

**CITY OF ROLLING HILLS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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CITY OF ROLLING HILLS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

Page
Number

INTRODUCTORY SECTION

Letter of Transmittal	i
GFOA Certificate of Achievement for Excellence in Financial Reporting	iv
Organization Chart	v
Directory of Officials	vi

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Position - Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Statement of Fiduciary Net Position	23
Notes to Financial Statements	25

CITY OF ROLLING HILLS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Notes to Required Supplementary Information	43
Budgetary Comparison Schedule – General Fund.....	45
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	48
Budgetary Comparison Schedules - Special Revenue Funds:	
Community Facilities	50
Transit	51
Traffic Safety	52
Measure R.....	53
COPS	54
CLEEP	55
Combining Statement of Changes in Assets and Liabilities – All Agency Funds.....	56
STATISTICAL SECTION	
Net Position by Component.....	58
Changes in Net Position	59
Fund Balances of Governmental Funds.....	60
Changes in Fund Balances of Governmental Funds.....	61
Selected Governmental Activities Tax Revenues by Source	62
Assessed Value and Estimated Actual Value of Taxable Property.....	63
Direct and Overlapping Property Tax Rates.....	64
Top Ten Property Taxpayers.....	65
Property Tax Levies and Collections	66
Direct and Overlapping Debt	67
Legal Debt Margin Information	68
Demographic and Economic Statistics	69
Principal Employers	70
Full-time Equivalent City Government Employees by Function/Program	71
Operating Indicators by Function/Program.....	72
Capital Asset Statistics by Function/Program	73



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 18, 2014

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, 2014.

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, 2014, 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 auditor’s 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 1,860; 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 two main investment mechanisms for idle funds: the State Treasurer's Local Agency Investment Fund (LAIF) and Certificates of Deposit.

Major Initiatives and Achievements

During fiscal year 2013/14, the City accomplished the following items:

- Hired a new City Manager.
- Significantly improved the response time the Sheriff Department will lift and process fingerprints for property related crimes.
- Started the transition of Block Captains to add crime prevention as a new duty beyond emergency preparedness.
- Modified the LA County Department's Sheriff Peninsula Regional Law Cost Allocation Formula.

- Identified an alternative coyote control option to augment the program beyond the sole utilization of the LA County Agricultural Commissioner/Weights and Measures Department.
- Held a successful Town Hall Meeting between the City Council and Rolling Hills Community Association Board on undergrounding overhead utilities and the assessment district process.
- Initiated the assessment district process with residents on Eastfield Drive and Williamsburg Lane.
- Working with Los Angeles County and Rancho Palos Verdes officials, found an alternative option to an area sewer study in order to initiate the process to construct the proposed sewer line extension on Johns Canyon Road.

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.

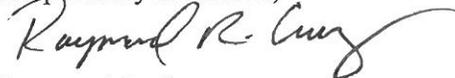
Local Economy - As mentioned previously, the City is a rural gated community with single family, one story, and ranch-style homes. The City is fully developed with few vacant parcels. The community is only residential; there are no commercial or industrial activities or zoning in the City. As such, the 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 2013-2014 fiscal year saw an increase in property values that affected local assessments and an increase in development activity as compared to prior years. 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, 2013. 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,


Raymond R. Cruz
City Manager


Terry Shea
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

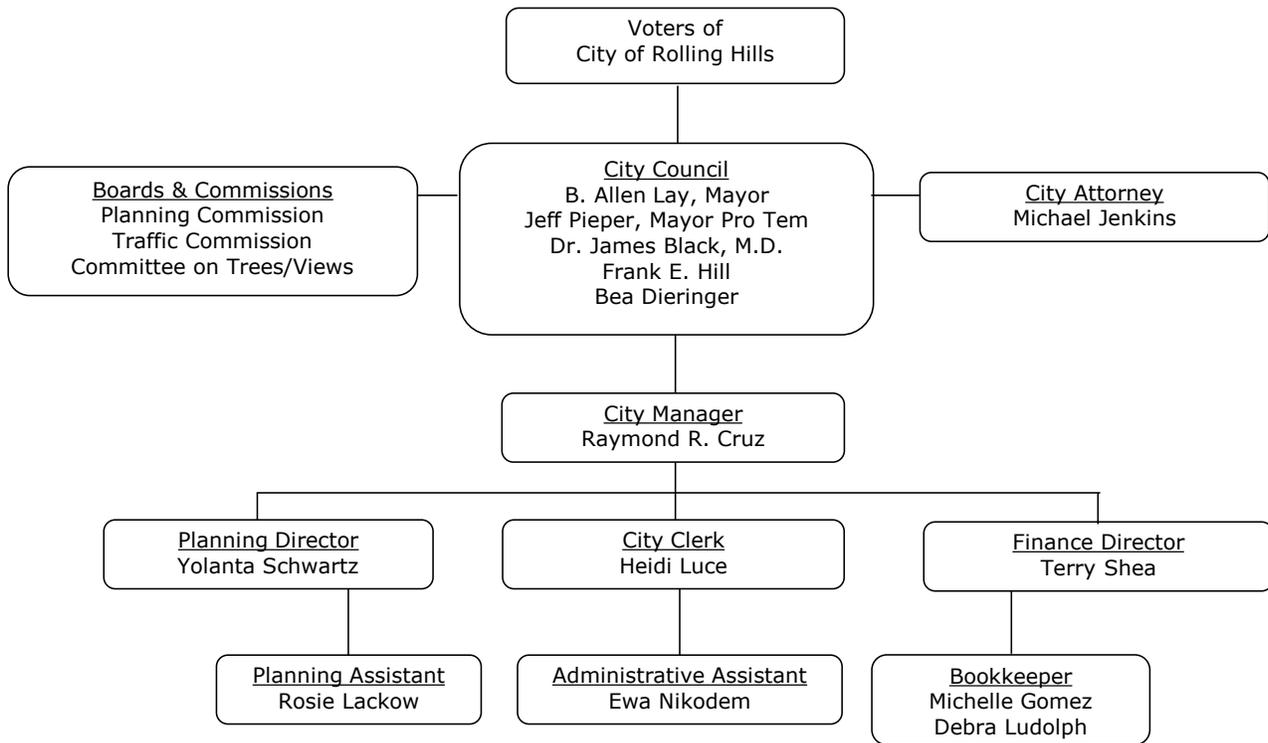
**City of Rolling Hills
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

City of Rolling Hills Organization Chart



as of 06/25/14

**CITY OF ROLLING HILLS
2013 – 2014**

CITY COUNCIL

Frank E. Hill	Mayor
B. Allen Lay	Mayor Pro Tem
James Black, M.D.	Councilmember
Bea Dieringer	Councilmember
Jeff Pieper	Councilmember

CITY STAFF

Raymond Cruz	City Manager
Heidi Luce	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

INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rolling Hills, California, (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rolling Hills, California, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information for the General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014 on our consideration of the City's internal control over financial reporting and on our



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

tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Solt & Lingham, LLP

Brea, California
December 18, 2014

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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, 2014. 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 \$6,698,493 (*net position*). Of this amount, \$4,825,326 (*unrestricted net position*) 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 \$5,140,242. Of this amount \$3,778,561 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 \$3,778,561 which represents 2.55 times the total general fund expenditures.
- General Fund revenues available for appropriation were \$356,049 more than budgeted while actual expenditures were \$125,737 less than budgeted. After transfers, the General Fund showed a \$490,616 increase 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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change 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 13 to 15 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 7 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 45 of this report.

