

CITY OF PALOS VERDES ESTATES
Comprehensive Annual Financial Report
Year ended June 30, 2010



Prepared by Finance Department
Judy Smith, Assistant City Manager
CITY OF PALOS VERDES ESTATES, CALIFORNIA

CITY OF PALOS VERDES ESTATES
 Comprehensive Annual Financial Report
 Year ended June 30, 2010

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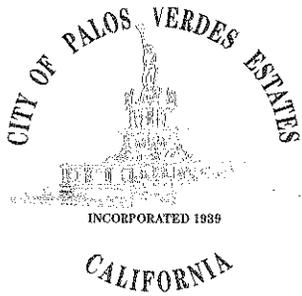
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CITY OF
Palos Verdes Estates

December 1, 2010

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) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of Palos Verdes Estates ("the City") for the fiscal year ended June 30, 2010.

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 the 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, this financial report is complete and reliable in all material aspects.

The City's financial statements have been audited by Mayer Hoffman McCann P.C., a firm of certified public accountants. 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, 2010, 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 is dedicated to preserving and enhancing its special position on the Palos Verdes Peninsula in Los Angeles County overlooking the Pacific Ocean with views of Catalina Island and the Santa Monica Bay. The City plan, laid out by Frederick Olmsted, Jr. in 1910, includes large areas of parklands, which are maintained as permanent open space. The City was incorporated in 1939 and is the oldest of the four cities on the Palos Verdes Peninsula. The City's population is 14,046 within an area of 4.75 square miles. The City is a high-quality, residential community with almost no commercial tax base and is 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 since 1965. Policy-making and legislative authority are vested in a City Council consisting of the mayor and four council members. Council members are elected on a non-partisan basis at City-conducted elections held in March of odd-numbered years. Council members serve four-year staggered terms. The mayor's position rotates annually among the council members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

City employees provide the following services: police protection; clerical support for planning and building services; maintenance services, including City buildings, parkways, medians and streets; and general administrative services. The City contracts with Los Angeles County for fire protection and paramedic services. The City also contracts with a private firm for professional engineering, planning, building and safety services and public works administration. The City maintains an exclusive franchise for residential refuse collection and provides recreation services (golf, tennis, swimming and stables) through concession agreements with facilities located on City property.

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 for the City's financial planning and control. The City Manager presents the recommended budget to the City Council in mid-May, after an internal process of department budget requests and review, which 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. The City Manager is authorized to make transfers between departments up to \$10,000. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and major special revenue funds, this comparison is presented as part of the required supplementary information in the accompanying

financial statements. For governmental funds other than general and major special revenue funds, this comparison is presented in the supplementary section of the accompanying financial statements.

Fund Balance Policy and Practice – The City Council has a long-established general fund balance policy that targets an undesignated balance at 50% of the next year's total operating budget. The purpose of the balance is to provide a source of funds in the event of an unexpected emergency and/or severe economic impact.

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

Each fiscal year, the City Manager' Office and operating departments establish a formal "Work Program", which is presented to the City Council with periodic status updates. During fiscal year 2009-10, the City issued an RFP for legal services resulting in the appointment of a new City Attorney. Staff issued an RFP and awarded a contract for website design and hosting services. The process of creating the new City website took most of the fiscal year. Staff also prepared a comprehensive report to the City Council on the funding status of the City's CALPERS pooled pension plans for both safety and miscellaneous employee groups, which resulted in the Council decision to make a prepayment on a safety side fund liability. The Police Department's Disaster District Plan (DDP), which divides the City into six distinct planning districts manned by trained volunteers, was formally adopted by the City's Disaster Council during the year. In addition, the Public Works department completed a roadway stabilization project at a cost of more than \$765,500 in the 900 block of Palos Verdes Drive West which used federal stimulus and state infrastructure bond funds. This project ensures the future integrity of this major thoroughfare on the Palos Verdes Peninsula, which also links the north and south ends of the City.

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 high-quality, 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. As such, the City is not subject to the consumer-driven, economic fluctuations to the extent that the real estate market is not affected by these fluctuations. Sales tax revenue accounts for less than 2% of total general fund revenue. Within the City's two small commercial centers at Malaga Cove and Lunada Bay Plazas, there are minor retail and small, locally owned restaurants and food markets. As part of the larger South-Bay region of Los Angeles County, consisting of 16 incorporated cities and 20 communities, the City is part of a well-diversified economy. The South Bay is home to many aerospace and defense-related industries, as well as manufacturing, software development, 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 in the Los Angeles County economy and the area is home to many firms dealing in international markets.

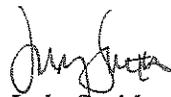
Long-term Financial Planning. Infrastructure maintenance is a critical component of the City's financial planning. Storm drain and sanitary sewer replacements, as well as street overlay and maintenance are conducted in accordance with adopted master plans for these infrastructure networks.

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, 2010. The City has received this award each year since 1991. In order to receive a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements.

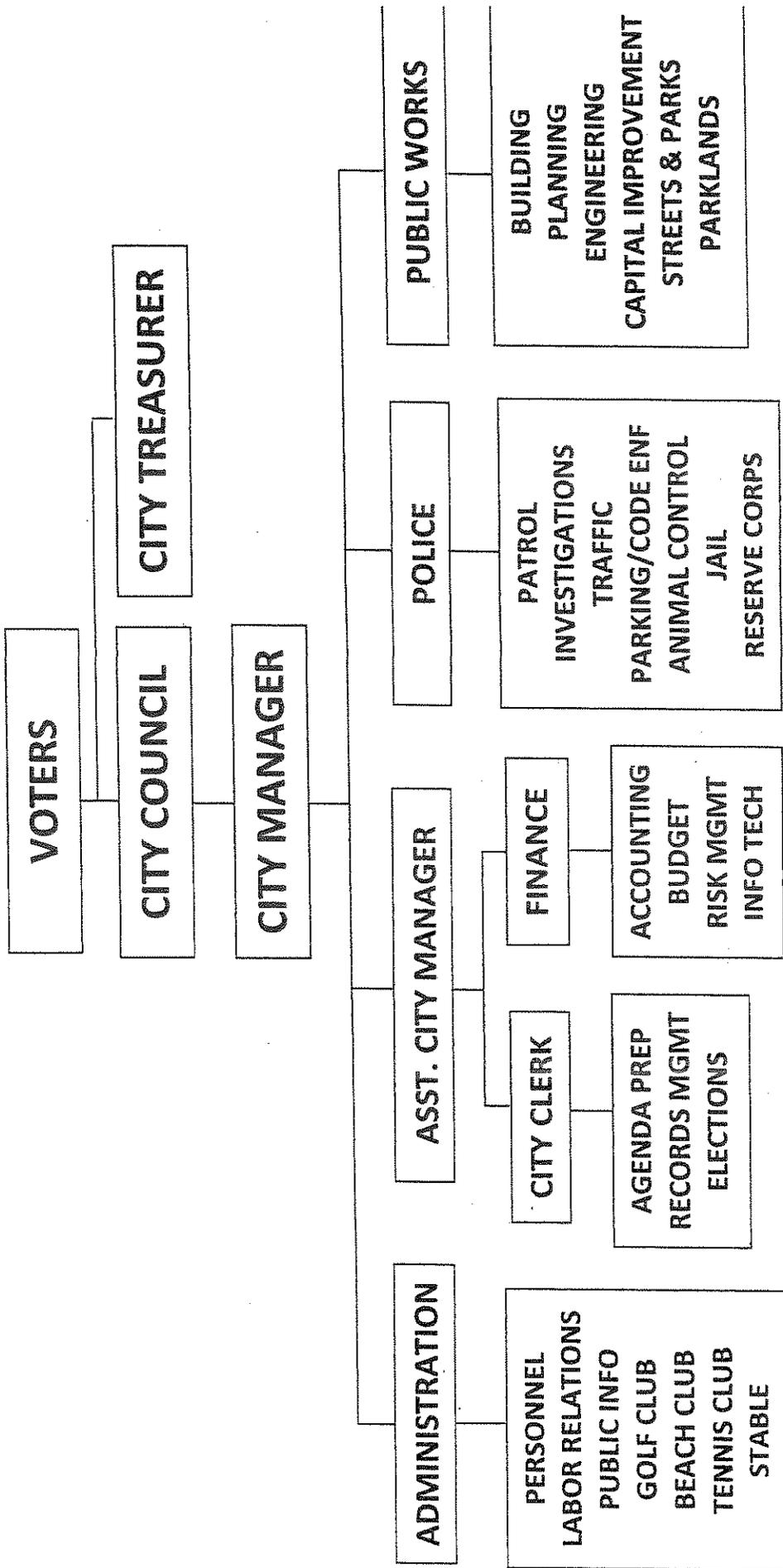
A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

I would like to thank Lori Yamasaka, the City's Financial Services Manager for her assistance with this report and oversight of the daily operations of the Finance Department, as well as Financial Services Technicians, Karen Kato and Michelle Mello, for their dedication to the department and the City. I would also like to thank the City Council for its support for maintaining the highest standards of professionalism in the management of the City's finances.



Judy Smith
Assistant City Manager

CITY OF PALOS VERDES ESTATES ORGANIZATION CHART



CITY OF PALOS VERDES ESTATES

Officials of the City of Palos Verdes Estates

June 30, 2010

CITY COUNCIL

Rosemary Humphrey, Mayor

John Rea, Mayor Pro Tem

George Bird

James F. Goodhart

Ellen Perkins

ADMINISTRATION AND DEPARTMENT HEADS

City Manager

Joseph M. Hoefgen

City Treasurer

Joseph C. Sherwood, Jr.

City Attorney

Christi Hogin

Assistant City Manager

Judy Smith

Police Chief

Daniel Dreiling

Director of Public Works/Planning

Allan Rigg

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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



Mayer Hoffman McCann P.C.

