Estates property is currently insured according to a schedule of covered property submitted by the City of Rolling Hills Estates to the Authority. The City of Rolling Hills Estates currently has all-risk property insurance protection in the amount of \$5,574,970. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

Earthquake and Flood Insurance – The City of Rolling Hills Estates purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Rolling Hills Estates property currently has earthquake protection in the amount of \$5,400,647. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance – The City of Rolling Hills Estates purchases crime insurance coverage in the amount of Non Participant with a Non Participant deductible. The fidelity coverage is arranged by 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 last three years.

(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), a 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 19.38% 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 2011, the City's annual pension cost of \$391,415 for PERS was equal to the City's required and actual contributions.

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

Three-Year Trend Information for PERS

Schedule of Employer Contributions (\$ Amount in Thousands)			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$ 412	100%	\$ -
6/30/10	401	100%	-
6/30/11	391	100%	-

2. Defined Contribution Retirement System

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

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

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

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

During the year, the City contributed \$50,528. The total covered payroll of employees participating in the plan for the year ended June 30, 2011, was \$2,134,732.

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

CITY OF ROLLING HILLS ESTATES
Notes to Financial Statements (Continued)
June 30, 2011

(c) *Subsequent Event*

On December 1, 2011, the City entered into an agreement with PWEC Enterprises, Inc., a California corporation to maintain and operate the City-owned stables and horse facilities. This agreement will expire on February 28, 2013.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF ROLLING HILLS ESTATES
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	Original Budget Amounts	Final Budget Amounts	Actual	Variance With Final Budget
Revenues:				
Sales and use taxes	\$ 916,049	\$ 934,127	\$ 917,016	\$ (17,111)
Business license taxes	240,000	240,000	267,177	27,177
Property taxes	2,570,803	2,644,154	2,494,828	(149,326)
Other taxes	561,400	515,000	590,954	75,954
Licenses and permits	997,000	697,000	681,549	(15,451)
Fines and forfeitures	69,000	69,000	64,733	(4,267)
Use of money and property	45,000	43,500	30,192	(13,308)
Charges for services	398,000	293,000	299,674	6,674
Revenues from other agencies	296,410	296,410	419,336	122,926
Other revenues	53,199	101,000	15,317	(85,683)
Total revenues	<u>6,146,861</u>	<u>5,833,191</u>	<u>5,780,776</u>	<u>(52,415)</u>
Expenditures:				
Current:				
General government	2,882,029	2,884,843	2,886,610	(1,767)
Public safety	1,772,062	1,760,562	1,756,145	4,417
Public works	303,589	313,422	227,667	85,755
Community services	1,200,453	1,221,553	1,246,778	(25,225)
Public health	30,000	30,000	21,329	8,671
Capital outlay	50,000	50,000	66,264	(16,264)
Total expenditures	<u>6,238,133</u>	<u>6,260,380</u>	<u>6,204,793</u>	<u>55,587</u>
Net change in fund balance	(91,272)	(427,189)	(424,017)	3,172
Fund balance, beginning	<u>2,816,987</u>	<u>2,816,987</u>	<u>2,816,987</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,725,715</u>	<u>\$ 2,389,798</u>	<u>\$ 2,392,970</u>	<u>\$ 3,172</u>

See Accompanying Note to Required Supplementary Information.

CITY OF ROLLING HILLS ESTATES
State Gas Tax Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	Original Budget Amounts	Final Budget Amounts	Actual	Variance With Final Budget
Revenues:				
Use of money and property	\$ -	\$ -	\$ 160	\$ 160
Revenues from other agencies	<u>157,200</u>	<u>157,200</u>	<u>238,194</u>	<u>80,994</u>
Total revenues	157,200	157,200	238,354	81,154
Expenditures:				
Current:				
Public works	<u>157,000</u>	<u>157,000</u>	<u>189,926</u>	<u>(32,926)</u>
Net change in fund balance	200	200	48,428	48,228
Fund balance, beginning	<u>27,225</u>	<u>27,225</u>	<u>27,225</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 27,425</u></u>	<u><u>\$ 27,425</u></u>	<u><u>\$ 75,653</u></u>	<u><u>\$ 48,228</u></u>

See Accompanying Note to Required Supplementary Information.

CITY OF ROLLING HILLS ESTATES
Proposition A - Parks Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Revenues from other agencies	\$ 14,000	\$ 159,298	\$ 159,249	\$ (49)
Expenditures:				
Current:				
Community services	-	19,000	17,453	1,547
Capital outlay	50,194	50,194	50,194	-
Total expenditures	50,194	69,194	67,647	1,547
Net change in fund balance	(36,194)	90,104	91,602	1,498
Fund balance (deficit), beginning	(394,517)	(394,517)	(394,517)	-
Fund balance (deficit), ending	\$ (430,711)	\$ (304,413)	\$ (302,915)	\$ 1,498

See Accompanying Note to Required Supplementary Information.

CITY OF ROLLING HILLS ESTATES
Quimby Fees Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Use of money and property	\$ -	\$ -	\$ 1,943	\$ 1,943
Revenues from other agencies	300,000	370,000	392,206	22,206
Total revenues	300,000	370,000	394,149	24,149
Fund balance, beginning	262,930	262,930	262,930	-
Fund balance, ending	<u>562,930</u>	<u>\$ 632,930</u>	<u>\$ 657,079</u>	<u>\$ 24,149</u>

See Accompanying Note to Required Supplementary Information.

