

**CITY OF ROLLING HILLS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**PREPARED BY:
THE CITY OF ROLLING HILLS, CALIFORNIA
FINANCIAL SERVICES DEPARTMENT**

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INTRODUCTORY SECTION



City of Rolling Hills

INCORPORATED JANUARY 24, 1957

NO. 2 PORTUGUESE BEND ROAD
ROLLING HILLS, CA 90274
(310) 377-1521
FAX (310) 377-7288

December 26, 2012

Honorable Mayor, Members of the City Council, and Citizens of Rolling Hills

It is the policy of the City of Rolling Hills to publish annually a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accounts. Pursuant to that requirement, we hereby present the Comprehensive Annual Financial Report (CAFR) of the City of Rolling Hills (“the City”) for fiscal year ended June 30, 2012.

This report consists of management’s representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making their representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City’s assets from loss, theft or misuse and to compile sufficient reliable information for the City’s financial statement. Because the cost of internal controls should not outweigh their benefits, the City’s framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. Thus, we assert that to the best of our knowledge, this financial report is complete and reliable in all material aspects.

The City’s financial statements have been audited by Lance Soll & Lunghard, LLP, a firm of independent certified public accountants. The goal of this independent audit is to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent auditor rendered an unqualified opinion that the City’s financial statements for fiscal year ended June 30, 2012, is fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative, overview and analysis of the basic financial statements. This letter of transmittal should be read in conjunction with the MD&A.

Profile of the City Government

The City of Rolling Hills, with panoramic views of Los Angeles and the Pacific Ocean, is nestled within the Palos Verdes Peninsula adjacent to the Cities of Rolling Hills Estates, Rancho Palos Verdes and unincorporated Los Angeles County. As a three-square mile, gated City incorporated in 1957, the community has stayed true to its original General Plan by maintaining a rural, residential character that blends single family, one-story, ranch-style homes into the natural, Mediterranean habit of the peninsula. The City’s population is approximately 1860; it contains approximately 26 miles of hiking and equestrian trails and 685 homes. The community is only residential; there are no commercial or industrial activities or zoning in the City.

The City has operated under the council-manager form of government since 1957. Policy-making and legislative authority are vested in a City Council consisting of the mayor and four council members. Council members are elected at-large on a non-partisan basis at City-conducted elections held in March of odd-numbered years. Council members serve four-year staggered terms. The mayor's position rotates annually among the council members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees and hiring both the City Manager and 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 City, and for appointing the heads of the various departments.

City employees provide, among a variety of services, planning and building review and approval. The City contracts with Los Angeles County for public safety including Sheriff and animal control. For building permits plan review and building inspection, the City contracts with both Los Angeles County and a consulting engineering firm. The City manages a franchise agreement for residential refuse collection. Property in the City for recreational uses is under an exclusive lease to the Rolling Hills Community Association.

City's Financial Policies

Budget Policy and Practice – The City of Rolling Hills Financial Policies are the framework for planning and management of the City's fiscal resources. The budget serves as the foundation for the City's financial planning and control. The City Manager presents the recommended budget to the City Council in late-May after an internal process of budget review with the City Council Finance/Budget Committee that begins in late-March. A public hearing on the proposed budget is held at the first Council meeting in June and the final budget is adopted at that same meeting or prior to June 30. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted and expenditure has occurred.

Fund Balance Policy and Practice – As reported herein, the City has implemented GASB Statement No. 54 regarding fund balance. The City Council formally adopted a fund balance policy, which establishes minimum Unrestricted Fund Balance (after deducting nonspendable and restricted fund balance) in each of the various funds of the City. Other balances, committed, assigned and unassigned are established in conformance with adopted Council policy and GASB 54.

Investment Policy and Practice – The City Council Finance/Budget Committee, the City Manager, and the Finance Director have responsibility for custody and investment of City funds. The Treasury activities are guided by the City's adopted investment policy, which defines the objectives and priorities of the investment program, emphasizing safety and liquidity of funds as the highest priorities. The policy's third priority is to achieve return on investment on securities based on lower risk investment choices. The City uses three main investment mechanisms for idle funds: the State Treasurer's Local Agency Investment Fund (LAIF), U.S. Treasury Bills and Certificates of Deposit.

Major Initiatives and Achievements

During the fiscal year 2011/12, the City funded its Other Post-Employment Health Care unfunded actuarial accrued liability of \$391,029. The City successfully contracted out the operations of the Finance Department. The City also facilitated and participated in a settlement agreement regarding the March 5, 2005, 1 Poppy Trail landslide.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy - As mentioned previously, the City is a rural gated community with single family, one story, and ranch-style homes. The City is fully developed with few vacant parcels. The community is only residential; there are no commercial or industrial activities or zoning in the City. As such, the City is not subject to the consumer-driven, economic fluctuations except to the extent that the real estate market is affected by changes in property assessment and valuation. The 2011-2012 fiscal year saw a reduction in property values that affected local assessments and a reduction in development activity as compared to prior historical highs. The City was not affected or influenced by changes in State or Federal revenues. In general, as part of the larger South-Bay region of Los Angeles County, consisting of 16 incorporated cities and 20 communities, the City is part of a well-diversified economy. The South Bay is home to many aerospace and defense-related industries, as well as manufacturing, software development, entertainment, travel and tourism. Located near Los Angeles International Airport and ports of Los Angeles and Long Beach, the South Bay is an essential component in the Los Angeles County economy and the area is home to many firms dealing with international markets.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rolling Hills for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. In order to receive a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) that satisfies both generally accepted accounting principles and applicable legal requirements. We believe the City's current CAFR meets the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for the award.

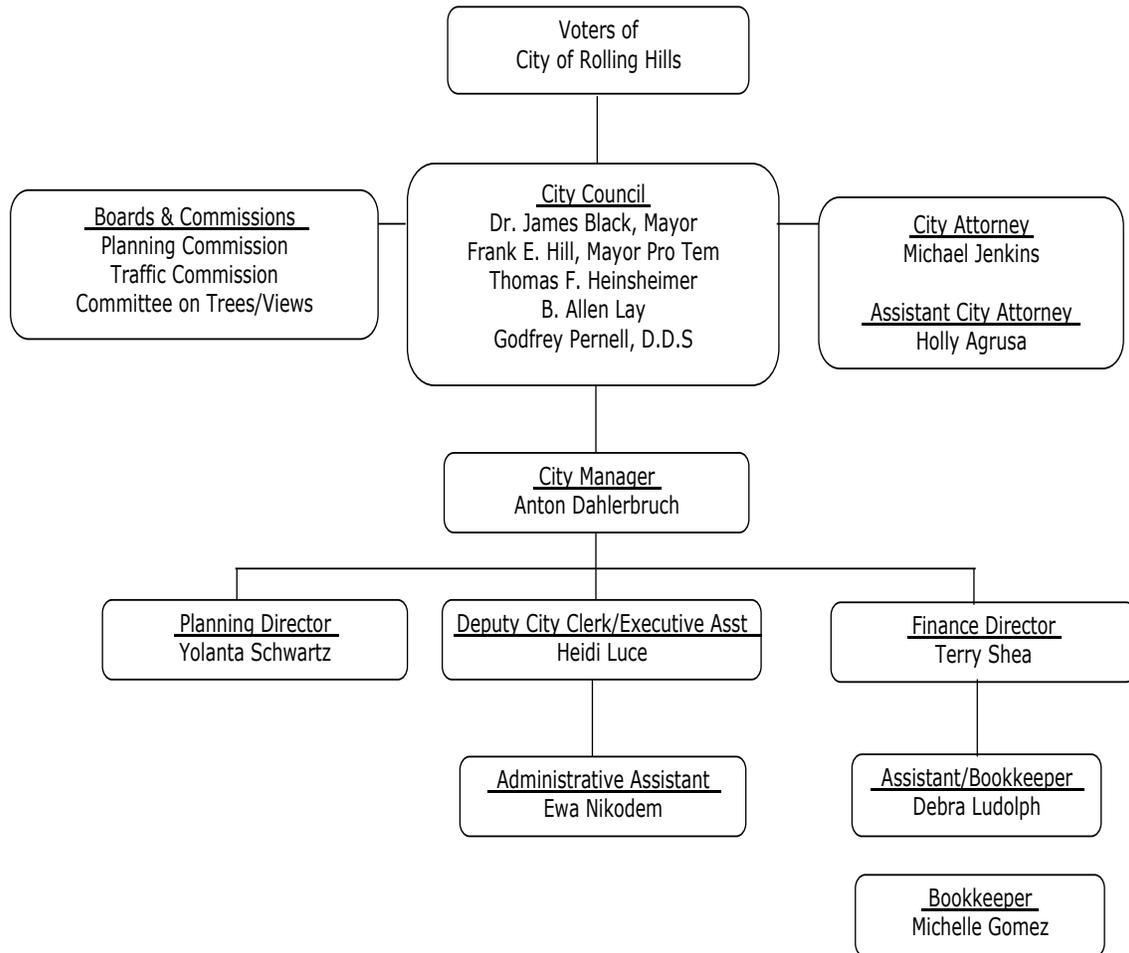
Preparation of this Comprehensive Annual Financial Report could not have been accomplished without the support and cooperation of all City of Rolling Hills City Council and staff. We wish to acknowledge the contribution of the Finance Department staff. Their efforts made it possible to prepare the Comprehensive Annual Financial Report, thereby improving the quality of the information being reported to the citizens, the City Council, and other users. I also want to thank the Mayor, and the City Council for its support in maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,


Anton Dahlerbruch
City Manager


Terry Shea
Finance Director

CITY OF ROLLING HILLS ORGANIZATION CHART



**CITY OF ROLLING HILLS
2012 – 2013**

CITY COUNCIL

James Black, M.D.	Mayor
Frank E. Hill	Mayor Pro Tem
Thomas F. Heinsheimer	Councilmember
B. Allen Lay	Councilmember
Godfrey Pernell, D.D.S.	Councilmember

CITY STAFF

Anton Dahlerbruch	City Manager
Heidi Luce	Deputy City Clerk/ Executive Assistant
Ewa Nikodem	Administrative Assistant
Yolanta Schwartz	Planning Director
Terry Shea, RAMS, LLP	Finance Director
Debra Ludolph, RAMS, LLP	Assistant/Bookkeeper
Michelle Gomez, RAMS, LLP	Bookkeeper

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rolling Hills California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.



