

2015 CAFR at a Glance

Compliance

Unqualified (Clean) Opinion
Fifth Year Auditors - Lance, Soll, Lunghard
First year implementation of GASB 68 - New Pension Reporting & Expanded notes
Reflects implementation of GASB 54 - New Fund Reserve Definitions
GASB 34 - GASB 44 - GASB 45 - GASB 51 Compliant - No Single Audit Required This Year
Mutually agreed to audit adjustments identified in closing the year-end books
Received the 2014 - GFOA Excellence in Reporting Award

Financial

General Fund

\$1.4 Million Operating Surplus (right on two year budget projections)
\$1.5 Million Planned Transfer to the Capital Improvement Fund
Policy Reserves Upheld - \$7.2 Million + Unreserved of \$3.2
Revenues Exceed Budget by 6% with a positive \$680k year-to-year
Property Tax Exceeds by 5% of budget with a positive \$363K year-to-year
Expenses Below Budget Coming in at 96% yet an actual year-to-year 7% increase

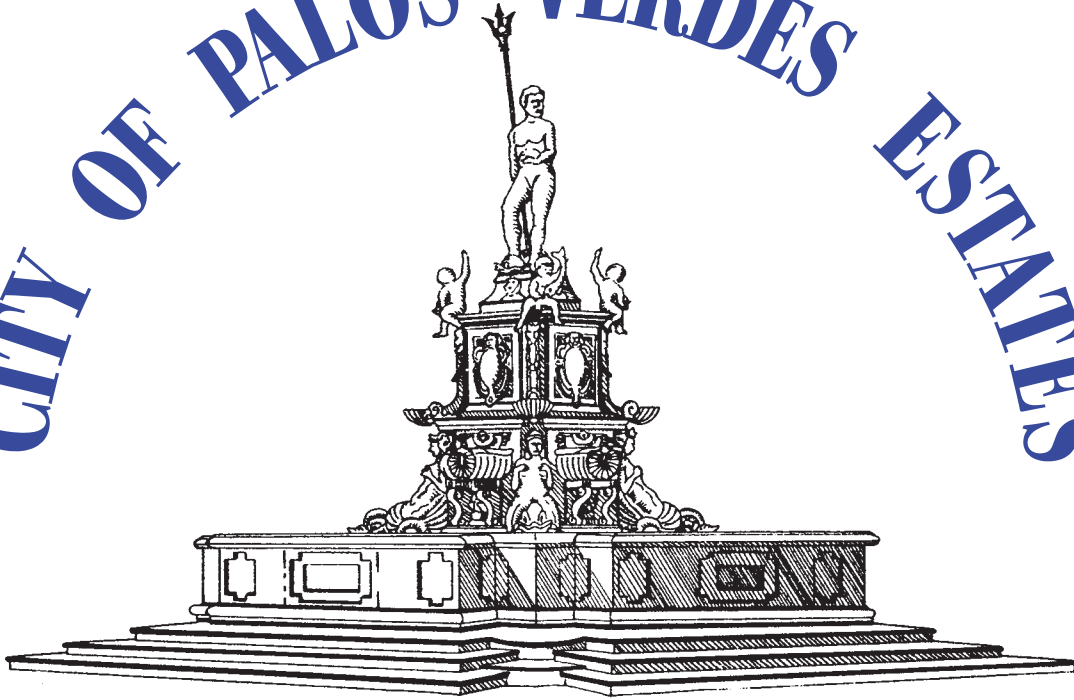
Other Funds & Performance Indicators

Total CIP Fund Balance \$7.13 M Reserved For Existing Capital Projects
Significant Capital Progress - \$2.3 M in City Improvements
Total Sewer Fund Balance \$5.14 M Reserved For Existing Capital Projects & Maintenance.
Significant \$8.1 million in Pension Liability recorded with the advent of GASB 68
No City Debt - Updated GASB 45 - Employee Post Retirement Benefits
Government Funds Maintain Healthy Expected Levels Of Reserves

Challenge Indicators

PERS Rate Increases Expected in the near term – unfunded liability
Renewal of Fire Parcel Tax
Infrastructure maintenance - General facility - Storm water- Sewer
Rising Workers Compensation, Health insurance costs & general labor costs
State economy always a concern although subsided and recent legislation has been favorable

CITY OF PALOS VERDES ESTATES



INCORPORATED 1939

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
year ended June 30, 2015

CITY OF PALOS VERDES ESTATES
PALOS VERDES, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2015

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CITY OF PALOS VERDES ESTATES
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2015

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December 8, 2015

Honorable Mayor and Members of the City Council:

It is the policy of the City of Palos Verdes Estates to publish annually a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) that has been audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants. Pursuant to the policy, we hereby issue the comprehensive annual financial statements of the City of Palos Verdes Estates (“the City”) for the fiscal year ended June 30, 2015.

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 preparation of the City’s financial statement in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge, the financial statement is complete and reliable in all material aspects.

The City’s financial statements have been audited by Lance Soll & Lunghard, LLP. , a public accountancy firm. The goal of the independent audit was 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 the fiscal year ended June 30, 2015, were 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 introduction, overview and analysis of the basic financial statements. This letter of transmittal should be read in conjunction with the MD&A.

Profile of the Government

The City of Palos Verdes Estates, as a planned community designed by Frederick Olmsted, Jr. in 1910, includes large areas of parklands that are maintained as permanent open space and residential lots with panoramic views overlooking the Pacific Ocean and Los Angeles metropolitan area. The City was incorporated in 1939 and is the oldest of the four cities on the Palos Verdes Peninsula. In this fiscal year of reporting, the City is celebrating its 75th year of incorporation. The City's population is 13,589 within an area of 4.75 square miles. The City is a residential community with almost no commercial tax base primarily dependent upon property taxes, a special tax to finance contract fire services with Los Angeles County, and a sewer user fee to finance a program of sanitary sewer improvements.

The City has operated under the council-manager form of government. Policy-making and legislative authority are vested in five City Council members. City Council members are elected on a non-partisan basis at City-conducted elections held in March of odd-numbered years. City Council members serve four-year staggered terms and receive no compensation. One member of the City Council is designated as mayor; the mayor's position rotates annually among the council members. The City Council is responsible for a variety of functions including passing ordinances, establishing policies, adopting the budget, appointing commission and committee members 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 City departments. Voters also elect, every four years, a City Treasurer who is responsible for the City's investment decisions.

City employees provide the following public services: police protection; planning and building services; public works, maintenance services, including City buildings, parkways, medians and streets; and general administrative services. The City contracts with the Los Angeles County Fire Department for fire protection and paramedic services. The City also contracts with a private firm for professional engineering, building and safety services, forestry and public works administration, and a private firm for Information Technology services. The City maintains an exclusive franchise for residential refuse collection and has concession agreements for use of City property for public golf, tennis, swimming and stables.

Financial Policies

Budget Policy and Practice - For planning purposes, the City prepares a two-year budget document; however, the City Council continues to review and adopt the budget on an annual basis. The budget serves as the foundation and resource allocation plan for the City's financial planning and control and for the delivery of services. The City Manager presents the recommended budget to the City Council in mid-May after an internal process of reviewing department budget requests that begins in late-January. A public hearing on the proposed budget is held at the first Council meeting of June and the final budget is adopted prior to June 30. The budget is controlled at the fund level and the City Manager is authorized to make transfers between departments within policy defined levels. The budget has also been designed to present fiscal information at the department and program level to communicate just how key services are delivered. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Fund Balance Policy and Practice – In accordance with GASB Statement No. 54, the City Council has formally adopted a Fund Balance Policy, which includes a committed general fund balance of \$7.2 million for emergency contingency, that may be used in the event of a declared federal, state or local emergency or in the event the City suffers a loss of a major General Fund revenue source in the amount of \$500,000 or more, either through state actions to divert or change the City’s allocation or a local condition affecting a major source. Other fund balances that are non-spendable; restricted; assigned and unassigned, are established in conformance with the adopted Council policy and GASB 54.

Government Accounting Standards Board (GASB) 68 – A Foundational Change – The impact of the newest accounting standard effective this reporting year cannot be understated in terms of reporting presentation. It effectively calls for the full-accrual recording of actuarially determined employee pension obligations as of the date of this report. As such, our City, and all cities across the country, are submitting financial reports that include these material liabilities. In the case of our City, a pension liability impact of \$10 million is included herein. The City applauds this emerging reporting model for purposes of transparency as we also did with the adoption of GASB 34 several years ago. With the standard’s introduction, some points of clarification are needed. Firstly, it is important to note that the subject pension liabilities should not be interpreted to have direct/near term budgetary impact; which is to say, budget projections of cost remain whole as presented and determined. This is because budgets are primarily built on a cash, or on a fund-accounting, basis. Secondly, it is also evident that the inclusion of pension liabilities properly communicates the long term cost of such benefits. It also underscores the challenges, as discussed in current and past budgets, faced by cities in managing the rising cost of operations in a limited revenue source environment. The presence of GASB 68 is the single largest change in this year of reporting.

Investment Policy and Practice - The elected City Treasurer is responsible for the custody and investment of surplus City funds. The Treasurer’s activities are guided by the City’s adopted statement of investment policy, which defines the objectives and priorities of the investment program, stressing safety and liquidity of funds as the highest two priorities. The policy’s third priority is to achieve the maximum yield possible within the constraints of the two primary objectives. The City uses two main investment mechanisms for idle funds: the State Treasurer’s Local Agency Investment Fund (LAIF) and U.S. Government securities.

Major Initiatives and Achievements

In FY 14/15, the City Manager’s Office and operating departments established a “work plan” comprised of key goals and initiatives. The work plan, presented to the City Council, established priorities, allocated resources and projected time tables that were incorporated into the City’s adopted budget.

Several items of significance were initiated, continued and accomplished during FY 14/15.

- **Bluff Cove Deconstruction Project:** Following the attainment of a project manager in the prior year, this project commenced in earnest with over \$600,000 expended in this year of reporting. As of the date of this presentation, the project is near full completion and was done so within the allotted project budget.
- **Public Safety:** In the Police Department, accomplishments included continued emergency preparedness planning efforts through the City's Disaster District Plan (DDP) expanding on the prior year procurement of supplies for the district containers; sponsoring the annual Senior Health Fair as part of community programming through the PVE-CARES program which provides resources and assistance to the elderly.
- **Capital Improvements:** Construction projects included street maintenance and reconstruction, curb and gutter improvements, purchase of safety equipment and vehicle replacements.
- **Fiscal Plan:** Finance and all department teams, building on the City's well-established and successful foundation, adopted the second-year of the two year budget and have set a standard for the upcoming biennial document moving forward. This financial report affirms the quality of the projections made in this past biennial as all budget limits and reserve balances have been met according to plan. This past year the City again received an award for excellence in financial reporting in lines with its tradition.
- **Labor Agreements Approved:** This past year saw the final ratification of multi-year labor agreements with both safety and general staff. The contracts were solidified in a positive manner and put into place a prudent and phased pension-sharing model.
- **Organization Leadership and Management:** Following on prior year recruitments, this past year saw the introduction of a new administrative analyst hire with a focus on organizational development and a formalized risk management discipline, still being developed. This year the City was nominated for a Risk Management capstone award in recognition of its efforts in this arena.
- **ADA Study:** Completion of a citywide ADA study that provides valuable insight into how and when resources can be allocated to general facility access within the City.
- **Technology:** Advances in technology were completed again this year including the launch of an outsourced citywide printing-support contract and a major upgrade to citywide servers including efficient virtualization. This past year also saw the completion of the full installation of the City's 911 communications system following the records management upgrade the prior year.

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 an overwhelmingly residential community of predominately single family homes. The City is fully developed with few vacant parcels. Commercial activity in the City is dominated by real estate firms and other companies that support real estate activity, including mortgage and title companies. With this understood, Property Tax is a key driver in the City's revenue stream. In this respect, although not diversified in its mix of revenue sources, the City is not subject to consumer-driven, economic fluctuations except to the extent that the real estate market is affected by property sales and valuations. This is because sales tax revenue accounts for less than 2% of total general fund revenue. Within the City's two small commercial areas at Malaga Cove and Lunada Bay Plazas, there are minor retail and small, locally owned restaurants and food markets. Given this condition, continuing to maintain operating efficiency while adhering to staunch fiscal prudence and long-term planning serves the City well.

In a larger regional point-of-view, the City of Palos Verdes Estates exists among the larger South-Bay region of Los Angeles County, consisting of 16 incorporated cities and 20 communities. 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 the ports of Los Angeles and Long Beach, the South Bay is an essential component of the Los Angeles County economy and the area is home to many firms dealing in international markets. The City's residents work in these fields and professions.

Long-term Financial Planning. Infrastructure maintenance is a critical component of the City's financial planning. Storm drain and sanitary sewer replacements, as well as street overlay and maintenance are conducted in accordance with adopted master plans for these infrastructure networks. In this regard, developing time-secured strategies to effect necessary infrastructure maintenance and replacement is a challenge for both our City and those that surround us. Similarly, the continuance of the Fire Parcel Tax, a voter-supported funding source that expires in 2017, is a matter of key financial significance for an operating income source that approximates 50% of the City's core operations. As the City projects forward, the funding of its infrastructure remains a key focus of both challenge and opportunity. Developing a long range model that both anticipates and funds the maintenance or replacement of key city assets is critical to fostering the quality of life that our City is known for. These major assets include: Sewer and storm water systems; City buildings & equipment; technology capabilities; the urban forest; open spaces; roadways, curbs & gutters and general city equipment.

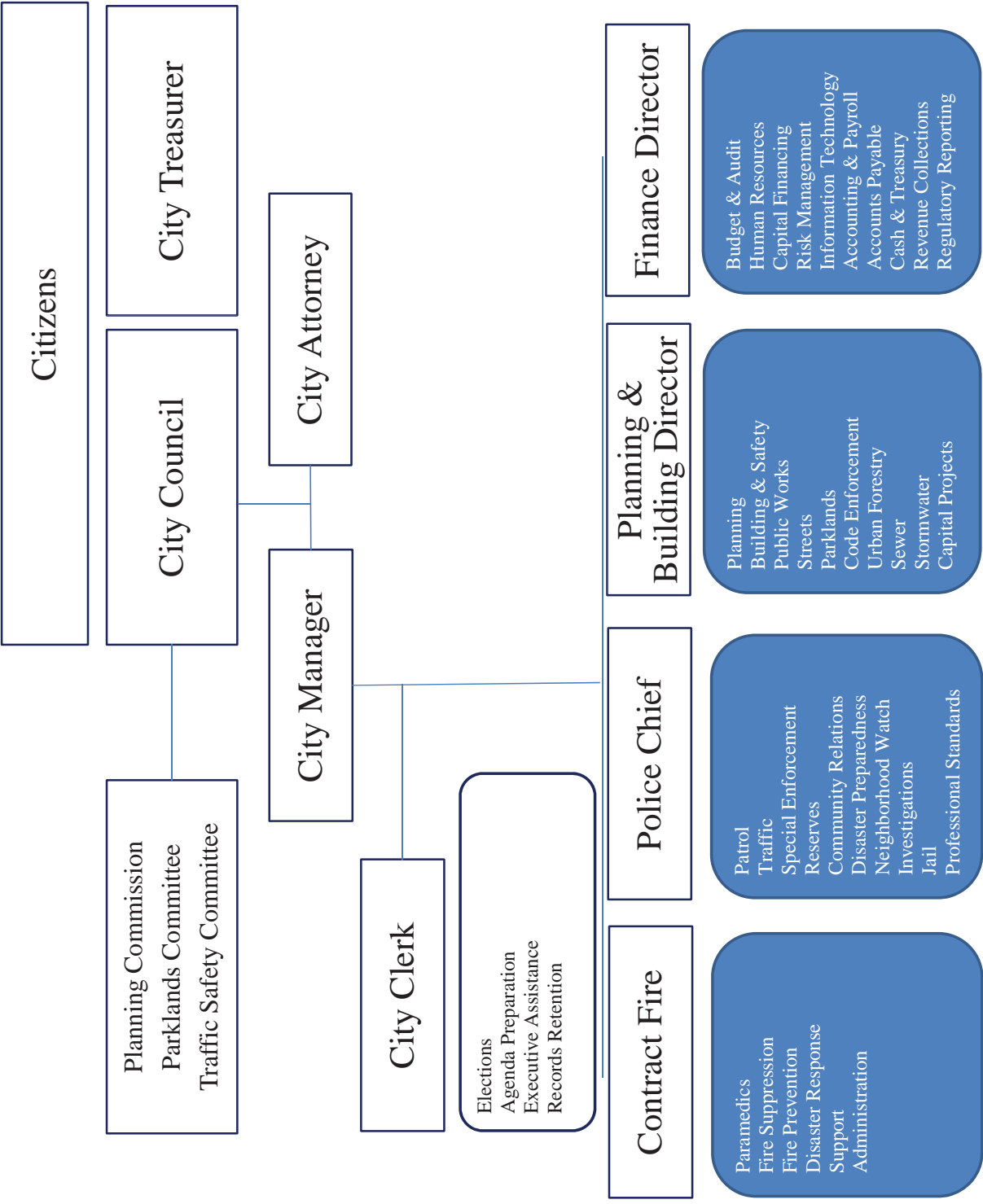
Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ending June 30, 2014. In order to receive a Certificate of Achievement, the City published an efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year.