CITY OF ROLLING HILLS ESTATES
Note to Required Supplementary Information
June 30, 2011

(1) Budgetary Data

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

Budgets are reported on the same basis as the fund types and are adopted on a basis consistent with generally accepted accounting principles. The legal level of control or the level at which expenditures may not legally exceed appropriations is at the program level. The program level includes general government, public safety, public works, community services, public health and capital outlay. Unexpended budgetary appropriations lapse at year-end.

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

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SUPPLEMENTARY INFORMATION

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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:

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.

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

Proposition 1B Fund - To account for revenue received from the Proposition 1 B Transportation Bond. The funds are used for projects that will assist in reducing local traffic congestion

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.

Measure R Fund - To account for the City's share of the half-cent sales tax approved by of Los Angeles County voters to finance new transportation projects and programs within the City.

Federal STIP Fund - To account for grant monies received from the State Transportation Improvement Program (STIP) for transportation projects.

Federal ARRA Fund - To account for grant monies received from the American Recovery and Reinvestments Act (ARRA) for the street name sign, traffic signal modification and street resurfacing projects.

AGENCY FUND

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

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

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CITY OF ROLLING HILLS ESTATES
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	<u>Local Transportation</u>	<u>Traffic Safety</u>	<u>Transit Improvement Tax</u>	<u>Proposition C</u>	<u>Air Quality Improvement</u>
Assets:					
Cash and investments	\$ 11,486	\$ -	\$ 72,040	\$ 244,873	\$ 18,263
Accounts receivable	8	3,015	38	142	1,847
Total assets	<u>\$ 11,494</u>	<u>\$ 3,015</u>	<u>\$ 72,078</u>	<u>\$ 245,015</u>	<u>\$ 20,110</u>
Liabilities and fund balances (deficits):					
Accounts payable and accrued liabilities	\$ -	\$ 1,094	\$ 111	\$ -	\$ -
Due to other funds	-	15,773	-	-	-
Total liabilities	<u>-</u>	<u>16,867</u>	<u>111</u>	<u>-</u>	<u>-</u>
Fund balances (deficits):					
Restricted for:					
Transportation	11,494	-	71,967	245,015	20,110
Capital projects	-	-	-	-	-
Unassigned	-	(13,852)	-	-	-
Total fund balances (deficits)	<u>11,494</u>	<u>(13,852)</u>	<u>71,967</u>	<u>245,015</u>	<u>20,110</u>
Total liabilities and fund balances (deficits)	<u>\$ 11,494</u>	<u>\$ 3,015</u>	<u>\$ 72,078</u>	<u>\$ 245,015</u>	<u>\$ 20,110</u>

<u>State Park Grant</u>	<u>Peg Fees</u>	<u>Proposition 1B</u>	<u>Peppertree Foundation</u>	<u>Proposition 40 Parks Grant</u>	<u>Traffic Signal</u>
\$ 61,889	\$ 6,341	\$ -	\$ -	\$ -	\$ 7,054
27	6,488	29	-	-	5
<u>\$ 61,916</u>	<u>\$ 12,829</u>	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,059</u>
\$ -	\$ -	\$ -	\$ 689	\$ -	\$ -
-	-	29	28,026	53,442	-
-	-	29	28,715	53,442	-
-	-	-	-	-	7,059
61,916	12,829	-	-	-	-
-	-	-	(28,715)	(53,442)	-
<u>61,916</u>	<u>12,829</u>	<u>-</u>	<u>(28,715)</u>	<u>(53,442)</u>	<u>7,059</u>
<u>\$ 61,916</u>	<u>\$ 12,829</u>	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,059</u>

CITY OF ROLLING HILLS ESTATES
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2011

	Measure R	Federal STIP	Federal ARRA	Total Nonmajor Governmental
Assets:				
Cash and investments	\$ -	\$ -	\$ -	\$ 421,946
Accounts receivable	44	-	-	11,643
Total assets	\$ 44	\$ -	\$ -	\$ 433,589
Liabilities and fund balances (deficits):				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 1,894
Due to other funds	4,483	26,372	6,316	134,441
Total liabilities	4,483	26,372	6,316	136,335
Fund balances (deficits):				
Restricted for:				
Transportation	-	-	-	355,645
Capital projects	-	-	-	74,745
Unassigned	(4,439)	(26,372)	(6,316)	(133,136)
Total fund balances (deficits)	(4,439)	(26,372)	(6,316)	297,254
Total liabilities and fund balances (deficits)	\$ 44	\$ -	\$ -	\$ 433,589

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CITY OF ROLLING HILLS ESTATES
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011