Christopher P. Morill

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Rolling Hills, 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 the Rolling Hills, California, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Rolling Hills, California's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rolling Hills, California, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and COPS Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2012, on our consideration of the City of Rolling Hills, California'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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other



To the Honorable Mayor and Members of the City Council
City of Rolling Hills, California

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 an opinion on the financial statements that collectively comprise the City of Rolling Hills, California's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 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.

Lance, Solt & Luyhard, LLP

Brea, California
December 26, 2012

Management Discussion and Analysis

The following narrative provides an overview and analysis of the financial activities of the City of Rolling Hills for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the City's financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,988,903 (*net assets*). Of this amount, \$4,132,986 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,401,323. Of this amount \$3,004,534 is unassigned and available for spending at the City's discretion.
- At the end of the current year, unassigned fund balance for the General Fund was \$3,005,146 which represents 1.77 times the total general fund expenditures.
- General Fund revenues available for appropriation were \$27,970 more than budgeted while actual expenditures were \$97,369 less than budgeted. After transfers, the General Fund showed a \$211,071 decrease in fund balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements contain the following three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements and 3) Notes to the Financial Statements.

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. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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 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 regardless of the timing of related cash flows. Thus, some of the revenues and expenses reported in this statement will have no effect on cash until some future fiscal period.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover some or all of their costs through user fees and charges (business-type activities).

Governmental activities. Most of the City's basic services are reported in this category, including the general administration, public safety, planning and development, recreation and public works. Property taxes, sales tax, real estate transfer tax, licenses and permits, franchise fees, charges for services, interest income, grants, contributions from other agencies, and other revenues finance these activities.

Business-type activities. The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Refuse Collection operation is reported in this category.

The government-wide financial statements can be found on pages 11 to 13 of this report.

Fund Financial Statements. The fund financial statements provide detailed information about the City's most significant funds. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The difference between the results in the Governmental Fund financial statements to those in the Government wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

In addition to the major funds reported separately on the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance, the City also maintains 6 special revenue funds and one capital project fund. Data from these funds are combined into a single, aggregated presentation referred to as other governmental funds.

Individual fund data for each of these non-major governmental funds are provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all of its governmental and proprietary funds. A budget comparison statement has been provided for the general fund to demonstrate compliance with this budget. This comparison can be found on page 21 of this report.

The basic governmental fund financial statements can be found on pages 14 to 20 of this report.

Proprietary funds. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Within the category of proprietary funds are Enterprise Funds and Internal Service Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Refuse activity. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its Municipal Self Insurance costs. Because these services predominantly benefit governmental rather than business-type functions, this fund has been included within the governmental activities in the government-wide financial statement.

The basic proprietary fund financial statements can be found on pages 23 to 25 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets.

The basic fiduciary fund financial statements can be found on page 26 of this report.

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. The notes to the financial statements can be found on pages 27 to 44 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 46 to 56 of this report.

Governmental-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's net assets for fiscal year 2011-2012 are shown in Table 1. In the City of Rolling Hills, total assets exceeded total liabilities by \$5,988,903 at June 30, 2012.

Table 1
City of Rolling Hills Net Assets

	Governmental Activities		Business Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$5,339,314	\$5,297,985	\$219,940	\$202,161	\$5,559,254	\$5,500,146
Capital assets	564,040	564,040	-	-	564,040	564,040
Total assets	5,903,354	5,862,025	219,940	202,161	6,123,294	6,064,186
Liabilities:						
Current and other liabilities	134,391	165,740	-	-	134,391	165,740
Total Liabilities	134,391	165,740	-	-	134,391	165,740
Net assets:						
Invested in capital assets	564,040	564,040	-	-	564,040	564,040
Restricted	1,291,877	1,302,339	-	-	1,291,877	1,302,339
Unrestricted	3,913,046	3,829,906	219,940	202,161	4,132,986	4,032,067
Total net assets	\$5,768,963	\$5,696,285	\$219,940	\$202,161	\$5,988,903	\$5,898,446

Of the City of Rolling Hills net assets, 9.42% reflects its investment in capital assets (land). An additional portion of the City of Rolling Hills net assets, 21.58% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, 69.00% may be used to meet the government's ongoing obligations.

At the end of the current fiscal year, the City of Rolling Hills is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation was true for the prior fiscal year.

Governmental activities. As a result of the governmental activities, the City of Rolling Hills net assets increased by \$72,678. Key elements of this increase are as follows:

Table 2
City of Rolling Hills Net Assets
Changes in Net Assets

	Governmental Activities		Business Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$387,995	\$469,531	\$730,746	\$721,091	\$1,118,741	\$1,190,622
Operating grants and contributions	170,947	214,711	-	-	170,947	214,711
Capital grants and contributions	-	15,000	-	-	-	15,000
General Revenues:						
Property taxes	763,950	752,653	-	-	763,950	752,653
Franchise taxes	17,565	16,507	-	-	17,565	16,507
Other taxes	34,854	35,848	-	-	34,854	35,848
Motor Vehicle in lieu - unrestricted	153,161	159,600	-	-	153,161	159,600
Use of money and property	81,903	82,843	-	-	81,903	82,843
Other	37,344	58,424	-	-	37,344	58,424
Total revenues	1,647,719	1,805,117	730,746	721,091	2,378,465	2,526,208
Expenses:						
General government	860,121	1,055,473	-	-	860,121	1,055,473
Public Safety	227,374	1,062,234	-	-	227,374	1,062,234
Planning and development	426,062	417,208	-	-	426,062	417,208
Recreation	19,679	3,370	-	-	19,679	3,370
Public Works	53,805	171,293	-	-	53,805	171,293
Refuse Collection Fund	-	-	700,967	694,062	700,967	694,062
Total expenses	1,587,041	2,709,578	700,967	694,062	2,288,008	3,403,640
Excess (deficiency) before transfers	60,678	(904,461)	29,779	27,029	90,457	(877,432)
Transfers	12,000	12,000	(12,000)	(12,000)	-	-
Increase (decrease) in net assets	72,678	(892,461)	17,779	15,029	90,457	(877,432)
Net assets - beginning	5,696,285	6,588,746	202,161	187,132	5,898,446	6,775,878
Net assets - ending	<u>\$5,768,963</u>	<u>\$5,696,285</u>	<u>\$219,940</u>	<u>\$202,161</u>	<u>\$5,988,903</u>	<u>\$5,898,446</u>

Governmental Activities

The increase in net assets of \$72,678 during the current fiscal year is directly related to funding the OPEB unfunded liability during the current year, the governmental funds had a net change in fund balance of \$(222,145) which was offset in the government-wide statements by \$332,577 for the funding of the OPEB. The cost of all governmental activities for the year was \$1,028,099. Overall, the City's governmental program revenues were \$558,942; of the remaining "public benefit" governmental activities, \$763,950 were paid with Property Taxes, Motor Vehicle in lieu Taxes of \$153,161 and Use of money and property of \$81,903.

The City's programs for governmental activities include General Government, Public Safety, Planning and Development, Public Works and Recreation.

Business-Type Activities

The program for the business-type activities includes refuse collection operations.

As a result of the business-type activities, the City of Rolling Hills net assets increased by \$17,779. The increase in net assets is mainly attributable to a reduction in the administrative allocation to the General Fund. Charges for services are the major revenue source for the City's business type activities, accounting for 100% or \$730,746 of total business-type activity revenue. The cost of Proprietary (Business Type) activities this year was \$700,967.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2011/12, the City's governmental funds reported combined ending fund balances of \$4,401,323 a decrease of \$222,145 from the previous year. The decrease is primarily attributed to \$391,100 expenditure for funding the City's unfunded OPEB Liability. Approximately 68.26% of ending fund balance (\$3,004,534) constitutes unassigned fund balance. The unassigned fund balance represents the amount available for spending at the government's discretion. The remainder of the fund balance is nonspendable, committed to prepaid costs of \$68,545 or restricted, subject to externally enforceable legal restrictions of \$1,291,877, or assigned of \$36,367 to indicate that it is unavailable for discretionary spending.

There are three major funds on the balance sheet for governmental funds. The first is the General Fund, the primary operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$3,005,146 which represents 96.63% of total fund balance of \$3,110,058. As a measure of the general fund's liquidity, it may be useful to compare unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 1.77 times of total general fund expenditures, while total fund balance represents 1.83 times of that same amount.

The City's General Fund fund balance decreased by \$211,071 during the current fiscal year primarily because of the funding of the OPEB unfunded liability of \$391,100.

The other two major funds on the City's governmental funds balance sheet are the Supplemental Law Enforcement Funds of Citizens Option for Public Safety Program (COPS) Fund and the Underground Utility Fund. The COPS fund provides funding for community based law enforcement programs. The COPS Fund has a total fund balance of \$12,824, which is \$2,547 higher than last year. The increase is mainly attributable to actual expenditures being less than budgeted. The Capital Projects – Utility Fund provides funds for consultant and construction services for underground utilities projects and other infrastructure improvements. The Capital Projects – Utility Fund has a total fund balance of \$1,033,962, which is unchanged from the prior year's balance of \$1,033,962.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements but in greater detail.

Ending unrestricted net assets for the Refuse Collection - Enterprise Fund is \$219,140. The total change in net assets for the Refuse Collection - Enterprise Fund was a net asset increase of \$17,779.

Ending unrestricted net assets for the Municipal Self Insurance Fund - Internal Service Fund is \$556,064. The total change in net assets for the Municipal Self Insurance Fund - Internal Service Fund was a net asset decrease of \$39,039.