We thank the City Council and City Treasurer for support of the highest standards of professionalism, professional ethics, and conservative financial posture in the management of the City's finances. We also thank the Finance Department consisting of Russ Morreale, Donna Coonan, Michelle Mello and Teresa Bowers for their vision, management, diligence, assistance, and service in achieving the City's financial success during the year.

Anton Dahlerbruch
City Manager

Russell J. Morreale
Finance Director



Elected Officials & Executive Team

ELECTED OFFICIALS

Mayor

Mayor Pro Tem

Council Members

James F. Goodhart

Jennifer L. King

Betty Lin Peterson

W. John Rea

James D. Vendeever

City Treasurer

Joseph C. Sherwood, Jr.

EXECUTIVE TEAM

City Manager

Anton Dahlerbruch

City Attorney

Christi Hogin

Chief of Police

Jeff Kepley

Planning & Building Director

Sheri Repp-Loadsman

Finance Director

Russell J. Morreale

City Clerk

Vickie Kroneberger



Government Finance Officers Association

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

Presented to

**City of Palos Verdes Estates
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Palos Verdes Estates, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Palos Verdes Estates, California, (the City) as of and for the year ended June 30, 2015, 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 Palos Verdes Estates, 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, each major fund, and the aggregate remaining fund information of the City of Palos Verdes Estates, California, as of June 30, 2015, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules for the general fund, special projects, and special fire parcel tax special revenue funds, the schedule of plan contributions, and the schedule of proportionate share of the net pension liability 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.



To the Honorable Mayor and Members of the City Council
City of Palos Verdes Estates, California

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 3, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Brea California
December 3, 2015

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MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Palos Verdes Estates' financial performance provides an overview of the financial activities of the City for the fiscal year ended June 30, 2015. It is suggested that this overview be read in conjunction with the letter of transmittal (pages i-vi) and the accompanying financial statements.

Financial Highlights

Government-wide / Full Accrual Basis

- FY 14/15 is noteworthy with the first-year introduction of Government Accounting Standards Board State (GASB) 68. This fundamentally new reporting standard, a continued move in the industry to calibrate local government with private reporting, requires the full recording of pension liabilities and their fiscal sensitivities. Based upon CalPERS provided actuarial studies, this financial report quantifies the City's pension liability at June 30, 2015 at \$8,165,477. On a related note, the City's net position has been restated in the amount of \$10,148,733 to adjust for the beginning of the year impact of this new reporting standard. Although this newly stated liability has no near term budgetary cash impact, as is the case for all government agencies nationwide, this first year adjustment decrements the full-accrual equity presentation substantially illustrating the true costs and obligations of defined benefit plans.
- The City's net position at the end of fiscal year 2014-2015 totaled \$64,526,614. Including the impact of GASB 68, this is a decrease of \$12,931,953 or 16.72% lower compared to the prior year. Of course, given the introduction of the new accounting standard, the FY 2013-2014 was prepared on a materially different basis. The City's net investment in capital assets at June 30, 2015 totaled \$46,005,936, a decrease of \$2,669,426 mostly attributable to the annual depreciation net of additions and dispositions.
- Unrestricted net position, which may be used to meet the government's ongoing obligations, totaled \$10,747,170 net of the impact of the pension liabilities noted above.
- Net position restricted for special purposes, including public works and public safety, totaled \$7,773,508. Of this total, \$5,138,439 represents assets restricted for sanitary sewer improvements as part of the sewer capital fund and \$2,635,069 restricted special revenue dollars.

Governmental Funds / Budgetary Basis

- The General Fund ended the year in a balanced and surplus position. As of June 30, 2015, the General Fund balance was \$10,450,339, an increase of \$627,853 (or 6.39%), after net operating transfers out of \$773,000. General Fund revenues exceeded expenditures by \$1,400,853 consistent with the prior year and in line with budget projections set in the updated two-year plan. The City achieved these operating surpluses due to moderate growth in its revenue base, anchored by residential property values, and the continued cost consciousness delivery of core municipal services. FY 2014-15 results include General Fund revenue of \$12,512,081 and expenditures of \$11,111,228. Revenues available for appropriation were \$773,081 more than budgeted while actual expenditures were \$417,976 below budget.
- During the year, the City's general governmental revenues totaled \$18,352,617, an increase of \$873,594, or 4.78%, from the prior year. General governmental expenditures totaled \$18,863,058 for the fiscal year end, an increase in expenditures of \$1,885,163, or 10.5% from

the prior year. Revenue increases were General Fund driven mostly and expenditure increases reflect an emphasis on capital improvements outlay in the public works arena. Overall governmental expenditures exceeded revenue by \$510,441 or 2.71%.

- The City has maintained its prudent reserve posture. The City Council's adopted Fund Balance Policy provides for a committed general fund balance of \$7.2 million for emergency contingencies, which may be used in the event of a declared federal, state or local emergency affecting the City or in the event the City suffers a loss of a major general fund revenue source representing \$500,000 or greater. The committed fund balance meets 50% of the City's total operating budget and exceeds 70% of the General Fund expenditures. Restricted balances include \$5,138,439 of sewer capital funds, which must be used for sanitary sewer upgrades.

Overview of the Financial Statements

The City of Palos Verdes Estates' basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Palos Verdes Estates' finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Palos Verdes Estates' 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 of Palos Verdes Estates 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 occurs, regardless of when cash is received or disbursed.

The government-wide financial statements reflect functions of the City of Palos Verdes Estates that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The City does not maintain or report *business-type activities*, which are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City of Palos Verdes Estates include general government, public safety, public works, parks and recreation. Capital projects are reported as governmental activities according to the nature of the project. The government-wide financial statements can be found on pages 15-17 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Palos Verdes Estates, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Palos Verdes Estates can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of Palos Verdes Estates maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special projects fund, the special fire parcel tax fund and the two capital improvement funds; general capital and sewer. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* on pages 66-69 of this report.

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

The basic governmental fund financial statements can be found on pages 18-24 of this report.

Proprietary funds. The City of Palos Verdes Estates maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Palos Verdes Estates' various governmental functions. The City of Palos Verdes Estates uses internal service funds to account for equipment replacement (vehicles, computer systems and furniture) and insurance activities. Because these services benefit governmental functions, they have been included within *governmental activities* in the government-wide financial statements. The two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 25-27 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 statement because the resources of those funds are not available to support the City of Palos Verdes Estates' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 28 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. These notes can be found on pages 29-55 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 57-85.

Government-wide / Full Accrual Analysis

The City presents its financial statements using the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD & A) – for State and Local Government. GASB 34, in its own right, was quite significant shift in reporting. As mentioned above, with the introduction

of GASB 68, the reporting model and the Government-wide level has made yet another material shift as it relates to pension liabilities.

The presentation of net position can, over time, serve as a useful indicator of a government's financial position as presented on a full-accrual basis. That said, presenting comparative numbers this particular year presents a challenge with the major change introduced in the recording of pension liabilities. In fact, this industry change accounts for the single largest year-to-year variance. With this in mind, the City's net position for fiscal year 2014-2015 is shown in Table 1.

Net Position	2015	2014
Current and other assets	31,571,730	31,413,434
Capital assets	46,005,936	48,675,362
Total Assets	<u>77,577,666</u>	<u>80,088,796</u>
Deferred Outflows	1,218,843	-
Non Current liabilities	(1,506,973)	(1,384,718)
Pension Liabilities & Deferred Inflows	(8,165,477)	-
Other liabilities	(1,746,438)	(1,245,511)
Total liabilities	<u>(11,418,888)</u>	<u>(2,630,229)</u>
Deferred Inflows	(2,851,007)	-
Net Invested in capital assets	46,005,936	48,675,362
Restricted	7,773,508	7,970,314
Unrestricted	10,747,170	20,812,891
Total net position	<u>64,526,614</u>	<u>77,458,567</u>

The City's assets and deferred outflows exceeded liabilities and deferred inflows by \$64,526,614 at June 30, 2015 on a full accrual basis.

The largest portion of the City's net position (71%) reflects its net investment in capital assets (land, buildings, infrastructure, machinery and equipment). It is important to note that, given their infrastructure nature, these assets are not available for future spending.

An additional portion of the City's net position (12%) represent resources that are subject to legal restrictions on how they may be used. The remaining balance of unrestricted net position (17%) may be used to meet the government's ongoing obligations. Included as part of the unrestricted net position is the general capital project fund balance, which totals \$7,131,793 or 66% of the unrestricted net position. The implementation of GASB 68 has lowered overall the presentation of citywide unrestricted net position by nearly \$10 million as noted in table 1 above.

Governmental activities. During FY 14/15, the City's net position, including depreciation and capital spending, decreased \$2,783,220 before the pension liability restatement as required by GASB 68. Inclusive of pension this restatement, the overall city net equity was lowered to \$64,526,624 or nearly \$13 million.

Table 2 below displays the changes by activity area followed by a revenue and expenses breakdown.

Table 2

Changes in Net Position

Activities	2015	2014	Change (in dollars)
Program revenues:			
Charges for services	7,145,187	6,745,151	400,036
Operating grants and contributions	1,353,267	1,177,069	176,198
Capital grants and contributions	20,491	48,302	(27,811)
General revenues:			
Property taxes	6,858,942	6,494,061	364,881
Other taxes	2,717,397	2,552,658	164,739
Other	557,617	541,386	16,231
Total revenues	<u>18,652,901</u>	<u>17,558,627</u>	<u>1,094,274</u>
Expenses:			
General government	2,244,250	1,541,817	702,433
Public safety	10,476,439	10,299,579	176,860
Public works	3,012,404	2,969,694	42,710
Parks and recreation	5,703,028	5,256,869	446,159
Total expenses	<u>21,436,121</u>	<u>20,067,959</u>	<u>1,368,162</u>
Increase in net position	(2,783,220)	(2,509,332)	(273,888)
Net position beginning	<u>77,458,567</u>	<u>79,967,899</u>	<u>(2,509,332)</u>
GASB 68 Restatement	(10,148,733)	-	(10,148,733)
Net position June 30, 2015	<u>64,526,614</u>	<u>77,458,567</u>	<u>(12,931,953)</u>

Figure 1 – Revenues - Governmental Activities FY 2014-2015

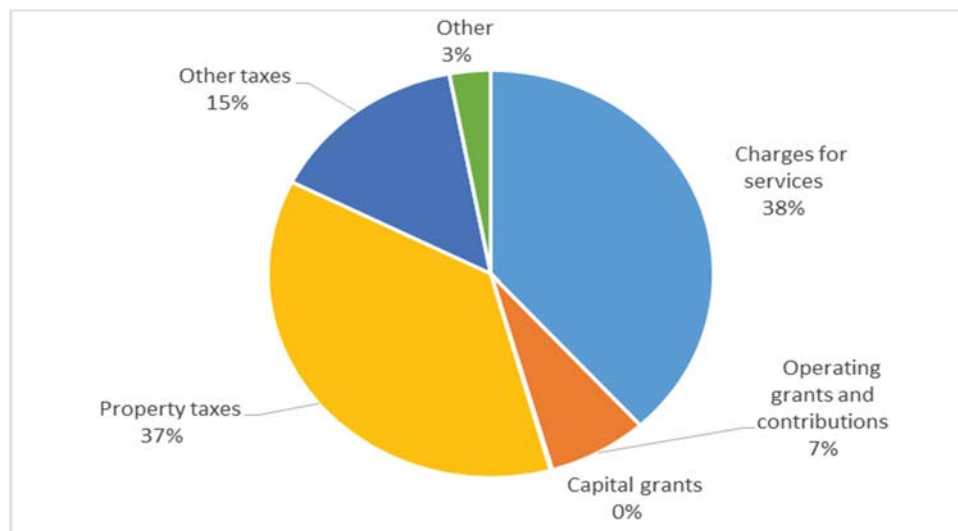
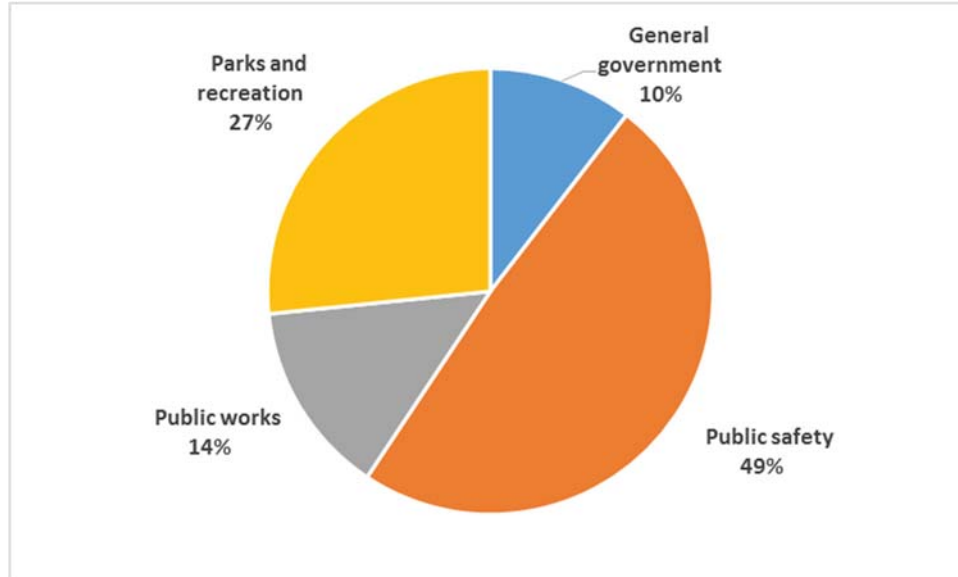


Figure 2 – Expenses – Governmental Activities FY 2013-14



Fund Financial Statements / Budgetary Basis

Governmental Funds

The City of Palos Verdes Estates’ governmental funds ending fund balances totaled \$25,355,640 a decrease of \$812,441 or 3.10% compared to the prior year. For the fiscal year ending June 30, 2015, the governmental funds restricted fund balances totaled \$7,773,508, including \$5,138,439 (66%) for sanitary sewer capital improvements. The General Fund committed fund balance was maintained at \$7,200,000 in line with policy. The assigned fund balance for the governmental funds totaled \$7,131,793 and consists primarily of capital fund reserves. The unassigned fund balance of the General Fund totaled \$3,219,513, nearly \$1 million above last year’s number.

As was the case last year, five funds qualify as major funds under the GASB 34 reporting criteria: the general fund, special projects fund, special fire parcel tax fund, sewer fund and general capital improvements funds. The General Fund is the chief operating fund of the City. Its balance totaled \$10,450,339, an increase of \$627,853, or 6.39%, above the prior year and after operating transfers to other funds of \$773,000. In the end result the General Fund attained a favorable operating surplus of \$1,400,853 with revenues exceeding budget by 6.59% and expenditures under budget by 3.63%.

The Special Project Fund accounts for receipt of funds from several sources, many of which are grants that have restrictions on their use. Receipts deposited to the special projects fund generally are transferred to reimburse other funds, mainly the general fund and general capital projects fund, for eligible expenditure activity. The L.A. County Proposition A Parks funds grant of \$150,000 reported on last year was collected by the City in FY 15-16 and will be released from deferred revenue in this subsequent period.

The Special Fire Parcel Tax Fund balance increased \$49,757, commensurate with last year. Fire contract services through Los Angeles County totaled \$4,421,786, an increase of \$161,444 (3.8%) compared to the prior year. Revenue from the special fire tax assessments totaled \$4,460,217. Other revenues totaled \$11,326.

The sewer capital projects fund balance totals \$5,138,439. Other ancillary revenue totaled \$28,993 while maintenance expenditures totaled \$219,932. As authorization for the property-owner approved sewer user fee expired in FY 12/13, these operations will become General Fund dependent once available resources are used towards capital and maintenance as outlined in prospective budget plans.

The General Capital Improvement Fund balance decreased \$1,243,488 and ended the year with a balance of totals \$7,131,793. Significant capital expenditures characterized the year totaling \$2,307,769, nearly \$1 million more than the prior year. Operating revenue is primarily made up of interest earnings and other ancillary income which totaled \$48,740. Operating transfers into this fund equaled \$1,015,541 including \$750,000 as budgeted from the General Fund, \$149,541 from the Measure R fund and \$116,000 in grants from the special project fund. The primary source of general capital funds is an annual transfer of general fund operating surplus. The actual amount of the transfer, if any, is determined each year by the City Council after review of the annual audit report. The City's capital improvement program includes the annual street maintenance program, which is being completed in accordance with an adopted multi-year, master pavement management plan. The vast majority of capital expenditures are for street-related projects.