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The Honorable Mayor and City Council
City of Palos Verdes Estates
Palos Verdes Estates, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Palos Verdes Estates, California, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Palos Verdes Estates. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City of Palos Verdes Estates, California for the year ended June 30, 2009 and, in our report dated December 1, 2009 we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Palos Verdes Estates, California, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, of the City of Palos Verdes Estates, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



The Honorable Mayor and City Council
City of Palos Verdes Estates
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Palos Verdes Estates' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 1, 2010 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayor Hoffman M. L.

Irvine, California
December 1, 2010

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, 2010. It is suggested that this overview be read in conjunction with the letter of transmittal (**pages i-iv**) and the accompanying financial statements.

Financial Highlights

- The City's net assets at the end of fiscal year 2009-2010 totaled \$87,668,445. Unrestricted net assets, which may be used to meet the government's ongoing obligations, totaled \$28,930,529. Capital project fund balances in the amount of \$17,390,536 are included as part of the unrestricted net asset total, but by policy, are intended for use on current and future capital needs. Net assets restricted for special purposes, including public works and public safety, totaled \$2,050,339. The City's investment in capital assets totaled \$56,687,587.
- During the year, the City's taxes and other governmental revenues exceeded expenditures by \$343,678 compared to \$1,455,484 for the prior fiscal year. The 2009 performance was bolstered by several one-time, special revenues from other agencies, including State infrastructure and park bond monies and county road funds. These receipts were not duplicated during 2010. In addition, the 2010 result includes expenditure for prepayment of a PERS Safety pension liability in the amount of \$1,375,000. Excluding that cost, reflected within the general fund under public safety, the general governmental performance would be slightly better than 2009.
- For the period ending June 30, 2010, the general fund reported revenues in excess of expenditures before transfers of \$24,819 compared to \$936,643 the prior year. This includes recognition of the PERS Safety pension expenditure mentioned above. The City has consistently achieved general fund operating surpluses due to its stable revenue base, anchored by strong residential property values, and its expenditure focus on core municipal services. The 2010 results reflect general fund revenue of \$10,809,603, which is an increase of \$382,759 or 3.7% compared to 2009. Miscellaneous revenue totaled \$488,542 compared to \$78,953 in 2009. This source included \$210,000 received from restricted transit fund exchanges and \$275,615 of estate proceeds and other donations (PVE Cares and K-9 purchase) provided to the City. Expenditures totaled \$10,784,784 or an increase of \$1,294,583 (+13.6%) from 2009. Excluding the \$1,375,000 PERS pension payment, which is part of the 2010 total, general fund expenditures were flat compared to 2009. General fund revenues available for appropriation were \$347,103 more than budgeted while actual expenditures were \$443,431 less than budget.
- As of June 30, 2010, the general fund balance was \$8,528,709 compared to \$8,475,703 the prior year-end. The City's policy is to maintain a targeted general fund balance equal to 50% of the next year's total operating expenditures. Funds in excess of the target balance are generally transferred to the capital improvement fund to assist with future project financing. With the recent State fiscal emergencies; concerns about potential revenue losses due to state diversion and the safety pension fund liability, the Council has provided direction to staff on any excess general fund balance as part of a mid-year budget review and will do so again at mid-year 2010-11. Last year's review resulted in the PERS lump sum payment, rather than a transfer to the general capital project fund.

Overview of the Financial Statements

The City of Palos Verdes Estates' basic financial statements comprise 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 assets* presents information on all of the City of Palos Verdes Estates' assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Palos Verdes Estates is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of 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 11-13 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 thirteen 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, the special fire parcel tax fund and the two capital improvement funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* on pages 60-63 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 14-20 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 21-23 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 24 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 25-49 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 64-72.

Government-wide Financial 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. A comparative analysis of financial data from prior year is included.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's net assets for fiscal year 2009-2010 are shown in Table 1. In the case of the City of Palos Verdes Estates, assets exceeded liabilities by \$87,668,455 at June 30, 2010.

Table 1
City of Palos Verdes Estates Net Assets

	<u>2010</u>	<u>2009</u>	Change (in dollars)
Current and other assets	\$32,798,502	\$30,728,083	\$2,070,419
Capital assets	<u>56,687,587</u>	<u>59,719,154</u>	<u>(3,031,567)</u>
Total Assets	<u>89,486,089</u>	<u>90,447,237</u>	<u>(961,148)</u>
Long-term liabilities	(1,034,471)	(1,316,804)	282,333
Other Liabilities	<u>(783,163)</u>	<u>(624,243)</u>	<u>(158,920)</u>
Total liabilities	<u>(1,817,634)</u>	<u>(1,941,047)</u>	<u>123,413</u>
Invested in capital assets	56,687,587	59,719,154	(3,031,567)
Restricted	2,050,339	1,719,957	330,382
Unrestricted	<u>28,930,529</u>	<u>27,067,079</u>	<u>1,863,450</u>
Total net assets	<u>\$87,668,455</u>	<u>\$88,506,190</u>	<u>\$ (837,735)</u>

By far the largest portion of the City of Palos Verdes Estates' net assets (65%) reflects its investment in capital assets (land, buildings, infrastructure, machinery and equipment). The City of Palos Verdes Estates uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City of Palos Verdes Estates' net assets (2%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (33%) may be used to meet the government's ongoing obligations. Included as part of the unrestricted net assets are the capital projects fund balances (general and sewer) which total \$17,390,536 or 60% of the unrestricted net assets. These funds are being expended according to Council-adopted master plans for street and sewer networks.

Governmental activities. During 2010, the City's net assets decreased \$916,590 due to governmental activity, which is attributable to expenses in excess of program and general revenues. A restatement of the July 1, 2009 beginning balance of \$78,855 for an adjustment to the net Special Retirement Income Plan resulted in a total change in net assets of \$837,735 for the period ending June 30, 2010.

Table 2
City of Palos Verdes Estates
Changes in Net Assets

	<u>2010</u>	<u>2009</u>	Change (in dollars)
Program revenues:			
Charges for services	\$6,103,995	\$5,824,334	\$279,661
Operating grants and contributions	1,291,521	1,112,583	178,938
Capital grants and contributions	2,011,801	3,656,340	(1,644,539)
General revenues:			
Property taxes	5,694,990	5,661,511	33,479
Other taxes	2,229,471	2,282,200	(52,729)
Other	<u>587,833</u>	<u>320,807</u>	<u>267,026</u>
Total revenues	<u>17,919,611</u>	<u>18,857,775</u>	<u>(938,164)</u>

Table 2 (continued)
 City of Palos Verdes Estates
 Changes in Net Assets

	<u>2010</u>	<u>2009</u>	<u>Change</u> <u>(in dollars)</u>
Expenses:			
General government	\$1,591,626	\$1,692,668	(\$101,042)
Public safety	9,536,336	9,554,483	(18,147)
Public works	4,886,578	4,326,860	559,718
Parks and recreation	2,821,661	2,807,698	13,963
Total expenses	<u>18,836,201</u>	<u>18,381,709</u>	<u>454,492</u>
Increase in net assets	(916,590)	476,066	(1,392,656)
Net Assets July 1, 2009 (restated)	<u>88,585,045</u>	<u>88,030,124</u>	<u>554,921</u>
Net Assets June 30, 2010	<u>\$87,668,455</u>	<u>\$88,506,190</u>	<u>(\$837,735)</u>

Figure 1 – Revenue by Source – Governmental Funds FY 2009-2010

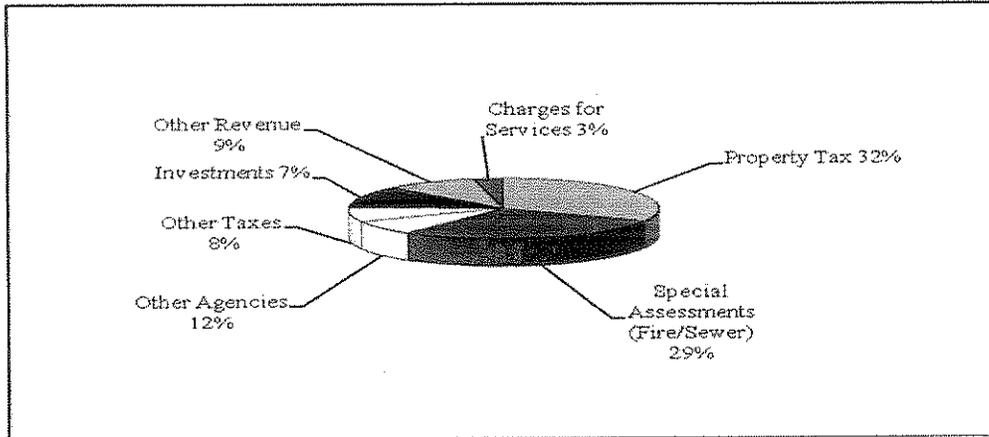
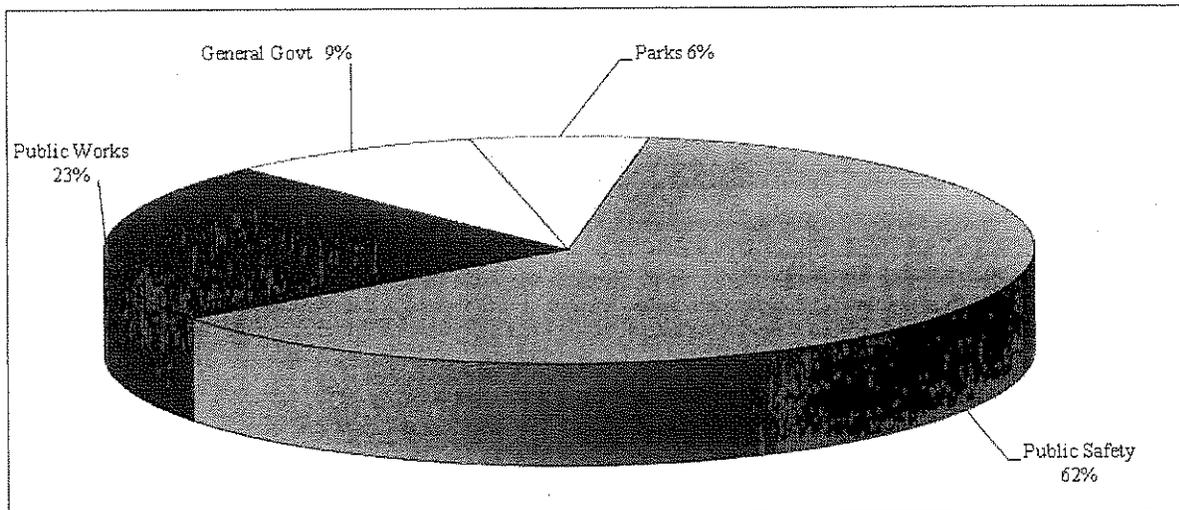