	Local Transportation	Traffic Safety	Transit Improvement Tax	Proposition C	Air Quality Improvement
Revenues:					
Fines and forfeitures	\$ -	\$ 38,525	\$ -	\$ -	\$ -
Use of money and property	37	32	203	812	328
Charges for services	-	-	-	-	-
Revenues from other agencies	15,250	-	110,214	100,605	8,836
Total revenues	<u>15,287</u>	<u>38,557</u>	<u>110,417</u>	<u>101,417</u>	<u>9,164</u>
Expenditures:					
Current:					
General government	-	-	-	-	153,899
Public safety	-	73,871	-	-	-
Public works	-	-	127,577	-	-
Community services	-	-	-	-	-
Capital outlay	4,000	-	-	34,180	-
Total expenditures	<u>4,000</u>	<u>73,871</u>	<u>127,577</u>	<u>34,180</u>	<u>153,899</u>
Net change in fund balances	11,287	(35,314)	(17,160)	67,237	(144,735)
Fund balances (deficits), beginning	<u>207</u>	<u>21,462</u>	<u>89,127</u>	<u>177,778</u>	<u>164,845</u>
Fund balances (deficits), ending	<u>\$ 11,494</u>	<u>\$ (13,852)</u>	<u>\$ 71,967</u>	<u>\$ 245,015</u>	<u>\$ 20,110</u>

State Park Grant	Peg Fees	Proposition 1 B	Peppertree Foundation	Proposition 40 Parks Grant	Traffic Signal
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
149	4	288	-	-	28
-	-	-	46,197	-	-
25,549	12,825	-	-	241,460	-
<u>25,698</u>	<u>12,829</u>	<u>288</u>	<u>46,197</u>	<u>241,460</u>	<u>28</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	36,259	-	-
-	-	79,413	5,018	251,291	-
-	-	79,413	41,277	251,291	-
25,698	12,829	(79,125)	4,920	(9,831)	28
36,218	-	79,125	(33,635)	(43,611)	7,031
<u>\$ 61,916</u>	<u>\$ 12,829</u>	<u>\$ -</u>	<u>\$ (28,715)</u>	<u>\$ (53,442)</u>	<u>\$ 7,059</u>

CITY OF ROLLING HILLS ESTATES
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
Year Ended June 30, 2011

	Measure R	Federal STIP	Federal ARRA	Total Nonmajor Governmental
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ 38,525
Use of money and property	313	-	-	2,194
Charges for services	-	-	-	46,197
Revenues from other agencies	71,333	-	466,928	1,053,000
Total revenues	71,646	-	466,928	1,139,916
Expenditures:				
Current:				
General government	-	-	-	153,899
Public safety	-	-	-	73,871
Public works	-	-	-	127,577
Community services	-	-	-	36,259
Capital outlay	128,167	3,309	473,499	978,877
Total expenditures	128,167	3,309	473,499	1,370,483
Net change in fund balances	(56,521)	(3,309)	(6,571)	(230,567)
Fund balances (deficits), beginning	52,082	(23,063)	255	527,821
Fund balances (deficits), ending	<u>\$ (4,439)</u>	<u>\$ (26,372)</u>	<u>\$ (6,316)</u>	<u>\$ 297,254</u>

CITY OF ROLLING HILLS ESTATES
Local Transportation Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	Final Budget Amounts	Actual	Variance
Revenues:			
Use of money and property	\$ 1	\$ 37	\$ 36
Revenues from other agencies	15,250	15,250	-
Total revenues	15,251	15,287	36
Expenditures:			
Capital outlay	-	4,000	(4,000)
Net change in fund balance	15,251	11,287	4,036
Fund balance, beginning	207	207	-
Fund balance, ending	<u>\$ 15,458</u>	<u>\$ 11,494</u>	<u>\$ 4,036</u>

CITY OF ROLLING HILLS ESTATES
Traffic Safety Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Fines and forfeitures	\$ 42,000	\$ 38,525	\$ (3,475)
Use of money and property	200	32	(168)
	<hr/>	<hr/>	<hr/>
Total revenues	42,200	38,557	(3,643)
Expenditures:			
Current:			
Public safety	62,715	73,871	(11,156)
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(20,515)	(35,314)	(14,799)
Fund balance, beginning	21,462	21,462	-
	<hr/>	<hr/>	<hr/>
Fund balance (deficit), ending	<u>\$ 947</u>	<u>\$ (13,852)</u>	<u>\$ (14,799)</u>

CITY OF ROLLING HILLS ESTATES
Transit Improvement Tax Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Use of money and property	\$ 400	\$ 203	\$ (197)
Revenues from other agencies	<u>127,000</u>	<u>110,214</u>	<u>(16,786)</u>
Total revenues	127,400	110,417	(16,983)
Expenditures:			
Current:			
Public works	<u>131,356</u>	<u>127,577</u>	<u>3,779</u>
Net change in fund balance	(3,956)	(17,160)	(13,204)
Fund balance, beginning	<u>89,127</u>	<u>89,127</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 85,171</u></u>	<u><u>\$ 71,967</u></u>	<u><u>\$ (13,204)</u></u>

CITY OF ROLLING HILLS ESTATES
Proposition C Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Use of money and property	\$ 750	\$ 812	\$ 62
Revenues from other agencies	<u>108,000</u>	<u>100,605</u>	<u>(7,395)</u>
Total revenues	108,750	101,417	(7,333)
Expenditures:			
Capital outlay	<u>140,000</u>	<u>34,180</u>	<u>105,820</u>
Net change in fund balance	(31,250)	67,237	98,487
Fund balance, beginning	<u>177,778</u>	<u>177,778</u>	<u>-</u>
Fund balance, ending	<u>\$ 146,528</u>	<u>\$ 245,015</u>	<u>\$ 98,487</u>