The basic governmental fund financial statements can be found on pages 16 to 19 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 20 to 22 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 Position.

The basic fiduciary fund financial statements can be found on page 23 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 25 to 43 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 position may serve over time as a useful indicator of a government’s financial position. The City’s net position for fiscal years 2013-2014 and 2012-13 are shown in Table 1. In the City of Rolling Hills, total assets exceeded total liabilities by \$6,698,493 at June 30, 2014.

**Table 1
City of Rolling Hills Net Position**

	Governmental Activities		Business Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$6,034,664	\$5,442,836	\$622,385	\$242,142	\$6,657,049	\$5,684,978
Capital assets	564,040	564,040	-	-	564,040	564,040
Total assets	6,598,704	6,006,876	622,385	242,142	7,221,089	6,249,018
Liabilities:						
Current and other liabilities	156,940	129,405	365,656	-	522,596	129,405
Total Liabilities	156,940	129,405	365,656	-	522,596	129,405
Net position:						
Invested in capital assets	564,040	564,040	-	-	564,040	564,040
Restricted	1,309,127	1,229,719	-	-	1,309,127	1,229,719
Unrestricted	4,568,597	4,083,712	256,729	242,142	4,825,326	4,325,854
Total net position	\$6,441,764	\$5,877,471	\$256,729	\$242,142	\$6,698,493	\$6,119,613

Of the City of Rolling Hills net position, 8.42% reflects its investment in capital assets (land). An additional portion of the City of Rolling Hills net position, 19.54% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, 72.04% 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 position, 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 position increased by \$564,293. Key elements of this increase are as follows:

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

	Governmental Activities		Business Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$816,696	\$557,351	\$757,900	\$751,375	\$1,574,596	\$1,308,726
Operating grants and contributions	179,185	220,419	-	-	179,185	220,419
Capital grants and contributions	-	14,583	-	-	-	14,583
General Revenues:						
Property taxes	872,587	820,735	-	-	872,587	820,735
Franchise taxes	19,510	18,604	-	-	19,510	18,604
Other taxes	35,470	46,517	-	-	35,470	46,517
Motor Vehicle in lieu - unrestricted	169,795	162,288	-	-	169,795	162,288
Use of money and property	76,540	76,565	-	-	76,540	76,565
Other	11,988	28,704	-	-	11,988	28,704
Total revenues	2,181,771	1,945,766	757,900	751,375	2,939,671	2,697,141
Expenses:						
General government	715,343	917,100	-	-	715,343	917,100
Public safety	348,198	300,696	-	-	348,198	300,696
Planning and development	527,192	448,810	-	-	527,192	448,810
Recreation	7,580	3,271	-	-	7,580	3,271
Public works	31,165	179,381	-	-	31,165	179,381
Refuse Collection Fund	-	-	731,313	717,173	731,313	717,173
Total expenses	1,629,478	1,849,258	731,313	717,173	2,360,791	2,566,431
Excess before transfers	552,293	96,508	26,587	34,202	578,880	130,710
Transfers	12,000	12,000	(12,000)	(12,000)	-	-
Increase in net position	564,293	108,508	14,587	22,202	578,880	130,710
Net position - beginning	5,877,471	5,768,963	242,142	219,940	6,119,613	5,988,903
Net position - ending	\$6,441,764	\$5,877,471	\$256,729	\$242,142	\$6,698,493	\$6,119,613

Governmental Activities

The increase in net position of \$564,293 during the current fiscal year is directly related to an increase in building permit revenue of \$209,827 over the prior year, the governmental funds had a net change in fund balance of \$570,024 which was offset in the government-wide statements by \$860 for the funding of the OPEB, \$(5,661) in net expense of the internal service fund, \$2,444 in unavailable revenue and \$(3,374) in the change in compensated absences payable. The cost of all governmental activities for the year was \$633,597. Overall, the City's governmental program revenues were \$995,881; of the remaining "public benefit" governmental activities, \$872,587 were paid with Property Taxes, Motor Vehicle in lieu Taxes of \$169,795 and Use of money and property of \$76,540.

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 position increased by \$14,587. The increase in net position is mainly attributable to an increase in the monthly refuse charges. Charges for services are the major revenue source for the City's business type activities, accounting for 100% or \$757,900 of total business-type activity revenue. The cost of Proprietary (Business Type) activities this year was \$743,313 and included \$12,000 of transfers to the General Fund for administrative services.

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, unassigned 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 2013-14, the City's governmental funds reported combined ending fund balances of \$5,140,242 an increase of \$570,024 from the previous year. The increase is primarily attributed to increases in building permit revenue of \$209,827 and property taxes of \$41,711 over the prior fiscal year, coupled with a decrease in expenditures for general government of \$145,000 and public works of \$148,000 offset by increases in planning and development and public safety expenditures. Approximately 73.51% of ending fund balance \$3,778,561 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 \$16,187 or restricted, subject to externally enforceable legal restrictions of \$1,309,127, or assigned of \$36,367 to indicate that it is unavailable for discretionary spending.

There are two 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 \$3,778,561 which represents 98.63% of total fund balance of \$3,831,115. 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 2.55 times of total General Fund expenditures, while total fund balance represents 2.59 times of that same amount.

The City's General Fund fund balance increased by \$490,616 during the current fiscal year primarily because of increases in building permit revenue of \$209,827 and property taxes of \$41,711 coupled with a decrease in expenditures for general government over the prior fiscal year offset by increases in planning and development and public safety expenditures.

The other major fund on the City's governmental funds balance sheet is the Underground Utility Fund. 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 \$1,020,306, which decreased \$7,777 from the prior year's balance of \$1,028,083.

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 position for the Refuse Collection - Enterprise Fund is \$256,729. The total change in net position for the Refuse Collection - Enterprise Fund was a net position increase of \$14,587.

Ending unrestricted net position for the Municipal Self Insurance Fund - Internal Service Fund is \$488,424. The total change in net position for the Municipal Self Insurance Fund - Internal Service Fund was a net position decrease of \$5,661.

General Fund Budgetary Highlights

The difference between the original General Fund budget and the final amended budget was an increase of \$80,000 in resources and an increase of \$103,100 in expenditures, which are summarized as follows:

Planning permits revenue budget was increased by \$55,000 to reflect an increase in the issuance of permits. The planning department budget was also increased to accommodate for part time assistance due to the increase in construction and other planning department projects. Property tax revenues were increased by \$25,000 to reflect an increase in revenues received.

Actual to budget revenue variances included positive variances for Property Taxes of \$94,967 and Building Permit Fees of \$227,214. Total General Fund revenues were \$356,049 more than budgeted.

Total General Fund expenditures were \$125,737 less than budgeted due to savings in City Administration costs of \$76,474, which was due to the city having an interim city manager for a portion of year.

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, 2014 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 5 on page 35 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 \$3,374.

Other Post-Employment Health Care Benefits

The City funded the OPEB liability in Fiscal Year 2011-12, which resulted in a Net OPEB Asset of \$252,713, which is included on the Statement of Net Position. See Note 9 on pages 39 to 41.