Figure 2 – Expenses – Governmental Activities FY 2009-10



Financial Analysis of the Government's Funds

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

As of the end of the current fiscal year, the City of Palos Verdes Estates' governmental funds reported combined ending fund balances of \$27,969,584, an increase of \$343,678 (+1.2%) in comparison with the prior year. Of this total, \$27,286,930 (97.6%) constitutes *undesignated and unreserved fund balance*. Although available for spending at the government's discretion, \$17,099,239 of the undesignated and unreserved total are capital fund balances (sewer and general capital project funds), and represent financing for future projects as called for in the City's master improvement programs. The undesignated general fund balance totals \$8,471,645. Of this amount, \$7,348,645 represents six months of total operating costs to protect the City in the event of an unforeseen emergency. The balance of funds, \$1,123,000, represents monies that the City Council will review at mid-year, FY 2010-11 and determine whether to transfer to general capital projects or use for an additional prepayment of the PERS safety pension liability. The governmental funds designated fund balances total \$291,297 and indicate the Council's intended use of these funds for current capital projects. The reserved portion totals \$391,357 and is not available for new spending because it has already been committed to finance prior obligations.

Four funds qualify as major funds under the GASB 34 reporting criteria: the general fund, special fire parcel tax fund, sewer fund and general capital improvements fund. The General fund is the chief operating fund of the City of Palos Verdes Estates. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$8,471,645, while total fund balance reached \$8,528,709. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Both unreserved fund balance and total fund balance represents 79% of total general fund expenditures. The City of Palos Verdes Estates' general fund balance increased \$53,006 during the fiscal year. Revenue exceeded expenditures by \$24,819 and a transfer of \$28,187 from the special project fund to the general fund accounted for the remaining increase in the general fund balance.

The special fire parcel tax fund balance decreased \$71,357 due to an increase in fire contract costs compared to the amount of special parcel tax revenue generated. Fire contract and administrative costs totaled \$3,924,741, while revenue from the special fire tax totaled \$3,844,050. Miscellaneous revenue totaled \$9,334.

The sewer capital projects fund balance increased by \$1,261,885 and reflects sewer fee revenue and interest earnings in excess of capital expenditures for the year, as well as reflecting the nature of the timing of the capital project and the lead time associated with project design.

The general capital improvement fund balance decreased by \$629,202. Capital project expenditures totaled \$1,720,410, which were offset by interest of \$70,218; federal stimulus funds totaling \$486,031 and transfers of \$534,959, which represent reimbursement of costs incurred by the capital fund from special revenue sources.

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 assets invested in capital assets of the funds amounted to \$371,612, a decrease of \$175,823 from the prior year.

General Fund Budgetary Highlights

The difference between the original general fund budget and the final amended budget was an increase of \$219,350 in revenues and an increase of \$1,477,690 in expenditures, of which, \$1,375,000 is the PERS safety liability prepayment. Excluding that amount, budgeted expenditures were increased \$102,690 from the original adopted general fund budget.

General fund expenditures were \$443,431 less than budget with 50% of the savings occurring within the Police department because of position vacancies and associated savings in salaries and benefits. General governmental services realized savings of more than \$107,000 in personnel costs due to new hires and in professional services due to the limited use of special legal services. Nominal savings of approximately \$41,000 and \$72,500 were realized within public works and parks budgets.

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, 2010, amounts to \$56,687,587 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery/equipment, vehicles, furniture, streets, sewers and storm drains. Major capital events during the year included the following:

- Palos Verdes Drive West roadway stabilization project, using federal stimulus and state infrastructure bond funds, at a cost of ~\$765,500, and
- Other street improvement projects totaling ~\$875,000

Table 3
City of Palos Verdes Estates Capital Assets
(Net of Depreciation)

	<u>2010</u>	<u>2009</u>	Change (in dollars)
Land	\$4,487,892	\$4,487,892	\$ ---
Construction in progress	519,869	562,879	(43,010)
Building and improvements	15,881,480	17,507,560	(1,626,080)
Machinery and equipment	989,797	1,111,005	(121,208)
Furniture and fixtures	69,696	61,041	8,655
Vehicles	25,991	78,848	(52,857)
Infrastructure	<u>34,712,862</u>	<u>35,909,929</u>	<u>(1,197,067)</u>
Total	<u>\$56,687,587</u>	<u>\$59,719,154</u>	<u>(\$3,031,567)</u>

Additional information on the City's capital assets can be found in note 3 beginning on page 39 of this report.

Long-term debt. The City avoids debt financing. At the end of the current fiscal year, the City of Palos Verdes Estates' outstanding debt is \$1,182,865, composed of \$879,717 for vested or accumulated employee compensated absences; \$273,148 for the special retirement income plan and \$30,000 representing potential claims payable. Additional information on long-term debt can be found in note 5 of the notes to the basic financial statements on page 41 of the report.

Economic Factors and Next Year's Budgets and Rates

The City prepares a two-year budget document for planning purposes, but continues to adopt the budget on an annual basis. FY 2010-11 represents the first year of the next two-year budget cycle. The City Council adopted the FY 2010-2011 budget on June 22, 2010 and the following factors were considered in preparing the budget:

- Continued conservative revenue projections in light of the economic climate reflecting no increase in assessed values and continued lag in development activity; as well as, limited expenditure growth;
- A one-time stipend payable to full time (\$500) and eligible part-time (\$250) employees in-lieu of salary increases with benefits as dictated by the second, consecutive one-year labor provisions with the City's employee associations, either agreed to or imposed;
- A 4.2% increase in the cost of the fire and paramedic services contract cost with Los Angeles County Fire totaling \$4 million and funded by the voter-approved special parcel tax;
- General capital improvements projects totaling \$1.467 million, including \$1.2 million in street improvement projects. In addition, \$75,000 is slated for curb and gutter repairs; \$80,000 is provided for a storm drain improvement project at Mexico Place and \$60,000 is provided for initial consultant studies for a pavement management system update and Malaga Cove groundwater/hydrology investigation;
- Sanitary sewer capital budget of \$2.36 million, including the reconstruction of one of the City's two sewer pump station totaling \$2.2 million.

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.

CITY OF PALOS VERDES ESTATES

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Assets:		
Cash and investments (note 2)	29,865,485	28,930,866
Accounts receivable, net	103,896	166,076
Due from other governments	546,882	750,845
Interest receivable	76,513	130,105
Prepaid items	2,200,186	748,009
Inventory	5,540	2,182
Capital assets (note 3):		
Undepreciated	5,007,761	5,050,771
Depreciated, net	<u>51,679,826</u>	<u>54,668,383</u>
 Total assets	 <u>89,486,089</u>	 <u>90,447,237</u>
Liabilities:		
Accounts payable	372,145	476,711
Accrued salaries and benefits	174,669	147,532
Deposit	87,955	-
Non-current liabilities (note 5):		
Due within one year	148,394	179,485
Due in more than one year	<u>1,034,471</u>	<u>1,137,319</u>
 Total liabilities	 <u>1,817,634</u>	 <u>1,941,047</u>
Net assets:		
Invested in capital assets	56,687,587	59,719,154
Restricted for:		
Public safety	739,673	589,978
Public works	1,310,666	1,129,979
Unrestricted	<u>28,930,529</u>	<u>27,067,079</u>
 Total net assets	 <u>\$ 87,668,455</u>	 <u>88,506,190</u>

See accompanying notes to basic financial statements.

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CITY OF PALOS VERDES ESTATES

Statement of Activities

Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net Governmental Activities	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2010	2009
Governmental activities:						
General government	\$ 1,591,626	67,554	77,847	-	(1,446,225)	(1,546,938)
Public safety	9,536,336	4,070,836	379,678	17,395	(5,068,427)	(5,339,765)
Public works	4,886,578	978,226	793,772	1,994,406	(1,120,174)	203,744
Parks and recreation	<u>2,821,661</u>	<u>987,379</u>	<u>40,224</u>	<u>-</u>	<u>(1,794,058)</u>	<u>(1,105,493)</u>
Total governmental activities	<u>\$ 18,836,201</u>	<u>6,103,995</u>	<u>1,291,521</u>	<u>2,011,801</u>	<u>(9,428,884)</u>	<u>(7,788,452)</u>
General revenue:						
Taxes:						
Property taxes					5,694,990	5,661,511
Sales and use taxes					309,252	339,894
Franchise and other taxes					813,086	850,419
Motor vehicle in lieu (unrestricted)					1,107,133	1,091,887
Use of money and property (unrestricted)					97,079	240,769
Miscellaneous					<u>490,754</u>	<u>80,038</u>
Total general revenue					<u>8,512,294</u>	<u>8,264,518</u>
Change in net assets					(916,590)	476,066
Net assets at beginning of year, as restated (note 10)					<u>88,585,045</u>	<u>88,030,124</u>
Net assets at end of year					<u>\$ 87,668,455</u>	<u>88,506,190</u>

See accompanying notes to basic financial statements.