Proprietary funds. The only proprietary funds of the City of Palos Verdes Estates are two internal service funds for equipment replacement and insurance activities. At year-end, net position invested in capital assets of the funds amounted to \$795,682, an increase of \$113,548 from the prior year. Total Net Position, including capital values, in the Equipment Replacement and Insurance Funds at year end equaled \$3,698,603 and \$1,232,350 respectively for a total of \$4,930,953. This reflects an overall increase of \$320,894.

General Fund Budgetary Highlights

The difference between the original general fund budget and the final amended budget expenditures was an increase of \$245,026. The final amended General Fund budget totaled \$11,739,000 for revenue and \$11,529,204 for Expenditures. Transfers of \$773,000 were estimated in the updated FY 14/15 budget, mostly to fund capital projects.

At year end budget results were favorable on both sides of the equation. General Fund revenues came in \$773,081 (6.59%) above estimates while General fund expenditures were \$417,976 (3.63%) less than budget. Most of the savings occurred within Safety and Public Works and were mostly associated with salary savings and fee related professional services. Other general governmental services realized savings of \$57,000 within administration and parklands.

Capital Asset and Debt Administration

Capital Assets. The City of Palos Verdes Estates' investment in capital assets for its governmental activities as of June 30, 2015, totals \$46,005,936 (net of accumulated depreciation). This is a decrease of \$2,669,426 compared to the prior year. This investment in capital assets includes land, buildings, improvements, machinery/equipment, vehicles, furniture, streets, sewers and storm drains. During the year, governmental fund capital additions totaled \$1,201,721 and construction in progress expenditures of \$106,824 brought to completion. The most significant change in balances have to do with annual depreciation cost incurred. Major capital expenditures incurred during the year include the following:

- Street construction projects totaling \$874,000
- Replacement of three vehicles within the Police and a Public Works Tractor \$215,000.
- In process catch basin, parkland improvements and sewer force main projects \$118,000.

Figure 3 – Capital Assets (net of Depreciation)

Capital Assets	2015	2014	Change (in dollars)
Land	4,487,892	4,487,892	-
Construction in progress	459,310	210,656	248,654
Building and improvements	7,829,913	9,527,009	(1,697,096)
Machinery and equipment	610,318	817,943	(207,625)
Furniture and fixtures	43,138	109,740	(66,602)
Vehicles	455,510	255,952	199,558
Infrastructure	32,119,855	33,266,170	(1,146,315)
Total	<u>46,005,936</u>	<u>48,675,362</u>	<u>(2,669,426)</u>

Additional information on the City’s capital assets can be found in note 3 beginning on page 42 of this report.

Long-term debt. The City has no debt instruments outstanding but does record exiting liabilities in the area of vested employee benefits. At the end of the current fiscal year, the City of Palos Verdes Estates’ outstanding debt is \$1,506,973, an increase of \$43,272 (3%) composed of \$904,947 for vested or accumulated employee compensated absences; \$328,877 for the special retirement income plan; and a retrospective insurance deposit payable to the California Joint Powers Authority (CJPIA) of \$273,149. Additional information on long-term debt can be found in note 5 of the notes to the basic financial statements on page 43 of the report.

Economic Factors and Next Year’s Budget

The City prepares a two-year budget document for planning purposes, but continues to adopt the budget on an annual basis. FY 2014-2015 represents the first year of a two-year budget cycle. As we look forward, the City Council adopted the original FY 14/16 biennial budget on June 24, 2014 and updated the FY 15/16 budget this past year. The following factors were considered in preparing the prospective budget:

- City presented a balanced operating budget and is projecting a moderate 3.15% growth in revenue streams over FY 14/15 projections. In calculating fund balances FY 14/15 results exceeded expectations and factored in favorably.
- The City is projecting a 6.45% growth in General fund expenditures over FY 14/15 with the inclusion of deferred equipment purchases, training and normal labor cost growth.
- When parsing out the major elements of the General Fund revenues, property tax remains as the major driver in the anticipated growth patterns when considering sheer incoming dollar revenue streams as displayed below. Property tax growth assumptions are projected at a conservative 4% growth rate.
- In terms of other key revenue streams, Planning and Building activity is staged for a 7% growth, but still trails prior year level highs. Concession rent and investment earnings are trending level with recent years.

- Given its importance to city operations, the Paramedic and Fire Tax Special Tax revenue is expected to increase by 2% commensurate with the new costing provided to the City. This fund is projected to bring in \$4,591,830.
- In terms of labor costs the budget includes an approved increase in Full Time Equivalent positions (full and part-time) 59 to 61.5 (positions added in the past two year term). Normal and sustainable salary and benefit growth assumptions were factored in including known, and estimated, Cal PERS Safety pension rate increases. The city also budgets for all authorized positions. Increases in regional healthcare and insurance costs have been allowed for.
- General improvement projects are anticipated totaling \$1.79 million, including \$830,000 in various street improvement projects, \$140,000 in traffic projects, additional \$250,000 for Bluff Cove deconstruction costs, and \$125,000 for enhanced fire/weed abatement work. Significant prior year carryforward projects, yet to be completed, are also projected.
- The sanitary sewer budget includes an additional \$150,000 towards upgrades on Via Coronel/Zurita. Sewer maintenance of \$175,000 is also included. Carryover projects approximating \$2 million include the Force Main project at Paseo Del Mar in support of the Rocky Point pump station completed in prior years.
- Overall and continued challenges, common to many cities, were noted in the budget to include rising pension, health care and insurance costs as well as the continued funding of fire service, via a parcel tax, and the dedication of enhanced revenue sources to pay for citywide facilities and long term infrastructure needs.

Requests for Information

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 Finance Department, 340 Palos Verdes Drive West, Palos Verdes Estates, California 90274.

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CITY OF PALOS VERDES ESTATES

STATEMENT OF NET POSITION
JUNE 30, 2015

Assets:

Cash and investments	\$ 30,184,146
Receivables:	
Accounts	653,881
Accrued interest	53,406
Prepaid costs	387,563
Due from other governments	269,674
Inventories	23,060
Capital assets not being depreciated	4,947,202
Capital assets, net of depreciation	<u>41,058,734</u>

Total Assets

77,577,666

Deferred Outflows of Resources:

Deferred pension related items	<u>1,218,843</u>
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Total Deferred Outflows of Resources

1,218,843

Liabilities:

Accounts payable	1,500,570
Accrued liabilities	245,868
Noncurrent liabilities:	
Due within one year	373,839
Due in more than one year	804,257
Net OPEB Obligation	328,877
Net pension liability	<u>8,165,477</u>

Total Liabilities

11,418,888

Deferred Inflows of Resources:

Deferred pension related items	<u>2,851,007</u>
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Total Deferred Inflows of Resources

2,851,007

Net Position:

Investment in capital assets	46,005,936
Restricted for:	
Public safety	846,035
Public works	6,927,473
Unrestricted	<u>10,747,170</u>

Total Net Position

\$ 64,526,614

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CITY OF PALOS VERDES ESTATES

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net Governmental Activities
	Expenses	Charges for Services	Operating Contributions and Grants	
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 2,244,250	\$ 55,972	\$ 53,966	\$ -
Public safety	10,476,439	4,674,810	264,921	16,942
Parks and recreation	3,012,404	1,260,787	84,893	-
Public works	5,703,028	1,153,618	949,487	3,549
Total Governmental Activities	\$21,436,121	\$ 7,145,187	\$ 1,353,267	\$ 20,491
General Revenues:				
Taxes:				
Property taxes				6,858,942
Sales and use taxes				426,726
Franchise taxes				590,429
Business licenses taxes				210,524
Other taxes				241,485
Motor vehicle in lieu - unrestricted				1,248,233
Investment Income				214,478
Miscellaneous				343,139
Total General Revenues				10,133,956
Change in Net Position				(2,783,220)
Net Position at Beginning of Year				77,458,567
Restatement of Net Position				(10,148,733)
Net Position at End of Year				\$ 64,526,614

CITY OF PALOS VERDES ESTATES

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Special Revenue Funds		Capital Projects Funds
		Special Projects	Special Fire Parcel Tax	General Capital Improvements
Assets:				
Cash and investments	\$ 10,477,362	\$ 766,076	\$ 149,825	\$ 7,613,517
Accounts receivable	653,881	-	-	-
Interest receivable	53,406	-	-	-
Prepaid items	7,766	-	376,888	-
Due from other governments	-	154,449	75,062	40,158
Due from other funds	28,331	-	-	-
Inventory - materials	23,060	-	-	-
Total Assets	\$ 11,243,806	\$ 920,525	\$ 601,775	\$ 7,653,675
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 409,834	\$ 459	\$ -	\$ 481,724
Accrued salaries and benefits	239,410	-	-	-
Due to other funds	-	28,331	-	-
Total Liabilities	649,244	28,790	-	481,724
Deferred Inflows of Resources:				
Unavailable revenues	144,223	150,000	-	40,158
Total Deferred Inflows of Resources	144,223	150,000	-	40,158
Fund Balances:				
Nonspendable:				
Inventory	23,060	-	-	-
Prepaid costs	7,766	-	-	-
Restricted for:				
Public safety	-	-	601,775	-
Public works	-	741,735	-	-
Committed to:				
Committed for emergency contingencies	7,200,000	-	-	-
Assigned to:				
Capital Projects	-	-	-	7,131,793
Unassigned	3,219,513	-	-	-
Total Fund Balances	10,450,339	741,735	601,775	7,131,793
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,243,806	\$ 920,525	\$ 601,775	\$ 7,653,675

CITY OF PALOS VERDES ESTATES

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	Capital Projects Funds	Other Governmental Funds	Totals
	Sewer		
Assets:			
Cash and investments	\$ 5,335,355	\$ 1,417,657	\$ 25,759,792
Accounts receivable	-	-	653,881
Interest receivable	-	-	53,406
Prepaid items	-	-	384,654
Due from other governments	5	-	269,674
Due from other funds	-	-	28,331
Inventory - materials	-	-	23,060
Total Assets	\$ 5,335,360	\$ 1,417,657	\$ 27,172,798
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 196,921	\$ 119,640	\$ 1,208,578
Accrued salaries and benefits	-	6,458	245,868
Due to other funds	-	-	28,331
Total Liabilities	196,921	126,098	1,482,777
Deferred Inflows of Resources:			
Unavailable revenues	-	-	334,381
Total Deferred Inflows of Resources	-	-	334,381
Fund Balances:			
Nonspendable:			
Inventory	-	-	23,060
Prepaid costs	-	-	7,766
Restricted for:			
Public safety	-	244,260	846,035
Public works	5,138,439	1,047,299	6,927,473
Committed to:			
Committed for emergency contingencies	-	-	7,200,000
Assigned to:			
Capital Projects	-	-	7,131,793
Unassigned	-	-	3,219,513
Total Fund Balances	5,138,439	1,291,559	25,355,640
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,335,360	\$ 1,417,657	\$ 27,172,798

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CITY OF PALOS VERDES ESTATES

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Fund balances of governmental funds		\$ 25,355,640
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.		
Capital Assets	\$ 108,520,305	
Less accumulated depreciation	<u>(63,310,051)</u>	45,210,254
Deferred outflows related to pension items:		
Pension contribution subsequent to measurement date	1,114,037	
Adjustment due to differences in proportion	<u>104,806</u>	1,218,843
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Special Retirement Income Plan	(328,877)	
Compensated Absences	(904,947)	
Retrospective Deposits Payable	<u>(273,149)</u>	(1,506,973)
Governmental funds report all pension contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the actuarial proportionate contributions are recorded part of net pension liability.		(8,165,477)
Deferred inflows related to pension items:		
Net differences between projected and actual earnings	(2,790,556)	
Difference between actual contributions and proportionate share of plan contributions	<u>(60,451)</u>	(2,851,007)
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.		334,381
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>4,930,953</u>
Net Position of governmental activities		<u>\$ 64,526,614</u>

CITY OF PALOS VERDES ESTATES

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Special Revenue Funds		Capital Projects Funds
		Special Projects	Special Fire Parcel Tax	General Capital Improvements
Revenues:				
Property taxes	\$ 6,858,942	\$ -	\$ -	\$ -
Special assessments	-	-	4,460,217	-
Other taxes	1,469,164	-	-	-
Licenses and permits	597,674	-	-	-
Revenues from other agencies	1,310,687	207,906	10,456	-
Charges for services	446,853	-	-	-
Use of money and property	1,326,545	7,892	870	48,740
Fines and forfeitures	175,867	-	-	-
Miscellaneous	326,349	-	-	-
Total Revenues	12,512,081	215,798	4,471,543	48,740
Expenditures:				
Current:				
General government	2,064,047	-	-	-
Public safety	6,310,409	-	4,421,786	-
Parks and recreation	1,189,902	-	-	-
Public works	1,546,870	13,164	-	2,307,769
Total Expenditures	11,111,228	13,164	4,421,786	2,307,769
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,400,853	202,634	49,757	(2,259,029)
Other Financing Sources (Uses):				
Transfers in	-	-	-	1,015,541
Transfers out	(773,000)	(145,000)	-	-
Total Other Financing Sources (Uses)	(773,000)	(145,000)	-	1,015,541
Net Change in Fund Balances	627,853	57,634	49,757	(1,243,488)
Fund Balances, Beginning of Year	9,822,486	684,101	552,018	8,375,281
Fund Balances, End of Year	\$ 10,450,339	\$ 741,735	\$ 601,775	\$ 7,131,793

CITY OF PALOS VERDES ESTATES

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Capital Projects Funds		Totals
	Sewer	Other Governmental Funds	
Revenues:			
Property taxes	\$ -	\$ -	\$ 6,858,942
Special assessments	3,549	-	4,463,766
Other taxes	-	-	1,469,164
Licenses and permits	-	-	597,674
Revenues from other agencies	-	1,061,697	2,590,746
Charges for services	-	-	446,853
Use of money and property	25,444	13,765	1,423,256
Fines and forfeitures	-	-	175,867
Miscellaneous	-	-	326,349
Total Revenues	28,993	1,075,462	18,352,617
Expenditures:			
Current:			
General government	-	5,309	2,069,356
Public safety	-	71,190	10,803,385
Parks and recreation	-	-	1,189,902
Public works	219,932	712,680	4,800,415
Total Expenditures	219,932	789,179	18,863,058
Excess (Deficiency) of Revenues Over (Under) Expenditures	(190,939)	286,283	(510,441)
Other Financing Sources (Uses):			
Transfers in	-	-	1,015,541
Transfers out	-	(399,541)	(1,317,541)
Total Other Financing Sources (Uses)	-	(399,541)	(302,000)
Net Change in Fund Balances	(190,939)	(113,258)	(812,441)
Fund Balances, Beginning of Year	5,329,378	1,404,817	26,168,081
Fund Balances, End of Year	\$ 5,138,439	\$ 1,291,559	\$ 25,355,640

CITY OF PALOS VERDES ESTATES

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Net change in fund balances - total governmental funds \$ (812,441)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation	(4,013,042)
Capital outlay	1,230,068

To record change in the retrospective deposit payable reported on the Statement of Net Position.	30,345
--	--------

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.	(68,576)
---	----------

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.	(5,041)
--	---------

Pension obligation 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.	351,092
---	---------

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.	183,481
---	---------

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.	264,279
Add: Capital contributions	56,615

Change in net position of governmental activities	\$ (2,783,220)
--	-----------------------

CITY OF PALOS VERDES ESTATES

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2015

	<u>Governmental Activities - Internal Service Funds Total</u>
Assets:	
Current:	
Cash and investments	\$ 4,424,354
Prepaid items	2,909
	<u>4,427,263</u>
Total Current Assets	
Capital assets	
Machinery and equipment	3,169,476
Furniture and fixtures	288,225
Vehicles	1,234,262
Less accumulated depreciation	<u>(3,896,281)</u>
	<u>795,682</u>
Net Capital Assets	
Total Assets	<u><u>\$ 5,222,945</u></u>
Liabilities and Net Position:	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 291,992
	<u>291,992</u>
Total Current Liabilities	
Total Liabilities	<u>291,992</u>
Net Position:	
Investment in Capital Assets	795,682
Unrestricted	<u>4,135,271</u>
Total Net Position	<u>4,930,953</u>
Total Liabilities and Net Position	<u><u>\$ 5,222,945</u></u>