CITY OF ROLLING HILLS ESTATES
Air Quality Improvement Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	Final Budget Amounts	Actual	Variance
Revenues:			
Use of money and property	\$ 800	\$ 328	\$ (472)
Revenues from other agencies	9,100	8,836	(264)
Total revenues	9,900	9,164	(736)
Expenditures:			
Current:			
General government	137,435	153,899	(16,464)
Net change in fund balance	(127,535)	(144,735)	(17,200)
Fund balance, beginning	164,845	164,845	-
Fund balance, ending	<u>\$ 37,310</u>	<u>\$ 20,110</u>	<u>\$ (17,200)</u>

CITY OF ROLLING HILLS ESTATES
State Park Grant Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Use of money and property	\$ -	\$ 149	\$ 149
Revenues from other agencies	<u>25,500</u>	<u>25,549</u>	<u>49</u>
Net change in fund balance	25,500	25,698	198
Fund balance, beginning	<u>36,218</u>	<u>36,218</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 61,718</u></u>	<u><u>\$ 61,916</u></u>	<u><u>\$ 198</u></u>

CITY OF ROLLING HILLS ESTATES
Peg Fees Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Use of money and property	\$ -	\$ 4	\$ 4
Revenues from other agencies	12,000	12,825	825
	12,000	12,829	829
Net change in fund balance			
Fund balance, beginning	-	-	-
Fund balance, ending	<u>\$ 12,000</u>	<u>\$ 12,829</u>	<u>\$ 829</u>

CITY OF ROLLING HILLS ESTATES
Proposition 1B - Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Use of money and property	\$ -	\$ 288	\$ 288
Expenditures:			
Capital outlay	<u>80,000</u>	<u>79,413</u>	<u>587</u>
Net change in fund balance	(80,000)	(79,125)	875
Fund balance, beginning	<u>79,125</u>	<u>79,125</u>	<u>-</u>
Fund balance (deficit), ending	<u><u>\$ (875)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 875</u></u>

CITY OF ROLLING HILLS ESTATES
Peppertree Foundation Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Use of money and property	\$ 1,000	\$ -	\$ (1,000)
Charges for services	<u>50,000</u>	<u>46,197</u>	<u>(3,803)</u>
Total revenues	<u>51,000</u>	<u>46,197</u>	<u>(4,803)</u>
Expenditures:			
Current:			
Community services	41,000	36,259	4,741
Capital outlay	<u>-</u>	<u>5,018</u>	<u>(5,018)</u>
Total expenditures	<u>41,000</u>	<u>41,277</u>	<u>(277)</u>
Net change in fund balance	10,000	4,920	(5,080)
Fund balance (deficit), beginning	<u>(33,635)</u>	<u>(33,635)</u>	<u>-</u>
Fund balance (deficit), ending	<u><u>\$ (23,635)</u></u>	<u><u>\$ (28,715)</u></u>	<u><u>\$ (5,080)</u></u>

CITY OF ROLLING HILLS ESTATES
Proposition 40 - Parks Grant Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Revenue from other agencies	\$ -	\$ 241,460	\$ 241,460
Expenditures:			
Capital outlay	<u>251,291</u>	<u>251,291</u>	<u>-</u>
Net change in fund balance	(251,291)	(9,831)	241,460
Fund balance (deficit), beginning	<u>(43,611)</u>	<u>(43,611)</u>	<u>-</u>
Fund balance (deficit), ending	<u><u>\$ (294,902)</u></u>	<u><u>\$ (53,442)</u></u>	<u><u>\$ 241,460</u></u>

CITY OF ROLLING HILLS ESTATES
Traffic Signal Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Use of money and property	\$ -	\$ 28	\$ 28
Fund balance, beginning	<u>7,031</u>	<u>7,031</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 7,031</u></u>	<u><u>\$ 7,059</u></u>	<u><u>\$ 28</u></u>

CITY OF ROLLING HILLS ESTATES
Measure R Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	Final Budget Amounts	Actual	Variance
Revenues:			
Use of money and property	\$ -	\$ 313	\$ 313
Revenues from other agencies	80,000	71,333	(8,667)
Total revenues	80,000	71,646	(8,354)
Expenditures:			
Capital outlay	125,000	128,167	(3,167)
Net change in fund balance	(45,000)	(56,521)	(11,521)
 Fund balance, beginning	 52,082	 52,082	 -
Fund balance (deficit), ending	<u>7,082</u>	<u>(4,439)</u>	<u>(11,521)</u>

CITY OF ROLLING HILLS ESTATES
Federal STIP Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:			
Capital outlay	\$ 3,309	\$ 3,309	\$ -
Net change in fund balance	(3,309)	(3,309)	-
Fund balance (deficit), beginning	<u>(23,063)</u>	<u>(23,063)</u>	<u>-</u>
Fund balance (deficit), ending	<u><u>\$ (26,372)</u></u>	<u><u>\$ (26,372)</u></u>	<u><u>\$ -</u></u>

CITY OF ROLLING HILLS ESTATES
Federal ARRA Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2011