Economic Factors and Next Year's Budgets

The City Council adopted the Fiscal Year 2014-15 budget on June 9, 2014, and the following factors were considered in preparing the budget:

- A continued conservative approach to revenue projections with 2.0 % increases in property taxes and associated 2.5% increase in demand for development activity. The Fiscal Year 2014-15 budget includes a net decrease in budgeted revenues of \$3,450.
- The Fiscal Year 2014-15 General Fund expenditures are \$40,085 more than prior year; due to the Fiscal Year 2014-15 expenditures including an additional \$30,000 in expenditures to fund the cost of election services.
- The City's General Fund adopted budget anticipates having a surplus of \$42,745 for Fiscal Year 2014-15.

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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CITY OF ROLLING HILLS

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 5,344,337	\$ 598,609	\$ 5,942,946
Receivables:			
Accounts	419,517	23,776	443,293
Accrued interest	1,910	-	1,910
Prepaid costs	16,187	-	16,187
Net OPEB Asset	252,713	-	252,713
Capital assets not being depreciated	564,040	-	564,040
Total Assets	6,598,704	622,385	7,221,089
Liabilities:			
Accounts payable	106,770	365,656	472,426
Accrued liabilities	7,337	-	7,337
Deposits payable	16,803	-	16,803
Noncurrent liabilities:			
Due within one year	7,000	-	7,000
Due in more than one year	19,030	-	19,030
Total Liabilities	156,940	365,656	522,596
Net Position:			
Investment in capital assets	564,040	-	564,040
Restricted for:			
Public safety	83,975	-	83,975
Recreation	2,612	-	2,612
Public works	167,930	-	167,930
Capital projects	1,031,262	-	1,031,262
Quimby Act	23,348	-	23,348
Unrestricted	4,568,597	256,729	4,825,326
Total Net Position	\$ 6,441,764	\$ 256,729	\$ 6,698,493

CITY OF ROLLING HILLS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 715,343	\$ 1,740	\$ -	\$ -
Public safety	348,198	60,669	100,840	-
Planning and development	527,192	753,870	-	-
Recreation	7,580	-	-	-
Public works	31,165	417	78,345	-
Total Governmental Activities	1,629,478	816,696	179,185	-
Business-Type Activities:				
Refuse Collection Fund	731,313	757,900	-	-
Total Business-Type Activities	731,313	757,900	-	-
Total Primary Government	\$ 2,360,791	\$ 1,574,596	\$ 179,185	\$ -

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 Position

Net Position at Beginning of Year

Net Position at End of Year

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (713,603)	\$ -	\$ (713,603)
(186,689)	-	(186,689)
226,678	-	226,678
(7,580)	-	(7,580)
47,597	-	47,597
(633,597)	-	(633,597)
-	26,587	26,587
-	26,587	26,587
(633,597)	26,587	(607,010)
872,587	-	872,587
3,178	-	3,178
19,510	-	19,510
32,292	-	32,292
169,795	-	169,795
76,540	-	76,540
11,988	-	11,988
12,000	(12,000)	-
1,197,890	(12,000)	1,185,890
564,293	14,587	578,880
5,877,471	242,142	6,119,613
\$ 6,441,764	\$ 256,729	\$ 6,698,493

CITY OF ROLLING HILLS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
		Underground Utility Fund		
Assets:				
Cash and investments	\$ 3,759,609	\$ 1,020,306	\$ 297,557	\$ 5,077,472
Receivables:				
Accounts	197,185	-	-	197,185
Accrued interest	1,910	-	-	1,910
Prepaid costs	16,187	-	-	16,187
Total Assets	\$ 3,974,891	\$ 1,020,306	\$ 297,557	\$ 5,292,754
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 97,261	\$ -	\$ 8,736	\$ 105,997
Accrued liabilities	7,337	-	-	7,337
Deposits payable	16,803	-	-	16,803
Total Liabilities	121,401	-	8,736	130,137
Deferred Inflows of Resources:				
Unavailable revenues	22,375	-	-	22,375
Total Deferred Inflows of Resources	22,375	-	-	22,375
Fund Balances:				
Nonspendable:				
Prepaid costs	16,187	-	-	16,187
Restricted for:				
Public safety - Police	-	-	83,975	83,975
Recreation - Community Facilities	-	-	2,612	2,612
Grants - Public works	-	-	167,930	167,930
Capital Projects	-	1,020,306	10,956	1,031,262
Quimby Act	-	-	23,348	23,348
Assigned to:				
Other Post Employment Benefits	36,367	-	-	36,367
Unassigned	3,778,561	-	-	3,778,561
Total Fund Balances	3,831,115	1,020,306	288,821	5,140,242
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,974,891	\$ 1,020,306	\$ 297,557	\$ 5,292,754

CITY OF ROLLING HILLS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Fund balances of governmental funds	\$ 5,140,242
Amounts reported for governmental activities in the statement of net position 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	(26,030)
Governmental funds report all OPEB contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.	252,713
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	22,375
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 position.	<u>488,424</u>
Net Position of governmental activities	<u><u>\$ 6,441,764</u></u>

CITY OF ROLLING HILLS

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects Funds <u>Underground Utility Fund</u>	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 927,567	\$ -	\$ -	\$ 927,567
Licenses and permits	712,214	-	-	712,214
Intergovernmental	170,635	-	206,459	377,094
Charges for services	43,396	-	-	43,396
Use of money and property	75,854	-	686	76,540
Fines and forfeitures	32,972	-	-	32,972
Miscellaneous	9,544	-	-	9,544
Total Revenues	<u>1,972,182</u>	<u>-</u>	<u>207,145</u>	<u>2,179,327</u>
Expenditures:				
Current:				
General government	704,616	-	-	704,616
Public safety	247,623	-	100,575	348,198
Planning and development	527,192	-	-	527,192
Recreation	-	-	7,580	7,580
Public works	-	7,777	23,388	31,165
Capital outlay	2,552	-	-	2,552
Total Expenditures	<u>1,481,983</u>	<u>7,777</u>	<u>131,543</u>	<u>1,621,303</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	490,199	(7,777)	75,602	558,024
Other Financing Sources (Uses):				
Transfers in	12,417	-	12,000	24,417
Transfers out	(12,000)	-	(417)	(12,417)
Total Other Financing Sources (Uses)	<u>417</u>	<u>-</u>	<u>11,583</u>	<u>12,000</u>
Net Change in Fund Balances	490,616	(7,777)	87,185	570,024
Fund Balances, Beginning of Year	3,340,499	1,028,083	201,636	4,570,218
Fund Balances, End of Year	<u>\$ 3,831,115</u>	<u>\$ 1,020,306</u>	<u>\$ 288,821</u>	<u>\$ 5,140,242</u>

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, 2014**

Net change in fund balances - total governmental funds	\$ 570,024
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. The amount represents the change in compensated absences.	(3,374)
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. The amount represents the change in OPEB liability.	860
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.	2,444
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>(5,661)</u>
Change in net position of governmental activities	<u><u>\$ 564,293</u></u>

CITY OF ROLLING HILLS

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2014

	Business-Type Activities - Enterprise Funds	Governmental Activities- Internal Service Funds
	Refuse Collection Fund	
Assets:		
Current:		
Cash and investments	\$ 598,609	\$ 266,865
Receivables:		
Accounts	23,776	222,332
	<u>622,385</u>	<u>489,197</u>
Total Current Assets		
	<u>622,385</u>	<u>489,197</u>
Total Assets	<u>\$ 622,385</u>	<u>\$ 489,197</u>
Liabilities and Net Position:		
Liabilities:		
Current:		
Accounts payable	\$ 365,656	\$ 773
	<u>365,656</u>	<u>773</u>
Total Current Liabilities		
	<u>365,656</u>	<u>773</u>
Total Liabilities	<u>365,656</u>	<u>773</u>
Net Position:		
Unrestricted	256,729	488,424
	<u>256,729</u>	<u>488,424</u>
Total Net Position		
	<u>256,729</u>	<u>488,424</u>
Total Liabilities and Net Position	<u>\$ 622,385</u>	<u>\$ 489,197</u>