CITY OF PALOS VERDES ESTATES
Governmental Funds
Balance Sheet
June 30, 2010
(With Comparative Totals for Prior Year)

	General Fund	Special Revenue	Capital Projects	
		Special Fire Parcel Tax	Sewer Fund	General Capital Improvements
<u>Assets</u>				
Cash and investments	\$ 8,339,651	-	10,444,757	6,971,736
Accounts receivable	103,809	-	-	-
Due from other governments	353,641	89,331	30,536	13,969
Interest receivable	22,210	190	27,127	18,581
Due from other funds (note 4)	130,436	-	-	-
Prepaid items	51,524	331,777	-	-
Inventory - materials	5,540	-	-	-
Total assets	<u>\$ 9,006,811</u>	<u>421,298</u>	<u>10,502,420</u>	<u>7,004,286</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 220,529	1,225	6,004	96,197
Accrued salaries and benefits	168,805	-	-	-
Due to other funds (note 4)	-	128,689	-	-
Deferred revenue	813	-	-	13,969
Deposit	87,955	-	-	-
Total liabilities	<u>478,102</u>	<u>129,914</u>	<u>6,004</u>	<u>110,166</u>
Fund balances:				
Reserved for prepaid items	51,524	331,777	-	-
Reserved for inventory	5,540	-	-	-
Unreserved:				
Designated for capital projects	-	-	291,297	-
Designated for PERS	-	-	-	-
Undesignated, reported in:				
General fund	8,471,645	-	-	-
Special revenue funds	-	(40,393)	-	-
Capital projects funds	-	-	10,205,119	6,894,120
Total fund balance	<u>8,528,709</u>	<u>291,384</u>	<u>10,496,416</u>	<u>6,894,120</u>
Total liabilities and fund balance	<u>\$ 9,006,811</u>	<u>421,298</u>	<u>10,502,420</u>	<u>7,004,286</u>

See accompanying notes to basic financial statements.

Nonmajor Governmental Funds	Totals	
	2010	2009
1,724,525	27,480,669	26,853,710
-	103,809	167,076
59,405	546,882	749,845
2,150	70,258	120,223
-	130,436	73,364
2,516	385,817	330,001
-	5,540	2,182
<u>1,788,596</u>	<u>28,723,411</u>	<u>28,296,401</u>
22,030	345,985	449,202
5,864	174,669	147,532
1,747	130,436	73,364
-	14,782	397
-	87,955	-
<u>29,641</u>	<u>753,827</u>	<u>670,495</u>
2,516	385,817	330,001
-	5,540	2,182
-	291,297	1,856,663
-	-	221,280
-	8,471,645	8,250,737
1,756,439	1,716,046	2,063,853
-	17,099,239	14,901,190
<u>1,758,955</u>	<u>27,969,584</u>	<u>27,625,906</u>
<u>1,788,596</u>	<u>28,723,411</u>	<u>28,296,401</u>

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CITY OF PALOS VERDES ESTATES
Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets

June 30, 2010

Fund balances of governmental funds	\$ 27,969,584
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity:	
Capital assets	101,622,227
Less accumulated depreciation	(45,306,252)
Long term liabilities and compensated absences that have not been included in the governmental fund activity:	
Compensated absences	(879,717)
Special Retirement Income Plan	(273,148)
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.	14,782
Expenses that are paid in advance	1,375,000
Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	<u>3,145,979</u>
Net assets of governmental activities	<u><u>\$ 87,668,455</u></u>

See accompanying notes to basic financial statements.

CITY OF PALOS VERDES ESTATES
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2010
(With Comparative Totals for Prior Year)

	General Fund	Special Revenue Special Fire Parcel Tax	Sewer Fund	Capital Projects General Capital Improvements
Revenues:				
Property taxes	\$ 5,694,990	-	-	-
Special assessments	-	3,844,050	1,253,511	-
Other taxes	962,070	-	-	-
Licenses and permits	514,148	-	-	-
Fines and forfeitures	180,942	-	-	-
Use of money and property	1,096,648	339	112,132	70,218
Revenues from other agencies	1,323,278	8,995	-	-
Charges for services	548,985	-	-	-
Miscellaneous	488,542	-	-	486,031
Total revenues	<u>10,809,603</u>	<u>3,853,384</u>	<u>1,365,643</u>	<u>556,249</u>
Expenditures:				
Current:				
General government	1,530,824	-	-	-
Public safety	6,861,155	3,924,741	-	-
Public works	1,318,909	-	103,758	1,720,410
Parks and recreation	1,073,896	-	-	-
Total expenditures	<u>10,784,784</u>	<u>3,924,741</u>	<u>103,758</u>	<u>1,720,410</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,819</u>	<u>(71,357)</u>	<u>1,261,885</u>	<u>(1,164,161)</u>
Other financing sources (uses):				
Transfers in (note 4)	28,187	-	-	534,959
Transfers out (note 4)	-	-	-	-
Total other financing sources (uses)	<u>28,187</u>	<u>-</u>	<u>-</u>	<u>534,959</u>
Net change in fund balances	53,006	(71,357)	1,261,885	(629,202)
Fund balances at beginning of the year	<u>8,475,703</u>	<u>362,741</u>	<u>9,234,531</u>	<u>7,523,322</u>
Fund balances at end of the year	<u>\$ 8,528,709</u>	<u>291,384</u>	<u>10,496,416</u>	<u>6,894,120</u>

See accompanying notes to basic financial statements.

Nonmajor Governmental Funds	Totals	
	2010	2009
-	5,694,990	5,661,511
-	5,097,561	5,139,716
416,139	1,378,209	1,385,388
-	514,148	544,843
-	180,942	190,034
21,159	1,300,496	1,639,092
823,146	2,155,419	3,087,594
-	548,985	409,620
-	974,573	89,553
<u>1,260,444</u>	<u>17,845,323</u>	<u>18,147,351</u>
5,309	1,536,133	1,560,577
90,968	10,876,864	9,503,767
871,675	4,014,752	4,514,117
-	1,073,896	1,113,406
<u>967,952</u>	<u>17,501,645</u>	<u>16,691,867</u>
<u>292,492</u>	<u>343,678</u>	<u>1,455,484</u>
-	563,146	540,571
<u>(563,146)</u>	<u>(563,146)</u>	<u>(540,571)</u>
<u>(563,146)</u>	<u>-</u>	<u>-</u>
(270,654)	343,678	1,455,484
<u>2,029,609</u>	<u>27,625,906</u>	<u>26,170,422</u>
<u>1,758,955</u>	<u>27,969,584</u>	<u>27,625,906</u>

CITY OF PALOS VERDES ESTATES

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statement of Activities

Year Ended June 30, 2010

Changes in fund balances of governmental funds	\$ 343,678
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Depreciation	(3,704,037)
Capital outlay	862,678
To record as an expense the net change in compensated absences in the statement of activities.	(15,835)
To record as an expenses the net change in net pension obligation	(19,081)
To record as a prepaid item for retirement expense	1,375,000
Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.	<u>241,007</u>
Changes in net assets of governmental activities	<u><u>\$ (916,590)</u></u>

See accompanying notes to basic financial statements.

CITY OF PALOS VERDES ESTATES
Proprietary Funds - Internal Service Funds

Statement of Net Assets

June 30, 2010

(With Comparative Totals for Prior Year)

	Totals	
	2010	2009
<u>Assets</u>		
Current assets:		
Cash and investments	\$ 2,384,816	2,077,156
Accounts receivable	87	-
Interest receivable	6,255	9,882
Prepaid items	439,369	418,008
Total current assets	2,830,527	2,505,046
Capital assets:		
Machinery and equipment	2,411,271	2,336,985
Furniture and fixtures	189,163	189,163
Vehicles	835,130	866,410
Less accumulated depreciation	(3,063,952)	(2,845,123)
Net capital assets	371,612	547,435
Total assets	3,202,139	3,052,481
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	26,160	27,509
Claims payable - current	30,000	30,000
Total current liabilities	56,160	57,509
Long-term liabilities:		
Claims payable	-	90,000
Total liabilities	56,160	147,509
<u>Net assets</u>		
Invested in capital assets	371,612	547,435
Unrestricted	2,774,367	2,357,537
Total net assets	\$ 3,145,979	2,904,972

See accompanying notes to basic financial statements.

CITY OF PALOS VERDES ESTATES
Proprietary Funds - Internal Service Funds

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2010
(With Comparative Totals for Prior Year)

	Totals	
	2010	2009
Operating revenues:		
Charges for services	\$ 687,120	684,760
Other	24,174	65,833
Total operating revenues	711,294	750,593
Operating expenses:		
Materials and supplies	12,281	80,970
General liability insurance	308,826	338,680
Provision for claims losses	(89,185)	20,520
Property and vehicle insurance	17,566	7,063
Depreciation	280,702	370,468
Total operating expenses	530,190	817,701
Operating income (loss)	181,104	(67,108)
Nonoperating revenues:		
Investment income	27,903	55,425
Net income (loss) before capital contributions	209,007	(11,683)
Capital contributions from other funds	32,000	49,467
Change in net assets	241,007	37,784
Net assets at the beginning of the year	2,904,972	2,867,188
Net assets at the end of the year	\$ 3,145,979	2,904,972

See accompanying notes to basic financial statements.

CITY OF PALOS VERDES ESTATES
Proprietary Funds - Internal Service Funds

Statement of Cash Flows

Year Ended June 30, 2010
(With Comparative Totals for Prior Year)

	Totals	
	2010	2009
Cash flows from operating activities:		
Cash received from user departments	\$ 711,207	772,822
Cash paid to suppliers of goods or services	(362,198)	(868,201)
Net cash provided by (used for) operating activities	349,009	(95,379)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(72,879)	(151,058)
Net cash provided by (used for) capital and related financing activities	(72,879)	(151,058)
Cash flows from investing activities:		
Interest received on investments	31,530	63,662
Net increase (decrease) in cash and cash equivalents	307,660	(182,775)
Cash and cash equivalents at beginning of year	2,077,156	2,259,931
Cash and cash equivalents at end of year	\$ 2,384,816	\$ 2,077,156
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 181,104	\$ (67,108)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	280,702	370,468
Changes in operating assets and liabilities:		
(Increase) decrease in account receivable	(87)	22,229
(Increase) decrease in prepaid items	(21,361)	(418,008)
Increase (decrease) in other funds	-	(50,989)
Increase (decrease) in accounts payable	(1,349)	27,509
Increase (decrease) in claims payable	(90,000)	20,520
Net cash provided by (used for) operating activities	\$ 349,009	(95,379)
Noncash capital activity:		
Equipment acquisitions funded by governmental funds	\$ 32,000	49,467
Total noncash capital activity	\$ 32,000	49,467

See accompanying notes to basic financial statements.