CITY OF PALOS VERDES ESTATES

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Funds Totals
Operating Revenues:	
Charges for services	\$ 404,147
Other	426,000
	<hr/>
Total Operating Revenues	830,147
	<hr/>
Operating Expenses:	
Materials and supplies	14,752
General liability insurance	406,912
Property and vehicle insurance	19,661
Workers compensation	273,148
Depreciation	213,583
	<hr/>
Total Operating Expenses	928,056
	<hr/>
Operating Income (Loss)	(97,909)
	<hr/>
Nonoperating Revenues:	
Interest revenue	42,998
Gain on disposal of capital assets	17,190
	<hr/>
Total Nonoperating Revenues	60,188
	<hr/>
Net income before transfers and contributions	(37,721)
	<hr/>
Capital contributions from other funds	56,615
Transfers in	302,000
	<hr/>
Changes in Net Position	320,894
	<hr/>
Net Position:	
Beginning of Fiscal Year	4,610,059
	<hr/>
End of Fiscal Year	\$ 4,930,953
	<hr/> <hr/>

CITY OF PALOS VERDES ESTATES

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Funds Totals
Cash Flows from Operating Activities:	
Cash received from user departments	\$ 830,147
Cash paid to suppliers for goods or services	(555,166)
	<hr/>
Net Cash Provided by (Used in) Operating Activities	274,981
	<hr/>
Cash Flows from Non-Capital Financing Activities:	
Cash transfers in	302,000
	<hr/>
Net Cash Provided by Non-Capital Financing Activities	302,000
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(270,516)
Proceeds from sales of capital assets	17,190
	<hr/>
Net Cash Used in Capital and Related Financing Activities	(253,326)
	<hr/>
Cash Flows from Investing Activities:	
Interest received	48,571
	<hr/>
Net Cash Provided by Investing Activities	48,571
	<hr/>
Net Increase in Cash and Cash Equivalents	372,226
	<hr/>
Cash and Cash Equivalents at Beginning of Year	4,052,128
	<hr/>
Cash and Cash Equivalents at End of Year	\$ 4,424,354
	<hr/>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ (97,909)
	<hr/>
Adjustments to reconcile operating income (loss) net cash provided by (used in) operating activities:	
Depreciation	213,583
(Increase)/decrease in prepaid items	(2,064)
Increase (decrease) in accounts payable	161,371
	<hr/>
Total Adjustments	372,890
Net Cash Provided by (Used in) Operating Activities	\$ 274,981
	<hr/>
Non-Cash Investing, Capital, and Financing Activities:	
Equipment acquisitions funded by governmental funds	\$ 56,615

CITY OF PALOS VERDES ESTATES

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Agency Funds</u>
Assets:	
Cash and investments	<u>\$ 183,752</u>
Total Assets	<u>\$ 183,752</u>
Liabilities:	
Accounts payable	\$ 6,806
Deposits payable	<u>176,946</u>
Total Liabilities	<u>\$ 183,752</u>

CITY OF PALOS VERDES ESTATES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1: Summary of Significant Accounting Policies

a. Reporting Entity

The City of Palos Verdes Estates (City), California was incorporated under the General Laws of the State of California on December 20, 1939. The City operates under a Council - City Manager form of government. The financial statements of the City of Palos Verdes Estates include the financial activities of the City.

Joint Ventures

Palos Verdes Peninsula Transit Joint Powers Authority

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

The Palos Verdes Peninsula Transit Authority's fiscal year ends on June 30. As of June 30, 2014 (the most recent information available), audited financial statements indicated the following:

Total assets	\$	3,153,771
Total liabilities		110,870
Total equity (Net Position)		3,042,901
Revenues		2,574,809
Expenditures		2,587,230
Net increase in net position		12,421

Separate financial statements are available from the Authority office at 38 Crest Road. West, Rolling Hills, California 90274-7400.

b. Basis of Accounting and Measurement Focus

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. Government-wide financial statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units). The City of Palos Verdes Estates has no business-type activities. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by function to which they were allocated). However, general governmental expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds and similar component units. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Note 1: Summary of Significant Accounting Policies (Continued)

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses a sixty day availability period.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction on which they are based takes place. *Imposed non-exchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Property taxes, franchise taxes, sales 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

Note 1: Summary of Significant Accounting Policies (Continued)

Proprietary Funds

The City's internal service funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Amounts paid to acquire capital assets are capitalized as assets in the internal service fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the internal service fund financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the internal service fund are reported as a reduction of the related liability, rather than as an expenditure.

Fiduciary Funds

The City's fiduciary funds are agency funds. Agency funds are custodial in nature. Assets equal liabilities. Agency funds use the accrual basis of accounting.

c. Major Funds, Internal Service Funds and Fiduciary Fund Types

Given their materiality and significance, 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 Special Projects Fund to account for funds received from a voter approved direct assessment levied by the City for the purpose of funding contract fire suppression services through Los Angeles County.

The Special Fire Parcel Tax Revenue Fund is used to account for funds received from a voter approved direct assessment levied by the City for the purpose of funding contract fire suppression services through Los Angeles County.

The General Capital Improvements Capital Projects Fund is used to account for funds received from the General Fund and other government sources for purposes of funding major capital projects.

The Sewer Capital Projects Fund is used to account for funds received from a retired direct assessment levied by the City for the purpose of funding major sewer projects. Residual assessment funds that remain are to be used exclusively for sewer maintenance, repairs and projects.

Additionally, the City reports the following fund types:

Nonmajor Governmental Funds – The special revenue funds are used to account for specific revenues that are legally restricted for particular purposes.

Note 1: Summary of Significant Accounting Policies (Continued)

Internal Service Funds – The internal service funds are used to account for the financing of equipment and insurance services of the City on a cost reimbursement basis. Specific funds included herein are the Equipment Replacement and Insurance Funds.

Agency Funds – The agency funds are used to account for the resources held by the City in a fiduciary capacity to record special deposits and assessment district repayments. Specific funds included herein are the Special Deposit and Police Property Evidence Funds.

d. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary funds' share in the cash and investment pool of the City of Palos Verdes Estates. Cash equivalents have an original maturity date of three months or less from the date of purchase. For purposes of the statement of cash flows, the entire balance of cash and investments on the combined balance sheet for the internal service fund is considered cash and cash equivalents.

e. Investments

For financial reporting purposes, investments are adjusted to their fair value whenever the difference between fair market value and the carrying amount is material.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

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

f. Prepaid Items and Inventory

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The inventory is valued at cost using first in/first-out (FIFO) method. Inventory of governmental funds is recorded as expenditures when consumed rather than when purchased.

g. Property Taxes

Property tax revenue is recognized 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.

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 a.m. on the first day of January proceeding the fiscal year for which the taxes are levied. Taxes are levied on July 1 and cover 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, on 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. At June 30, 2014, there were no material delinquent, unsecured property taxes. Property taxes receivable are included with due from other Governments on the balance sheet. At June 30, 2015, the total property taxes receivable is \$160,158.

h. Capital Assets

Capital assets, which include all infrastructure assets acquired prior to the implementation of GASB No.34 are reported in the government-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible capital assets used by the governmental activities is charged as an expense against their operations. Accumulated depreciation is reported on the statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method over the following estimated useful lives:

Building and improvements, including park improvements	7 to 35 years
Machinery, vehicles and equipment	2 to 18 years
Furniture and fixtures	3 to 13 years
Infrastructure	15 to 100 years

The following represent the minimum threshold in which assets are capitalized:

Buildings and improvements, including park improvements	\$	5,000
Machinery, vehicles and equipment		5,000
Furniture and fixtures		5,000
Infrastructure:		
Sewer:		
Pipes		20,000
Streets:		
Pavement		50,000
Sidewalks		10,000
Storm drains:		
Pipes		50,000
Outlet structures		10,000

Note 1: Summary of Significant Accounting Policies (Continued)

i. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has one item that qualifies for reporting in this category which is deferred outflows relating to the net pension obligation reported in the government-wide statement of net position. These outflows are the results of contributions made after the measurement period and adjustments due to difference in proportions.

In addition to liabilities, the statement of net position and 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 or fund balance 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 two items to report under this category. The first arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet and is related to grant revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item that qualifies for reporting in this category which are deferred inflows relating to the net pension obligation reported in the government-wide statement of net position. These inflows are the result of the net difference between projected and actual earnings on pension plan investments and difference between the employer's contributions and the employer's proportionate share of contributions. These amounts are deferred and amortized straight-line over a five year period or over the remaining service life.

j. Pension Plans

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD): June 30, 2013

Measurement Date (MD): June 30, 2014

Measurement Period (MP): July 1, 2013 to June 30, 2014

Note 1: Summary of Significant Accounting Policies (Continued)

k. Compensated Absences

City employees receive from 12 to 20 days vacation each year, depending upon length of service. An employee may not accumulate earned vacation time beyond the year following the year in which it is earned. Upon termination, employees with more than one year of service are paid the full value of their unused vacation time.

City employees also receive 12 personal necessity/sick leave days each year. An employee may accumulate earned personal necessity/sick leave time until termination. Upon termination, employees are entitled to receive 75% of their unused accumulated personal necessity/sick leave time above 650 hours for safety employees and above 960 hours for miscellaneous employees.

Vested or accumulated compensated absences that are expected to be liquidated currently are reported as expenditures and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated compensated absences that are not expected to be currently liquidated are reported only in the Statement of Net Position. No expenditure has been reported for these long-term amounts. Compensated absences are reported in governmental funds only if they have matured.

l. Fund Equity

The City Council adopted resolution R11-09 in conformity with Governmental Accounting Auditing Standards Board (GASB) Statement 54. In the fund financial statements, government funds report the following fund balance classifications:

- Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) by law through constitutional provisions or enabling legislation.
- Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council. The formal action that is required to be taken to establish, modify or rescind a fund balance commitment is a resolution.
- Assigned include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager or Finance Director is authorized to assign amounts to a specific purpose, which was established by the governing body through resolution.

Note 1: Summary of Significant Accounting Policies (Continued)

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

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted or unrestricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

m. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or 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.

n. Fund Balance 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.

Stabilization Arrangements

A stabilization arrangement has been established through resolution R11-09. The City's general fund balance committed for emergency contingencies is established at \$7.2 million. The specific permitted uses of the committed fund balance are:

Declaration of a state or federal state of emergency or declaration of a local emergency as provided in the Palos Verdes Estates Municipal Code Section 2.28.060;

Loss of general fund revenue in the amount of \$500,000 or more either through state action to divert or change general fund allocations or local conditions affecting a major revenue source.

The City also monitors its unassigned fund balances in achieving policy established target reserve levels. Unassigned General Fund balances as of June 30, 2015 total \$3,219,513.

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

o. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

p. Other Post-Employment Benefits

The City does not provide post-employment benefit beyond those benefits provided by CalPERS and the City's Special Retirement Income Plan for health insurance.

q. Change in Accounting Principle

The City implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the government-wide statement of activities.

In addition, the City implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The provisions of GASB Statement No. 71 have been implemented by the City.

Note 2: Cash Investments

Cash investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Statement of net position:		
Cash and investments	\$	30,184,146
Fiduciary funds:		
Cash and investments		<u>183,752</u>
Total cash and investments	\$	<u><u>30,367,898</u></u>

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 2: Cash Investments (Continued)

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$	1,500
Deposits with financial institutions		1,824,821
Investments		28,541,577
Total cash and investments	\$	<u>30,367,898</u>

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, and concentration of credit risk.

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	Yes	N/A	100%	N/A
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	30%	30%
Banker's Acceptances	Yes	180 days	15%	15%
Commercial Paper	Yes	270 days	15%	15%
Negotiable Certificates of Deposit	Yes **	N/A	N/A	N/A
Repurchase Agreements	No	N/A	N/A	N/A
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Medium-Term Notes (AA/Aa2)	Yes	3 years	15%	15%
Medium-Term Notes (A-1/A+)	Yes	2 years	15%	15%
Mutual Funds	No	N/A	N/A	N/A
Money Market Mutual Funds	Yes	N/A	10%	10%
Mortgage Pass-Through Securities	No	N/A	N/A	N/A
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	Yes	N/A	None	None
Guaranteed Investment Contracts (GICs)	Yes	N/A	N/A	N/A

*Based on state law requirements or investment policy requirements, whichever is more restrictive.

**Prohibited by City policy over \$250,000.

The City has adopted an investment policy which establishes internal limits by investment type, and applies more restrictive requirements than state regulations.

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 2: Cash Investments (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates might affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

Investment Type	Total	Remaining Maturity (in months)		
		12 Months Or Less	13 to 36 Months	25 to 60 Months
LAIF	\$ 15,589,077	\$ 15,589,077	\$ -	\$ -
Negotiable Certificates of Deposit	3,954,000	494,000	493,000	2,967,000
U.S. Agency Securities:				
Federal Farm Credit Bank	2,000,000	-	-	2,000,000
Federal Home Loan Mortgage	2,998,500	-	-	2,998,500
Federal National Mortgage Association	4,000,000	-	-	4,000,000
Total	\$ 28,541,577	\$ 16,083,077	\$ 493,000	\$ 11,965,500

Disclosures Relating to Credit Risk

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

Investment Type	Total	Minimum Legal Rating	Rating as of Year End	
			AA+	Not Rated
LAIF	\$ 15,589,077	N/A	\$ -	\$ 15,589,077
Negotiable Certificates of Deposit	3,954,000	N/A	-	3,954,000
U.S. Agency Securities				
Federal Farm Credit Bank	2,000,000	N/A	2,000,000	-
Federal Home Loan Mortgage	2,998,500	N/A	2,998,500	-
Federal National Mortgage Association	4,000,000	N/A	4,000,000	-
Total	\$ 28,541,577		\$ 8,998,500	\$ 19,543,077

Note 2: Cash Investments (Continued)

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of the total City's investments are as follows:

<u>Issuer</u>	<u>Amount Invested</u>
Federal Home Loan Mortgage Corporation	\$ 2,998,500
Federal National Mortgage Association	4,000,000

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to Custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC.

Investment in State Investment Pool

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

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 (e.g. mark to market) 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. Unrecognized losses due to fair value changes are offset against interest earnings in the reporting period.

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 3: Capital Assets

A summary of changes in capital asset activity for the year ended June 30, 2015, is as follows:

	Balance at June 30, 2014	Transfers	Additions	Deletions	Balance at June 30, 2015
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 4,487,892	\$ -	\$ -	\$ -	\$ 4,487,892
Construction in progress	210,656	(106,824)	355,478	-	459,310
Total assets not being depreciated	<u>4,698,548</u>	<u>(106,824)</u>	<u>355,478</u>	<u>-</u>	<u>4,947,202</u>
Capital assets being depreciated:					
Building and improvements	26,534,489	-	-	-	26,534,489
Machinery	4,080,006	-	92,795	50,828	4,121,973
Furniture and fixtures	637,132	-	18,699	6,319	649,512
Vehicles	1,095,187	-	215,637	76,562	1,234,262
Infrastructure	74,743,416	106,824	874,590	-	75,724,830
Total assets being depreciated	<u>107,090,230</u>	<u>106,824</u>	<u>1,201,721</u>	<u>133,709</u>	<u>108,265,066</u>
Less accumulated depreciation for:					
Buildings and improvements	17,007,480	-	1,697,096	-	18,704,576
Machinery	3,262,063	-	300,420	50,828	3,511,655
Furniture and fixtures	527,392	-	85,301	6,319	606,374
Vehicles	839,235	-	16,079	76,562	778,752
Infrastructure	41,477,246	-	2,127,729	-	43,604,975
Total accumulated depreciation	<u>63,113,416</u>	<u>-</u>	<u>4,226,625</u>	<u>133,709</u>	<u>67,206,332</u>
Net capital assets being depreciated	<u>43,976,814</u>	<u>106,824</u>	<u>(3,024,904)</u>	<u>-</u>	<u>41,058,734</u>
Total capital assets	<u>\$ 48,675,362</u>	<u>\$ -</u>	<u>\$ (2,669,426)</u>	<u>\$ -</u>	<u>\$ 46,005,936</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 56,075
Public safety	1,851
Public works	2,128,214
Parks and recreation	1,826,902
Internal service funds	213,583
Total depreciation expense-governmental activities	<u>\$ 4,226,625</u>

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 4: Interfund Receivables, Payables and Transfers

The following summarizes the total transfers in and out as of June 30, 2015:

	<u>Transfers Out</u>		<u>Total</u>
	<u>General Fund</u>	<u>Other Nonmajor Governmental Funds</u>	
Transfers In			
General Capital Improvements Fund	\$ 773,000	\$ 242,541	\$ 1,015,541
Equipment Replacement	-	29,000	29,000
Internal Service Funds	-	273,000	273,000
Total:	<u>\$ 773,000</u>	<u>\$ 544,541</u>	<u>\$ 1,317,541</u>

The transfers were made to fund various capital improvement projects and also fund the insurance internal service fund for retrospective payments.