	<u>Final Budget Amounts</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Revenues from other agencies	\$ 499,775	\$ 466,928	\$ (32,847)
Expenditures:			
Capital outlay	400,000	473,499	(73,499)
Net change in fund balance	99,775	(6,571)	(106,346)
Fund balance, beginning	255	255	-
Fund balance (deficit), ending	<u>\$ 100,030</u>	<u>\$ (6,316)</u>	<u>\$ (106,346)</u>

CITY OF ROLLING HILLS ESTATES
Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2011

<u>Peninsula Parking</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Assets:				
Cash and investments	\$ 7,058	\$ 45,904	\$ 50,644	\$ 2,318
Liabilities:				
Accounts payable	\$ 7,058	\$ 45,904	\$ 50,644	\$ 2,318

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STATISTICAL INFORMATION

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CITY OF ROLLING HILLS ESTATES
Comprehensive Annual Financial Report
Year Ended June 30, 2011

STATISTICAL SECTION

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

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

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

The City of Rolling Hills Estates implemented GASB 34 for the fiscal year ended June 30, 2004. Therefore, the City only shows eight years of data for this schedule.

Source: City Administrative Services Department.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 7,494,508	\$ 7,507,337	\$ 7,522,061	\$ 7,437,235	\$ 7,823,648
144,809	378,721	533,470	963,108	1,200,294
5,102,324	4,451,803	2,733,165	1,822,165	1,528,215
<u>\$ 12,741,641</u>	<u>\$ 12,337,861</u>	<u>\$ 10,788,696</u>	<u>\$ 10,222,508</u>	<u>\$ 10,552,157</u>
\$ 61,650	\$ 57,789	\$ 53,927	\$ 50,065	\$ 46,203
60,942	20,132	(127,910)	(180,723)	(267,237)
<u>\$ 122,592</u>	<u>\$ 77,921</u>	<u>\$ (73,983)</u>	<u>\$ (130,658)</u>	<u>\$ (221,034)</u>
\$ 7,556,158	\$ 7,565,126	\$ 7,575,988	\$ 7,487,300	\$ 7,869,851
144,809	378,721	533,470	963,108	1,200,294
5,163,266	4,471,935	2,605,255	1,641,442	1,260,978
<u>\$ 12,864,233</u>	<u>\$ 12,415,782</u>	<u>\$ 10,714,713</u>	<u>\$ 10,091,850</u>	<u>\$ 10,331,123</u>

CITY OF ROLLING HILLS ESTATES

Changes in Net Assets

Last Eight Fiscal Years

(Accrual Basis of Accounting)

	Fiscal Year		
	2004	2005	2006
Expenses:			
Governmental activities:			
General government	\$ 2,280,561	\$ 2,254,568	\$ 2,973,724
Public safety	1,666,584	1,666,787	1,705,592
Public works	493,892	765,218	606,608
Community services	1,352,068	1,408,536	1,531,124
Public health	31,600	34,968	37,026
Total governmental activities expenses	<u>5,824,705</u>	<u>6,130,077</u>	<u>6,854,074</u>
Business-type activities:			
Equestrian	596,933	627,980	704,009
Tennis	62,512	53,302	43,402
Total business-type activities expenses	<u>659,445</u>	<u>681,282</u>	<u>747,411</u>
Total primary government expenses	<u>6,484,150</u>	<u>6,811,359</u>	<u>7,601,485</u>
Program revenues:			
Governmental activities:			
Charges for services:			
General government	809,092	1,063,064	1,187,773
Public safety	117,180	106,084	110,482
Public works	50,226	110,005	121,529
Community services	144,718	177,682	118,074
Operating grants and contributions	594,393	704,988	903,422
Capital grants and contributions	-	-	-
Total governmental activities program revenues	<u>1,715,609</u>	<u>2,161,823</u>	<u>2,441,280</u>
Business-type activities:			
Charges for services:			
Equestrian	535,648	619,158	630,146
Tennis	41,597	44,040	46,354
Capital grants and contributions	33,244.00	-	-
Total business-type activities	<u>610,489</u>	<u>663,198</u>	<u>676,500</u>
The City of Rolling Hills Estates has elected	<u>610,489</u>	<u>663,198</u>	<u>676,500</u>
Total primary government program revenues	<u>2,326,098</u>	<u>2,825,021</u>	<u>3,117,780</u>
Net revenues (expenses):			
Governmental activities	(4,109,096)	(3,968,254)	(4,412,794)
Business-type activities	(48,956)	(18,084)	(70,911)
Total net revenues (expenses)	<u>(4,158,052)</u>	<u>(3,986,338)</u>	<u>(4,483,705)</u>

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

(Continued)

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

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

The City of Rolling Hills Estates implemented GASB 34 for the fiscal year ended June 30, 2004. Therefore, the City only shows eight years of data for this schedule.