General Fund Budgetary Highlights

The difference between the original General Fund budget and the final amended budget was a decrease of \$59,200 in revenues and a decrease of \$131,950 in expenditures, which are summarized as follows:

Building Permit Fees were decreased by \$65,000 due to a decrease in building activity; Miscellaneous Revenue was increased by \$9,000 for the reimbursement of driveway improvements; Motor Vehicle in Lieu was reduced \$7,000 to reflect actual; Law Enforcement budget was reduced by \$158,500 to reflect a modification to the Contract and to allocate amounts to the COPS Fund; Various salary accounts were increased by \$8,200; Consulting fees were increased by \$9,000 for document management and updating the zoning and parcel maps; Repairs and maintenance were increased \$15,000 for painting and building repairs.

Actual to budget revenue variances included positive variances for Building Permit Fees of \$29,496 and use of money and property of \$1,946. Total General Fund revenues were \$27,970 more than budgeted.

Total General Fund expenditures were \$97,369 less than budgeted due to savings in City Attorney costs of \$8,264, Repairs and Maintenance of \$10,860, Law Enforcement costs of \$19,501, Contingency costs of \$9,956 and Consulting costs of \$5,580.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$564,040. This investment includes land for the City Hall campus, tennis courts, Poppy Trail land, Hesse's Gap, Hix Ring and Storm Hill Park. Additional information on the City of Rolling Hills capital assets can be found in Note 6 on page 37 of this report.

Long-term Debt. The City avoids debt financing and has no long term debt. At the end of the current fiscal year, the City's compensated absences increased by \$11,614.

Other Post-Employment Health Care Benefits

The City funded the OPEB liability in FY 2011/12, which resulted in a Net OPEB Asset of \$283,133, which is included on the Statement of Net Assets. See Note 10 on pages 41 to 43.

Economic Factors and Next Year's Budgets

The City Council adopted the FY 2012/13 budget on June 11, 2012, and the following factors were considered in preparing the budget:

- A continued conservative approach to revenue projections with 1.5 % increases in property taxes and associated 11% increase in demand for development activity. The FY 2012-13 budget includes a net increase in budgeted revenues of \$74,850.
- The FY 2012/13 General Fund expenditures are \$267,710 less than prior year, however, in FY 2011/12 the expenditures included a \$391,100 expenditure to fund the OPEB unfunded liability for retiree health coverage.
- The City's General Fund adopted budget anticipates using \$47,850 of available reserves for FY 2012/13.

Contacting the City's Financial Department

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department at the City of Rolling Hills, 2 Portuguese Bend Road, Rolling Hills, California 90274.

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**BASIC
FINANCIAL
STATEMENTS**

CITY OF ROLLING HILLS

STATEMENT OF NET ASSETS
 JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 4,656,059	\$ 170,785	\$ 4,826,844
Receivables:			
Accounts	330,288	49,155	379,443
Accrued interest	1,289	-	1,289
Prepaid costs	68,545	-	68,545
Net OPEB Asset	283,133	-	283,133
Capital assets not being depreciated	564,040	-	564,040
Total Assets	5,903,354	219,940	6,123,294
Liabilities:			
Accounts payable	71,985	-	71,985
Accrued liabilities	4,252	-	4,252
Deposits payable	9,658	-	9,658
Noncurrent liabilities:			
Due within one year	12,000	-	12,000
Due in more than one year	36,496	-	36,496
Total Liabilities	134,391	-	134,391
Net Assets:			
Invested in capital assets	564,040	-	564,040
Restricted for:			
Public safety	64,899	-	64,899
Recreation	13,270	-	13,270
Public works	144,030	-	144,030
Capital projects	1,046,330	-	1,046,330
Quimby Act	23,348	-	23,348
Unrestricted	3,913,046	219,940	4,132,986
Total Net Assets	\$ 5,768,963	\$ 219,940	\$ 5,988,903

CITY OF ROLLING HILLS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 860,121	\$ 1,388	\$ -	\$ -
Public safety	227,374	18,785	100,297	-
Planning and development	426,062	367,779	-	-
Recreation	19,679	-	-	-
Public works	53,805	43	70,650	-
Total Governmental Activities	1,587,041	387,995	170,947	-
Business-Type Activities:				
Refuse Collection Fund	700,967	730,746	-	-
Total Business-Type Activities	700,967	730,746	-	-
Total Primary Government	\$ 2,288,008	\$ 1,118,741	\$ 170,947	\$ -

General Revenues:

Taxes:

Property taxes, levied for general purpose

Sales taxes

Franchise taxes

Other taxes

Motor vehicle in lieu - unrestricted

Use of money and property

Other

Transfers

Total General Revenues and transfers

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (858,733)	\$ -	\$ (858,733)
(108,292)	-	(108,292)
(58,283)	-	(58,283)
(19,679)	-	(19,679)
16,888	-	16,888
(1,028,099)	-	(1,028,099)
-	29,779	29,779
-	29,779	29,779
(1,028,099)	29,779	(998,320)
763,950	-	763,950
4,892	-	4,892
17,565	-	17,565
29,962	-	29,962
153,161	-	153,161
81,903	-	81,903
37,344	-	37,344
12,000	(12,000)	-
1,100,777	(12,000)	1,088,777
72,678	17,779	90,457
5,696,285	202,161	5,898,446
\$ 5,768,963	\$ 219,940	\$ 5,988,903

CITY OF ROLLING HILLS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>Special Revenue Fund COPS</u>	<u>Capital Projects Fund Underground Utility Fund</u>	<u>Other Governmental Funds</u>
Assets:				
Cash and investments	\$ 3,009,410	\$ 21,545	\$ 1,033,962	\$ 249,847
Receivables:				
Accounts	107,956	-	-	-
Accrued interest	1,289	-	-	-
Prepaid costs	68,545	-	-	-
Total Assets	\$ 3,187,200	\$ 21,545	\$ 1,033,962	\$ 249,847
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 50,333	\$ 8,721	\$ -	\$ 5,368
Accrued liabilities	4,252	-	-	-
Deferred revenues	12,899	-	-	-
Deposits payable	9,658	-	-	-
Total Liabilities	77,142	8,721	-	5,368
Fund Balances:				
Nonspendable:				
Prepaid costs	68,545	-	-	-
Restricted for:				
Public safety	-	12,824	-	52,075
Parks and recreation	-	-	-	13,270
Public works	-	-	-	144,030
Capital Projects	-	-	1,033,962	12,368
Quimby Act	-	-	-	23,348
Assigned to:				
Other Post Employment Benefits	36,367	-	-	-
Unassigned	3,005,146	-	-	(612)
Total Fund Balances	3,110,058	12,824	1,033,962	244,479
Total Liabilities and Fund Balances	\$ 3,187,200	\$ 21,545	\$ 1,033,962	\$ 249,847

CITY OF ROLLING HILLS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	Total Governmental Funds
Assets:	
Cash and investments	\$ 4,314,764
Receivables:	
Accounts	107,956
Accrued interest	1,289
Prepaid costs	68,545
	<hr/>
Total Assets	\$ 4,492,554
	<hr/>
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	\$ 64,422
Accrued liabilities	4,252
Deferred revenues	12,899
Deposits payable	9,658
	<hr/>
Total Liabilities	91,231
	<hr/>
Fund Balances:	
Nonspendable:	
Prepaid costs	68,545
Restricted for:	
Public safety	64,899
Parks and recreation	13,270
Public works	144,030
Capital Projects	1,046,330
Quimby Act	23,348
Assigned to:	
Other Post Employment Benefits	36,367
Unassigned	3,004,534
	<hr/>
Total Fund Balances	4,401,323
	<hr/>
Total Liabilities and Fund Balances	\$ 4,492,554
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CITY OF ROLLING HILLS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Fund balances of governmental funds	\$ 4,401,323
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	564,040
Compensated absences that have not been included in the governmental fund activity	(48,496)
Governmental funds report all OPEB contributions as expenditures, however in the Statement of Net Assets any excess or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.	283,133
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	12,899
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	<u>556,064</u>
Net assets of governmental activities	<u>\$ 5,768,963</u>

CITY OF ROLLING HILLS

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Special Revenue Funds COPS	Capital Projects Funds Underground Utility Fund	Other Governmental Funds
Revenues:				
Taxes	\$ 816,369	\$ -	\$ -	\$ -
Licenses and permits	339,496	-	-	-
Intergovernmental	153,458	100,000	-	70,650
Charges for services	29,671	-	-	-
Use of money and property	80,896	87	-	920
Fines and forfeitures	18,785	-	-	43
Miscellaneous	24,445	-	-	-
Total Revenues	1,463,120	100,087	-	71,613
Expenditures:				
Current:				
General government	1,140,700	-	-	-
Public safety	129,834	97,540	-	-
Planning and development	426,062	-	-	-
Recreation	-	-	-	19,679
Public works	-	-	-	53,805
Capital outlay	1,345	-	-	-
Total Expenditures	1,697,941	97,540	-	73,484
Excess (Deficiency) of Revenues Over (Under) Expenditures	(234,821)	2,547	-	(1,871)
Other Financing Sources (Uses):				
Transfers in	41,900	-	-	53,150
Transfers out	(18,150)	-	-	(64,900)
Total Other Financing Sources (Uses)	23,750	-	-	(11,750)
Net Change in Fund Balances	(211,071)	2,547	-	(13,621)
Fund Balances, Beginning of Year	3,321,129	10,277	1,033,962	258,100
Fund Balances, End of Year	\$ 3,110,058	\$ 12,824	\$ 1,033,962	\$ 244,479

CITY OF ROLLING HILLS

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Total Governmental Funds
Revenues:	
Taxes	\$ 816,369
Licenses and permits	339,496
Intergovernmental	324,108
Charges for services	29,671
Use of money and property	81,903
Fines and forfeitures	18,828
Miscellaneous	24,445
	<hr/>
Total Revenues	1,634,820
	<hr/>
Expenditures:	
Current:	
General government	1,140,700
Public safety	227,374
Planning and development	426,062
Recreation	19,679
Public works	53,805
Capital outlay	1,345
	<hr/>
Total Expenditures	1,868,965
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(234,145)
	<hr/>
Other Financing Sources (Uses):	
Transfers in	95,050
Transfers out	(83,050)
	<hr/>
Total Other Financing Sources (Uses)	12,000
	<hr/>
Net Change in Fund Balances	(222,145)
	<hr/>
Fund Balances, Beginning of Year	4,623,468
	<hr/>
Fund Balances, End of Year	\$ 4,401,323
	<hr/> <hr/>