The composition of current interfund receivable and payable as of June 30, 2015, are as follows:

	<u>Due to Other Funds</u>	
	<u>Special Projects Fund</u>	<u>Total</u>
<u>Due From Other Funds</u>		
General Fund	\$ 28,331	\$ 28,331
Total:	<u>\$ 28,331</u>	<u>\$ 28,331</u>

The interfund balances relate to reimbursement for Prop A maintenance funds as of June 30, 2015.

Note 5: Long-Term Liabilities

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2015, is as follows:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2015</u>	<u>Due Within One Year</u>	<u>Due Beyond One Year</u>
Governmental activities:						
Compensated absences	\$ 836,371	\$ 414,086	\$ 345,510	\$ 904,947	\$ 373,839	\$ 531,108
Retrospective deposit payable:						
General liability	86,381	-	86,381	-	-	-
Workers' compensation	217,113	56,036	-	273,149	-	273,149
Total	<u>\$ 1,139,865</u>	<u>\$ 470,122</u>	<u>\$ 431,891</u>	<u>\$ 1,178,096</u>	<u>\$ 373,839</u>	<u>\$ 804,257</u>

Note 5: Long-Term Liabilities (Continued)

General fund has been used in prior years to liquidate the liability of compensated absences and plan benefits.

CJPIA Retrospective Deposit Liability

Retrospective deposits and refunds are cost allocation adjustments to prior coverage periods. Some claims take many years to resolve and over time their estimated value changes. The retrospective adjustments are calculated annually and take into consideration all the changes in claim values that occurred during the most recent year. The formula is designed to adequately cover the cost of claims brought against members and to ensure the overall financial strength and security of the Authority. The formula was developed to be as equitable as possible by taking into consideration both risk exposure and claims experience of individual members. CJPIA has temporarily deferred the payment on retrospective deposits owed to the Authority by members. The payment deferral period extends until July 1, 2015 for the Workers' Compensation program. Retrospective deposit payments are scheduled to resume. The October 2014 annual retrospective adjustment is included in these balances.

Optional Payment Plans

When retrospective deposit payments resume as indicated above, members will have the opportunity to select from a variety of optional payment plans. Discounts under the incentive plan are available to members choosing to voluntarily accelerate payment during the deferral period. The City has chosen not to voluntarily accelerate payment at this time.

After the deferral period, members choosing from among the optional payment plans will be subject to a moderate annual fee. The fee is intended to provide a means for the Authority to recover otherwise foregone investment earnings and to serve as a minor disincentive for the selection of longer financing terms.

Retrospective Balances will Change Annually

Retrospective balances will change with each annual computation during the payment deferral period. Member balances may increase or decrease as a result of the most recent year's claim development.

Accordingly, some members who chose to pay off their balance in full may be required to pay additional retrospective deposits in the future based on the outcome of actual claim development reflected in subsequent retrospective deposit computations. Conversely, if claim development is favorable then subsequent retrospective adjustments could potentially result in refunds to the member.

More information on the CJPIA retrospective balances can be found on the CJPIA website at CJPIA.org. At June 30, 2015, the retrospective amount due was \$273,149.

Note 6: Liability, Workers' Compensation, and Purchased Insurance

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

The City of Palos Verdes Estates is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of 118 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. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years 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. Coverage years 2013-14 and forward and not subject to routine annual retrospective adjustment.

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 general government 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 \$50 million are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2014-15 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) 50% of the \$2.5 million annual aggregate deductible in the \$3 million x/s \$2 million layer. (b) 50% quota share of the \$3 million x/s \$2 million layer, and (c) \$3 million annual aggregate deductible in the \$5 million x/s \$10 million layer.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

Note 6: Liability, Workers' Compensation, and Purchased Insurance (Continued)

Workers' Compensation

In the workers' compensation program claims are pooled separately between public safety (police and fire) and general government 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 statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2014-15 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits 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 Palos Verdes Estates 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 Palos Verdes Estates. 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, 2014 through July 1, 2017. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance

The City of Palos Verdes Estates participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Palos Verdes Estates property is currently insured according to a schedule of covered property submitted by the City of Palos Verdes Estates to the Authority. City of Palos Verdes Estates property currently has all-risk property insurance protection in the amount of \$47,630,698. 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.

Earthquake and Flood Insurance

The City of Palos Verdes Estates purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Palos Verdes Estates property currently has earthquake protection in the amount of \$0. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Note 6: Liability, Workers' Compensation, and Purchased Insurance (Continued)

Crime Insurance

The City of Palos Verdes Estates 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.

Special Event Tenant User Liability Insurance

The City of Palos Verdes Estates further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to the City of Palos Verdes Estates according to a schedule. The City of Palos Verdes Estates then pays for the insurance. The insurance is arranged by the Authority.

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 2014-15.

Note 7: Defined Benefits Pension Plan

California Public Employees' Retirement Plan (PERS)

1. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City of Palos Verdes Estates' for separate cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. The four Palos Verdes Estates cost-sharing plans are listed as follows:

- i. Miscellaneous Classic Plan
- ii. Miscellaneous PEPRA Plan
- iii. Safety Classic Plan
- iv. Safety PEPRA Plan

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 7: Defined Benefits Pension Plan (Continued)

Below is a summary of the plans' provisions and benefits in effect at June 30, 2015, for which the City of Palos Verdes Estates has contracted:

Major Benefit Options	Miscellaneous	Miscellaneous PEPRA	Safety	Safety PEPRA
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire Date				
Benefit Provision				
Benefit Formula	2.0% @ 55	2.0% @ 62	3.0% @ 50	2.0% @ 55
Social Security	no	no	no	no
Full/Modified	full	full	full	full
Benefit vesting schedule	5 yrs service	5 yrs service	5 yrs service	5 yrs service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	minimum 50	minimum 50	minimum 50	minimum 50
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%	3%	1.426% to 2.0%
Required employer contribution rates	8.551%	n/a	26.149%	n/a
Required employee contribution rates	6.891%	n/a	8.986%	n/a

New entrants are not allowed in the Miscellaneous Classic Plan. There were no participants in Miscellaneous PEPRA Plan as of June 30, 2013 therefore, the GASB 68 Plan was not available to be accounted in the Net Pension Liability.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as a reduction to the net pension liability for all Plans was \$1,071,269.

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the City of Palos Verdes Estates reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Classic	\$ 1,778,540
Safety Classic	6,386,937
	<u>\$ 8,165,477</u>

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 7: Defined Benefits Pension Plan (Continued)

The City of Palos Verdes Estates' net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014, was as follows:

	Miscellaneous	
	Classic	Safety Classic
Proportion - June 30, 2013	0.02859%	0.10263%
Proportion - June 30, 2014	0.02858%	0.10264%
Change - Increase (Decrease)	-0.03498%	0.01364%

For the year ended June 30, 2015, the City of Palos Verdes Estates recognized pension expense of \$762,945. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,114,037	\$ -
Net differences between projected and actual earnings on plan investments	-	2,790,556
Differences between the employer's contributions and the employer's proportionate share of contributions	-	60,451
Adjustment due to differences in proportions	104,806	-
Total	<u>\$ 1,218,843</u>	<u>\$ 2,851,007</u>

\$1,114,037 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows/ (Inflows) of Resources
2016	\$ (676,117)
2017	(676,117)
2018	(683,601)
2019	(710,366)

Note 7: Defined Benefits Pension Plan (Continued)

Actuarial Assumptions

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013, total pension liability.

The June 30, 2013 and the June 30, 2014, total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	3.3% - 14.2% (1)
Investment Rate of Return	7.50% (2)
Mortality Rate Table (3)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment

(2) Net of Pension Plan Investment and Administrative Expenses; includes Inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report on the CalPERS website.

All other actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 7: Defined Benefits Pension Plan (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

- (1) An expected inflation of 2.5% used for this period
- (2) An expected inflation of 3.0% used for this period

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability/ (asset) of the Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a:

CITY OF PALOS VERDES ESTATES

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015**

Note 7: Defined Benefits Pension Plan (Continued)

discount rate that is 1% point lower (6.50 percent) or 1% point higher (8.50 percent) than the current rate

Plan's Net Pension Liability/(Assets)	Discount Rate - 1% (6.50%)	Current Discount Rate (7.5%)	Discount Rate +1% (8.5%)
Miscellaneous Classic	\$ 3,679,571	\$ 1,778,540	\$ 200,865
Safety Classic	10,991,093	6,386,937	2,593,312

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information

Note 8: Special Retirement Income Plan for Health Insurance

Description of Plan

The City provides a Special Retirement Income Plan, a single employer defined benefit plan which covers eligible City employees to assist qualified retirees in purchasing health insurance. The plan was established and is administered by the City to provide a fixed monthly cash payment (\$275 per month for general, management and police employees) to qualifying retirees until they reach the age of 65 as required under various memoranda of understanding ("MOU") with the City's employee groups.

The following summarizes the primary characteristics of the benefit:

	General Employees	Management	Police
Benefit types provided	Retirement Income	Retirement Income	Retirement Income
Duration of Benefits	Until Medicare Eligible	Until Medicare Eligible	Until Medicare Eligible
Required Service	20 years	20 years	20 years
Minimum Age	50	50	50
Dependent Coverage	No	No	No
City Contribution %	100%	100%	100%
Benefit Amount	\$275 per month	\$275 per month	\$275 per month

The plan is included in the City's comprehensive annual financial report. A separate report is not available. The comprehensive annual financial report is available at the following address:

City of Palos Verdes Estates
340 Palos Verdes Drive West
Palos Verdes Estates, CA 90274

Funding Policy and Contribution Rates

The funding policy provides for employer contributions on a pay-as-you-go basis. Retirement income benefits cannot be increased unless new labor agreements (MOU) are entered into. Plan assets have not been accumulated in a separately established trust fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 8: Special Retirement Income Plan for Health Insurance (Continued)

Annual Plan Cost and Net Plan Obligation

The City's annual plan cost and net plan obligation for the current year are as follows:

Annual required contribution	\$ 34,900
Interest on net plan obligation	6,444
Adjustment to annual required contribution	<u>(16,503)</u>
Annual plan cost	24,841
Contributions/benefits paid	<u>19,800</u>
Increase (decrease) in net plan obligation	5,041
Net plan obligation beginning of year	<u>323,836</u>
Net plan obligation end of year	<u><u>\$ 328,877</u></u>

The plan uses the "entry age normal" actuarial cost method to determine funding rates for active employees. It uses the normal cost method to amortize the unfunded liability over a period of 30 years at 4.75% interest. (Thirty years is the longest amortization period allowable under GASB 25 and 27). The required contributions for the plan were determined as part of the July 1, 2012 actuarial valuation. The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, termination rates, vesting rates, retirement rates and discount rate. Projections of benefits for financial reporting purposes are based on the MOU, (the plan as understood by the employer and 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 the employer and plan members to that point. The projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitations. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. Amounts determined for the funded status of the plan and the annual required contribution 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 significant actuarial assumptions used in the valuation of the plan are as follows:

1. Investment return of 4.75% per annum.
2. Average hire age for eligible employees is 27.
3. Average retirement age is 57.
4. Inflation rate of 2.75% per annum.

Assumptions regarding projected salary increases and benefit increases are not applicable because this benefit is a fixed monthly benefit with no anticipated increase in the amount of the monthly payment amount.

Actuarial Cost Method: Entry age normal. The allocation of retirement income cost is based on years of service. We used the level dollar method to allocate retirement income costs over years of service.

Entry age is based on the average age at hire for eligible employees. The attribution period is determined as the difference between the average retirement age and the average age at hire. The present value of future benefits and present value of future normal costs are determined on an employee-by-employee basis and then aggregated.

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2015

Note 8: Special Retirement Income Plan for Health Insurance (Continued)

To the extent that different benefit formulas apply to different employees of the same class, the normal cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees).

Amortization Methods: We used the level dollar method to allocate amortization cost by year. We used a 30-year open amortization period.

Actuarial Accrued Liability as of June 30, 2015:

	Total	General Employees	Management	Police
Active: Pre-65	\$ 322,762	\$ 84,048	\$ 70,644	\$ 168,070
Post-65	-	-	-	-
Subtotal	322,762	84,048	70,644	168,070
Retiree: Pre-65	60,632	9,429	-	51,203
Post-65	-	-	-	-
Subtotal	60,632	9,429	-	51,203
Subtotal Pre-65	383,394	93,477	70,644	219,273
Subtotal Post-65	-	-	-	-
Grand Total	383,394	93,477	70,644	219,273
Funded at July 1, 2012	-	-	-	-
Unfunded AAL	\$ 383,394	\$ 93,477	\$ 70,644	\$ 219,273
1st Year UAAL Amortization at 4.5% over 25 years	\$ 9,011	\$ 1,742	\$ 696	\$ 6,573

Trend information is as follows:

Year ended June 30,	Annual Plan Cost (APC)	Contributions/ Benefits Paid	% of APC Contributed	Net Plan Obligation
2013	\$ 26,326	\$ 13,200	50%	\$ 316,202
2014	25,509	17,875	70%	323,836
2015	24,841	19,800	80%	328,877

Funded Status

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as % of covered Payroll
7/1/2010	\$ -	\$ 343,190	\$ 343,190	\$ -	\$ 3,721,290	9.22%
7/1/2012	-	402,061	402,061	-	4,017,811	10.01%
7/1/2015	-	383,395	383,395	-	4,105,137	9.34%

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Note 9: Contingencies

There are several pending lawsuits in which the City is involved. Legal counsel estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the basic financial statements of the City.

Note 10: Construction Commitments

As is the normal case from year-to-year, the City has active construction projects open, as of June 30, 2015, resulting from its biennial capital plan. The following projects remained under formal obligations with other approved project balances subject to rollover into the subsequent fiscal year. Project specifically obligated at year end include:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Remaining Commitments</u>
Bluff Cove Deconstruction Project	\$ 913,554	\$ 458,277
Forcemain Sewer Project	1,558,876	1,398,777

Beyond these contractual commitments, the City recorded \$1,931,946 in approved project budgets on or before June 30, 2015.

Note 11: Restatements to Net Position

Net position has been restated by \$10,148,733 as part of the implementation of GASB Statement No. 68 and to reflect the cumulative effect of the accounting change as of the beginning of the year. GASB 68 reflects the outstanding net pension liabilities being reported in the financial statements for the first time this reporting year.

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CITY OF PALOS VERDES ESTATES

**COST-SHARING MULTIPLE EMPLOYER MISCELLANEOUS PLANS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>
Miscellaneous Classic	
Proportion of the Net Pension Liability	0.02858%
Proportionate Share of the Net Pension Liability	\$ 1,778,540
Covered-Employee Payroll	\$ 1,886,370
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	94.28%
Plan Fiduciary Net Position	\$ 12,551,262
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.59%

Notes to Schedule:

Benefit Changes: None.

Changes of Assumptions: None.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

CITY OF PALOS VERDES ESTATES

**COST-SHARING MULTIPLE EMPLOYER MISCELLANEOUS PLANS
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>
Miscellaneous Classic	
Actuarially Determined Contribution	\$ 235,683
Contribution in Relation to the Actuarially Determined Contribution	(235,683)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 2,239,339
Contributions as a Percentage of Covered-Employee Payroll	10.52%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2012
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers	Entry age normal
Amortization method	Level Percent of Payroll
Remaining amortization period	19 Years as of the Valuation Date
Assets valuation method	15 year smoothed market
Inflation	2.75%
Salary Increases	3.3% to 14.20%
Investment rate of return	7.50% net of pension plan investment and administrative expense, including inflation
Retirement age	minimum 50 years
Mortality	RP-2000 Heath Annuitant Mortality Table

CITY OF PALOS VERDES ESTATES

**COST-SHARING MULTIPLE EMPLOYER SAFETY PLANS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>
Safety Classic	
Proportion of the Net Pension Liability	0.10264%
Proportionate Share of the Net Pension Liability	\$ 6,386,937
Covered-Employee Payroll	\$ 2,218,767
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	287.86%
Plan Fiduciary Net Position	\$ 27,985,891
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.42%

Notes to Schedule:

Benefit Changes: None.

Changes of Assumptions: None.