Source: City Administrative Services Department.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 2,387,652	\$ 2,492,172	\$ 2,525,072	\$ 2,369,270	\$ 2,494,828
1,192,703	1,199,466	986,408	917,855	917,016
				41,550
47,500	36,304	27,834	24,024	
				267,177
508,260	407,451	383,777	221,600	518,175
474,638	530,806	513,902	492,746	72,779
156,565	52,394	40,548	65,435	18,467
334,457	206,181	91,946	30,770	-
800,000	(25,560)	-	-	40,766
99,025	15,503	8,706	155,143	
6,000,800	4,914,717	4,578,193	4,276,843	4,370,758
11,074	7,342	2,785	753	477
6,011,874	4,922,059	4,580,978	4,277,596	4,371,235
1,882,588	(403,780)	(1,549,165)	(566,188)	329,649
(54,170)	(44,671)	(151,904)	(56,675)	(90,376)
\$ 1,828,418	\$ (448,451)	\$ (1,701,069)	\$ (622,863)	\$ 239,273

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

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

	2010 ¹	2011
	General fund:	
Nonspendable	\$ 247,242	\$ 86,741
Restricted	44,823	37,172
Assigned	642,800	502,264
Unassigned	1,882,122	1,766,793
Total general fund	<u>\$ 2,816,987</u>	<u>\$ 2,392,970</u>
All other governmental funds:		
Restricted	\$ 918,285	\$ 1,163,122
Unassigned	(494,826)	(436,051)
Total other governmental funds	<u>\$ 423,459</u>	<u>\$ 727,071</u>

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

Source: City Administrative Services Department.

Note:

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

Fiscal Year		
2007	2008	2009
\$ 833,201	\$ 664,853	\$ 502,156
<u>4,606,973</u>	<u>3,836,098</u>	<u>2,838,092</u>
<u>\$ 5,440,174</u>	<u>\$ 4,500,951</u>	<u>\$ 3,340,248</u>
\$ 144,809	\$ 729,352	\$ 361,329
<u>\$ 144,809</u>	<u>\$ 729,352</u>	<u>\$ 361,329</u>

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

	Fiscal Year		
	2004	2005	2006
Revenues:			
Sales and use taxes	\$ 1,519,280	\$ 1,176,372	\$ 1,252,817
Business license taxes	404,400	469,858	447,760
Property taxes	1,175,763	2,028,224	1,252,817
Other taxes	463,906	443,673	1,473,756
Licenses and permits	728,509	943,695	1,012,310
Fines and forfeitures	110,207	97,555	104,315
Use of money and property	89,995	118,395	239,659
Charges for services	231,346	311,571	316,052
Revenues from other agencies	992,994	949,400	1,034,968
Other revenues	6,904	27,762	3,150
Total revenues	5,723,304	6,566,505	7,137,604
Expenditures:			
Current:			
General government	2,224,260	2,359,003	2,891,255
Public safety	1,666,584	1,666,786	1,705,599
Public works	445,103	678,543	428,794
Community services	1,327,666	1,365,740	1,444,252
Public health	31,600	34,968	37,026
Capital outlay	570,639	51,887	959,921
Total expenditures	6,265,852	6,156,927	7,466,847
Excess (deficiency) of revenues over (under) expenditures	(542,548)	409,578	(329,243)
Other financing sources (uses):			
Transfers in	-	67,874	-
Transfers out	-	(67,874)	-
Gain on sale of capital asset	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	\$ (542,548)	\$ 409,578	\$ (329,243)
Debt service as a percentage of noncapital expenditures	N/A	N/A	N/A

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

Source: City Administrative Services Department.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 1,192,703	\$ 1,199,467	\$ 986,408	\$ 917,855	917,016
508,260	407,452	383,777	221,600	267,177
2,387,652	2,492,172	2,525,072	2,369,270	2,494,828
631,202	583,202	554,450	558,182	590,954
968,981	733,268	491,632	674,137	681,549
100,602	150,491	114,203	123,547	103,258
363,487	221,489	107,527	49,555	34,489
842,995	630,758	442,179	345,137	345,871
1,558,834	1,269,099	955,535	1,099,465	2,261,985
95,449	7,873	2,681	147,624	15,317
<u>8,650,165</u>	<u>7,695,271</u>	<u>6,563,464</u>	<u>6,506,372</u>	<u>7,712,444</u>
3,134,345	3,619,451	3,257,757	2,913,496	3,040,509
1,878,066	1,898,712	2,111,932	1,819,095	1,830,016
589,891	551,488	533,166	591,294	545,170
1,617,366	1,472,495	1,347,204	1,215,844	1,300,490
44,290	24,148	28,101	34,059	21,329
1,795,830	483,657	814,030	393,715	1,095,335
<u>9,059,788</u>	<u>8,049,951</u>	<u>8,092,190</u>	<u>6,967,503</u>	<u>7,832,849</u>
<u>(409,623)</u>	<u>(354,680)</u>	<u>(1,528,726)</u>	<u>(461,131)</u>	<u>(120,405)</u>
-	48,062	-	-	-
-	(48,062)	-	-	-
800,000	-	-	-	-
<u>800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 390,377</u>	<u>\$ (354,680)</u>	<u>\$ (1,528,726)</u>	<u>\$ (461,131)</u>	<u>\$ (120,405)</u>
N/A	N/A	N/A	N/A	N/A