CITY OF PALOS VERDES ESTATES
Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

June 30, 2010

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash and investments (note 2)	\$ 128,620	152,074
Interest receivable	<u>-</u>	<u>620</u>
Total assets	<u>\$ 128,620</u>	<u>152,694</u>
 <u>Liabilities</u>		
Accounts payable	\$ 8,360	271
Deposits	<u>120,260</u>	<u>152,423</u>
Total liabilities	<u>\$ 128,620</u>	<u>152,694</u>

See accompanying notes to basic financial statements.

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

Year ended June 30, 2010

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The City of Palos Verdes Estates (City), California was incorporated on December 20, 1939 under the General Laws of the State of California. 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, 2009 (the most recent information available), audited financial statements indicated the following:

Total assets	<u>\$1,764,085</u>
Total liabilities	<u>\$ -</u>
Total equity (Net Assets)	<u>\$1,764,085</u>
Charges for services	\$ 403,952
Other sources	<u>244,495</u>
Total operating revenues	648,447
Total operating expenses	2,139,051
Total non-operating revenues	<u>1,599,716</u>
Net income	<u>\$ 109,112</u>

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

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

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), as well as its discretely presented 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.

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

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 an other financing source. 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.

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.

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

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 an *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.

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(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 assets.

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 an other financing source. 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

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

The Sewer Capital Projects Fund is used to account for funds received from a direct assessment levied by the City for the purpose of funding major sewer projects.

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

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

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.

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.

(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.

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

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. Prepaid items also include payments made by the City to CalPERS to prepay a portion of its obligation for pension benefits. Pension prepayments are amortized over the period applicable to the portion of the pension obligation that was prepaid.

(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.

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 preceding 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, 2010, 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, 2010, the total property taxes receivable is \$435,268.

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(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 assets. Depreciation has been provided over the estimated useful lives using the straight-line method over the following estimated useful lives:

Buildings 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

(i) 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 OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(i) Compensated Absences, (Continued)

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 Assets. No expenditure has been reported for these long-term amounts. Compensated absences are reported in governmental funds only if they have matured.

(j) Fund Equity

In the fund financial statements, reserves represent those portions of fund equity legally segregated for a specific use. Designated fund balances represent management's plans for future use of financial resources.

(k) Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

(l) 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.

(m) Other Post-employment Benefits

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

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$29,865,485
Fiduciary funds:	
Cash and investments	<u>128,620</u>
Total cash and investments	<u>\$29,994,105</u>

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	\$ 1,500
Deposits with financial institutions	460,524
Investments	<u>29,532,081</u>
Total cash and investments	<u>\$29,994,105</u>

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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.

<u>Investment Types Authorized by State Law</u>	<u>Authorized By Investment Policy</u>	<u>*Maximum Maturity</u>	<u>*Maximum Percentage Of Portfolio</u>	<u>*Maximum Investment In One Issuer</u>
Local Agency Bonds	No	N/A	N/A	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.

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(2) Cash and 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:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
Federal Home Loan Bank	\$ 2,010,940	-	-	2,010,940
Federal Home Loan Mortgage Corp.	1,000,560	-	-	1,000,560
Federal National Mortgage Association	1,002,190	-	-	1,002,190
Corporate Bonds	1,006,370	1,006,370	-	-
LAIF	<u>24,512,021</u>	<u>24,512,021</u>	-	-
Total	<u>\$29,532,081</u>	<u>25,518,391</u>	<u>-</u>	<u>4,013,690</u>

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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 as of year end for each investment type.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
Federal Home Loan Bank	\$ 2,010,940	N/A	2,010,940	-	-
Federal Home Loan Mortgage Corp.	1,000,560	N/A	1,000,560	-	-
Federal National Mortgage Association	1,002,190	N/A	1,002,190	-	-
Corporate Bonds	1,006,370	A	-	1,006,370	-
LAIF	<u>24,512,021</u>	N/A	-	-	<u>24,512,021</u>
Total	<u>\$29,532,081</u>		<u>4,013,690</u>	<u>1,006,370</u>	<u>24,512,021</u>

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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. As of June 30, 2010, \$226,029 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

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.

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(3) Capital Assets

A summary of changes in capital asset activity for the year ended June 30, 2010 is as follows:

	<u>Balance at July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2010</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,487,892	-	-	4,487,892
Construction in progress	<u>562,879</u>	<u>48,203</u>	<u>91,213</u>	<u>519,869</u>
Total capital assets not being depreciated	<u>5,050,771</u>	<u>48,203</u>	<u>91,213</u>	<u>5,007,761</u>
Capital assets being depreciated:				
Building and improvements	27,097,768	64,283	-	27,162,051
Machinery and equipment	3,227,057	223,329	27,188	3,423,198
Furniture and fixtures	469,108	25,335	-	494,443
Vehicles	866,414	30,593	61,873	835,134
Infrastructure	<u>67,482,562</u>	<u>652,642</u>	<u>-</u>	<u>68,135,204</u>
Total capital assets being depreciated	<u>99,142,909</u>	<u>996,182</u>	<u>89,061</u>	<u>100,050,030</u>
Less accumulated depreciation for:				
Buildings and improvements	9,590,208	1,690,363	-	11,280,571
Machinery and equipment	2,116,052	344,537	27,188	2,433,401
Furniture and fixtures	408,067	16,680	-	424,747
Vehicles	787,566	83,450	61,873	809,143
Infrastructure	<u>31,572,633</u>	<u>1,849,709</u>	<u>-</u>	<u>33,422,342</u>
Total accumulated depreciation	<u>44,474,526</u>	<u>3,984,739</u>	<u>89,061</u>	<u>48,370,204</u>
Net capital assets being depreciated	<u>54,668,383</u>	<u>(2,988,557)</u>	<u>-</u>	<u>51,679,826</u>
Total capital assets	<u>\$59,719,154</u>	<u>(2,940,354)</u>	<u>91,213</u>	<u>56,687,587</u>

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(3) Capital Assets, (Continued)

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

Governmental activities:	
General government	\$ 159,911
Public safety	219,601
Public works	1,851,112
Parks and recreation	<u>1,754,115</u>
Total depreciation expense – governmental activities	<u>\$3,984,739</u>

(4) Interfund and Transfers

The following summarizes the total transfers in and out as of June 30, 2010:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Non-Major Funds	\$ 28,187
General Capital Improvements	Non-Major Funds	<u>534,959</u>
		<u>\$563,146</u>

The majority of transfers were made from non-major governmental funds to subsidize various capital improvement projects.

Current interfund receivables and payables as of June 30, 2010 are as follows:

Due to General Fund from:	
Non-major Governmental Funds	\$ 1,747
Special Revenue – Special Fire Parcel Tax	<u>128,689</u>
	<u>\$130,436</u>

These receivables represent short-term borrowings from special revenue funds to cover negative cash balance.

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due Beyond One Year</u>
Governmental activities:						
Compensated absences	\$ 863,882	672,612	656,777	879,717	118,394	761,323
Claims payable	120,000	(27,825)	62,175	30,000	30,000	-
Plan benefits (notes 8 and 10)	<u>254,067</u>	<u>32,756</u>	<u>13,675</u>	<u>273,148</u>	<u>-</u>	<u>273,148</u>
Total	<u>\$1,237,949</u>	<u>677,543</u>	<u>732,627</u>	<u>1,182,865</u>	<u>148,394</u>	<u>1,034,471</u>

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

(6) Claims Payable/Self-Insurance

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

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500, et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other lines of coverages. The Authority began covering claims of its member 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

Liability. Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(6) Claims Payable/Self-Insurance, (Continued)

B. Self-Insurance Programs of the Authority, (Continued)

directly to the member's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of costs under \$30,000; (3) losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$5,000,000 to \$10,000,000 are paid under reinsurance policies and are subject to a \$2,500,000 annual aggregate deductible; (4b) costs of covered claims from \$10,000,000 to \$50,000,000 are covered through excess insurance policies; (4c) costs of covered claims for subsidence losses are paid by excess insurance with a sub-limit of \$25,000,000 per occurrence per member. This \$25,000,000 subsidence sub-limit is composed of \$10,000,000 in reinsurance and \$15,000,000 in excess insurance. The excess insurance layer has a \$15,000,000 annual aggregate. The costs associated with 4a, 4b, and 4c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

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

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

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

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(6) Claims Payable/Self-Insurance, (Continued)

C. Purchased Insurance

Environmental Insurance The City participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims- made basis. There is a \$50,000 deductible. The Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2008 through July 1, 2011. Each member of the Authority has a \$10,000,000 sub-limit during the 3-year term of the policy.

Property Insurance The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City's property is currently insured according to a schedule of covered property submitted by the City to the Authority. The City currently has all-risk property insurance protection in the amount of \$43,784,988. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance The City purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is arranged by the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

D. Adequacy of Protection

During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(6) Claims Payable/Self-Insurance, (Continued)

Reconciliations of the changes in the City's aggregate liabilities for the years ended June 30, 2010 and 2009 are as follows:

	<u>Liability Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability End of Year</u>
<u>2009-2010</u>				
Liability claims	<u>\$120,000</u>	<u>(27,825)</u>	<u>(62,175)</u>	<u>30,000</u>
<u>2008-2009</u>				
Liability claims	<u>\$99,480</u>	<u>43,500</u>	<u>(22,980)</u>	<u>120,000</u>

(7) Defined Benefits Pension Plan

The City of Palos Verdes Estates contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained by writing to 400 "P" Street, Sacramento, California 95814.