CITY OF ROLLING HILLS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds	\$ (222,145)
Amounts reported for governmental activities in the statement of activities are different because:	
Compensated absences 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.	(11,614)
Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the Statement of Activities only the ARC is an expense.	332,577
Revenues reported as deferred revenue in the governmental funds are recognized in the Statement of Activities.	12,899
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.	<u>(39,039)</u>
Change in net assets of governmental activities	<u><u>\$ 72,678</u></u>

CITY OF ROLLING HILLS

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,321,129	\$ 3,321,129	\$ 3,321,129	\$ -
Resources (Inflows):				
Taxes	817,500	819,500	816,369	(3,131)
Licenses and permits	375,000	310,000	339,496	29,496
Intergovernmental	158,000	150,300	153,458	3,158
Charges for services	35,800	35,800	29,671	(6,129)
Use of money and property	78,950	78,950	80,896	1,946
Fines and forfeitures	11,800	14,300	18,785	4,485
Miscellaneous	17,300	26,300	24,445	(1,855)
Transfers in	41,900	41,900	41,900	-
Amounts Available for Appropriation	4,857,379	4,798,179	4,826,149	27,970
Charges to Appropriation (Outflow):				
General government				
City administration	961,150	971,150	916,480	54,670
Finance	103,050	104,500	100,378	4,122
Non-Department	84,000	85,300	70,391	14,909
City properties	47,000	62,000	53,451	8,549
Public safety	307,010	151,510	129,834	21,676
Planning and Development	425,050	419,500	426,062	(6,562)
Capital outlay	-	1,350	1,345	5
Transfers out	-	18,150	18,150	-
Total Charges to Appropriations	1,927,260	1,813,460	1,716,091	97,369
Budgetary Fund Balance, June 30	\$ 2,930,119	\$ 2,984,719	\$ 3,110,058	\$ 125,339

CITY OF ROLLING HILLS

**BUDGETARY COMPARISON STATEMENT
COPS
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 10,277	\$ 10,277	\$ 10,277	\$ -
Resources (Inflows):				
Intergovernmental	-	100,000	100,000	-
Use of money and property	-	75	87	12
Amounts Available for Appropriation	10,277	110,352	110,364	12
Charges to Appropriation (Outflow):				
Public safety	-	100,000	97,540	2,460
Total Charges to Appropriations	-	100,000	97,540	2,460
Budgetary Fund Balance, June 30	\$ 10,277	\$ 10,352	\$ 12,824	\$ 2,472

CITY OF ROLLING HILLS

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2012

	Business-Type Activities - Enterprise Funds	Governmental Activities- Internal Service Funds
	Refuse Collection Fund	
Assets:		
Current:		
Cash and investments	\$ 170,785	\$ 341,295
Receivables:		
Accounts	49,155	222,332
Total Current Assets	219,940	563,627
Total Assets	\$ 219,940	\$ 563,627
Liabilities and Net Assets:		
Liabilities:		
Current:		
Accounts payable	\$ -	\$ 7,563
Total Current Liabilities	-	7,563
Total Liabilities	-	7,563
Net Assets:		
Unrestricted	219,940	556,064
Total Net Assets	219,940	556,064
Total Liabilities and Net Assets	\$ 219,940	\$ 563,627

CITY OF ROLLING HILLS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds	Governmental Activities- Internal Service Funds
	Refuse Collection Fund	
Operating Revenues:		
Sales and service charges	\$ 730,746	\$ -
Total Operating Revenues	730,746	-
Operating Expenses:		
Administration and general	-	39,039
Refuse collection	700,967	-
Total Operating Expenses	700,967	39,039
Income (Loss) Before Transfers	29,779	(39,039)
Transfers out	(12,000)	-
Changes in Net Assets	17,779	(39,039)
Net Assets:		
Beginning of Year	202,161	595,103
End of Fiscal Year	\$ 219,940	\$ 556,064

CITY OF ROLLING HILLS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds	Governmental Activities- Internal Service Funds
	Refuse Collection Fund	
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 723,853	\$ -
Cash paid to suppliers for goods and services	(700,967)	(37,171)
Net Cash Provided (Used) by Operating Activities	22,886	(37,171)
Cash Flows from Non-Capital Financing Activities:		
Cash transfers out	(12,000)	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(12,000)	-
Net Increase (Decrease) in Cash and Cash Equivalents	10,886	(37,171)
Cash and Cash Equivalents at Beginning of Year	159,899	378,466
Cash and Cash Equivalents at End of Year	\$ 170,785	\$ 341,295
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 29,779	\$ (39,039)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	(6,893)	-
Increase (decrease) in accounts payable	-	1,868
Total Adjustments	(6,893)	1,868
Net Cash Provided (Used) by Operating Activities	\$ 22,886	\$ (37,171)

Non-Cash Investing, Capital, and Financing Activities:
 There were no non-cash transactions during the fiscal year.

CITY OF ROLLING HILLS

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Agency Funds</u>
Assets:	
Cash and investments	\$ 136
Restricted assets:	
Cash and investments	<u>305,000</u>
Total Assets	<u>\$ 305,136</u>
Liabilities:	
Deposits payable	<u>\$ 305,136</u>
Total Liabilities	<u>\$ 305,136</u>

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

The basic financial statements of the City of Rolling Hills, California (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

a. Description of Entity

The accompanying basic financial statements present the financial activity of the City of Rolling Hills. The City is the level of government primarily accountable for activities relevant to the operations of the City of Rolling Hills, California.

The City of Rolling Hills (the City) was incorporated on January 25, 1957, under the provisions of the State of California. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, sanitation, animal control, culture and recreation, public improvement planning and zoning, and general administrative services.

The Rolling Hills Community Association is not a part of the City's reporting entity because the City has no accountability for fiscal matters of the Rolling Hills Community Association.

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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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. Revenues are recognized as soon as they are both 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 period. 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 and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The COPS Fund is used to track the revenues and expenditures associated with the COPS Grant program.

The Underground Utility Fund is used to facilitate the expenditures necessary to construct the City's underground utility projects.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary fund:

The Refuse Collection Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the City reports the following fund types:

- The Internal service fund accounts for the financing of goods and services provided by one department to other departments on a cost reimbursement basis. The City's internal service fund is for self-insurance.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 government's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

d. Assets, Liabilities and Net Assets or Equity

Cash and Investments

All cash and investments, except those that are held by fiscal agents, are held in a City pool. These pooled funds are available upon demand and, therefore, are considered cash and cash equivalents for purposes of the statement of cash flows. Investments held by fiscal agents with an original maturity of three months or less are also considered cash equivalents and are shown as restricted assets for financial statement presentation purposes.

Investments for the City, as well as for its component units, are reported at fair value. The City's policy is generally to hold investments until maturity.

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 either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowance for uncollectibles.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Prepaid Costs

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building improvements	7-50
Improvements other than buildings	20
Computer equipment	5-20
Equipment and vehicles	5-20
Furniture and fixtures	20

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees in the period taken or upon separation from City's service. All vacation pay is accrued when incurred in the government-wide financial statements. In governmental funds, the cost of vacations is recognized when payments are made to employees.

Accumulated sick leave benefits are not recognized as liabilities of the City. The City's policy is to record sick leave as an operational expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Fund Equity

In the fund financial statements, government funds report the following fund balance classification:

Non-spendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council.

Assigned include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include non-spendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications.

The City established certain a minimum fund balance policy as follows:

The General Fund, Community Facilities Fund, and Utility Fund shall maintain unrestricted fund balance (amount remaining after non-spendable and restricted fund balance) equivalent to a minimum of 100% of originally adopted annual expenditures (excluding one-time expenditures greater than \$25,000) before transfers plus any City Council approved committed or assigned fund balance.

Property Tax

Property tax revenue is recognized on the basis of GASB Code Section P70, that is, in the fiscal year for which the taxes have been levied providing they become available. Available means due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period.

The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 AM on the first day in January prior to the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property, as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, by December 10 and April 10, respectively. Unsecured personal property taxes become due on March 1 each year and are delinquent, if unpaid, on August 31.

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. General Budget Policies

The City Council is required to adopt an annual budget resolution by July 1 of each fiscal year. Annual budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

The City Council reviews a tentative budget and adopts a final budget after a public hearing is conducted to receive comments prior to adoption. The City's governing board satisfied these requirements.

Expenditures may not exceed the total annual budgeted amount in any category without the approval of the City Council. Throughout the fiscal year, monthly financial reports comparing actual figures with budgeted figures are prepared and distributed to the City Manager and members of the City Council. As these reports are reviewed, attention is drawn to variations between budgeted amounts and actual amounts and if necessary the City Council considers the need for increases in expenditure categories. The original adopted budgets are revised by the City Council during the year to give consideration to these modified expenditure categories and to unanticipated income. It is this final revised budget including all revisions and amendments approved by the City Council subsequent to the initial budget adoption that is presented in the financial statements.

The level of appropriated budgetary control is the total adopted budget which is defined as the total budget for all funds and divisions. The City Manager may authorize transfers of appropriations within the sub-categories of the major expenditure categories of the adopted budget. Supplemental appropriations during the year must be approved by the City Council.

Unexpended or unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are reappropriated in the subsequent year's budget by action of the City Council.

b. The following funds have a deficit fund balance as of June 30, 2012:

Fund	Amount
Special Revenue Funds:	
Traffic Safety Fund	\$ (612)

c. Excess of expenditures over appropriations are as follows:

Fund	Budget	Actual	Variance
General Fund:			
Planning and development	\$ 419,500	\$ 426,062	\$ (6,562)

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2012, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 4,656,059
Business-type activities	170,785
Fiduciary funds	<u>305,136</u>
Total Cash and Investments	<u>\$ 5,131,980</u>

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated annually to the various funds based on average daily cash balances. Interest Income from cash and investments with fiscal agents is credited directly to the related fund.