CITY OF ROLLING HILLS ESTATES
Business Tax Rates
June 30, 2011

FEE TYPE	BUSINESS TYPE / DESCRIPTION
Application fee	
\$20	New license
\$10	Renewal
Flat fee	
\$40	Contractor
\$100	Delivery, gardener, maintenance, seasonal businesses
400	Horse trainer
\$25	Performing arts theatre
Base fee	
\$25	home occupation
Base + gross receipts	(gross receipt formulas vary according to business type)
\$25 + gross receipts formula	Retail, restaurant, private school, recreational business, wholesale
\$100 + gross receipts formula	Alarm companies
\$150 + gross receipts formula	Landfills
\$500 + gross receipts formula	Ready mix plants
\$75 + gross receipts formula	Vending machines
Base + owner/employee fee	
\$150 + \$15 per owner/employee	Realtor, professional service
\$75 + \$10 per owner/employee	Research & development
Base + square footage	
\$25 + square footage formula	Commercial property rental/leasing
AB 939	10% of any of the above fees for businesses located within Rolling Hills Estates, excluding home occupation, alarm and vending machine businesses.
Daily fee	
\$500/day	Motion picture filming - non-commercial/non-public areas
\$1,000/day	Motion picture filming - commercial/public areas
\$200/day	Still photography - City property
\$100/day	Still photography - other property
Daily/Quarterly/Annually	
\$50/day	Solicitation permit (commercial)
\$200/quarterly	Solicitation permit (commercial)
\$500/annually	Solicitation permit (commercial)

Note: Business tax rates have not changed within the past three years.

Source: City's Administrative Services Department.

CITY OF ROLLING HILLS ESTATES
Business Tax - Principal Payers
June 30, 2011 and 2002

June 30, 2011 Principal Payers

Abercrombie & Fitch
Ann Taylor Retail, Inc.
Arco Am/Pm Mini Marts
Banana Republic #8557
Borders #523
Bristol Farms
Chico's Fas, Inc. #216
Coldwater Creek U.S. Inc.
Cvs/Pharmacy #9607
Domino's Pizza
Gap #279
J Crew
Marmalade, Ll.c.
Morgan's Jewelers
Palos Verdes Bicycle Center
Petco Animal Supplies Stores,Inc.
Red Onion
Rite Aid #5480
Rolling Hills Country Club
Ruby's Diner
Standard Concrete Products Inc
Stein Mart Inc #701
T.J. Maxx Of Ca Ll.c
The Vons Companies,Inc.
Williams-Sonoma #408

June 30, 2002 Principal Payers

Abercrombie & Fitch
Ann Taylor Retail, Inc.
Arco Am/Pm Mini Marts
Banana Republic #8557
Bristol Farms
Chicos
Cvs/Pharmacy #9607
Gap #279
IL Posto Restaurant
J Crew
Morgan's Jewelers
Palos Verdes Auto Service
Petco Animal Supplies Stores,Inc
Red Onion
Restoration Hardware
Rite Aid #5480
Rolling Hills Country Club
Ruby's Diner
Saks Fifth Avenue
Standard Concrete Products Inc
T.J. Maxx Of Ca Ll.c
The Talbots Inc
The Vons Companies,Inc.
Tommy Hilfiger
Williams-Sonoma

Source: MuniServices, LLC

CITY OF ROLLING HILLS ESTATES
Direct and Overlapping Debt
June 30, 2011

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Debt June 30, 2011</u>	<u>% Applicable ⁽¹⁾</u>	<u>City's Share of Debt June 30, 2011</u>
Los Angeles County Flood Control District	\$ 53,795,000	0.265%	\$ 142,557
Metropolitan Water District	227,670,000	1.330%	302,801
Los Angeles Community College District	3,536,745,000	0.458%	16,198,292
Palos Verdes Peninsula Unified School District	80,877,350	13.596%	10,996,085
City of Rolling Hills Estates	0.00	100%	0.00
Palos Verdes Library District	6,520,000	13.930%	843,036
Los Angeles County Regional Park and and Open Space Assessment District	197,285,000	25.900%	510,968
TOTAL DIRECT AND OVERLAPPING DEBT	\$ 4,102,892,350		\$ 28,993,739
 <u>OVERLAPPING GENERAL FUND DEBT:</u>			
Los Angeles County General Fund Obligations	\$ 1,496,977,775	0.259%	\$ 3,877,172
Los Angeles County Superintendent of Schools Certificates of Participation	12,204,890	25.900%	31,611
Los Angeles County Sanitation District No. 5 Authority	54,005,754	3.297%	1,780,570
Los Angeles County Sanitation District South Bay Cities Authority	9,201,462	0.018%	1,656
TOTAL OVERLAPPING GENERAL FUND DEBT	\$ 1,572,389,881		\$ 5,691,009
Net Combined Total Debt	\$ 5,675,282,231		\$ 34,684,748 ⁽²⁾

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

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

Ratios to Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	1.22%
Net Combined Total Debt	1.46%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0

Source: MuniServices, LLC

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

	Fiscal Year			
	2002	2003	2004	2005
Assessed valuation	\$ 1,554,235,124	\$ 1,627,324,230	\$ 1,732,493,353	\$ 1,909,388,088
Debt limit percentage	15%	15%	15%	15%
Debt limit	233,135,269	244,098,635	259,874,003	286,408,213
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>	<u>\$ 286,408,213</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

Source: City's Administrative Services Department & County of Los Angeles Department of Auditor-Controller