Contributions

Miscellaneous and safety participants are required to contribute 7% and 9%, respectively, of their annual covered salary. The City is required to contribute at an actuarially determined rate. The rates for the year ended June 30, 2010 were 41.951% for safety and 1.758% for miscellaneous of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by City Council in conjunction with applicable labor contracts. The City's contributions to the plan for the years ended June 30, 2008, 2009 and 2010 were \$782,794, \$873,469 and \$864,656, respectively, and were equal to the required contributions for each year.

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(8) Special Retirement Income Plan

Description of Plan

The City provides a Special Retirement Income Plan, a single employer plan which covers eligible City employees. 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:

	<u>General Employees</u>	<u>Management</u>	<u>Police</u>
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 that includes financial statements and other required supplemental information. The 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 MOU are entered into. Plan assets have not been accumulated in a separately established trust fund.

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(8) Special Retirement Income Plan, (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	\$ 32,756
Interest on net plan obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual plan cost	32,756
Contributions/benefits paid	<u>(13,675)</u>
Increase (decrease) in net plan obligation	19,081
Net plan obligation beginning of year	<u>254,067</u>
Net plan obligation end of year	<u>\$273,148</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 5% 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 June 30, 2008 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 5% per annum.
2. Average hire age for eligible employees is 30.
3. Average retirement age is 57.
4. Inflation rate of 3% per annum.

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(8) Special Retirement Income Plan, (Continued)

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.

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.

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(8) Special Retirement Income Plan, (Continued)

Actuarial Accrued Liability as of July 1, 2008

	<u>Total</u>	<u>General Employees</u>	<u>Management</u>	<u>Police</u>
Active: Pre-65	\$217,284	28,967	39,229	149,088
Post-65	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>217,284</u>	<u>28,967</u>	<u>39,229</u>	<u>149,088</u>
Retiree: Pre-65	96,902	-	-	96,902
Post-65	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>96,902</u>	<u>-</u>	<u>-</u>	<u>96,902</u>
Subtotal Pre-65	<u>\$314,187</u>	<u>28,967</u>	<u>39,229</u>	<u>245,991</u>
Subtotal Post-65	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Grand Total	\$314,187	28,967	39,229	245,991
Funded at July 1, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded AAL	<u>\$314,187</u>	<u>28,967</u>	<u>39,229</u>	<u>245,991</u>
1 st Year UAAL Amortization at 5.0% over 30 years	<u>\$ 20,438</u>	<u>1,884</u>	<u>2,552</u>	<u>16,002</u>

Trend information is as follows:

<u>Year Ended June 30,</u>	<u>Annual Plan Cost (APC)</u>	<u>Contributions/ Benefits Paid</u>	<u>% of APC Contributed</u>	<u>Net Plan Obligation</u>
2008	\$32,756	14,021	43%	237,004
2009	32,756	15,693	48%	254,067
2010	32,756	13,675	56%	268,356

CITY OF PALOS VERDES ESTATES

Notes to Basic Financial Statements

(Continued)

(8) Special Retirement Income Plan, (Continued)

Funded Status

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

Actuarial Valuation Date <u>June 30,</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability</u>	Unfunded <u>Liability</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	Unfunded Liability as % of Covered <u>Payroll</u>
2008	\$-	314,187	314,187	-	3,439,138	9.14%

(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.

(10) Prior Period Adjustment

Beginning net assets reported in the government-wide financial statements has been restated to reflect an adjustment of the net retirement income plan obligation reported in the prior fiscal year:

Net assets as of June 30, 2009, as previously reported	\$88,506,190
Adjustment of net retirement income plan obligation	<u>78,855</u>
Net assets as of June 30, 2010, as restated	<u>\$88,585,045</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF PALOS VERDES ESTATES
General Fund

Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule

Year ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:					
Property taxes	\$ 5,533,000	5,533,000	5,694,990	161,990	5,661,511
Other taxes	615,000	945,000	962,070	17,070	1,012,513
Licenses and permits	351,000	586,000	514,148	(71,852)	544,843
Fines and forfeitures	180,000	180,000	180,942	942	190,034
Use of money and property	1,101,500	991,500	1,096,648	105,148	1,194,100
Revenues from other agencies	1,355,000	1,355,000	1,323,278	(31,722)	1,335,270
Charges for services	977,650	412,650	548,985	136,335	409,620
Miscellaneous	130,000	459,350	488,542	29,192	78,953
Total revenues	<u>10,243,150</u>	<u>10,462,500</u>	<u>10,809,603</u>	<u>347,103</u>	<u>10,426,844</u>
Expenditures:					
Current:					
General government	1,595,575	1,638,125	1,530,824	107,301	1,555,268
Public safety	5,655,200	7,083,385	6,861,155	222,230	5,510,809
Public works	1,356,835	1,360,260	1,318,909	41,351	1,310,718
Parks and recreation	1,142,915	1,146,445	1,073,896	72,549	1,113,406
Total expenditures	<u>9,750,525</u>	<u>11,228,215</u>	<u>10,784,784</u>	<u>443,431</u>	<u>9,490,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>492,625</u>	<u>(765,715)</u>	<u>24,819</u>	<u>790,534</u>	<u>936,643</u>
Other financing sources:					
Transfers in	-	28,187	28,187	-	33,587
Total other financing sources	<u>-</u>	<u>28,187</u>	<u>28,187</u>	<u>-</u>	<u>33,587</u>
Net change in fund balances	492,625	(737,528)	53,006	790,534	970,230
Fund balances at the beginning of the year	<u>8,475,703</u>	<u>8,475,703</u>	<u>8,475,703</u>	<u>-</u>	<u>7,505,473</u>
Fund balances at the end of the year	<u>\$ 8,968,328</u>	<u>7,738,175</u>	<u>8,528,709</u>	<u>790,534</u>	<u>8,475,703</u>

CITY OF PALOS VERDES ESTATES
Special Fire Parcel Tax Special Revenue Fund

Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule

Year ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance- Positive (Negative)	Prior Year Actual
Revenues:					
Special assessment	\$ 3,812,250	3,821,855	3,844,050	22,195	3,649,397
Use of money and property	-	-	339	339	827
Revenues from other agencies	-	9,000	8,995	(5)	8,958
Total revenues	<u>3,812,250</u>	<u>3,830,855</u>	<u>3,853,384</u>	<u>22,529</u>	<u>3,659,182</u>
Expenditures:					
Current:					
Public safety	<u>4,006,130</u>	<u>3,958,945</u>	<u>3,924,741</u>	<u>34,204</u>	<u>3,855,061</u>
Net change in fund balance	(193,880)	(128,090)	(71,357)	56,733	(195,879)
Fund balances at the beginning of the year	<u>362,741</u>	<u>362,741</u>	<u>362,741</u>	-	<u>558,620</u>
Fund balances at the end of the year	<u>\$ 168,861</u>	<u>234,651</u>	<u>291,384</u>	<u>56,733</u>	<u>362,741</u>

CITY OF PALOS VERDES ESTATES

Note to Required Supplementary Information

Year ended June 30, 2010

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.

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. Budgetary revisions that alter the total appropriations of a fund 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 encumbrances as well as any amendments authorized by the City Council.

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CITY OF PALOS VERDES ESTATES
Sewer Capital Projects Fund

Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Revenues:			
Special assessments	\$ 1,254,000	1,253,511	(489)
Use of money and property	<u>75,000</u>	<u>112,132</u>	<u>37,132</u>
Total revenues	<u>1,329,000</u>	<u>1,365,643</u>	<u>36,643</u>
Expenditures:			
Current:			
Public works	<u>496,868</u>	<u>103,758</u>	<u>393,110</u>
Net change in fund balance	832,132	1,261,885	429,753
Fund balances at the beginning of the year	<u>9,234,531</u>	<u>9,234,531</u>	<u>-</u>
Fund balances at the end of the year	<u>\$ 10,066,663</u>	<u>10,496,416</u>	<u>429,753</u>

CITY OF PALOS VERDES ESTATES
General Capital Improvements Capital Projects Fund

Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 70,000	70,218	218
Miscellaneous	<u>435,000</u>	<u>486,031</u>	<u>51,031</u>
Total revenues	<u>505,000</u>	<u>556,249</u>	<u>51,249</u>
Expenditures:			
Current:			
Public works	<u>3,699,710</u>	<u>1,720,410</u>	<u>1,979,300</u>
Total expenditures	<u>3,699,710</u>	<u>1,720,410</u>	<u>1,979,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,194,710)</u>	<u>(1,164,161)</u>	<u>2,030,549</u>
Other financing sources:			
Transfers in	<u>618,165</u>	<u>534,959</u>	<u>(83,206)</u>
Total other financing sources	<u>618,165</u>	<u>534,959</u>	<u>(83,206)</u>
Net change in fund balance	(2,576,545)	(629,202)	1,947,343
Fund balances at the beginning of the year	<u>7,523,322</u>	<u>7,523,322</u>	<u>-</u>
Fund balances at the end of the year	<u>\$ 4,946,777</u>	<u>6,894,120</u>	<u>1,947,343</u>

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.

Special Projects - to account for funds received from other governmental agencies that are earmarked for specific projects.

Drug Intervention - to account for funds received from 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.

CLEEP - to account for funds received from the State of California for law enforcement technology equipment.

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

Corrections - to account for funds received 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.

Proposition C - to account for the City's share of funds collected and distributed by the County of Los Angeles under Proposition C 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.