CITY OF ROLLING HILLS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds	Governmental Activities- Internal Service Funds
	Refuse Collection Fund	
Operating Revenues:		
Sales and service charges	\$ 757,900	\$ -
Total Operating Revenues	757,900	-
Operating Expenses:		
Administration and general	-	5,661
Refuse collection	731,313	-
Total Operating Expenses	731,313	5,661
Income (Loss) Before Transfers	26,587	(5,661)
Transfers out	(12,000)	-
Changes in Net Position	14,587	(5,661)
Net Position:		
Beginning of Year	242,142	494,085
End of Fiscal Year	\$ 256,729	\$ 488,424

CITY OF ROLLING HILLS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>	<u>Governmental Activities- Internal Service Funds</u>
	<u>Refuse Collection Fund</u>	
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 764,946	\$ -
Cash paid to suppliers for goods and services	(365,657)	(7,603)
Net Cash Provided by (Used in) Operating Activities	399,289	(7,603)
Cash Flows from Non-Capital Financing Activities:		
Cash transfers out	(12,000)	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	(12,000)	-
Net Increase (Decrease) in Cash and Cash Equivalents	387,289	(7,603)
Cash and Cash Equivalents, Beginning of Year	211,320	274,468
Cash and Cash Equivalents, End of Year	\$ 598,609	\$ 266,865
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ 26,587	\$ (5,661)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Decrease in accounts receivable	7,046	-
Increase (decrease) in accounts payable	365,656	(1,942)
Total Adjustments	372,702	(1,942)
Net Cash Provided by (Used in) Operating Activities	\$ 399,289	\$ (7,603)

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 POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Agency Funds</u>
Assets:	
Cash and investments	\$ 1,771
Restricted assets:	
Cash and investments	<u>305,000</u>
Total Assets	<u>\$ 306,771</u>
Liabilities:	
Deposits payable	<u>\$ 306,771</u>
Total Liabilities	<u>\$ 306,771</u>

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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 position 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.

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

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.

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

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

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

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, Deferred Outflows, Liabilities, Deferred Inflows and Net Position 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.

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.

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

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

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

In addition to liabilities, the statement of financial position or governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

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

Non-spendable includes 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 the City Council through resolution. The City has no committed fund balance as of June 30, 2014.

Assigned include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The assigned balance is set aside with the intent to be used for a specific purpose by the City Council through resolution.

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.

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

Fund Equity Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position Flow Assumption

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

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.

Budget

The transportation Development Act Fund, Underground Utility Fund and Capital Projects Fund did not adopt a budget for the year.

II. DETAILED NOTES ON ALL FUNDS

Note 2: Cash and Investments

As of June 30, 2014, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 5,344,337
Business-type activities	598,609
Fiduciary funds	<u>306,771</u>
Total Cash and Investments	<u>\$ 6,249,717</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

As of June 30, 2014, the carrying amount of the City’s deposits was \$345,206 and the bank balance was \$367,784. The \$22,578 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.

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

CITY OF ROLLING HILLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)

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.

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, 2014, 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, 2014, the City's investments in external investment pools and money market mutual funds are unrated.

CITY OF ROLLING HILLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 2: Cash and Investments (Continued)

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, 2014, 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, 2014, 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, 2014, 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.

As of June 30, 2014, the City had the following investments and original maturities:

	Investment Maturities (in Years)			Fair Value
	1 year or less	1-3 years	3 - 5 years	
Investments				
Local Agency Investment Fund	\$ 2,698,703	\$ -	\$ -	\$ 2,698,703
Money Market Saving Accounts	505,808	-	-	505,808
Certificates of Deposits	2,700,000	-	-	2,700,000
	<u>\$ 5,904,511</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,904,511</u>

Note 3: Receivables

Receivables at June 30, 2014, 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.

CITY OF ROLLING HILLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 3: Receivables (Continued)

Accounts Receivable	General Fund	Refuse Collection Fund	Total
Accounts	\$ 159,134	\$ -	\$ 159,134
Property Taxes	38,051	-	38,051
Taxes assessed for rubbish collection	-	23,776	23,776
Total Receivables	<u>\$ 197,185</u>	<u>\$ 23,776</u>	<u>\$ 220,961</u>

Note 4: Interfund Transfers

Individual fund operating transfers for the fiscal year ended June 30, 2014, are as follows:

Funds	Transfers Out			Total
	General Fund	Non-Major Governmental Funds	Refuse Collection Fund	
Transfers In:				
General Fund	\$ -	\$ 417	\$ 12,000	\$ 12,417
Non-Major Funds	12,000	-	-	12,000
Total	<u>\$ 12,000</u>	<u>\$ 417</u>	<u>\$ 12,000</u>	<u>\$ 24,417</u>

The Refuse Collection Fund and non-major governmental funds transferred out \$12,417 to the General Fund to cover expenditures in the current fiscal year. The General Fund transferred \$12,000 to Non-Major Governmental Funds for the 2013-2014 Road Striping project.

CITY OF ROLLING HILLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<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, 2014, all capital assets with the exception of land were fully depreciated and accordingly, no depreciation was recorded or allocated.

Note 6: Long-Term Debt

The following is a summary of changes in long-term liabilities of the City for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Compensated Absences	\$ 22,656	\$ 35,874	\$ 32,500	\$ 26,030	\$ 7,000
Total	<u>\$ 22,656</u>	<u>\$ 35,874</u>	<u>\$ 32,500</u>	<u>\$ 26,030</u>	<u>\$ 7,000</u>

Liabilities for compensated absences are typically liquidated by the General Fund.

Note 7: Liability, Insured Programs and Workers' 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 119 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other 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. The \$3 million annual aggregate deductible is fully retained by the Authority. (6) Costs of covered claims from \$15 million up to \$20 million are paid under reinsurance agreements. (7) Costs of covered claims from \$20 million to \$50 million are paid under excess insurance policies.

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

Note 7: Liability, Insured Programs and Workers' Compensation Protection (Continued)

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$30 million per occurrence. This \$30 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$15 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 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.

Note 7: Liability, Insured Programs and Workers' Compensation Protection (Continued)

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.

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 2013-14.

Note 8: 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 8.122%. The contribution requirements of plan members and the City are established and may be amended by PERS.

Contributions

For the year ended June 30, 2014, the City's contribution of \$33,373 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 8: Pension Plan Obligations (Continued)

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

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	9 years as of the Valuation Date
Asset Valuation Method	15-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on age, service and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%.

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.

Fiscal Year	Required Contribution	Percentage Contributed
6/30/2012	\$ 58,891	100%
6/30/2013	55,751	100%
6/30/2014	33,373	100%

Note 9: 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, 2014. 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.

CITY OF ROLLING HILLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 9: Other Post-Employment Health Care Benefits (Continued)

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, 2014, the most recent actuarial valuation date, the City paid \$15,528 in benefits on a pay-as-you-go basis.