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 1,990,314,921	\$ 2,127,086,250	\$ 2,265,129,361	\$ 2,357,954,115	\$ 2,370,314,558	\$ 2,446,353,508
15%	15%	15%	15%	15%	15%
298,547,238	319,062,938	339,769,404	353,693,117	355,547,184	366,953,026
-	-	-	-	-	-
<u>\$ 298,547,238</u>	<u>\$ 319,062,938</u>	<u>\$ 339,769,404</u>	<u>\$ 353,693,117</u>	<u>\$ 355,547,184</u>	<u>\$ 366,953,026</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

Calendar Year	Population ⁽¹⁾	Personal Income (in millions) ⁽²⁾	Per Capita Personal Income ⁽²⁾	Unemployment Rate ⁽³⁾
2002	7,918	301,003	30,856	1.8%
2003	8,051	309,827	31,512	1.9%
2004	8,125	326,402	33,034	1.8%
2005	8,191	346,423	35,022	1.4%
2006	8,073	369,174	37,362	1.2%
2007	8,099	209,302	25,843	1.2%
2008	8,185	217,549	26,579	1.3%
2009	8,138	224,609	27,600	1.9%
2010	8,118	223,253	27,501	3.4%
2011	8,093	226,539	27,992	3.8%

Sources: (1) MuniSerices, LLC from the California Department of Finance Projections
(2) MuniServices, LLC from the U.S. Census Data and is adjusted for inflation
(3) MuniServices, LLC from the EDD's Bureau of Labor Statistics Department

CITY OF ROLLING HILLS ESTATES
Principal Employers
Current Year

2011		
Employer	Number of Employees	Percent of Total Employment
Palos Verdes Peninsula Unified School District	1,350 *	34.62%
Equinox Palos Verdes	117	3.00%
Rolling Hills Country Club	105	2.69%
Pavilions	100	2.56%
Rolling Hills Covenant Church	78	2.00%
Marmalade Café	57	1.46%
Bristol Farms	55	1.41%
Longs Drugs	55	1.41%
Abercrombie & Fitch	52	1.33%
Red Onion Restaurant	40	1.03%
Spectrum Health Club	40	1.03%
Cox Communications	37	0.95%
Total Top Employers	2,086	53.49%
Total City Employment ⁽¹⁾	3,900	

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

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

The City of Rolling Hills Estates has elected to present only current year data.

Source: 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 Six Fiscal Years

Full-Time and Part-Time Employees as of June 30,						
Function	2006	2007	2008	2009	2010	2011
General government	15	15	15	15	15	13
Public safety	3	1	1	1	2	2
Community services	12	9	10	10	7	7
Equestrian	7	6	7	7	7	6
Tennis	4	4	3	4	4	3
Total	41	35	36	37	35	31

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

Source: City's Administrative Services Department

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

	Fiscal Year					
	2006	2007	2008	2009	2010	2011
Police:						
Arrests	113	87	186	184	113	80
Parking citations issued	434	562	783	519	635	333
Fire:						
Number of emergency calls	521	*	*	487	531	691
Inspections	1,110	*	*	4	3	5
Public works:						
Street resurfacing (miles)	3	3	2	2	<1	1.2
Community services:						
Number of recreation classes	20	21	21	5	5	5
Number of facility rentals	9	0	0	10	10	10
Equestrian:						
Number of equestrian classes	45	48	48	40	40	40
Number of facility rentals	20	18	16	16	16	16
Tennis:						
Number of tennis classes	80	80	80	80	80	80

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

Source: Various City's Departments, L.A. County Sheriffs Dept., & L.A. County Fire Dept.

*Data not readily available

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

	Fiscal Year					
	2006	2007	2008	2009	2010	2011
Police:						
Stations	0	0	0	0	0	0
Fire:						
Fire stations	1 LA County's	1 LA County's	1 LA County's	1 LA County's	1 LA County's	1 LA County's
Public works:						
Streets (miles)	28	28	28	28	28	28
Streetlights	0	0	0	0	0	0
Traffic signals	17 intersections	17 intersections	17 intersections	17 intersections	17 intersections	17 intersections
Community services:						
Parks	7	7	7	7	7	7
Community centers	1	1	1	1	1	1
Equestrian:						
Facilities	1	1	1	1	1	1
Tennis:						
Facilities	1	1	1	1	1	1

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

Source: Various City's Departments, L.A. County Sheriffs Dept., & L.A. County Fire Dept.

CITY OF ROLLING HILLS ESTATES
Miscellaneous Statistics
June 30, 2011

Date of incorporation	September 18, 1957
Population	8,093
Form of government	Council/Manager
Contract Services:	
Police protection	County Sheriff
Fire protection	County Fire Protection Dist.
Sewers	County Sanitation Dist. #5
Utilities:	
Water	California Water Company
Gas	Southern California Gas Co.
Electricity	Southern California Edison
Telephone	Verizon & XO Communication
City Facilities:	
Streets	28 miles
Bike paths	10 miles
Bridle trails	16 miles
Parks	7 with 52.5 acres
Stables	1 with 116 stalls
Employees:	
Full-time	28
Other	3
Business licenses issued	1,400
Number of Registered Voters	5,693

Source: City Departments & Los Angeles County Registrar - Recorder