Deposits

At June 30, 2012, the carrying amount of the City's deposits was \$319,188 and the bank balance was \$392,921. The \$73,733 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Note 3: Cash and Investments (Continued)

A provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction account at all FDIC-insured institutions. This provision was effective from December 31, 2010 and will remain effective until December 31, 2012. Noninterest-bearing transaction accounts is defined as an account (1) with respect to which interest is neither accrued nor paid; (2) on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, telephone or other electronic media transfers, or other similar items for the purpose of making payments or transfers to third parties or others; and (3) on which the FDIC-insured depository institutions does not reserve the right to require advance notice of an intended withdrawal. As of June 30, 2012, the City maintains cash deposits that are temporarily covered by this provision.

Investments

Under provision of the City's investment policy, and in accordance with the California Government Code, the following investments are authorized:

- U.S. Treasury Bonds, Notes and Bills
- Money Market Savings Accounts
- Local Agency Investment Fund (State Pool)
- Deposit of Funds

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

GASB Statement No. 31

The City adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Note 3: Cash and Investments (Continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City mitigates its credit risk generally by following its three primary investment objectives, in order, of safety, liquidity and yield. The California Government Code generally limits allowable investments to those classes of investments with lower risk (and therefore lower yields). The City's investment policy further restricts these investments to the highest quality within a category and excludes certain otherwise allowable investments as not meeting the City's liquidity requirement. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of June 30, 2012, all securities were investment grade and were legal under State and City law. Investments in U.S. government securities are not considered to have a credit risk and, therefore, their credit quality is not disclosed. As of June 30, 2012, the City's investments in external investment pools and money market mutual funds are unrated.

On August 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA. As a result, on August 8, 2011, Standard & Poor's Ratings Services lowered its issuer credit ratings and related issue ratings on various Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac to AA+ from AAA. The City also invests in LAIF which invests in various underlying securities, including the federal agency securities listed above. While LAIF is not rated, the federal agency securities are, and these have been affected by this rating change as well.

Custodial Credit Risk

The 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 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 to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2012, none of the City's deposits or investments were exposed to custodial credit risk.

Concentration of Credit Risk

The City is in compliance with restrictions imposed by its investment policy, which limits certain types of investments. As of June 30, 2012, in accordance with GASB Statement No. 40, if the City has invested more than 5% of its total investments in any one issuer then it is exposed to credit risk. The Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this.

As of June 30, 2012, none of the City's deposits or investment were exposed to concentration of credit risk.

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy establishes a maximum maturity of three years for all individual investments.

CITY OF ROLLING HILLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 3: Cash and Investments (Continued)

As of June 30, 2012, the City had the following investments and original maturities:

	Investment Maturities (in Years)				Fair Value
	180 days or less	180 days to 270 days	270 days to 3 years	3 - 5 years	
Investments					
Local Agency Investment Fund	\$ 1,361,997	\$ -	\$ -	\$ -	\$ 1,361,997
Money Market Saving Accounts	249,410	-	-	-	249,410
Certificates of Deposits	-	-	2,700,000	-	2,700,000
US Treasury Bills	499,886	-	-	-	499,886
	<u>\$ 2,111,293</u>	<u>\$ -</u>	<u>\$ 2,700,000</u>	<u>\$ -</u>	<u>\$ 4,811,293</u>

Note 4: Receivables

Receivables at June 30, 2012, for the City's individual major funds, and non-major and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are detailed below. All receivables are expected to be collected within one year, except for delinquent property taxes.

Accounts Receivable	General Fund	Refuse Collection Fund	Internal Service Fund	Total
Accounts	\$ 7,967	\$ -	\$ -	\$ 7,967
Property Taxes	87,090	-	-	87,090
Taxes assessed for rubbish collection	-	49,155	-	49,155
Interest	1,289	-	-	1,289
Poppy trail lien	-	-	222,332	222,332
Total Receivables	<u>\$ 96,346</u>	<u>\$ 49,155</u>	<u>\$ 222,332</u>	<u>\$ 367,833</u>

Note 5: Interfund Transfers

Individual fund operating transfers for the fiscal year ended June 30, 2012, are as follows:

Funds	Transfers Out			Total
	General Fund	Non-Major Governmental Funds	Refuse Collection Fund	
Transfers In:				
General Fund	\$ -	\$ 29,900	\$ 12,000	\$ 41,900
Non-Major Funds	18,150	35,000	-	53,150
Total	<u>\$ 18,150</u>	<u>\$ 64,900</u>	<u>\$ 12,000</u>	<u>\$ 95,050</u>

The Non-Major Governmental Funds and Refuse Collection Fund transferred out \$12,000 and \$29,900 respectively to the General Fund to cover expenditures in the current fiscal year. The General Fund transferred \$18,150 to the Non-Major Governmental Funds for the City Hall Campus Driveway Repaving. In addition there were also transfers between Non-Major Governmental Funds of \$35,000 for the 2011-12 Road Striping project.

CITY OF ROLLING HILLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 6: Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 564,040	\$ -	\$ -	\$ 564,040
Total Capital Assets, Not Being Depreciated	564,040	-	-	564,040
Capital assets, being depreciated:				
Land Improvements	176,139	-	-	176,139
Total Capital Assets, Being Depreciated	176,139	-	-	176,139
Less accumulated depreciation:				
Land Improvements	176,139	-	-	176,139
Total Accumulated Depreciation	176,139	-	-	176,139
Total capital assets being depreciated, net	-	-	-	-
Governmental Activities Capital Assets, net	<u>\$ 564,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 564,040</u>

During the fiscal year ended June 30, 2012, all capital assets with the exception of land were fully depreciated and accordingly no depreciation was recorded or allocated.

Note 7: Long-Term Debt

The following is a summary of changes in long-term liabilities of the City for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Compensated Absences	\$ 36,882	\$ 23,214	\$ 11,600	\$ 48,496	\$ 12,000
Other Post-Employment Benefits	49,444	-	49,444	-	-
Total	<u>\$ 86,326</u>	<u>\$ 23,214</u>	<u>\$ 61,044</u>	<u>\$ 48,496</u>	<u>\$ 12,000</u>

Liabilities for compensated absences and Other-Post Employment Benefits are typically liquidated by the General Fund.

Note 8: Liability, Insured Programs and Worker' Compensation Protection

a. Description of Self-Insured Pool Pursuant to Joint Powers Agreement

The City of Rolling Hills is a member of the California Joint Powers Insurance Authority (the Authority). The Authority is composed of 123 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 California JPIA 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.

b. Self-Insurance Programs of the Authority

Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Liability

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2011-12 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

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

Note 8: Liability, Insured Programs and Worker' Compensation Protection (Continued)

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

Workers' Compensation

In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

c. Purchased Insurance

Pollution Legal Liability Insurance

The City of Rolling Hills participates in the pollution legal liability insurance program (formerly called environmental 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. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance

The City of Rolling Hills participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Rolling Hills property is currently insured according to a schedule of covered property submitted by the City of Rolling Hills to the Authority. The City of Rolling Hills property currently has all-risk property insurance protection in the amount of \$854,005. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 8: Liability, Insured Programs and Worker' Compensation Protection (Continued)

d. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2011-12.

Note 9: Pension Plan Obligations

Plan Description

The City of Rolling Hills 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 its executive office: 400 P Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate as a percentage of annual covered payroll is 12.774%. The contribution requirements of plan members and the City are established and may be amended by PERS.

Contributions

For the year ended June 30, 2012, the City's contribution of \$58,891 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010 actuarial valuation.

A summary of principle assumptions and methods used to determine the required contribution is shown below:

Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	7 years as of the Valuation Date
Asset Valuation Method	15-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on age, service and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 9: Pension Plan Obligations (Continued)

Initial unfunded liabilities are amortized over a closed period that depends on the Plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Three-Year Trend Information for PERS - City		
Fiscal Year	Required Contribution	Percentage Contributed
6/30/2010	\$ 53,150	100%
6/30/2011	60,870	100%
6/30/2012	58,891	100%

Note 10: Other Post-Employment Health Care Benefits

Plan Description

The City provides retiree medical benefits through a single-employer defined benefit healthcare plan which provides medical insurance benefits to eligible retirees. A separate financial report is not available for the plan.

Eligibility

Employees are eligible for retiree health benefits if they retire from the City on or after age 60 with at least 5 years of service with the City, and are eligible for a PERS pension. Membership of the plan consisted of 4 eligible active employees and 4 enrolled eligible retirees at June 30, 2012. These amounts do not reflect current retirees not enrolled in the Cal PERS health plan who are eligible to enroll in the plan at a later date.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The actual contribution is based on projected pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

As of June 30, 2012, the most recent actuarial valuation date, the City paid \$19,616 in benefits on a pay-as-you-go basis and contributed \$354,733 to the California Employers'

CITY OF ROLLING HILLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 10: Other Post-Employment Health Care Benefits (Continued)

Retirement Benefit Trust Fund (CERBT) during the fiscal year. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	<u>June 30, 2012</u>
Annual required contribution (ARC)	\$ 42,673
Interest on net OPEB obligation	2,279
Adjustment to ARC	<u>(3,180)</u>
Annual OPEB cost	41,772
Contributions made	<u>(374,349)</u>
(Decrease) increase in Net OPEB obligation	(332,577)
Net OPEB obligation (asset) June 30, 2011	<u>49,444</u>
Net OPEB obligation (asset) June 30, 2012	<u><u>\$ (283,133)</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2012 and previous two years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2010	\$ 44,794	\$ 18,746	42%	\$ 26,048
6/30/2011	43,896	20,500	47%	49,444
6/30/2012	41,772	374,349	896%	(283,133)

Funding Status and Progress

As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$433,771, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$433,771 and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0 percent. The annual covered payroll was \$379,349 and UAAL as a % of covered payroll was 114%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

CITY OF ROLLING HILLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 10: Other Post-Employment Health Care Benefits (Continued)

Schedule of Funding Progress							UAAAL as a %
Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (a)	Actuarial Asset Value (b)	Unfunded AAL (UAAAL) [(a) - (b)]	Funded Ratio [(a)/(b)]	Covered Payroll (c)		of Covered Payroll [(b)-(a)/(c)]
7/1/2009	\$ 391,029	\$ -	\$ 391,029	0%	\$ 361,582		-108.14%
7/1/2011	433,771	-	433,771	0%	379,349		-114.35%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the entry age normal cost method. The actuarial assumptions included a 7.61% investment rate of return, which is based on assumed long-term return on plan assets assuming 100% funding through CERBT using the "Building Block Method", an annual healthcare cost trend rate of 4.00%, and a payroll increase of 3.00% per year. The UAAAL is being amortized as a level percentage of projected payroll over 30 years, on a closed amortization period.