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

CITY OF PALOS VERDES ESTATES

**COST-SHARING MULTIPLE EMPLOYER SAFETY PLANS
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2015</u>
Safety Classic	
Actuarially Determined Contribution	\$ 878,354
Contribution in Relation to the Actuarially Determined Contribution	(878,354)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 2,389,261
Contributions as a Percentage of Covered-Employee Payroll	36.76%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Note to Schedule:

Valuation Date:	June 30, 2012
Methods and assumptions used to determine contribution rates:	
Single and Agent Employers	Entry age normal
Amortization method	Level Percent of Payroll
Remaining amortization period	19 Years as of the Valuation Date
Assets valuation method	15 Year Smoothed Market
Inflation	2.75%
Salary Increases	3.3% to 14.20%
Investment rate of return	7.50% net of pension plan investment and administrative expense, including inflation
Retirement age	minimum 50 years
Mortality	RP-2000 Heath Annuitant Mortality Table

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 7,740,000	\$ 7,740,000	\$ 8,328,106	\$ 588,106
Licenses and permits	667,000	667,000	597,674	(69,326)
Intergovernmental	1,252,000	1,252,000	1,310,687	58,687
Charges for services	474,000	474,000	446,853	(27,147)
Use of money and property	1,127,000	1,127,000	1,326,545	199,545
Fines and forfeitures	209,000	209,000	175,867	(33,133)
Miscellaneous	270,000	270,000	326,349	56,349
Total Revenues	11,739,000	11,739,000	12,512,081	773,081
Expenditures:				
Current:				
General government	2,024,773	2,106,373	2,064,047	42,326
Public safety	6,417,685	6,434,495	6,310,409	124,086
Parks and recreation	1,172,790	1,205,455	1,189,902	15,553
Public works	1,668,930	1,782,881	1,546,870	236,011
Total Expenditures:	11,284,178	11,529,204	11,111,228	417,976
Excess (Deficiency) of Revenues Over (Under) Expenditures	454,822	209,796	1,400,853	1,191,057
Other Financing Sources				
Transfers out	(500,000)	(773,000)	(773,000)	-
Total Other Financing Sources (Uses):	(500,000)	(773,000)	(773,000)	-
Net Change in Fund Balances	(45,178)	(563,204)	627,853	1,191,057
Fund Balances, Beginning of Year	9,822,486	9,822,486	9,822,486	-
Fund Balances, End of Year	\$ 9,777,308	\$ 9,259,282	\$ 10,450,339	\$ 1,191,057

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 SPECIAL PROJECTS
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 112,000	\$ 112,000	\$ 207,906	\$ 95,906
Use of money and property	4,000	4,000	7,892	3,892
Total Revenues	116,000	116,000	215,798	99,798
Expenditures:				
Current:				
Public works	40,550	11,550	13,164	(1,614)
Total Expenditures:	40,550	11,550	13,164	(1,614)
Excess (Deficiency) of Revenues Over (Under) Expenditures	75,450	104,450	202,634	98,184
Other Financing Sources				
Transfers out	(29,000)	(29,000)	(145,000)	(116,000)
Total Other Financing Sources (Uses):	(29,000)	(29,000)	(145,000)	(116,000)
Net Change in Fund Balances	46,450	75,450	57,634	(17,816)
Fund Balances, Beginning of Year	684,101	684,101	684,101	-
Fund Balances, End of Year	\$ 730,551	\$ 759,551	\$ 741,735	\$ (17,816)

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE
SPECIAL FIRE PARCEL TAX
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Assessments	4,448,230	4,448,230	4,460,217	11,987
Intergovernmental	9,000	9,000	10,456	1,456
Use of money and property	1,000	1,000	870	(130)
Total Revenues	4,458,230	4,458,230	4,471,543	13,313
Expenditures:				
Current:				
Public safety	4,458,230	4,458,230	4,421,786	36,444
Total Expenditures:	4,458,230	4,458,230	4,421,786	36,444
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	49,757	49,757
Net Change in Fund Balances	-	-	49,757	49,757
Fund Balances, Beginning of Year	552,018	552,018	552,018	-
Fund Balances, End of Year	\$ 552,018	\$ 552,018	\$ 601,775	\$ 49,757

CITY OF PALOS VERDES ESTATES

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

BUDGETARY DATA

Budgets are reported on the same basis as the funds and are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General, Special Revenue and Capital Projects Funds consistent with generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.

Budgets are monitored at varying levels of classification detail. However, expenditures cannot legally exceed total appropriations at the fund level. The City Manager is authorized to transfer amounts within individual fund budgets and between departments based on policy based dollar limits. Budgetary revisions that alter the total appropriations of a fund and/or a capital project must be approved by the City Council. Unexpended budgetary appropriations lapse at year-end. Budgeted amounts, as shown, include the originally adopted budget, reappropriated prior year obligations as well as any amendments authorized by the City Council.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted for particular purposes. The City uses the following Nonmajor Special Revenue Funds:

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

Drug Intervention Fund - to account for funds received from the L.A. IMPACT, an association of local governmental agencies, related to drug enforcement activities. The funds are earmarked for the City's drug intervention programs.

SLESF – to account for COPS funds received from the State of California.

Corrections – to account for funds receive from the State Department of Corrections.

Proposition A – to account for the City's share of funds collected and distributed by the County of Los Angeles under Proposition A to finance transit projects within the City.

Measure R – to account for the City's share of funds collected and distributed by the County of Los Angeles under Measure R for transportation purposes within the City.

Proposition C Fund is used to account for City's share of funds collected and distributed by the County of Los Angeles under Measure R for transportation purpose within the City.

CITY OF PALOS VERDES ESTATES

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue Funds			
	Gas Tax	Drug Intervention	SLESF	Corrections
Assets:				
Cash and investments	\$ 194,585	\$ 82,270	\$ 152,210	\$ 10,014
Due from other governments	-	-	-	-
Total Assets	\$ 194,585	\$ 82,270	\$ 152,210	\$ 10,014
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 20,985	\$ -	\$ -	\$ 234
Accrued salaries and benefits	6,458	-	-	-
Total Liabilities	27,443	-	-	234
Fund Balances:				
Restricted for:				
Public safety	-	82,270	152,210	9,780
Public works	167,142	-	-	-
Total Fund Balances	167,142	82,270	152,210	9,780
Total Liabilities and Fund Balances	\$ 194,585	\$ 82,270	\$ 152,210	\$ 10,014

CITY OF PALOS VERDES ESTATES

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Proposition A	Measure R	Proposition C	
Assets:				
Cash and investments	\$ 585,215	\$ 118,729	\$ 274,634	\$ 1,417,657
Due from other governments	-	-	-	-
Total Assets	\$ 585,215	\$ 118,729	\$ 274,634	\$ 1,417,657
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 98,421	\$ 119,640
Accrued salaries and benefits	-	-	-	6,458
Total Liabilities	-	-	98,421	126,098
Fund Balances:				
Restricted for:				
Public safety	-	-	-	244,260
Public works	585,215	118,729	176,213	1,047,299
Total Fund Balances	585,215	118,729	176,213	1,291,559
Total Liabilities and Fund Balances	\$ 585,215	\$ 118,729	\$ 274,634	\$ 1,417,657

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Special Revenue Funds			
	Gas Tax	Drug Intervention	SLESF	Corrections
Revenues:				
Revenues from other agencies	\$ 359,886	\$ -	\$ 106,230	\$ 5,980
Use of money and property	3,371	728	1,497	-
Total Revenues	363,257	728	107,727	5,980
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	69,469	1,721
Public works	315,837	-	-	-
Total Expenditures	315,837	-	69,469	1,721
Excess (Deficiency) of Revenues Over (Under) Expenditures	47,420	728	38,258	4,259
Other Financing Sources (Uses):				
Transfers out	(250,000)	-	-	-
Total Other Financing Sources (Uses)	(250,000)	-	-	-
Net Change in Fund Balances	(202,580)	728	38,258	4,259
Fund Balances, Beginning of Year	369,722	81,542	113,952	5,521
Fund Balances, End of Year	\$ 167,142	\$ 82,270	\$ 152,210	\$ 9,780

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Proposition A	Measure R	Proposition C	
Revenues:				
Revenues from other agencies	\$ 240,326	\$ 149,542	\$ 199,733	\$ 1,061,697
Use of money and property	4,590	1,761	1,818	13,765
Total Revenues	244,916	151,303	201,551	1,075,462
Expenditures:				
Current:				
General government	5,309	-	-	5,309
Public safety	-	-	-	71,190
Public works	200,000	-	196,843	712,680
Total Expenditures	205,309	-	196,843	789,179
Excess (Deficiency) of Revenues Over (Under) Expenditures	39,607	151,303	4,708	286,283
Other Financing Sources (Uses):				
Transfers out	-	(149,541)	-	(399,541)
Total Other Financing Sources (Uses)	-	(149,541)	-	(399,541)
Net Change in Fund Balances	39,607	1,762	4,708	(113,258)
Fund Balances, Beginning of Year	545,608	116,967	171,505	1,404,817
Fund Balances, End of Year	\$ 585,215	\$ 118,729	\$ 176,213	\$ 1,291,559

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE

GAS TAX

YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 361,000	\$ 361,000	\$ 359,886	\$ (1,114)
Use of money and property	700	700	3,371	2,671
Total Revenues	361,700	361,700	363,257	1,557
Expenditures:				
Current:				
Public works	332,225	333,515	315,837	17,678
Total Expenditures:	332,225	333,515	315,837	17,678
Excess (Deficiency) of Revenues Over (Under) Expenditures	29,475	28,185	47,420	19,235
Other Financing Sources				
Transfers out	(250,000)	(250,000)	(250,000)	-
Total Other Financing Sources (Uses):	(250,000)	(250,000)	(250,000)	-
Net Change in Fund Balances	(220,525)	(221,815)	(202,580)	19,235
Fund Balances, Beginning of Year	369,722	369,722	369,722	-
Fund Balances, End of Year	\$ 149,197	\$ 147,907	\$ 167,142	\$ 19,235

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 DRUG INTERVENTION
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 500	\$ 500	\$ 728	\$ 228
Total Revenues	500	500	728	228
Net Change in Fund Balances	500	500	728	228
Fund Balances, Beginning of Year	81,542	81,542	81,542	-
Fund Balances, End of Year	\$ 82,042	\$ 82,042	\$ 82,270	\$ 228

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 SLESF
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 106,230	\$ 6,230
Use of money and property	500	500	1,497	997
Total Revenues	100,500	100,500	107,727	7,227
Expenditures:				
Current:				
Public safety	64,950	136,950	69,469	67,481
Total Expenditures:	64,950	136,950	69,469	67,481
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,550	(36,450)	38,258	74,708
Net Change in Fund Balances	35,550	(36,450)	38,258	74,708
Fund Balances, Beginning of Year	113,952	113,952	113,952	-
Fund Balances, End of Year	\$ 149,502	\$ 77,502	\$ 152,210	\$ 74,708

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
CORRECTIONS
YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 6,000	\$ 6,000	\$ 5,980	\$ (20)
Total Revenues	6,000	6,000	5,980	(20)
Expenditures:				
Current:				
Public safety	4,700	4,700	1,721	2,979
Total Expenditures:	4,700	4,700	1,721	2,979
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,300	1,300	4,259	2,959
Net Change in Fund Balances	1,300	1,300	4,259	2,959
Fund Balances, Beginning of Year	5,521	5,521	5,521	-
Fund Balances, End of Year	\$ 6,821	\$ 6,821	\$ 9,780	\$ 2,959

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION A
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 204,000	\$ 204,000	\$ 240,326	\$ 36,326
Use of money and property	3,000	3,000	4,590	1,590
Total Revenues	207,000	207,000	244,916	37,916
Expenditures:				
Current:				
General government	5,310	5,310	5,309	1
Public works	200,000	200,000	200,000	-
Total Expenditures:	205,310	205,310	205,309	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,690	1,690	39,607	37,917
Net Change in Fund Balances	1,690	1,690	39,607	37,917
Fund Balances, Beginning of Year	545,608	545,608	545,608	-
Fund Balances, End of Year	\$ 547,298	\$ 547,298	\$ 585,215	\$ 37,917

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 MEASURE R
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 127,000	\$ 127,000	\$ 149,542	\$ 22,542
Use of money and property	1,000	1,000	1,761	761
Total Revenues	128,000	128,000	151,303	23,303
Other Financing Sources				
Transfers out	(128,000)	(128,000)	(149,541)	(21,541)
Total Other Financing Sources (Uses):	(128,000)	(128,000)	(149,541)	(21,541)
Net Change in Fund Balances	-	-	1,762	1,762
Fund Balances, Beginning of Year	116,967	116,967	116,967	-
Fund Balances, End of Year	\$ 116,967	\$ 116,967	\$ 118,729	\$ 1,762

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C
 YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 170,000	\$ 170,000	\$ 199,733	\$ 29,733
Use of money and property	1,000	1,000	1,818	818
Total Revenues	171,000	171,000	201,551	30,551
Expenditures:				
Current:				
Public works	197,000	197,000	196,843	157
Total Expenditures:	197,000	197,000	196,843	157
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,000)	(26,000)	4,708	30,708
Net Change in Fund Balances	(26,000)	(26,000)	4,708	30,708
Fund Balances, Beginning of Year	171,505	171,505	171,505	-
Fund Balances, End of Year	\$ 145,505	\$ 145,505	\$ 176,213	\$ 30,708

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE
GENERAL CAPITAL IMPROVEMENTS
YEAR ENDED JUNE 30, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 49,000	\$ 49,000	\$ 48,740	\$ (260)
Miscellaneous	158,000	233,000	-	(233,000)
Total Revenues	207,000	282,000	48,740	(233,260)
Expenditures:				
Current:				
Public works	3,554,000	4,531,082	2,307,769	2,223,313
Total Expenditures:	3,554,000	4,531,082	2,307,769	2,223,313
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,347,000)	(4,249,082)	(2,259,029)	1,990,053
Other Financing Sources				
Transfers in	(878,000)	(878,000)	1,015,541	1,893,541
Total Other Financing Sources (Uses):	(878,000)	(878,000)	1,015,541	1,893,541
Net Change in Fund Balances	(4,225,000)	(5,127,082)	(1,243,488)	3,883,594
Fund Balances, Beginning of Year	8,375,281	8,375,281	8,375,281	-
Fund Balances, End of Year	\$ 4,150,281	\$ 3,248,199	\$ 7,131,793	\$ 3,883,594

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
SEWER
YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Assessments	\$ -	\$ -	\$ 3,549	\$ 3,549
Use of money and property	30,000	30,000	25,444	(4,556)
Total Revenues	30,000	30,000	28,993	(1,007)
Expenditures:				
Current:				
Public works	370,000	2,830,627	219,932	2,610,695
Total Expenditures:	370,000	2,830,627	219,932	2,610,695
Excess (Deficiency) of Revenues Over (Under) Expenditures	(340,000)	(2,800,627)	(190,939)	2,609,688
Net Change in Fund Balances	(340,000)	(2,800,627)	(190,939)	2,609,688
Fund Balances, Beginning of Year	5,329,378	5,329,378	5,329,378	-
Fund Balances, End of Year	\$ 4,989,378	\$ 2,528,751	\$ 5,138,439	\$ 2,609,688

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of equipment and services of the City on a cost-reimbursement basis. The City uses the following Internal Service Funds:

Equipment Replacement – to account for the purchase and maintenance of vehicular equipment on behalf of all City departments.

Insurance – to account for the City's insurance activities.