CITY OF PALOS VERDES ESTATES
Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2010

	Gas Tax	Special Projects	Drug Intervention	CLEEP	SLESF
<u>Assets</u>					
Cash and investments	\$ 140,766	530,960	432,821	611	20,473
Due from other governments	46,458	2,864	-	-	7,548
Interest receivable	394	606	492	1	23
Prepaid items	2,516	-	-	-	-
Total assets	\$ 190,134	534,430	433,313	612	28,044
<u>Liabilities and Fund Balance</u>					
Liabilities:					
Accounts payable	\$ 7,807	589	-	-	13,000
Accrued salaries and benefits	5,030	-	-	-	834
Due to other funds	-	-	-	-	-
Total liabilities	12,837	589	-	-	13,834
Fund balance:					
Unreserved:					
Undesignated	177,297	533,841	433,313	612	14,210
Total fund balance	177,297	533,841	433,313	612	14,210
Total liabilities and fund balance	\$ 190,134	534,430	433,313	612	28,044

<u>Corrections</u>	<u>Proposition A</u>	<u>Proposition C</u>	<u>Measure R</u>	<u>Totals</u>
-	401,474	108,024	89,396	1,724,525
2,535	-	-	-	59,405
-	443	104	87	2,150
-	-	-	-	2,516
<u>2,535</u>	<u>401,917</u>	<u>108,128</u>	<u>89,483</u>	<u>1,788,596</u>
634	-	-	-	22,030
-	-	-	-	5,864
1,747	-	-	-	1,747
<u>2,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,641</u>
154	401,917	108,128	89,483	1,758,955
154	401,917	108,128	89,483	1,758,955
<u>2,535</u>	<u>401,917</u>	<u>108,128</u>	<u>89,483</u>	<u>1,788,596</u>

CITY OF PALOS VERDES ESTATES
Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2010

	<u>Gas Tax</u>	<u>Special Projects</u>	<u>Drug Intervention</u>	<u>CLEEP</u>	<u>SI.ESF</u>
Revenues:					
Other taxes	\$ -	-	-	-	-
Use of money and property	3,298	9,177	3,429	6	93
Revenues from other agencies	<u>369,179</u>	<u>83,465</u>	<u>240,564</u>	<u>-</u>	<u>124,243</u>
Total revenues	<u>372,477</u>	<u>92,642</u>	<u>243,993</u>	<u>6</u>	<u>124,336</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	85,861
Public works	<u>361,362</u>	<u>29,763</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>361,362</u>	<u>29,763</u>	<u>-</u>	<u>-</u>	<u>85,861</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,115</u>	<u>62,879</u>	<u>243,993</u>	<u>6</u>	<u>38,475</u>
Other financing sources (uses):					
Transfers out	<u>(243,508)</u>	<u>(319,638)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(243,508)</u>	<u>(319,638)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(232,393)	(256,759)	243,993	6	38,475
Fund balances (deficit) at the beginning of the year	<u>409,690</u>	<u>790,600</u>	<u>189,320</u>	<u>606</u>	<u>(24,265)</u>
Fund balances at the end of the year	<u>\$ 177,297</u>	<u>533,841</u>	<u>433,313</u>	<u>612</u>	<u>14,210</u>

<u>Corrections</u>	<u>Proposition A</u>	<u>Proposition C</u>	<u>Measure R</u>	<u>Totals</u>
-	178,703	148,242	89,194	416,139
-	3,998	869	289	21,159
<u>5,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>823,146</u>
<u>5,695</u>	<u>182,701</u>	<u>149,111</u>	<u>89,483</u>	<u>1,260,444</u>
-	5,309	-	-	5,309
5,107	-	-	-	90,968
<u>-</u>	<u>300,000</u>	<u>180,550</u>	<u>-</u>	<u>871,675</u>
<u>5,107</u>	<u>305,309</u>	<u>180,550</u>	<u>-</u>	<u>967,952</u>
<u>588</u>	<u>(122,608)</u>	<u>(31,439)</u>	<u>89,483</u>	<u>292,492</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(563,146)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(563,146)</u>
588	(122,608)	(31,439)	89,483	(270,654)
<u>(434)</u>	<u>524,525</u>	<u>139,567</u>	<u>-</u>	<u>2,029,609</u>
<u>154</u>	<u>401,917</u>	<u>108,128</u>	<u>89,483</u>	<u>1,758,955</u>

CITY OF PALOS VERDES ESTATES
Gas Tax Special Revenue Fund

Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 10,000	3,298	(6,702)
Revenue from other agencies:			
State gas tax - 2105	95,000	79,781	(15,219)
State gas tax - 2106	55,000	51,601	(3,399)
State gas tax - 2107	120,000	106,227	(13,773)
State gas tax - 2107.5	3,000	4,453	1,453
AB 2928	<u>142,000</u>	<u>127,117</u>	<u>(14,883)</u>
Total revenues	<u>425,000</u>	<u>372,477</u>	<u>(52,523)</u>
Expenditures:			
Current:			
Public works	<u>382,005</u>	<u>361,362</u>	<u>20,643</u>
Excess of revenues over expenditures	<u>42,995</u>	<u>11,115</u>	<u>(31,880)</u>
Other financing sources (uses):			
Transfers out	<u>(326,715)</u>	<u>(243,508)</u>	<u>83,207</u>
Net change in fund balance	(283,720)	(232,393)	51,327
Fund balances at the beginning of the year	<u>409,690</u>	<u>409,690</u>	<u>-</u>
Fund balances at the end of the year	<u>\$ 125,970</u>	<u>177,297</u>	<u>51,327</u>

CITY OF PALOS VERDES ESTATES
Special Projects Special Revenue Fund

Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 10,000	9,177	(823)
Revenues from other agencies	<u>65,000</u>	<u>83,465</u>	<u>18,465</u>
Total revenues	<u>75,000</u>	<u>92,642</u>	<u>17,642</u>
Expenditures:			
Current:			
Public works	<u>37,350</u>	<u>29,763</u>	<u>7,587</u>
Total expenditures	<u>37,350</u>	<u>29,763</u>	<u>7,587</u>
Excess of revenues over expenditures	<u>37,650</u>	<u>62,879</u>	<u>25,229</u>
Other financing uses:			
Transfers out	<u>(291,450)</u>	<u>(319,638)</u>	<u>(28,188)</u>
Net change in fund balance	(253,800)	(256,759)	(2,959)
Fund balances at the beginning of the year	<u>790,600</u>	<u>790,600</u>	<u>-</u>
Fund balances at the end of the year	<u>\$ 536,800</u>	<u>533,841</u>	<u>(2,959)</u>

CITY OF PALOS VERDES ESTATES
Drug Intervention Special Revenue Fund

Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Revenues:			
Use of money and property	\$ 3,500	3,429	(71)
Revenues from other agencies	<u>215,000</u>	<u>240,564</u>	<u>25,564</u>
Total revenues	<u>218,500</u>	<u>243,993</u>	<u>25,493</u>
Expenditures:			
Current:			
Public safety	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	218,500	243,993	25,493
Fund balances at the beginning of the year	<u>189,320</u>	<u>189,320</u>	<u>-</u>
Fund balances at the end of the year	<u>\$ 407,820</u>	<u>433,313</u>	<u>25,493</u>

CITY OF PALOS VERDES ESTATES
CLEEP Special Revenue Fund

Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Revenues:			
Use of money and property	\$ -	6	6
Expenditures:			
Public safety	-	-	-
Net change in fund balance	-	6	6
Fund balances at the beginning of the year	<u>606</u>	<u>606</u>	<u>-</u>
Fund balances at the end of the year	<u>\$ 606</u>	<u>612</u>	<u>6</u>

CITY OF PALOS VERDES ESTATES
SLESF Special Revenue Fund

Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Revenues:			
Use of money and property	\$ -	93	93
Revenues from other agencies	<u>100,000</u>	<u>124,243</u>	<u>24,243</u>
Total revenues	<u>100,000</u>	<u>124,336</u>	<u>24,336</u>
Expenditures:			
Current:			
Public safety	<u>88,430</u>	<u>85,861</u>	<u>2,569</u>
Total expenditures	<u>88,430</u>	<u>85,861</u>	<u>2,569</u>
Net change in fund balance	11,570	38,475	26,905
Fund balances (deficit) at the beginning of the year	<u>(24,265)</u>	<u>(24,265)</u>	<u>-</u>
Fund balances (deficit) at the end of the year	<u><u>\$ (12,695)</u></u>	<u><u>14,210</u></u>	<u><u>26,905</u></u>

CITY OF PALOS VERDES ESTATES
 Corrections Special Revenue Fund

Revenues, Expenditures and Changes in Fund Balance
 Budgetary Comparison Schedule

Year Ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Revenues from other agencies	\$ 5,000	5,695	695
Expenditures:			
Current:			
Public safety	6,605	5,107	1,498
Net change in fund balance	(1,605)	588	2,193
Fund balances (deficit) at the beginning of the year	(434)	(434)	-
Fund balances (deficit) at the end of the year	<u>\$ (2,039)</u>	<u>154</u>	<u>2,193</u>

CITY OF PALOS VERDES ESTATES
 Proposition A Special Revenue Fund

Revenues, Expenditures and Changes in Fund Balance
 Budgetary Comparison Schedule

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Revenues:			
Other taxes	\$ 205,000	178,703	(26,297)
Use of money and property	<u>10,000</u>	<u>3,998</u>	<u>(6,002)</u>
Total revenues	<u>215,000</u>	<u>182,701</u>	<u>(32,299)</u>
Expenditures:			
Current:			
General government	5,310	5,309	1
Public works	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total expenditures	<u>305,310</u>	<u>305,309</u>	<u>1</u>
Net change in fund balance	(90,310)	(122,608)	(32,298)
Fund balances at the beginning of the year	<u>524,525</u>	<u>524,525</u>	<u>-</u>
Fund balances at the end of the year	<u>\$ 434,215</u>	<u>401,917</u>	<u>(32,298)</u>