Note 11: Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Pursuant to the IRC 457 subsection (g); all amounts of compensation deferred under the deferred compensation plan, all property, or rights are solely the property and rights of the employee and beneficiaries of the plan. Deferred compensation funds are not subject to the claims of the City's general creditors; consequently, the assets and related liabilities of the plan are not included within the City's financial statements. The ending investment balance of the plan as of June 30, 2012, was \$538,250.

Note 12: Commitments and Contingencies

Litigation

In the opinion of the California Joint Powers Insurance Authority, there are no known claims which would exceed the City's applicable coverage. The City's management is not aware of any lawsuits or claims that would have a material adverse effects on the financial position of the City.

Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by prior year's audits of the financial statements or by a prior year single audit of a Federal

CITY OF ROLLING HILLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 12: Commitments and Contingencies (Continued)

grant program; grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

Construction commitments

No material construction commitments exist at June 30, 2012.

**OTHER
SUPPLEMENTARY
INFORMATION**

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CITY OF ROLLING HILLS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue Funds			
	Community Facilities Fund	Transit Fund	Traffic Safety Fund	Measure R
Assets:				
Cash and investments	\$ 41,297	\$ 106,984	\$ 77	\$ 37,046
Total Assets	\$ 41,297	\$ 106,984	\$ 77	\$ 37,046
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 4,679	\$ -	\$ 689	\$ -
Total Liabilities	4,679	-	689	-
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Recreation	13,270	-	-	-
Quimby Act	23,348	-	-	-
Public works	-	106,984	-	37,046
Capital Projects	-	-	-	-
Unassigned	-	-	(612)	-
Total Fund Balances	36,618	106,984	(612)	37,046
Total Liabilities and Fund Balances	\$ 41,297	\$ 106,984	\$ 77	\$ 37,046

CITY OF ROLLING HILLS

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>CLEEP</u>	<u>Capital Projects Fund</u>	
Assets:			
Cash and investments	\$ 52,075	\$ 12,368	\$ 249,847
Total Assets	\$ 52,075	\$ 12,368	\$ 249,847
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 5,368
Total Liabilities	-	-	5,368
Fund Balances:			
Restricted for:			
Public safety	52,075	-	52,075
Recreation	-	-	13,270
Quimby Act	-	-	23,348
Public works	-	-	144,030
Capital Projects	-	12,368	12,368
Unassigned	-	-	(612)
Total Fund Balances	52,075	12,368	244,479
Total Liabilities and Fund Balances	\$ 52,075	\$ 12,368	\$ 249,847

CITY OF ROLLING HILLS

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds			
	Community Facilities Fund	Transit Fund	Traffic Safety Fund	Measure R
Revenues:				
Intergovernmental	\$ -	\$ 52,821	\$ -	\$ 17,829
Use of money and property	222	352	-	123
Fines and forfeitures	-	-	43	-
Total Revenues	222	53,173	43	17,952
Expenditures:				
Current:				
Public safety	-	-	-	-
Recreation	19,679	-	-	-
Public works	-	-	53,805	-
Total Expenditures	19,679	-	53,805	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,457)	53,173	(53,762)	17,952
Other Financing Sources (Uses):				
Transfers in	-	-	53,150	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	53,150	-
Net Change in Fund Balances	(19,457)	53,173	(612)	17,952
Fund Balances, Beginning of Year	56,075	53,811	-	19,094
Fund Balances, End of Year	\$ 36,618	\$ 106,984	\$ (612)	\$ 37,046

CITY OF ROLLING HILLS

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>CLEEP</u>	<u>Capital Projects Fund</u>	
Revenues:			
Intergovernmental	\$ -	\$ -	\$ 70,650
Use of money and property	223	-	920
Fines and forfeitures	-	-	43
Total Revenues	223	-	71,613
Expenditures:			
Current:			
Public safety	-	-	-
Recreation	-	-	19,679
Public works	-	-	53,805
Total Expenditures	-	-	73,484
Excess (Deficiency) of Revenues Over (Under) Expenditures	223	-	(1,871)
Other Financing Sources (Uses):			
Transfers in	-	-	53,150
Transfers out	-	(64,900)	(64,900)
Total Other Financing Sources (Uses)	-	(64,900)	(11,750)
Net Change in Fund Balances	223	(64,900)	(13,621)
Fund Balances, Beginning of Year	51,852	77,268	258,100
Fund Balances, End of Year	\$ 52,075	\$ 12,368	\$ 244,479

CITY OF ROLLING HILLS

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY FACILITIES FUND
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 56,075	\$ 56,075	\$ 56,075	\$ -
Resources (Inflows):				
Use of money and property	350	350	222	(128)
Amounts Available for Appropriation	56,425	56,425	56,297	(128)
Charges to Appropriation (Outflow):				
Recreation	20,500	25,500	19,679	5,821
Total Charges to Appropriations	20,500	25,500	19,679	5,821
Budgetary Fund Balance, June 30	\$ 35,925	\$ 30,925	\$ 36,618	\$ 5,693

CITY OF ROLLING HILLS

BUDGETARY COMPARISON SCHEDULE
 TRANSIT FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 53,811	\$ 53,811	\$ 53,811	\$ -
Resources (Inflows):				
Intergovernmental	49,800	49,800	52,821	3,021
Use of money and property	500	500	352	(148)
Amounts Available for Appropriation	104,111	104,111	106,984	2,873
Budgetary Fund Balance, June 30	\$ 104,111	\$ 104,111	\$ 106,984	\$ 2,873

CITY OF ROLLING HILLS

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC SAFETY FUND
YEAR ENDED JUNE 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Fines and forfeitures	100	100	43	(57)
Transfers in	47,560	65,710	53,150	(12,560)
Amounts Available for Appropriation	47,660	65,810	53,193	(12,617)
Charges to Appropriation (Outflow):				
Public works	47,660	65,810	53,805	12,005
Total Charges to Appropriations	47,660	65,810	53,805	12,005
Budgetary Fund Balance, June 30	\$ -	\$ -	\$ (612)	\$ (612)

CITY OF ROLLING HILLS

BUDGETARY COMPARISON SCHEDULE
 MEASURE R
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 19,094	\$ 19,094	\$ 19,094	\$ -
Resources (Inflows):				
Intergovernmental	17,000	17,000	17,829	829
Use of money and property	200	200	123	(77)
Amounts Available for Appropriation	36,294	36,294	37,046	752
Budgetary Fund Balance, June 30	\$ 36,294	\$ 36,294	\$ 37,046	\$ 752

CITY OF ROLLING HILLS

BUDGETARY COMPARISON SCHEDULE
 CLEEP
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 51,852	\$ 51,852	\$ 51,852	\$ -
Resources (Inflows):				
Use of money and property	350	350	223	(127)
Amounts Available for Appropriation	52,202	52,202	52,075	(127)
Charges to Appropriation (Outflow):				
Public safety	4,500	4,500	-	4,500
Total Charges to Appropriations	4,500	4,500	-	4,500
Budgetary Fund Balance, June 30	\$ 47,702	\$ 47,702	\$ 52,075	\$ 4,373

CITY OF ROLLING HILLS

BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 77,268	\$ 77,268	\$ 77,268	\$ -
Amounts Available for Appropriation	77,268	77,268	77,268	-
Charges to Appropriation (Outflow):				
Transfers out	77,460	77,460	64,900	12,560
Total Charges to Appropriations	77,460	77,460	64,900	12,560
Budgetary Fund Balance, June 30	\$ (192)	\$ (192)	\$ 12,368	\$ 12,560

CITY OF ROLLING HILLS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2012

	<u>Balance 7/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2012</u>
<u>Deposits Fund</u>				
Assets:				
Cash and investments	\$ 812	\$ -	\$ 676	\$ 136
Restricted assets:				
Cash and investments	305,000	-	-	305,000
Total Assets	<u>\$ 305,812</u>	<u>\$ -</u>	<u>\$ 676</u>	<u>\$ 305,136</u>
Liabilities:				
Deposits payable	\$ 305,812	\$ -	\$ 676	\$ 305,136
Total Liabilities	<u>\$ 305,812</u>	<u>\$ -</u>	<u>\$ 676</u>	<u>\$ 305,136</u>

STATISTICAL
SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends	58
<p>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</p>	
Revenue Capacity	59
<p>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</p>	
Debt Capacity	67
<p>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's financial activities take place.</p>	
Demographic and Economic Information	69
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place</p>	
Operating Information	71
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</p>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF ROLLING HILLS
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)

	2009	2010	2011	2012
Governmental activities				
Invested in capital assets, net of related debt	\$ 564,040	\$ 564,040	\$ 564,040	\$ 564,040
Restricted	856,364	1,004,719	1,302,339	1,291,877
Unrestricted	<u>5,036,921</u>	<u>5,019,987</u>	<u>3,829,906</u>	<u>3,913,046</u>
Total governmental activities net assets	<u>\$ 6,457,325</u>	<u>\$ 6,588,746</u>	<u>\$ 5,696,285</u>	<u>\$ 5,768,963</u>
Business-Type activities				
Unrestricted	<u>\$ 185,348</u>	<u>\$ 187,132</u>	<u>\$ 202,161</u>	<u>\$ 219,940</u>
Total business-type activities net assets	<u>\$ 185,348</u>	<u>\$ 187,132</u>	<u>\$ 202,161</u>	<u>\$ 219,940</u>
Primary government				
Invested in capital assets, net of related debt	\$ 564,040	\$ 564,040	\$ 564,040	\$ 564,040
Restricted	856,364	1,004,719	1,302,339	1,291,877
Unrestricted	<u>5,222,269</u>	<u>5,207,119</u>	<u>4,032,067</u>	<u>4,132,986</u>
Total primary government net asset	<u>\$ 6,642,673</u>	<u>\$ 6,775,878</u>	<u>\$ 5,898,446</u>	<u>\$ 5,988,903</u>

The City of Rolling Hills has presented only four years of data for this schedule, prior years are unavailable.