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, 2014</u>
Annual required contribution (ARC)	\$ 9,456
Interest on net OPEB obligation	(11,610)
Adjustment to ARC	<u>16,822</u>
Annual OPEB cost	14,668
Contributions made	<u>15,528</u>
(Decrease) increase in Net OPEB obligation	(860)
Net OPEB obligation (asset) June 30, 2013	<u>(251,853)</u>
Net OPEB obligation (asset) June 30, 2014	<u><u>\$ (252,713)</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, 2014 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>
6/30/2012	\$ 41,772	\$ 374,349	896%	\$ (283,133)
6/30/2013	48,765	17,485	36%	(251,853)
6/30/2014	14,668	15,528	106%	(252,713)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 9: Other Post-Employment Health Care Benefits (Continued)

Funding Status and Progress

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$282,349, and the actuarial value of assets was \$403,815, resulting in an unfunded actuarial accrued liability (UAAL) of (\$121,466) and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 143 percent. The annual covered payroll was \$325,612 and UAAL as a % of covered payroll was -37%.

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.

Schedule of Funding Progress

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (a)	Actuarial Asset Value (b)	Unfunded AAL (UAAL) [(a) - (b)]	Funded Ratio [(a)/(b)]	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b)-(a))/(c)]
7/1/2009	\$ 391,029	\$ -	\$ 391,029	0%	\$ 361,582	108.14%
7/1/2011	340,409	-	340,409	0%	379,349	89.74%
7/1/2013	282,349	403,815	(121,466)	143%	325,612	-37.30%

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 7.25% 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%, an inflation rate of 2.75%, and a payroll increase of 2.75% per year. The UAAL is being amortized as a level percentage of projected payroll over 30 years, on a closed amortization period. The remaining amortization period is 28 years.

Note 10: 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, 2014, was \$797,233.

Note 11: 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 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.

Stewardship, Compliance and Accountability

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.

Excess of Expenditures over Appropriations are as follows:

Fund	Budget	Actual	Variance
General Fund:			
Non-department - General government	\$ 44,280	\$ 60,390	\$ (16,110)
Capital Outlay	-	2,552	(2,552)

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CITY OF ROLLING HILLS

**BUDGETARY COMPARISON SCHEDULE BY DEPARTMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 3,340,499	\$ 3,340,499	\$ 3,340,499	\$ -
Resources (Inflows):				
Taxes	807,600	832,600	927,567	94,967
Licenses and permits	430,000	485,000	712,214	227,214
Intergovernmental	164,500	164,500	170,635	6,135
Charges for services	31,300	31,300	43,396	12,096
Use of money and property	73,950	73,950	75,854	1,904
Fines and forfeitures	12,700	12,700	32,972	20,272
Miscellaneous	16,500	16,500	9,544	(6,956)
Transfers in	12,000	12,000	12,417	417
Amounts Available for Appropriation	4,889,049	4,969,049	5,325,098	356,049
Charges to Appropriation (Outflow):				
General government				
City administration	609,650	577,650	501,176	76,474
Finance	106,480	106,480	100,628	5,852
Non-Department	69,280	44,280	60,390	(16,110)
City properties	46,100	46,100	42,422	3,678
Public safety	201,370	252,470	247,623	4,847
Planning and Development	458,140	567,140	527,192	39,948
Capital outlay	-	-	2,552	(2,552)
Transfers out	25,600	25,600	12,000	13,600
Total Charges to Appropriations	1,516,620	1,619,720	1,493,983	125,737
Budgetary Fund Balance, June 30	\$ 3,372,429	\$ 3,349,329	\$ 3,831,115	\$ 481,786

CITY OF ROLLING HILLS

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue Funds			
	Community Facilities Fund	Transit Fund	Traffic Safety Fund	Measure R
Assets:				
Cash and investments	\$ 28,110	\$ 121,934	\$ 16,590	\$ 45,996
Total Assets	\$ 28,110	\$ 121,934	\$ 16,590	\$ 45,996
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 2,150	\$ -	\$ 281	\$ -
Total Liabilities	2,150	-	281	-
Restricted for:				
Public safety - Police	-	-	16,309	-
Recreation - Community Facilities	2,612	-	-	-
Grants - Public works	-	121,934	-	45,996
Capital Projects	-	-	-	-
Quimby Act	23,348	-	-	-
Total Fund Balances	25,960	121,934	16,309	45,996
Total Liabilities and Fund Balances	\$ 28,110	\$ 121,934	\$ 16,590	\$ 45,996

CITY OF ROLLING HILLS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds			Capital Projects Funds	Total Nonmajor Governmental Funds
	COPS	CLEEP	Transportation Development Act	Capital Projects Fund	
Assets:					
Cash and investments	\$ 23,567	\$ 50,404	\$ -	\$ 10,956	\$ 297,557
Total Assets	\$ 23,567	\$ 50,404	\$ -	\$ 10,956	\$ 297,557
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 6,305	\$ -	\$ -	\$ -	\$ 8,736
Total Liabilities	6,305	-	-	-	8,736
Restricted for:					
Public safety - Police	17,262	50,404	-	-	83,975
Recreation - Community Facilities	-	-	-	-	2,612
Grants - Public works	-	-	-	-	167,930
Capital Projects	-	-	-	10,956	10,956
Quimby Act	-	-	-	-	23,348
Total Fund Balances	17,262	50,404	-	10,956	288,821
Total Liabilities and Fund Balances	\$ 23,567	\$ 50,404	\$ -	\$ 10,956	\$ 297,557

CITY OF ROLLING HILLS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	Community Facilities Fund	Transit Fund	Traffic Safety Fund	Measure R
Revenues:				
Intergovernmental	\$ -	\$ 58,552	\$ 27,697	\$ 19,793
Use of money and property	90	278	-	108
Total Revenues	90	58,830	27,697	19,901
Expenditures:				
Current:				
Public safety	-	-	-	-
Recreation	7,580	-	-	-
Public works	-	-	23,388	-
Total Expenditures	7,580	-	23,388	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,490)	58,830	4,309	19,901
Other Financing Sources (Uses):				
Transfers in	-	-	12,000	-
Transfers out	-	-	-	-
Total Other Financing Sources	-	-	12,000	-
Net Change in Fund Balances	(7,490)	58,830	16,309	19,901
Fund Balances, Beginning of Year	33,450	63,104	-	26,095
Fund Balances, End of Year	\$ 25,960	\$ 121,934	\$ 16,309	\$ 45,996

CITY OF ROLLING HILLS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	COPS	CLEEP	Transportation Development Act	Capital Projects Fund	
Revenues:					
Intergovernmental	\$ 100,000	\$ -	\$ 417	\$ -	\$ 206,459
Use of money and property	68	142	-	-	686
Total Revenues	100,068	142	417	-	207,145
Expenditures:					
Current:					
Public safety	98,606	1,969	-	-	100,575
Recreation	-	-	-	-	7,580
Public works	-	-	-	-	23,388
Total Expenditures	98,606	1,969	-	-	131,543
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,462	(1,827)	417	-	75,602
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	12,000
Transfers out	-	-	(417)	-	(417)
Total Other Financing Sources	-	-	(417)	-	11,583
Net Change in Fund Balances	1,462	(1,827)	-	-	87,185
Fund Balances, Beginning of Year	15,800	52,231	-	10,956	201,636
Fund Balances, End of Year	\$ 17,262	\$ 50,404	\$ -	\$ 10,956	\$ 288,821