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2015

	Governmental Activities - Internal Service Funds		
	Equipment Replacement	Insurance	Totals
Assets:			
Current:			
Cash and investments	\$ 2,921,764	\$ 1,502,590	\$ 4,424,354
Prepaid items	-	2,909	2,909
Total Current Assets	2,921,764	1,505,499	4,427,263
Capital assets			
Machinery and equipment	3,169,476	-	3,169,476
Furniture and fixtures	288,225	-	288,225
Vehicles	1,234,262	-	1,234,262
Less accumulated depreciation	(3,896,281)	-	(3,896,281)
Net Capital Assets	795,682	-	795,682
Total Assets	\$ 3,717,446	\$ 1,505,499	\$ 5,222,945
Liabilities and Net Position:			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 18,843	\$ 273,149	\$ 291,992
Total Current Liabilities	18,843	273,149	291,992
Total Liabilities	18,843	273,149	291,992
Net Position:			
Investment in Capital Assets	795,682	-	795,682
Unrestricted	2,902,921	1,232,350	4,135,271
Total Net Position	3,698,603	1,232,350	4,930,953
Total Liabilities and Net Position	\$ 3,717,446	\$ 1,505,499	\$ 5,222,945

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Funds		
	Equipment Replacement	Insurance	Totals
Operating Revenues:			
Charges for services	\$ -	\$ 404,147	\$ 404,147
Other	426,000	-	426,000
Total Operating Revenues	426,000	404,147	830,147
Operating Expenses:			
Materials and supplies	14,752	-	14,752
General liability insurance	-	406,912	406,912
Property and vehicle insurance	-	19,661	19,661
Workers compensation	-	273,148	273,148
Depreciation	213,583	-	213,583
Total Operating Expenses	228,335	699,721	928,056
Operating Income (Loss)	197,665	(295,574)	(97,909)
Nonoperating Revenues (Expenses):			
Interest revenue	21,411	21,587	42,998
Gain (loss) on disposal of capital assets	17,190	-	17,190
Total Nonoperating Revenues (Expenses)	38,601	21,587	60,188
Net income before transfers and contributions	236,266	(273,987)	(37,721)
Capital contributions from other funds	56,615	-	56,615
Transfers in	29,000	273,000	302,000
Changes in Net Position	321,881	(987)	320,894
Net Position:			
Beginning of Year	3,376,722	1,233,337	4,610,059
End of Fiscal Year	\$ 3,698,603	\$ 1,232,350	\$ 4,930,953

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Funds		
	Equipment Replacement	Insurance	Totals
Cash Flows from Operating Activities:			
Cash received from user departments	\$ 426,000	\$ 404,147	\$ 830,147
Cash paid to suppliers for goods or services	(33,616)	(521,550)	(555,166)
Net Cash Provided by (Used in) Operating Activities	392,384	(117,403)	274,981
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	29,000	273,000	302,000
Net Cash Provided by Non-Capital Financing Activities	29,000	273,000	302,000
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(270,516)	-	(270,516)
Proceeds from sales of capital assets	17,190	-	17,190
Net Cash Used in Capital and Related Financing Activities	(253,326)	-	(253,326)
Cash Flows from Investing Activities:			
Interest received	26,530	22,041	48,571
Net Cash Provided by (Used in) Investing Activities	26,530	22,041	48,571
Net Increase (Decrease) in Cash and Cash Equivalents	194,588	177,638	372,226
Cash and Cash Equivalents at Beginning of Year	2,727,176	1,324,952	4,052,128
Cash and Cash Equivalents at End of Year	\$ 2,921,764	\$ 1,502,590	\$ 4,424,354
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ 197,665	\$ (295,574)	\$ (97,909)
Adjustments to reconcile operating income (loss) net cash provided by (used in) operating activities:			
Depreciation	213,583	-	213,583
(Increase)/decrease in prepaid items		(2,064)	(2,064)
Increase (decrease) in accounts payable	(18,864)	180,235	161,371
Total Adjustments	194,719	178,171	372,890
Net Cash Provided by (Used in) Operating Activities	\$ 392,384	\$ (117,403)	\$ 274,981

AGENCY FUNDS

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

Special Deposits Fund – to account for monies held by the City for various special deposits.

Police Property/Evidence Fund – to account for monies seized mostly from drug sales and from unclaimed property held by the City.

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF NET POSITION
ALL AGENCY FUNDS
JUNE 30, 2015

	<u>Special Deposits</u>	<u>Police Property Evidence</u>	<u>Totals</u>
Assets:			
Cash and investments	\$ 169,614	\$ 14,138	\$ 183,752
Total Assets	<u>\$ 169,614</u>	<u>\$ 14,138</u>	<u>\$ 183,752</u>
Liabilities:			
Accounts payable	\$ 6,806	\$ -	\$ 6,806
Deposits payable	162,808	14,138	176,946
Total Liabilities	<u>\$ 169,614</u>	<u>\$ 14,138</u>	<u>\$ 183,752</u>

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2015

	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2015</u>
<u>Special Deposits</u>				
Assets:				
Cash and investments	\$ 161,365	\$ 35,636	\$ 27,387	\$ 169,614
Interest receivable	57	-	57	-
Total Assets	<u>\$ 161,422</u>	<u>\$ 35,636</u>	<u>\$ 27,444</u>	<u>\$ 169,614</u>
Liabilities:				
Accounts payable	\$ 2,535	\$ 29,925	\$ 25,654	\$ 6,806
Deposits payable	158,887	34,037	30,116	162,808
Total Liabilities	<u>\$ 161,422</u>	<u>\$ 63,962</u>	<u>\$ 55,770</u>	<u>\$ 169,614</u>
<u>Police Property Evidence</u>				
Assets:				
Cash and investments	\$ 13,608	\$ 557	\$ 27	\$ 14,138
Interest receivable	5	-	5	-
Total Assets	<u>\$ 13,613</u>	<u>\$ 557</u>	<u>\$ 32</u>	<u>\$ 14,138</u>
Liabilities:				
Deposits payable	\$ 13,613	\$ 557	\$ 32	\$ 14,138
Total Liabilities	<u>\$ 13,613</u>	<u>\$ 557</u>	<u>\$ 32</u>	<u>\$ 14,138</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 174,973	\$ 36,193	\$ 27,414	\$ 183,752
Interest receivable	62	-	62	-
Total Assets	<u>\$ 175,035</u>	<u>\$ 36,193</u>	<u>\$ 27,476</u>	<u>\$ 183,752</u>
Liabilities:				
Accounts payable	\$ 2,535	\$ 29,925	\$ 25,654	\$ 6,806
Deposits payable	172,500	34,594	30,148	176,946
Total Liabilities	<u>\$ 175,035</u>	<u>\$ 64,519</u>	<u>\$ 55,802</u>	<u>\$ 183,752</u>

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STATISTICAL SECTION

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

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	88-91
Revenue Capacity	
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	92-100
Debt Capacity	
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.	101-102
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place	103-104
Operating Information	
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.	105-107

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

CITY OF PALOS VERDES ESTATES

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 55,508	\$ 61,847	\$ 60,831	\$ 59,719	\$ 56,687	\$ 54,677	\$ 53,240	\$ 51,728	\$ 48,675	\$ 46,006
Restricted	1,979	1,593	1,324	1,720	2,050	8,254	8,461	7,996	7,970	7,773
Unrestricted	<u>23,794</u>	<u>24,773</u>	<u>26,189</u>	<u>27,067</u>	<u>28,931</u>	<u>23,738</u>	<u>20,531</u>	<u>20,244</u>	<u>20,813</u>	<u>10,747</u>
Total governmental activities net position	<u>\$ 81,281</u>	<u>\$ 88,213</u>	<u>\$ 88,344</u>	<u>\$ 88,506</u>	<u>\$ 87,668</u>	<u>\$ 86,669</u>	<u>\$ 82,232</u>	<u>\$ 79,968</u>	<u>\$ 77,458</u>	<u>\$ 64,526</u>
Primary government										
Net investment in capital assets	\$ 55,508	\$ 61,847	\$ 60,831	\$ 59,719	\$ 56,687	\$ 54,677	\$ 53,240	\$ 53,240	\$ 48,675	\$ 46,006
Restricted	1,979	1,593	1,324	1,720	2,050	8,254	8,461	8,461	7,970	7,773
Unrestricted	<u>23,794</u>	<u>24,773</u>	<u>26,189</u>	<u>27,067</u>	<u>28,931</u>	<u>23,738</u>	<u>20,531</u>	<u>20,531</u>	<u>20,813</u>	<u>10,747</u>
Total primary government net position	<u>\$ 81,281</u>	<u>\$ 88,213</u>	<u>\$ 88,344</u>	<u>\$ 88,506</u>	<u>\$ 87,668</u>	<u>\$ 86,669</u>	<u>\$ 82,232</u>	<u>\$ 82,232</u>	<u>\$ 77,458</u>	<u>\$ 64,526</u>

* The City implemented GASB 68 in 2014-15 year having a significant impact on net equity given the first time recording of citywide pension liability. This is the first year of establishing this new base of comparison.

CITY OF PALOS VERDES ESTATES

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental activities:										
General government	\$ 1,385	\$ 1,458	\$ 1,504	\$ 1,693	\$ 1,592	\$ 1,699	\$ 1,573	\$ 2,157	\$ 1,542	\$ 2,244
Public safety	8,284	8,443	8,899	9,554	9,536	9,770	10,281	9,969	10,299	10,476
Public works	4,846	5,851	4,588	4,327	4,887	4,299	4,250	2,980	2,970	3,013
Parks and recreation	1,336	1,370	2,721	2,808	2,821	2,892	3,166	4,692	5,257	5,703
Total governmental activities expenses	\$ 15,851	\$ 17,122	\$ 17,712	\$ 18,382	\$ 18,836	\$ 18,660	\$ 19,270	\$ 19,798	\$ 20,068	\$ 21,436
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 54	\$ 68	\$ 56	\$ 63	\$ 68	\$ 66	\$ 56	\$ 85	\$ 50	\$ 56
Public safety	3,403	3,565	3,714	3,902	4,071	4,291	4,260	4,416	4,548	4,675
Public works	1,242	1,539	1,265	852	978	1,477	1,129	1,153	957	1,154
Parks and recreation	727	833	989	1,008	987	992	1,066	1,109	1,190	1,261
Operating grants and contributions	1,053	1,188	907	1,113	1,291	1,021	1,077	1,036	1,177	1,353
Capital grants and contributions	7,571	8,703	2,522	3,656	2,012	1,377	1,212	1,070	48	20
Total governmental activities program revenues	14,050	15,896	9,453	10,594	9,407	9,224	8,800	8,869	7,970	8,519
Net (expense)/revenue	\$ (1,801)	\$ (1,226)	\$ (8,259)	\$ (7,788)	\$ (9,429)	\$ (9,436)	\$ (10,470)	\$ (10,929)	\$ (12,098)	\$ (12,917)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 4,715	\$ 5,157	\$ 5,390	\$ 5,661	\$ 5,695	\$ 5,743	\$ 5,842	\$ 6,099	\$ 6,494	\$ 6,859
Utility users tax	-	-	-	-	-	-	-	-	-	-
Sales and use taxes	389	428	406	340	309	319	318	349	384	427
Franchise taxes and other taxes	850	891	886	850	813	961	897	925	985	1,042
Motor vehicle in lieu tax (unrestricted)	1,006	1,020	1,052	1,092	1,107	1,127	1,097	1,126	1,184	1,248
Investment income	335	544	456	241	97	208	186	(12)	256	215
Miscellaneous	136	118	200	80	491	79	143	178	285	343
Total General Revenue and Extraordinary Item	7,431	8,158	8,390	8,264	8,512	8,437	8,483	8,665	9,588	10,134
Change in Net Position	\$ 5,630	\$ 6,932	\$ 131	\$ 476	\$ (917)	\$ (999)	\$ (1,987)	\$ (2,264)	\$ (2,510)	\$ (2,783)

* The City implemented GASB 68 in 2014-15 having a significant impact on net equity and the resulting in the restatement of net position by \$10,148,73 on the statement of net assets

CITY OF PALOS VERDES ESTATES
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011*	2012*	2013*	2014*	2015*
General fund:										
Reserved	\$ 19	\$ 6	\$ 37	\$ 4	\$ 57					
Unreserved	<u>7,012</u>	<u>7,256</u>	<u>7,468</u>	<u>8,472</u>	<u>8,472</u>					
Total general fund	<u>\$ 7,031</u>	<u>\$ 7,262</u>	<u>\$ 7,505</u>	<u>\$ 8,476</u>	<u>\$ 8,529</u>					
All other governmental funds:										
Reserved	\$ 53	\$ 332	\$ 330	\$ 328	\$ 335					
Unreserved, reported in:										
Designated for capital projects	3,640	2,371	2,709	1,857	291					
Special revenue funds	2,493	1,717	1,436	2,064	1,716					
Capital projects funds	<u>15,189</u>	<u>16,008</u>	<u>14,190</u>	<u>14,901</u>	<u>17,099</u>					
Total all other governmental funds	<u>21,375</u>	<u>20,428</u>	<u>18,665</u>	<u>19,150</u>	<u>19,441</u>					
Total	<u>\$ 28,406</u>	<u>\$ 27,690</u>	<u>\$ 26,170</u>	<u>\$27,626</u>	<u>\$27,970</u>					
General fund:										
Nonspendable						\$ 65	\$ 86	\$ 98	\$ 99	\$ 31
Restricted						-	-	-	-	-
Committed						7,200	7,200	7,200	7,200	7,200
Assigned						957	-	-	-	-
Unassigned						<u>1,111</u>	<u>1,605</u>	<u>2,097</u>	<u>2,521</u>	<u>3,219</u>
Total general fund						<u>\$ 9,333</u>	<u>\$ 8,891</u>	<u>\$ 9,395</u>	<u>\$ 9,820</u>	<u>\$10,450</u>
All other governmental funds:										
Nonspendable						\$ 331	\$ 3	\$ 358	\$ 373	\$ -
Restricted						7,861	8,308	7,487	7,598	7,773
Committed						-	-	-	-	-
Assigned						-	9,611	9,052	8,375	7,132
Unassigned						<u>10,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds						<u>18,298</u>	<u>17,922</u>	<u>16,897</u>	<u>16,346</u>	<u>14,905</u>
Total						<u>\$27,631</u>	<u>\$26,813</u>	<u>\$26,292</u>	<u>\$26,166</u>	<u>\$25,355</u>

* GASB 54 has been implemented in fiscal year 2011 resulting in a change of definition of reserve categories

CITY OF PALOS VERDES ESTATES
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (amounts expressed in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Property Tax	\$ 4,715	\$ 5,157	\$ 5,390	\$ 5,661	\$ 5,695	\$ 5,693	\$ 5,842	\$ 6,099	\$ 6,494	\$ 6,859
Special assessment	4,617	4,594	4,924	5,140	5,098	5,316	5,044	5,221	4,316	4,464
Utility user tax	-	-	-	-	-	-	-	-	-	-
Other taxes	1,474	1,532	1,479	1,385	1,378	1,574	1,214	1,274	1,369	1,469
Licenses and permits	574	784	654	545	514	625	675	701	606	598
Fines and forfeitures	181	177	191	190	181	210	212	206	2,416	2,591
Use of money and agencies	1,588	2,093	2,058	1,639	1,300	1,175	1,228	1,089	407	447
Revenues from other agencies	1,895	2,027	1,771	3,088	2,155	2,051	2,278	2,218	1,412	1,423
Charges for services	756	860	678	410	549	501	454	475	207	176
Miscellaneous	383	135	323	89	975	79	144	176	288	326
Total revenues	16,183	17,359	17,468	18,147	17,845	17,224	17,091	17,459	17,515	18,353
Expenditures										
General government	1,317	1,475	1,437	1,561	1,536	1,595	1,437	1,503	1,853	2,069
Public safety	8,285	8,813	8,893	9,504	10,877	10,805	10,368	9,851	10,298	10,803
Public works	5,395	5,557	5,164	4,514	4,014	3,913	4,938	4,971	3,786	4,801
Parks and recreation	940	952	1,123	1,113	1,074	1,091	1,166	1,078	1,141	1,190
Total expenditures	15,937	16,797	16,617	16,692	17,501	17,404	17,909	17,403	17,078	18,863
Excess (deficiency) of revenues over (under) expenditures	246	562	851	1,455	344	(180)	(818)	56	437	(510)
Other financing sources (uses):										
Transfers in	891	2,326	1,709	541	563	5,357	1,162	883	700	1,015
Transfers out	(891)	(2,335)	(1,709)	(541)	(563)	(5,515)	(1,162)	(1,461)	(1,263)	(1,317)
Total other financing sources (uses)	-	(9)	-	-	-	(158)	-	(578)	(563)	(302)
Net change in fund balances	\$ 246	\$ 553	\$ 851	\$ 1,455	\$ 344	\$ (338)	\$ (818)	\$ (522)	\$ (126)	\$ (812)

The City of Palos Verdes Estates has elected to show only nine years of data for this schedule.