CITY OF ROLLING HILLS
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	2009	2010	2011	2012
Expenses:				
Governmental activities:				
General government	\$ 806,274	\$ 785,432	\$ 1,055,473	\$ 860,121
Public safety	302,710	302,936	1,062,234	227,374
Planning and development	474,397	442,248	417,208	426,062
Recreation	4,609	8,205	3,370	19,679
Public works	125,456	18,131	171,293	53,805
Total governmental activities expenses	\$ 1,713,446	\$ 1,556,952	\$ 2,709,578	\$ 1,587,041
Business-type activities:				
Refuse collection fund	\$ 724,298	\$ 717,534	\$ 694,062	\$ 700,967
Total business-type activities expenses	\$ 724,298	\$ 717,534	\$ 694,062	\$ 700,967
Total Primary government expenses	\$ 2,437,744	\$ 2,274,486	\$ 3,403,640	\$ 2,288,008
Program revenues:				
Governmental activities:				
Charges for services:				
General government	\$ -	\$ 1,848	\$ 1,903	\$ 1,388
Public safety	12,682	10,221	15,427	18,785
Planning and development	449,911	387,401	452,140	367,779
Recreation	23,348	-	-	-
Public works	9,280	83	61	43
Operating grants and contributions	156,075	183,832	214,711	170,947
Capital grants and contributions	-	-	15,000	-
Total governmental activities program revenues	651,296	583,385	699,242	558,942
Net (expense)/revenue	\$ (1,062,150)	\$ (973,567)	\$ (2,010,336)	\$ (1,028,099)
Business-type activities:				
Charges for services:				
Refuse collection fund	\$ 722,264	\$ 719,318	\$ 721,091	\$ 730,746
Total business-type activities program revenues	\$ 722,264	\$ 719,318	\$ 721,091	\$ 730,746
Net (expense)/revenue	\$ (2,034)	\$ 1,784	\$ 27,029	\$ 29,779
Total Net (expense)/revenue	\$ (1,064,184)	\$ (971,783)	\$ (1,983,307)	\$ (998,320)
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	\$ 741,297	\$ 775,091	\$ 752,653	\$ 763,950
Sales and use taxes	6,564	-	-	4,892
Franchise taxes	13,619	15,064	16,507	17,565
Other taxes	24,242	38,387	35,848	29,962
Motor vehicle in lieu tax (unrestricted)	155,755	158,205	159,600	153,161
Use of money and property	138,599	73,767	82,843	81,903
Other	57,940	44,474	58,424	37,344
Transfers	-	-	12,000	12,000
Total governmental activities	1,138,016	1,104,988	1,117,875	1,100,777
Business-type activities:				
Transfers	-	-	(12,000)	(12,000)
Total business-type activities	-	-	(12,000)	(12,000)
Total General Revenue and Extraordinary Item	1,138,016	1,104,988	1,105,875	1,088,777
Change in Net Assets				
Governmental activities	\$ 75,866	\$ 131,421	\$ (892,461)	\$ 72,678
Business-type activities	\$ (2,034)	\$ 1,784	\$ 15,029	\$ 17,779
Total primary government	\$ 73,832	\$ 133,205	\$ (877,432)	\$ 90,457

The City of Rolling Hills has presented only four years of data for this schedule, prior years are unavailable.

CITY OF ROLLING HILLS
Fund Balances of Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General fund:				
Reserved	\$ 22,116	\$ 75,880		
Designated for working capital	257,652	-		
Designated for budget contingency	154,591	-		
Undesignated	<u>3,461,390</u>	<u>3,146,014</u>		
Total general fund	<u>\$ 3,895,749</u>	<u>\$ 3,221,894</u>		
All other governmental funds:				
Reserved	\$ -	\$ -		
Unreserved, reported in:				
Special revenue funds	120,902	225,472		
Capital projects funds	179,459	173,500		
Undesignated	<u>1,036,036</u>	<u>1,813,209</u>		
Total all other governmental funds	<u>\$ 1,336,397</u>	<u>\$ 2,212,181</u>		
General fund:				
Nonspendable			\$ 55,931	\$ 68,545
Restricted			-	-
Committed			-	-
Assigned			-	36,367
Unassigned			<u>3,265,198</u>	<u>3,005,146</u>
Total general fund			<u>\$ 3,321,129</u>	<u>\$ 3,110,058</u>
All other governmental funds:				
Nonspendable			\$ -	\$ -
Restricted			-	1,291,877
Unassigned			<u>1,302,339</u>	<u>(612)</u>
Total all other governmental funds			<u>\$ 1,302,339</u>	<u>\$ 1,291,265</u>

The City of Rolling Hills has presented only four years of data for this schedule, prior years are unavailable

CITY OF ROLLING HILLS
Changes in Fund Balances of Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

	2009	2010	2011	2012
Revenues:				
Taxes	\$ 785,722	\$ 828,542	\$ 805,008	\$ 816,369
Licenses and permits	408,811	356,680	426,565	339,496
Intergovernmental	311,830	342,037	389,311	324,108
Charges for services	73,640	32,569	27,478	29,671
Use of money and property	138,599	73,767	82,843	81,903
Fines and forfeitures	12,770	10,304	15,488	18,828
Miscellaneous	57,940	44,474	58,424	24,445
Total revenues	<u>1,789,312</u>	<u>1,688,373</u>	<u>1,805,117</u>	<u>1,634,820</u>
Expenditures				
General government	789,994	725,192	973,619	1,140,700
Public safety	291,661	295,524	1,062,234	227,374
Planning and development	474,397	442,248	417,208	426,062
Recreation	4,609	8,205	3,370	19,679
Public works	108,557	5,888	171,293	53,805
Capital outlay	-	9,387	-	1,345
Total expenditures	<u>1,669,218</u>	<u>1,486,444</u>	<u>2,627,724</u>	<u>1,868,965</u>
Excess (deficiency) of revenues over (under) expenditures	<u>120,094</u>	<u>201,929</u>	<u>(822,607)</u>	<u>(234,145)</u>
Other financing sources (uses):				
Transfers in	345,443	739,194	108,232	95,050
Transfers out	(570,443)	(739,194)	(96,232)	(83,050)
Total other financing sources (uses)	<u>(225,000)</u>	<u>-</u>	<u>12,000</u>	<u>12,000</u>
Net change in fund balances	<u>\$ (104,906)</u>	<u>\$ 201,929</u>	<u>\$ (810,607)</u>	<u>\$ (222,145)</u>

The City of Rolling Hills has presented only four years of data for this schedule, prior years are unavailable.

CITY OF ROLLING HILLS
 Selected Governmental Activities Tax Revenues by Source
 Last Four Fiscal Years
 (accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales and Use Tax</u>	<u>Franchise and Other Taxes</u>	<u>Motor Vehicle in Lieu Tax</u>	<u>Total</u>
2009	\$ 741,297	\$ 6,564	\$ 37,861	\$ 155,755	\$ 941,477
2010	775,091	-	53,451	158,205	986,747
2011	752,653	-	52,355	159,600	964,608
2012	763,950	4,892	47,527	153,161	969,530

The City of Rolling Hills has presented only four years of data for this schedule, prior years are unavailable.

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

Fiscal Year Ended June 30	Residential	Other (1)	Total Net Taxable Assessed Value	Estimated Actual Value of Taxable Property (2)	Total Direct Rate
2003	\$ 798,865,920	\$ 3,363,963	\$ 802,229,883	\$ 802,229,883	0.06495
2004	856,702,223	3,384,789	860,087,012	860,087,012	0.06495
2005	916,551,139	2,873,110	919,424,249	919,424,249	0.06494
2006	985,322,272	3,004,225	988,326,497	988,326,497	0.06494
2007	1,049,307,759	2,871,594	1,052,179,353	1,052,179,353	0.06504
2008	1,123,283,501	2,973,585	1,126,257,086	1,126,257,086	0.06575
2009	1,174,194,979	3,315,119	1,177,510,098	1,177,510,098	0.06502
2010	1,192,443,291	3,056,506	1,195,499,797	1,195,499,797	0.06503
2011	1,166,813,432	2,821,199	1,169,634,631	1,169,634,631	0.06493
2012	1,191,114,199	3,074,728	1,194,188,927	1,194,188,927	0.06493

Data Source: HDL Coren & Cone (Los Angeles County Assessor)

- (1) Includes industrial, govt. owned, miscellaneous, cross reference, and unsecured.
- (2) Los Angeles County does not provide estimated actual values.