CITY OF ROLLING HILLS

BUDGETARY COMPARISON SCHEDULE
 COMMUNITY FACILITIES FUND
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 33,450	\$ 33,450	\$ 33,450	\$ -
Resources (Inflows):				
Use of money and property	-	-	90	90
Amounts Available for Appropriations	33,450	33,450	33,540	90
Charges to Appropriation (Outflow):				
Recreation	13,750	13,750	7,580	6,170
Total Charges to Appropriations	13,750	13,750	7,580	6,170
Budgetary Fund Balance, June 30	\$ 19,700	\$ 19,700	\$ 25,960	\$ 6,260

CITY OF ROLLING HILLS

BUDGETARY COMPARISON SCHEDULE
 TRANSIT FUND
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 63,104	\$ 63,104	\$ 63,104	\$ -
Resources (Inflows):				
Intergovernmental	55,000	55,000	58,552	3,552
Use of money and property	190	190	278	88
Amounts Available for Appropriations	118,294	118,294	121,934	3,640
Charges to Appropriation (Outflow):				
Public works	-	-	-	-
Total Charges to Appropriations	-	-	-	-
Budgetary Fund Balance, June 30	\$ 118,294	\$ 118,294	\$ 121,934	\$ 3,640

CITY OF ROLLING HILLS

BUDGETARY COMPARISON SCHEDULE
 TRAFFIC SAFETY FUND
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	-	-	27,697	27,697
Fines and forfeitures	50	50	-	(50)
Transfers in	25,600	25,600	12,000	(13,600)
Amounts Available for Appropriations	25,650	25,650	39,697	14,047
Charges to Appropriation (Outflow):				
Public works	53,340	53,340	23,388	29,952
Total Charges to Appropriations	53,340	53,340	23,388	29,952
Budgetary Fund Balance, June 30	\$ (27,690)	\$ (27,690)	\$ 16,309	\$ 43,999

CITY OF ROLLING HILLS

BUDGETARY COMPARISON SCHEDULE
 MEASURE R FUND
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 26,095	\$ 26,095	\$ 26,095	\$ -
Resources (Inflows):				
Intergovernmental	18,500	18,500	19,793	1,293
Use of money and property	-	-	108	108
Amounts Available for Appropriations	44,595	44,595	45,996	1,401
Charges to Appropriation (Outflow):				
Public works	-	-	-	-
Total Charges to Appropriations	-	-	-	-
Budgetary Fund Balance, June 30	\$ 44,595	\$ 44,595	\$ 45,996	\$ 1,401

CITY OF ROLLING HILLS

BUDGETARY COMPARISON SCHEDULE
 COPS FUND
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 15,800	\$ 15,800	\$ 15,800	\$ -
Resources (Inflows):				
Intergovernmental	100,000	100,000	100,000	-
Use of money and property	-	-	68	68
Amounts Available for Appropriations	115,800	115,800	115,868	68
Charges to Appropriation (Outflow):				
Public safety	100,000	100,000	98,606	1,394
Total Charges to Appropriations	100,000	100,000	98,606	1,394
Budgetary Fund Balance, June 30	\$ 15,800	\$ 15,800	\$ 17,262	\$ 1,462

CITY OF ROLLING HILLS

BUDGETARY COMPARISON SCHEDULE
 CLEEP FUND
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 52,231	\$ 52,231	\$ 52,231	\$ -
Resources (Inflows):				
Use of money and property	325	325	142	(183)
Amounts Available for Appropriations	52,556	52,556	52,373	(183)
Charges to Appropriation (Outflow):				
Public safety	4,500	4,500	1,969	2,531
Total Charges to Appropriations	4,500	4,500	1,969	2,531
Budgetary Fund Balance, June 30	\$ 48,056	\$ 48,056	\$ 50,404	\$ 2,348

CITY OF ROLLING HILLS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2014</u>
<u>Deposits Fund</u>				
Assets:				
Cash and investments	\$ 3,513	\$ -	\$ 1,742	\$ 1,771
Restricted assets:				
Cash and investments	305,000	-	-	305,000
Total Assets	<u>\$ 308,513</u>	<u>\$ -</u>	<u>\$ 1,742</u>	<u>\$ 306,771</u>
Liabilities:				
Deposits payable	\$ 308,513	\$ -	\$ 1,742	\$ 306,771
Total Liabilities	<u>\$ 308,513</u>	<u>\$ -</u>	<u>\$ 1,742</u>	<u>\$ 306,771</u>

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	63
<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 Position by Component
Last Six Fiscal Years
(accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities						
Net investment in capital assets	\$ 564,040	\$ 564,040	\$ 564,040	\$ 564,040	\$ 564,040	\$ 564,040
Restricted	856,364	1,004,719	1,302,339	1,291,877	1,229,719	1,309,127
Unrestricted	<u>5,036,921</u>	<u>5,019,987</u>	<u>3,829,906</u>	<u>3,913,046</u>	<u>4,083,712</u>	<u>4,568,597</u>
Total governmental activities net position	<u>\$ 6,457,325</u>	<u>\$ 6,588,746</u>	<u>\$ 5,696,285</u>	<u>\$ 5,768,963</u>	<u>\$ 5,877,471</u>	<u>\$ 6,441,764</u>
Business-Type activities						
Unrestricted	<u>\$ 185,348</u>	<u>\$ 187,132</u>	<u>\$ 202,161</u>	<u>\$ 219,940</u>	<u>\$ 242,142</u>	<u>\$ 256,729</u>
Total business-type activities net position	<u>\$ 185,348</u>	<u>\$ 187,132</u>	<u>\$ 202,161</u>	<u>\$ 219,940</u>	<u>\$ 242,142</u>	<u>\$ 256,729</u>
Primary government						
Net investment in capital assets	\$ 564,040	\$ 564,040	\$ 564,040	\$ 564,040	\$ 564,040	\$ 564,040
Restricted	856,364	1,004,719	1,302,339	1,291,877	1,229,719	1,309,127
Unrestricted	<u>5,222,269</u>	<u>5,207,119</u>	<u>4,032,067</u>	<u>4,132,986</u>	<u>4,325,854</u>	<u>4,825,326</u>
Total primary government net position	<u>\$ 6,642,673</u>	<u>\$ 6,775,878</u>	<u>\$ 5,898,446</u>	<u>\$ 5,988,903</u>	<u>\$ 6,119,613</u>	<u>\$ 6,698,493</u>