CITY OF PALOS VERDES ESTATES
 Selected Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Utility Users Tax</u>	<u>Sales and Use Tax</u>	<u>Franchise and Other Taxes</u>	<u>Motor Vehicle in Lieu Tax</u>	<u>Total</u>
2006	\$ 4,715,003	\$ -	\$ 388,514	\$ 850,227	\$ 1,005,877	\$ 6,959,621
2007	5,157,262	-	428,381	891,940	1,020,034	7,497,617
2008	5,389,989	-	406,517	886,129	1,051,782	7,734,417
2009	5,661,511	-	339,894	850,419	1,091,887	7,943,711
2010	5,694,990	-	309,252	813,086	1,107,133	7,924,461
2011	5,742,916	-	319,346	961,648	1,126,570	8,150,480
2012	5,841,800	-	317,694	896,566	1,097,377	8,153,437
2013	6,098,958	-	348,653	925,656	1,126,463	8,499,730
2014	6,494,062	-	383,800	984,904	1,183,953	9,046,719
2015	6,858,942	-	426,727	1,042,439	1,248,033	9,576,141

Source: City Finance Department

CITY OF PALOS VERDES ESTATES
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 (in thousands of dollars)

Fiscal Year Ended June 30	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Other			
2006	\$4,190,644	\$ 36,770	\$ 4,576	\$ 7,614	\$ 4,224,376	0.1130%
2007	4,535,247	43,176	3,880	3,744	4,578,559	0.1130%
2008	4,790,155	40,470	5,049	7,269	4,828,405	0.1130%
2009	5,057,668	40,784	5,015	7,487	5,095,981	0.1130%
2010	5,159,361	44,987	5,492	7,136	5,202,704	0.1130%
2011	5,135,015	50,147	4,540	6,211	5,183,491	0.1130%
2012	5,279,303	47,759	4,732	7,560	5,324,234	0.1130%
2013	5,419,878	48,191	4,344	7,389	5,465,024	0.1130%
2014	5,696,771	48,936	4,285	8,128	5,741,864	0.1130%
2015	6,009,062	50,686	4,768	8,225	6,056,291	0.1130%

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

Data Source: Los Angeles County Assessor Combined Tax Rolls

CITY OF PALOS VERDES ESTATES
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(Per \$100 of Assessed Value)

Fiscal Year	Direct Rates				Overlapping Rates					
	City Direct Rate	LA County ERAF/Palos Verdes Library District/Palos Verdes Unified School District	Total General Levy	Palos Verdes Peninsula Unified School District	LA County Flood Control District	Metropolitan Water District	Palos Verdes Library District	Los Angeles County	Comm. College	Total Direct Overlapping Rates
2006	0.1130	0.8870	1.00000	0.0195	0.0001	0.0052	0.0078	0.0008	0.0143	1.04770
2007	0.1130	0.8870	1.00000	0.0141	0.0001	0.0047	0.0073	0.0006	0.0215	1.04830
2008	0.1130	0.8870	1.00000	0.0197	-	0.0045	0.0068	-	0.0088	1.03990
2009	0.1130	0.8870	1.00000	0.0201	-	0.0043	0.0068	-	0.0221	1.05330
2010	0.1130	0.8870	1.00000	0.0216	-	0.0043	0.0068	-	0.0231	1.05560
2011	0.1130	0.8870	1.00000	0.0225	-	0.0037	0.0067	-	0.0403	1.07320
2012	0.1130	0.8870	1.00000	0.0225	-	0.0037	0.0064	-	0.0353	1.06786
2013	0.1130	0.8870	1.00000	0.0241	-	0.0035	0.0064	-	0.0488	1.08279
2014	0.1130	0.8870	1.00000	0.0231	-	0.0035	0.0061	-	0.0445	1.07727
2015	0.1130	0.8870	1.00000	0.0233	-	0.0035	0.0059	-	0.0402	1.07281

Source: Los Angeles County Auditor Controller's Office.

CITY OF PALOS VERDES ESTATES

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2015			2006		Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	
Tei Fu Chen Trust	\$ 32,290,434	1	0.53%	\$ 25,572,947	1	0.61%
Lowell W and Lisa B. Hill	16,049,377	2	0.26%			
Masafumi Miyamoto	14,575,032	3	0.24%	12,817,829	2	0.30%
Jackson and Julie Yang	13,015,341	4	0.21%	10,286,528	4	0.24%
Jason and Wendy Moskowitz Trust	12,379,451	5	0.20%	10,452,472	3	0.25%
Jose A. and Brigitte Collazo Trust	12,004,444	6	0.20%	8,513,721	9	0.20%
Richard C. Lundquist Trust	11,171,923	7	0.18%	9,825,000	5	0.23%
Timothy D. Amour Trust	10,189,054	8	0.17%			
Palos Verdes Gold Club	10,026,152	9	0.17%			
Y Lin Trust	9,562,878	10	0.16%			
Vand and Diana Honeycutt Trust				8,898,598	6	0.21%
Ta Hsiung & Chyi Chuen Kao				8,597,553	7	0.20%
Bernadette Chao Trust				8,521,872	8	0.20%
Albert Centofante Trust				7,990,512	10	0.19%
	<u>\$141,264,086</u>		<u>2.32%</u>	<u>\$ 111,477,032</u>		<u>2.63%</u>

Source: Los Angeles County Assessor

CITY OF PALOS VERDES ESTATES
Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Year Ended June 30</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years (1)</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
2005	\$ 4,045,265	\$ 3,949,536	97.63%	-	\$ 3,949,536	97.63%
2006	4,392,166	4,278,192	97.41%	-	4,278,192	97.41%
2007	4,729,479	4,549,980	96.20%	-	4,549,980	96.20%
2008	5,065,255	4,810,980	94.98%	-	4,810,980	94.98%
2009	5,332,363	5,081,257	95.29%	-	5,081,257	95.29%
2010	5,430,923	5,243,610	96.55%	-	5,243,610	96.55%
2011	5,435,360	5,304,265	97.59%	-	5,304,265	97.59%
2012	5,611,918	5,494,212	97.90%	-	5,494,212	97.90%
2013	5,793,667	5,689,018	98.19%	-	5,689,018	98.19%
2014	6,121,791	6,031,018	98.52%	-	6,031,018	98.52%
2015	6,458,489	6,390,201	98.94%	-	6,390,201	98.94%

Note: 1- The County of Los Angeles does not provide this information. Inclusion of amounts paid of prior year taxes would result in reporting amounts above 100% in some years.

Source: Los Angeles County Auditor Controller's Office.

CITY OF PALOS VERDES ESTATES
 Taxable Property Subject to Fire Tax
 Last Five Fiscal Years

Fiscal Year Ended June 30	Total Assessable		Real Property Square Footage			Special Tax		Total	Total Direct Tax Rate
	Parcels w/ Bldg. - Improvement	Vacant	Residential Property	Commercial Property	Total Square Footage	Residential Property	Commercial Property		
2011	5,121		15,299,417	246,890	15,546,307	3,924,997	48,276	3,973,273	\$283.30/parcel plus \$0.16226/sq.ft
2011	0	71	0	0	0	20,114	0	20,114	
2012	5,124		15,361,156	242,466	15,603,622	3,936,148	47,275	3,983,423	\$283.30/parcel plus \$0.16226/sq.ft
2012	0	68	0	0	0	19,264	0	19,264	
2013	5,125		15,376,945	242,466	15,619,411	4,076,952	48,930	4,125,882	\$293.22/parcel plus \$0.16794/sq.ft
2013	0	67	0	0	0	19,646	0	19,646	
2014	5,124		15,407,685	242,466	15,650,151	4,213,652	50,511	4,264,162	\$302.69/parcel plus \$0.173366/sq.ft
2014	0	67	0	0	0	20,280	0	20,280	
2015	5,125		15,560,524	242,466	15,802,990	4,374,002	52,101	4,426,103	\$302.69/parcel plus \$0.173366/sq.ft
2015	0	67	0	0	0	20,919	0	20,919	

Note: The City annually levies on each eligible property a "special fire tax" to finance the cost of fire and paramedic services provided under contract by Los Angeles County. There are two components of the tax 1.) a flat rate per parcel and 2.) a cost per square foot of building improvement

Source: Fire and Paramedic Services Special Tax Report prepared by NBS

CITY OF PALOS VERDES ESTATES

Principal Special Fire Taxpayers

June 30, 2015

Current Year and Prior Year

Property Owners	2015		
	Building Square Footage Value	Special Fire Tax Assessed	Percentage of Building Square Footage
Lunada Bay Investment Co.	36,478	\$ 6,835.46	0.23%
Chen Tei Fu Co. Trust	29,678	5,619.44	0.19%
Lunada Bay Apartments Ltd.	23,361	4,489.78	0.15%
Plaza Palos Verdes LLC	23,203	4,461.54	0.15%
54 parcels (special fire tax paid over \$2,000)	646,732	132,512.46	4.09%
976 parcels (special fire tax paid between \$1,000-\$1,999)	5,006,973	1,200,099.00	31.68%
4158 parcels (special fire tax paid less than \$1,000 each)	10,036,565	3,092,978.00	63.51%
Total	15,802,990	\$ 4,446,995.68	100.00%

CITY OF PALOS VERDES ESTATES

Principal Special Fire Taxpayers

June 30, 2014

Current Year and Prior Year

Property Owners	2014		
	Building Square Footage Value	Special Fire Tax Assessed	Percentage of Building Square Footage
Lunada Bay Investment Co.	36,478	\$ 6,626.72	0.23%
Chen Tei Fu Co. Trust	29,678	5,447.84	0.19%
Lunada Bay Apartments Ltd.	23,361	4,352.68	0.15%
Plaza Palos Verdes LLC	23,203	4,325.30	0.15%
50 parcels (special fire tax paid over \$2,000)	564,376	111,767.39	3.61%
822 parcels (special fire tax paid between \$1,000-\$1,999)	4,386,614	1,009,292.78	28.03%
4319 parcels (special fire tax paid less than \$1,000 each)	10,586,441	3,142,629.69	67.64%
Total	<u>15,650,151</u>	<u>\$ 4,284,442.40</u>	<u>100.00%</u>

CITY OF PALOS VERDES ESTATES

Fire Tax Rates

Direct Government

Last Five Fiscal Years

	<u>City Direct Tax Rate</u>
2010	0.24690
2011	0.25690
2012	0.25650
2013	0.26540
2014	0.27380
2015	0.28140

Note: Fire Tax Rate: The direct tax rate is computed by dividing the total tax levy by total square feet of building area subject to the tax. There are no overlapping rates applicable to this revenue.

CITY OF PALOS VERDES ESTATES
Direct and Overlapping Governmental Activities Debt
June 30, 2015

2014-2015 Assessed Valuation: \$6,066,772,430

Governmental Unit	Outstanding Debt 6/30/15	Estimated Percentage Applicable	Estimated Share of
Overlapping General Fund Debt (Note 1)			
Los Angeles County General Fund Obligations	\$ 1,885,330,518	0.505%	\$ 9,520,919
Los Angeles County Superindendant of Schools COP'S	8,719,113	0.505%	44,032
Los Angeles County Sanitation District- South Bay Authorities	5,391,433	16.236%	875,353
Los Angeles County Sanitation District #5	31,643,711	0.555%	175,623
Direct & Overlapping Tax & Assessment Debt (Note 2)			
Los Angeles Community College District	3,882,265,000	0.919%	35,678,015
Palos Verdes Peninsula Unified School District	73,113,825	29.632%	21,665,089
Los Angeles Regional Park & Open Space Assessment District	82,880,000	0.505%	418,544
Palos Verdes Library District	2,420,000	28.233%	683,239
Metropolitan Water District	110,420,000	0.262%	289,300
Los Angeles County Flood District	15,105,000	0.515%	<u>77,791</u>
Subtotal, overlapping debt			69,427,905
City direct debt			(0)
Less: Los Angeles County General Fund Obligations supported by landfill revenues			<u>22,952</u>
Net Total direct and overlapping debt			<u><u>\$69,404,953</u></u>

Source: Callifornia Municipal Statistics

Note (1): Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. The schedule estimates the portion of the outstanding debt of those overlapping governments, that is borne by the residents and businesses of the City of Palos Verdes Estates. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this doe not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the country's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

Note (2): Paid with voter-approved direct assessment.

CITY OF PALOS VERDES ESTATES

Legal Debt Margin Information

June 30, 2015

(dollars in thousands)

Assessed value before homeowners exemption	<u>\$ 5,751,884</u>
Debt limit- 15% of assessed value	\$ 862,783
Amount of debt applicable to debt limit	<u>-</u>
	<u>\$ 862,783</u>

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt Limit	\$ 633,657	\$ 686,784	\$724,261	\$764,297	\$780,406	\$777,524	\$798,635	\$819,753	\$862,783	\$908,444
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 633,657</u>	<u>\$ 686,784</u>	<u>\$724,261</u>	<u>\$764,297</u>	<u>\$780,406</u>	<u>\$777,524</u>	<u>\$798,635</u>	<u>\$819,753</u>	<u>\$862,783</u>	<u>\$908,444</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Note: 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 the 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 PALOS VERDES ESTATES
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	City Population	LA County Population (thousands) (2)	Personal Income (millions of dollars) (2)	Per Capital Personal Income (2)	Unemployment Rate (3)
2005	14,208	12,933	\$ 475,262	\$ 36,746	1
2006	14,041	12,867	505,197	39,011	0.9
2007	14,085	12,785	540,510	42,278	1
2008	14,046	12,768	555,450	42,916	1.5
2009	14,046 (1)	12,874	550,832	39,878	1.6
2010	14,085 (1)	12,844	561,141	43,688	2.6
2011	13,480 (1)	12,944	575,045	44,423	3.1
2012	13,516 (1)	13,052	604,832	46,337	2.7
2013	13,589 (1)	*	*	*	2.3
2014	13,665 (1)	*	*	*	1.9
2015	13,665 (1)	*	*	*	0.9

- Sources:
- (1) California Department of Finance
 - (2) Bureau of Economic Analysis (Los Angeles-Long Beach- Santa Ana - MSA) data; no City data available
 - (3) State of California Employment Development Department (City Data)
- * No data available

CITY OF PALOS VERDES ESTATES

Principal Employers

Current Year

<u>Type of Business (1)</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Unified School District	569	1	59.46%
Concession Clubs			
Palos Verdes Golf Club	100	2	13.38%
Palos Verdes Beach & Athletic Club	16		
Palos Verdes Tennis Club	6		
Palos Verdes Stables	6		
City Government			
City of Palos Verdes Estates	58.288	3	6.09%
Real Estate and Escrow Companies	27	4	2.82%
Restaurants	<u>24</u>	5	<u>2.51%</u>
Total	<u>806.288</u>		<u>84.26%</u>

Source: City Finance Department

Note (1): The City is a residential community with two small commercial areas - Malaga Cove Plaza and Lunada Bay Plaza. The school district's administrative offices, as well as four schools are located in Palos Verdes Estates. The district employs administrative staff, teachers and other school employees. The most common businesses registered with the City and reporting employees are real estate/escrow companies and restaurants. The City has classified employers by type of business.

(2) "Total Employment" as used above represents the total employment of all employers located within City limits, not just those businesses listed.

CITY OF PALOS VERDES ESTATES
 Full-time Equivalent City Government Employees by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government:										
Administration	5.400	5.520	5.520	5.520	5.520	5.520	5.125	5.125	5.125	5.188
Finance	3.600	3.600	3.600	3.600	3.600	3.600	3.000	3.000	4.000	4.000
Building and Planning	2.250	2.500	2.500	2.500	2.500	2.500	2.000	2.000	3.000	4.000
Police:										
Sworn officers	25.000	25.000	25.000	25.000	25.000	25.000	25.000	25.000	25.000	25.000
Service officers (2)	10.000	11.000	11.000	12.000	12.000	12.000	12.000	12.000	12.000	12.000
Other	3.530	3.330	3.330	2.500	1.500	2.500	2.500	2.800	2.800	2.600
Street and Parks	<u>5.000</u>	<u>5.000</u>	<u>5.000</u>	<u>5.000</u>	<u>5.500</u>	<u>5.500</u>	<u>5.500</u>	<u>5.500</u>	<u>5.500</u>	<u>5.500</u>
Total	54.780	55.950	55.950	56.120	55.620	56.620	55.125	55.425	57.425	58.288

Source: City Finance Department

Notes:

- (1) The City contracts with the following:
 - a) Los Angeles County for fire and paramedic services
 - b) HR. Green for building, planning and public works administrative services.
- (2) Includes 1 Community Relations Officer and 1 Traffic Control Officer
- (3) Starting in FY 2013-2014, schedule has reclassified full time employees by function.

CITY OF PALOS VERDES ESTATES
 Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police:										
Physical arrests	681	899	797	594	419	237	503	590	679	521
Parking violations	2,768	2,898	2,901	3,010	3,002	3,029	2,917	2,705	2,580	1,619
Moving violations	943	758	958	553	798	1,102	1,191	1,552	1,068	639
Building & Planning:										
Building permits issues	2,052	2,458	2,197	1,614	1,650	1,843	1,994	2,025	2,064	2,087
Total number of inspections	4,068	4,072	3,898	2,763	220	2,507	2,565	2,442	2,336	2,197
Grading applications	24	27	23	20	17	17.5	11.5	18.0	20.5	21.0
Neighborhood compatibility applications	64	57	49	35	32.5	33	23	27	29	29
Miscellaneous applications	23	30	34	44	53	38.50	57.00	50.00	46.00	62.00
Public Works:										
Public works permits	294	241	272	322	200	178	227	191	219	219
Street resurfacing (miles)	1.3	8.7	8.7	9.9	3.55	3.28	3.35	3.62	0.78	0.78

Source: City Departments

Note: Indicators are not available for the general government function.

CITY OF PALOS VERDES ESTATES
 Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	4	4	4	4	4	4	4	4	4	4
Streets (miles)	78	78	78	78	78	78	78	78	78	78
Sanitary sewers (miles)	76	76	76	76	76	76	76	76	76	76
Storm drains (miles)	28.5	28.5	28.8	28.5	28.5	28.5	28.5	28.5	28.5	28.5
Recreation facilities: (2)										
Golf	1	1	1	1	1	1	1	1	1	1
Stables	1	1	1	1	1	1	1	1	1	1
Tennis club	1	1	1	1	1	1	1	1	1	1
Beach club	1	1	1	1	1	1	1	1	1	1

Source: City Departments

Notes

- (1) No capital asset indicators are available for the general government function.
- (2) Managed under individual concession agreements (property and equipment owned by City).