CITY OF ROLLING HILLS

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(Per \$100 of Assessed Value)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Basic Levy (1)	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
County Detention Facilities 1987 Debt	0.00103	0.00099	0.00092	0.00080	0.00066	0.00000	0.00000	0.00000	0.00000	0.00000
LA Community College District	0.01460	0.01986	0.01810	0.01429	0.02146	0.00879	0.02212	0.02311	0.04031	0.03530
LA County Flood Control	0.00088	0.00046	0.00025	0.00005	0.00005	0.00000	0.00000	0.00000	0.00000	0.00000
Metropolitan Water District	0.00670	0.00610	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370
Palos Verdes Library District	0.00970	0.00896	0.00852	0.00781	0.00731	0.00685	0.00680	0.00662	0.00672	0.00636
Palos Verdes Peninsula Unified	0.01510	0.01478	0.01496	0.01946	0.01410	0.01976	0.02018	0.02164	0.02249	0.02251
Total Direct & Overlapping (2) Tax Rates	1.04801	1.05115	1.04855	1.04761	1.04828	1.03990	1.05340	1.05567	1.07322	1.06787
City's Share of 1% Levy Per Prop 13 (3)	0.06495	0.06495	0.06495	0.06495	0.06495	0.06495	0.06495	0.06495	0.06495	0.06495
Total Direct Rate (4)	0.06495	0.06495	0.06494	0.06494	0.06504	0.06575	0.06502	0.06503	0.06493	0.06493

Data Source: HDL Coren & Cone (Los Angeles County Assessor)

(1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

(2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

(3) City's share of 1% Levy is based on the City's share of general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.

(4) Total Direct Rate is the weighted average of all individual direct rates applied by the City of Rolling Hills.

CITY OF ROLLING HILLS
 Top Ten Property Taxpayers
 Current Year and Ten Years Ago

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Taxpayer #1	\$ 16,148,963	1	1.35%	\$ 7,283,456	1	0.93%
Taxpayer #2	10,760,312	2	0.90%			
Taxpayer #3	10,000,000	3	0.84%			
Taxpayer #4	9,464,991	4	0.79%			
Taxpayer #5	9,318,583	5	0.78%			
Taxpayer #6	8,325,900	6	0.70%			
Taxpayer #7	8,207,500	7	0.69%			
Taxpayer #8	6,785,074	8	0.57%			
Taxpayer #9	6,600,000	9	0.55%			
Taxpayer #10	6,538,900	10	0.55%			
Taxpayer #11				7,179,498	2	0.89%
Taxpayer #12				6,762,600	3	0.84%
Taxpayer #13				6,409,871	4	0.80%
Taxpayer #14				5,651,940	5	0.70%
Taxpayer #15				5,096,936	6	0.64%
Taxpayer #16				4,848,608	7	0.60%
Taxpayer #17				4,681,800	8	0.58%
Taxpayer #18				4,459,532	9	0.56%
Taxpayer #19				4,233,000	10	0.53%
Top Ten Total	\$ 92,150,223		7.72%	\$ 56,607,241		7.06%

Data Source: HDL Coren & Cone (Los Angeles County Assessor)

CITY OF ROLLING HILLS
Property Tax Levies and Collections
Last Four Fiscal Years

<u>Year Ended June 30</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
2009	\$ 765,715	\$ 695,068	90.77%	\$ 58,324	\$ 753,392	98.39%
2010	777,416	710,677	91.42%	62,852	773,529	99.50%
2011	759,462	703,505	92.63%	-	703,505	92.63%
2012	775,422	763,950	98.52%	87,749	753,393	97.16%

Source: Los Angeles County Auditor Controller's Office.

The City of Rolling Hills has presented only four years of data for this schedule, prior years are unavailable.

CITY OF ROLLING HILLS
Direct and Overlapping Debt
June 30, 2012

2011/2012 Assessed Valuation: \$1,194,188,927

	<u>Gross Bonded Debt Balance</u>	<u>Percent Applicable To City</u>	<u>Net Bonded Debt</u>
Overlapping Debt			
PV LIB. DIST. REF. BONDS DS SER 98	\$ 5,575,000	6.303%	\$ 351,418
METROPOLITAN WATER DISTRICT	94,031,705	0.138%	130,078
L. A. CCD DS 2003 SERIES B	68,950,000	0.205%	141,471
L. A. CCD DS 2003 TAXABLE SERIES 2004B	15,010,000	0.205%	30,797
L. A. CCD DS 2001 TAXABLE SERIES 2004A	74,615,000	0.205%	153,094
LACC DS REFUNDING 2001 SERIES 2005A	430,410,000	0.205%	883,108
LA CCD DS 2001, 2006 SERIES B	382,575,000	0.205%	784,961
LA CCD DS 2003, 2006 SERIES C	284,050,000	0.205%	582,809
LACC DS 2001, 2008 SER E-1	275,580,000	0.205%	565,431
LACC DS 2003, 2008 SER F-1	344,915,000	0.205%	707,691
LACC DS 2003, 2008 TAXABLE SER F-2	3,805,000	0.205%	7,807
LACC DS 2008, 2009 TAXABLE SER A	350,000,000	0.205%	718,124
LACC DS 2008, 2009 TAXABLE SER B	75,000,000	0.205%	153,884
LACC DEBT 2008, 2010 TAX SERIES D	175,000,000	0.205%	359,062
LACC DEBT 2010 TAX SER E (BABS)	900,000,000	0.205%	1,846,606
LACC DS 2008, 2010 SERIES C	125,000,000	0.205%	256,473
PALOS VERDES PEN USD 2000 SERIES B	1,885,098	6.625%	124,897
PALOS VERDES PEN USD 2000 SERIES C	8,643,983	6.625%	572,706
PALOS VERDES PEN USD REFUNDING SERIES 2005	18,775,000	6.625%	1,243,935
PALOS VERDES PEN USD 2005R SERIES 2006	22,644,233	6.625%	1,500,290
PALOS VERDES PEN USD 2005S SERIES 2006	1,168,988	6.625%	77,451
PALOS VERDES PEN USD REFUNDING SERIES 2006	11,460,000	6.625%	759,280
PALOS VERDES PEN USD DS 2005 SERIES 2009	14,799,337	6.625%	980,528
Total Overlapping Debt			12,931,901
Valuation Ratios:	Direct Debt	0.00%	
	Overlapping Debt	1.08%	
	Total Debt	1.08%	

Data Source: HDL Coren & Cone

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Legal Debt Margin Information
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed value	\$ 802,229,883	\$860,087,012	\$ 919,424,249	\$988,326,497	\$1,052,179,353	\$1,126,257,086	\$1,177,510,098	\$ 1,195,499,797	\$1,169,634,631	\$ 1,194,188,927
Debt Limit -15% of assessed value	120,334,482	129,013,052	137,913,637	148,248,975	157,826,903	168,938,563	176,626,515	179,324,970	175,445,195	179,128,339
Amount of Debt Applicable to the Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 120,334,482	\$129,013,052	\$ 137,913,637	\$148,248,975	\$ 157,826,903	\$ 168,938,563	\$ 176,626,515	\$ 179,324,970	\$ 175,445,195	\$ 179,128,339
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Data Source: City Finance Department

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel).

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

<u>Calendar Year</u>	<u>City Population</u>	<u>Personal Income (thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2002	1,890	209,948	109,691	0.6
2003	1,898	208,155	107,685	0.7
2004	1,910	202,459	103,507	0.6
2005	1,912	196,069	99,477	0.9
2006	1,889	183,147	93,490	0.8
2007	1,876	174,904	89,511	0.8
2008	1,868	173,107	88,591	1.2
2009	1,868	179,562	91,473	2.0
2010	1,860	227,987	115,495	2.2
2011	1,875	231,977	123,721	2.1

Sources: Data Source: HDL Coren & Cone (California State Department of Finance, California EDD, Census)

CITY OF ROLLING HILLS

Principal Employers

Current Year

<u>Type of Business (1)</u>	<u>Number of Employees</u>	<u>Percentage of Total City Employment</u>
Transportation Concepts Inc	20-49	24-26%
Rolling Hills Main Gate	10-19	5-6%
Beach Cities Learning Ctr	10-19	5-6%
E Search	5-9	5-6%
Rancho Del Mar School	5-9	5-6%
Rolling Hills City Fire Dept	5-9	5-6%
PV Kids' Corner	5-9	5-6%
Rolling Hills Crest Gate	5-9	5-6%
Rolling Hills Community Assn	5-9	5-6%

Source: State Employment Development Department

The City of Rolling Hills has presented only current year data for this schedule, 2003 is unavailable.

CITY OF ROLLING HILLS
 Full-time Equivalent City Government Employees by Function/Program
 Last Four Fiscal Years

Function/Program	Full-time Equivalent Employees as of June 30,			
	2009	2010	2011	2012
City Management	1	1	1	1
Planning	1	1	1	1
Administration	3	3	2.75	2
 Total	 5.00	 5.00	 4.75	 4.00

Source: City Finance Department

The City of Rolling Hills has presented only four years of data for this schedule, prior years are unavailable.

CITY OF ROLLING HILLS
 Operating Indicators by Function/Program
 Last Four Years

Function/Program	2009	2010	2011	2012
Police:				
Physical arrests	10	10	4	10
Parking violations	2	-	-	-
Moving violations	345	482	561	267
Fire:				
Number of Emergency calls	143	111	118	124
Inspections	n/a	n/a	n/a	n/a
Building & Planning:				
Building permits issues	n/a	109.0	82.0	97.0
Grading applications	9.0	7.0	8.0	7.0
Public Works:				
Public works permits	n/a	n/a	n/a	n/a
Street resurfacing (miles)	n/a	n/a	n/a	n/a
Recreation:				
Number of recreation classes	n/a	n/a	n/a	n/a
Number of facility rentals	n/a	n/a	n/a	n/a

Source: City Departments

The City of Rolling Hills has presented only four years of data for this schedule, prior years are unavailable.

N/A - Information is not applicable

CITY OF ROLLING HILLS
 Capital Asset Statistics by Function/Program
 Last Four Years

Function/Program	2009	2010	2011	2012
Police:				
Stations	n/a	n/a	n/a	n/a
Patrol units	n/a	n/a	n/a	n/a
Streets (miles)	n/a	n/a	n/a	n/a
Sanitary sewers (miles)	n/a	n/a	n/a	n/a
Storm drains (miles)	n/a	n/a	n/a	n/a
Recreation facilities:				
Riding Rings *	2	2	2	2
Tennis Courts *	3	3	3	3

Source: City Departments

The City of Rolling Hills has presented only four years of data for this schedule, prior years are unavailable.

* Riding rings and tennis courts leased to Rolling Hills Community Association

N/A - Information is not applicable

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