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

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

	2009	2010	2011	2012	2013	2014
Expenses:						
Governmental activities:						
General government	\$ 806,274	\$ 785,432	\$ 1,055,473	\$ 860,121	\$ 917,100	\$ 724,317
Public safety	302,710	302,936	1,062,234	227,374	300,696	348,198
Planning and development	474,397	442,248	417,208	426,062	448,810	518,218
Recreation	4,609	8,205	3,370	19,679	3,271	7,580
Public works	125,456	18,131	171,293	53,805	179,381	31,165
Total governmental activities expenses	1,713,446	1,556,952	2,709,578	1,587,041	1,849,258	1,629,478
Business-type activities:						
Refuse collection fund	724,298	717,534	694,062	700,967	717,173	731,313
Total business-type activities expenses	724,298	717,534	694,062	700,967	717,173	731,313
Total Primary government expenses	2,437,744	2,274,486	3,403,640	2,288,008	2,566,431	2,360,791
Program revenues:						
Governmental activities:						
Charges for services:						
General government	-	1,848	1,903	1,388	1,383	1,740
Public safety	12,682	10,221	15,427	18,785	12,488	60,669
Planning and development	449,911	387,401	452,140	367,779	534,149	753,870
Recreation	23,348	-	-	-	-	-
Public works	9,280	83	61	43	9,331	417
Operating grants and contributions	156,075	183,832	214,711	170,947	220,419	179,185
Capital grants and contributions	-	-	15,000	-	14,583	-
Total governmental activities program revenues	651,296	583,385	699,242	558,942	792,353	995,881
Net (expense)/revenue	(1,062,150)	(973,567)	(2,010,336)	(1,028,099)	(1,056,905)	(633,597)
Business-type activities:						
Charges for services:						
Refuse collection fund	722,264	719,318	721,091	730,746	751,375	757,900
Total business-type activities program revenues	722,264	719,318	721,091	730,746	751,375	757,900
Net (expense)/revenue	(2,034)	1,784	27,029	29,779	34,202	26,587
Total Net (expense)/revenue	\$ (1,064,184)	\$ (971,783)	\$ (1,983,307)	\$ (998,320)	\$ (1,022,703)	\$ (607,010)
General revenues and other changes in net position:						
Governmental activities:						
Taxes:						
Property taxes	\$ 741,297	\$ 775,091	\$ 752,653	\$ 763,950	\$ 820,735	\$ 872,587
Sales and use taxes	6,564	-	-	4,892	4,438	3,178
Franchise taxes	13,619	15,064	16,507	17,565	18,604	19,510
Other taxes	24,242	38,387	35,848	29,962	42,079	32,292
Motor vehicle in lieu tax (unrestricted)	155,755	158,205	159,600	153,161	162,288	169,795
Use of money and property	138,599	73,767	82,843	81,903	76,565	76,540
Other	57,940	44,474	58,424	37,344	28,704	11,988
Transfers	-	-	12,000	12,000	12,000	12,000
Total governmental activities	1,138,016	1,104,988	1,117,875	1,100,777	1,165,413	1,197,890
Business-type activities:						
Transfers	-	-	(12,000)	(12,000)	(12,000)	(12,000)
Total business-type activities	-	-	(12,000)	(12,000)	(12,000)	(12,000)
Total General Revenue	1,138,016	1,104,988	1,105,875	1,088,777	1,153,413	1,185,890
Change in Net Position						
Governmental activities	75,866	131,421	(892,461)	72,678	108,508	564,293
Business-type activities	(2,034)	1,784	15,029	17,779	22,202	14,587
Total primary government	\$ 73,832	\$ 133,205	\$ (877,432)	\$ 90,457	\$ 130,710	\$ 578,880

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

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

	2009	2010	2011	2012	2013	2014
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	\$ 56,507	\$ 16,187
Restricted			-	-	-	-
Committed			-	-	-	-
Assigned			-	36,367	36,367	36,367
Unassigned			<u>3,265,198</u>	<u>3,005,146</u>	<u>3,247,625</u>	<u>3,778,561</u>
Total general fund			<u>\$ 3,321,129</u>	<u>\$ 3,110,058</u>	<u>\$ 3,340,499</u>	<u>\$ 3,831,115</u>
All other governmental funds:						
Nonspendable			\$ -	\$ -	\$ -	\$ -
Restricted			-	1,291,877	1,229,719	1,309,127
Unassigned			<u>1,302,339</u>	<u>(612)</u>	<u>-</u>	<u>-</u>
Total all other governmental funds			<u>\$ 1,302,339</u>	<u>\$ 1,291,265</u>	<u>\$ 1,229,719</u>	<u>\$ 1,309,127</u>

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

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

	2009	2010	2011	2012	2013	2014
Revenues:						
Taxes	\$ 785,722	\$ 828,542	\$ 805,008	\$ 816,369	\$ 885,856	\$ 927,567
Licenses and permits	408,811	356,680	426,565	339,496	502,387	712,214
Intergovernmental	311,830	342,037	389,311	324,108	397,290	377,094
Charges for services	73,640	32,569	27,478	29,671	42,476	43,396
Use of money and property	138,599	73,767	82,843	81,903	76,565	76,540
Fines and forfeitures	12,770	10,304	15,488	18,828	12,488	32,972
Miscellaneous	57,940	44,474	58,424	24,445	23,084	9,544
Total revenues	<u>1,789,312</u>	<u>1,688,373</u>	<u>1,805,117</u>	<u>1,634,820</u>	<u>1,940,146</u>	<u>2,179,327</u>
Expenditures						
General government	789,994	725,192	973,619	1,140,700	849,681	713,590
Public safety	291,661	295,524	1,062,234	227,374	300,696	348,198
Planning and development	474,397	442,248	417,208	426,062	448,810	518,218
Recreation	4,609	8,205	3,370	19,679	3,271	7,580
Public works	108,557	5,888	171,293	53,805	179,381	31,165
Capital outlay	-	9,387	-	1,345	1,412	2,552
Total expenditures	<u>1,669,218</u>	<u>1,486,444</u>	<u>2,627,724</u>	<u>1,868,965</u>	<u>1,783,251</u>	<u>1,621,303</u>
Excess (deficiency) of revenues over (under) expenditures	<u>120,094</u>	<u>201,929</u>	<u>(822,607)</u>	<u>(234,145)</u>	<u>156,895</u>	<u>558,024</u>
Other financing sources (uses):						
Transfers in	345,443	739,194	108,232	95,050	32,200	24,417
Transfers out	<u>(570,443)</u>	<u>(739,194)</u>	<u>(96,232)</u>	<u>(83,050)</u>	<u>(20,200)</u>	<u>(12,417)</u>
Total other financing sources (uses)	<u>(225,000)</u>	<u>-</u>	<u>12,000</u>	<u>12,000</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>	<u>\$ 168,895</u>	<u>\$ 570,024</u>

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

CITY OF ROLLING HILLS
 Selected Governmental Activities Tax Revenues by Source
 Last Six 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
2013	820,735	4,438	60,683	162,288	1,048,144
2014	872,587	3,178	51,802	169,795	1,097,362

The City of Rolling Hills has presented only six 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
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
2013	1,232,569,287	2,667,289	1,235,236,576	1,235,236,576	0.06493
2014	1,288,139,477	2,793,340	1,290,932,817	1,290,932,817	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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	0.00092	0.00080	0.00066	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
LA CCD DS 2008 2012 Series F	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01119	0.00000
LA Community College District	0.01810	0.01429	0.02146	0.00879	0.02212	0.02311	0.04031	0.03530	0.03756	0.04454
LA County Flood Control	0.00025	0.00005	0.00005	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Metropolitan Water District	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350
Palos Verdes Library District	0.00852	0.00781	0.00731	0.00685	0.00680	0.00662	0.00672	0.00636	0.00644	0.00612
Palos Verdes Peninsula Unified	0.01496	0.01946	0.01410	0.01976	0.02018	0.02164	0.02249	0.02251	0.02410	0.02311
Total Direct & Overlapping (2) Tax Rates	1.04855	1.04761	1.04828	1.03990	1.05340	1.05567	1.07322	1.06787	1.08279	1.07727
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)	0.06494	0.06494	0.06504	0.06575	0.06502	0.06503	0.06493	0.06493	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	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Taxpayer #1	\$ 16,801,380	1	1.27%	\$ 26,778,712	1	2.91%
Taxpayer #2	12,718,555	2	0.96%			
Taxpayer #3	8,541,300	3	0.64%			
Taxpayer #4	8,490,900	4	0.64%			
Taxpayer #5	8,353,671	5	0.63%			
Taxpayer #6	7,657,000	6	0.58%	6,226,820	5	0.68%
Taxpayer #7	7,608,000	7	0.57%			
Taxpayer #8	7,140,000	8	0.54%			
Taxpayer #9	7,059,186	9	0.53%			
Taxpayer #10	6,836,700	10	0.52%			
Taxpayer #11				8,246,000	2	0.90%
Taxpayer #12				7,459,806	3	0.81%
Taxpayer #13				6,723,222	4	0.73%
Taxpayer #14				5,872,608	6	0.64%
Taxpayer #15				5,871,317	7	0.64%
Taxpayer #16				5,295,933	8	0.58%
Taxpayer #17				5,037,911	9	0.55%
Taxpayer #18				4,864,592	10	0.53%
Top Ten Total	\$ 91,206,692		6.88%	\$ 82,376,921		8.96%

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

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

Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
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	676,201	87.20%	87,749	763,950	98.52%
2013	821,759	773,478	94.12%	47,257	820,735	99.88%
2014	860,916	834,536	96.94%	38,051	872,587	101.36%

Source: Los Angeles County Auditor Controller's Office.

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

CITY OF ROLLING HILLS
Direct and Overlapping Debt
June 30, 2014

2013/2014 Assessed Valuation: \$1,325,627,523

	<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	\$ 3,530,000	6.475%	\$ 228,575
METROPOLITAN WATER DISTRICT	64,271,492	0.144%	92,232
LA CCD DS 2003 TAXABLE SERIES 2004B	74,235,000	0.212%	157,418
LA CCD DS 2001 TAXABLE SERIES 2004A	8,850,000	0.212%	18,767
LA CCD DS REFUNDING 2001 SERIES 2005A	403,320,000	0.212%	855,255
LA CCD DS 2001, 2006 SERIES B	266,185,000	0.212%	564,455
LA CCD DS 2003, 2006 SERIES C	381,585,000	0.212%	809,165
LA CCD DS 2001, 2008 SER E-1	267,340,000	2.120%	566,904
LA CCD DS 2003, 2008 SER F-1	341,565,000	0.212%	724,301
LA CCD DS 2008, 2009 TAXABLE SER A	350,000,000	0.212%	742,188
LA CCD DS 2008, 2009 TAXABLE SER B	75,000,000	0.212%	159,040
LA CCD DEBT 2008, 2010 TAX SERIES D	219,889,950	0.212%	466,285
LA CCD DEBT 2010 TAX SER E (BABS)	900,000,000	0.212%	1,908,483
LA CCD DS 2008, 2010 SERIES C	177,885,060	0.212%	377,212
LA CCD DS 2013 REF BONDS	54,480,000	0.212%	115,527
LA CCD DS 2008 SERIES G	220,000,000	0.212%	466,518
PALOS VERDES PEN USD 2000 SERIES B	1,405,098	6.798%	95,516
PALOS VERDES PEN USD 2000 SERIES C	7,987,875	6.798%	542,999
PALOS VERDES PEN USD REFUNDING SERIES 2005	10,160,000	6.798%	690,655
PALOS VERDES PEN USD 2005S SERIES 2006	11,613,221	6.798%	789,442
PALOS VERDES PEN USD REFUNDING SERIES 2006	8,770,000	6.798%	596,166
PALOS VERDES PEN USD DS 2005 REFUNDING SERIES 200	20,865,000	6.798%	1,418,359
PALOS VERDES PEN USD DS 2005 SERIES 2009	14,799,337	6.798%	1,006,028
Total Overlapping Debt			13,391,490

Valuation Ratios:	Direct Debt	0.00%
	Overlapping Debt	1.01%
	Total Debt	1.01%

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.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed value	\$ 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	\$1,265,539,169	\$ 1,325,827,523
Debt Limit -15% of assessed value	137,913,637	148,248,975	157,826,903	168,938,563	176,626,515	179,324,970	175,445,195	179,128,339	189,830,875	198,874,128
Amount of Debt Applicable to the Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<u>\$ 137,913,637</u>	<u>\$148,248,975</u>	<u>\$ 157,826,903</u>	<u>\$ 168,938,563</u>	<u>\$ 176,626,515</u>	<u>\$ 179,324,970</u>	<u>\$ 175,445,195</u>	<u>\$ 179,128,339</u>	<u>\$ 189,830,875</u>	<u>\$ 198,874,128</u>
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

Calendar Year	City Population	Personal Income (thousands)	Per Capita Personal Income	Unemployment Rate
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
2010	1,860	227,987	115,495	2.2
2011	1,875	231,977	123,721	2.1
2012	1,884	229,656	121,898	1.6
2013	1,895	207,226	109,354	1.2

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	20%
Beach Cities Learning Ctr	10-19	8-10%
Rolling Hills Main Gate	10-19	8-10%
E Search	5-9	4-5%
PV Kids' Corner	5-9	4-5%
Rancho Del Mar School	5-9	4-5%
Rolling Hills City Fire Dept	5-9	4-5%
Rolling Hills Community Assn	5-9	4-5%
Rolling Hills Crest Gate	5-9	4-5%
Roto-Rooter Plumbing & Drain	5-9	4-5%

Source: State Employment Development Department

The City of Rolling Hills has presented only current year data for this schedule, 2004 is unavailable.

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

Function/Program	Full-time Equivalent Employees as of June 30,					
	2009	2010	2011	2012	2013	2014
City Management	1	1	1	1	1	1
Planning	1	1	1	1	1	1
Administration	3	3	2.75	2	2	2
Total	5.00	5.00	4.75	4.00	4.00	4.00

Source: City Finance Department

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

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

Function/Program	2009	2010	2011	2012	2013	2014
Police:						
Physical arrests	10	10	4	10	8	3
Parking violations	2	-	-	-	-	-
Moving violations	345	482	561	267	393	371
Fire:						
Number of Emergency calls	143	111	118	124	113	129
Inspections	n/a	n/a	n/a	n/a	n/a	712
Building & Planning:						
Building permits issues	n/a	109.0	82.0	97.0	188.0	368.0
Grading applications	9.0	7.0	8.0	7.0	12.0	10.0
Public Works:						
Public works permits	n/a	n/a	n/a	n/a	n/a	n/a
Street resurfacing (miles)	n/a	n/a	n/a	n/a	n/a	n/a
Recreation:						
Number of recreation classes	n/a	n/a	n/a	n/a	n/a	n/a
Number of facility rentals	n/a	n/a	n/a	n/a	n/a	n/a

Source: City Departments

The City of Rolling Hills has presented only six 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 Six Years

Function/Program	2009	2010	2011	2012	2013	2014
Police:						
Stations	n/a	n/a	n/a	n/a	n/a	n/a
Patrol units	n/a	n/a	n/a	n/a	n/a	n/a
Streets (miles)	n/a	n/a	n/a	n/a	n/a	n/a
Sanitary sewers (miles)	n/a	n/a	n/a	n/a	n/a	n/a
Storm drains (miles)	n/a	n/a	n/a	n/a	n/a	n/a
Recreation facilities:						
Riding Rings *	2	2	2	2	2	2
Tennis Courts *	3	3	3	3	3	3

Source: City Departments

The City of Rolling Hills has presented only six 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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