CITY OF PALOS VERDES ESTATES
Proposition C Special Revenue Fund

Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Revenues:			
Other taxes	\$ 175,000	148,242	(26,758)
Use of money and property	<u>2,500</u>	<u>869</u>	<u>(1,631)</u>
Total revenues	<u>177,500</u>	<u>149,111</u>	<u>(28,389)</u>
Expenditures:			
Current:			
Public works	<u>189,575</u>	<u>180,550</u>	<u>9,025</u>
Net change in fund balance	(12,075)	(31,439)	(19,364)
Fund balances at the beginning of the year	<u>139,567</u>	<u>139,567</u>	<u>-</u>
Fund balances at the end of the year	<u>\$ 127,492</u>	<u>108,128</u>	<u>(19,364)</u>

CITY OF PALOS VERDES ESTATES
Measure R Special Revenue Fund

Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Schedule

Year ended June 30, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
Revenues:			
Other taxes	\$ 72,335	89,194	16,859
Use of money and property	<u>-</u>	<u>289</u>	<u>289</u>
Total revenues	<u>72,335</u>	<u>89,483</u>	<u>17,148</u>
Expenditures:			
Current:			
Public works	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	72,335	89,483	17,148
Fund balances at the beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at the end of the year	<u>\$ 72,335</u>	<u>89,483</u>	<u>17,148</u>

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
Internal Service Funds

Combining Statement of Net Assets

June 30, 2010

	<u>Equipment Replacement</u>	<u>Insurance</u>	<u>Totals</u>
<u>Assets</u>			
Current assets:			
Cash and investments	\$ 2,221,688	163,128	2,384,816
Accounts receivable	87	-	87
Prepaid items	-	439,369	439,369
Interest receivable	<u>5,779</u>	<u>476</u>	<u>6,255</u>
 Total current assets	 <u>2,227,554</u>	 <u>602,973</u>	 <u>2,830,527</u>
Capital assets:			
Machinery and equipment	2,411,271	-	2,411,271
Furniture and fixtures	189,163	-	189,163
Vehicles	835,130	-	835,130
Less accumulated depreciation	<u>(3,063,952)</u>	<u>-</u>	<u>(3,063,952)</u>
 Net capital assets	 <u>371,612</u>	 <u>-</u>	 <u>371,612</u>
 Total assets	 <u>2,599,166</u>	 <u>602,973</u>	 <u>3,202,139</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	26,160	-	26,160
Claims payable - current	<u>-</u>	<u>30,000</u>	<u>30,000</u>
 Total current liabilities	 <u>26,160</u>	 <u>30,000</u>	 <u>56,160</u>
 Total liabilities	 <u>26,160</u>	 <u>30,000</u>	 <u>56,160</u>
<u>Net assets</u>			
Invested in capital assets	371,612	-	371,612
Unrestricted	<u>2,201,394</u>	<u>572,973</u>	<u>2,774,367</u>
 Total net assets	 <u>\$ 2,573,006</u>	 <u>572,973</u>	 <u>3,145,979</u>

CITY OF PALOS VERDES ESTATES
Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2010

	Equipment Replacement	Insurance	Totals
Operating revenues:			
Charges for services	\$ 345,790	341,330	687,120
Other	5,672	18,502	24,174
Total operating revenues	351,462	359,832	711,294
Operating expenses:			
Materials and supplies	12,281	-	12,281
General liability insurance	-	308,826	308,826
Provision for claims losses	-	(89,185)	(89,185)
Property and vehicle insurance	-	17,566	17,566
Depreciation	280,702	-	280,702
Total operating expenses	292,983	237,207	530,190
Operating income	58,479	122,625	181,104
Nonoperating revenues:			
Interest income	24,098	3,805	27,903
Net income before capital contributions	82,577	126,430	209,007
Capital contributions from other funds	32,000	-	32,000
Change in net assets	114,577	126,430	241,007
Net assets at the beginning of the year	2,458,429	446,543	2,904,972
Net assets at the end of the year	\$ 2,573,006	\$ 572,973	3,145,979

CITY OF PALOS VERDES ESTATES

Internal Service Funds

Combining Statement of Cash Flows

Year ended June 30, 2010

	Equipment Replacement	Insurance	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 351,375	359,832	711,207
Cash paid to suppliers of goods or services	(13,630)	(348,568)	(362,198)
Net cash provided by operating activities	<u>337,745</u>	<u>11,264</u>	<u>349,009</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(72,879)	-	(72,879)
Net cash provided by (used for) capital and related financing activities	<u>(72,879)</u>	<u>-</u>	<u>(72,879)</u>
Cash flows from investing activities:			
Interest received	26,880	4,650	31,530
Net increase in cash and cash equivalents	291,746	15,914	307,660
Cash and cash equivalents at beginning of year	1,929,942	147,214	2,077,156
Cash and cash equivalents at end of year	<u>\$ 2,221,688</u>	<u>163,128</u>	<u>2,384,816</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 58,479	122,625	181,104
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	280,702	-	280,702
Changes in operating assets and liabilities:			
(Increase) decrease in account receivable	(87)	-	(87)
(Increase) decrease in prepaid items	-	(21,361)	(21,361)
Increase (decrease) in accounts payable	(1,349)	-	(1,349)
Increase (decrease) in claims payable	-	(90,000)	(90,000)
Net cash provided by operating activities	<u>\$ 337,745</u>	<u>11,264</u>	<u>349,009</u>
Noncash capital activity:			
Equipment acquisitions funded by governmental funds	\$ 32,000	-	32,000
Total noncash capital activity	<u>\$ 32,000</u>	<u>-</u>	<u>32,000</u>

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 Agency Fund Assets and Liabilities

June 30, 2010

	<u>Special Deposits</u>	<u>Police Property Evidence</u>	<u>Total</u>
<u>Assets</u>			
Cash and investments	\$ 117,721	10,899	128,620
Total assets	<u>\$ 117,721</u>	<u>10,899</u>	<u>128,620</u>
<u>Liabilities</u>			
Accounts payable	\$ 8,360	-	8,360
Deposit	<u>109,361</u>	<u>10,899</u>	<u>120,260</u>
Total liabilities	<u>\$ 117,721</u>	<u>10,899</u>	<u>128,620</u>

CITY OF PALOS VERDES ESTATES

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>Special Deposits Fund</u>				
Assets:				
Cash and investments	\$ 141,305	3,850	(27,434)	117,721
Interest receivable	584	-	(584)	-
Total assets	<u>\$ 141,889</u>	<u>3,850</u>	<u>(28,018)</u>	<u>117,721</u>
Liabilities:				
Accounts payable	\$ 271	8,360	(271)	8,360
Deposits	141,618	3,402	(35,659)	109,361
Total liabilities	<u>\$ 141,889</u>	<u>11,762</u>	<u>(35,930)</u>	<u>117,721</u>
<u>Police Property/Evidence Fund</u>				
Assets:				
Cash and investments	\$ 10,769	130	-	10,899
Interest receivable	36	-	(36)	-
Total assets	<u>\$ 10,805</u>	<u>130</u>	<u>(36)</u>	<u>10,899</u>
Liabilities:				
Deposits	<u>\$ 10,805</u>	<u>143</u>	<u>(49)</u>	<u>10,899</u>
<u>All Agency Funds</u>				
Assets:				
Cash and investments	\$ 152,074	3,980	(27,434)	128,620
Interest receivable	620	-	(620)	-
Total assets	<u>\$ 152,694</u>	<u>3,980</u>	<u>(28,054)</u>	<u>128,620</u>
Liabilities:				
Accounts payable	\$ 271	8,360	(271)	8,360
Deposits	152,423	3,545	(35,708)	120,260
Total liabilities	<u>\$ 152,694</u>	<u>11,905</u>	<u>(35,979)</u>	<u>128,620</u>

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STATISTICAL SECTION
(Unaudited)

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STATISTICAL SECTION

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

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.	84-87
Revenue Capacity	
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	88-96
Dept 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 ability to issue additional debt in the future.	97-98
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.	99-100
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.	101-103

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 Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Government activities								
Invested in capital assets, net of related debt	\$47,896	47,431	50,376	55,508	61,847	60,831	59,719	56,687
Restricted	2,912	2,067	1,959	1,979	1,593	1,324	1,720	2,050
Unrestricted	<u>22,335</u>	<u>23,898</u>	<u>23,315</u>	<u>23,794</u>	<u>24,773</u>	<u>26,189</u>	<u>27,067</u>	<u>28,931</u>
 Total governmental activities net assets	 <u>\$73,143</u>	 <u>73,396</u>	 <u>75,650</u>	 <u>81,281</u>	 <u>88,213</u>	 <u>88,344</u>	 <u>88,506</u>	 <u>87,668</u>
 Primary government								
Invested in capital assets, net of related debt	\$47,896	47,431	50,376	55,508	61,847	60,831	59,719	56,687
Restricted	2,912	2,067	1,959	1,979	1,593	1,324	1,720	2,050
Unrestricted	<u>22,335</u>	<u>23,898</u>	<u>23,315</u>	<u>23,794</u>	<u>24,773</u>	<u>26,189</u>	<u>27,067</u>	<u>28,931</u>
 Total primary government net asset	 <u>\$73,143</u>	 <u>73,396</u>	 <u>75,650</u>	 <u>81,281</u>	 <u>88,213</u>	 <u>88,344</u>	 <u>88,506</u>	 <u>87,668</u>

* The City of Palos Verdes Estates implemented GASB 34 for the fiscal year ended June 30, 2003:
Additional years will be provided as such information becomes available.

CITY OF PALOS VERDES ESTATES

Changes in Net Assets

Last Eight Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

Expenses	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:								
General government	\$ 1,619	1,485	1,361	1,385	1,458	1,504	1,693	1,592
Public safety	6,499	7,182	7,488	8,284	8,443	8,899	9,554	9,536
Public works	3,717	4,511	3,199	4,846	5,851	4,588	4,327	4,887
Parks and recreation	1,449	1,287	1,091	1,336	1,370	2,721	2,808	2,821
Total governmental activities expenses	<u>\$ 13,284</u>	<u>14,465</u>	<u>13,139</u>	<u>15,851</u>	<u>17,122</u>	<u>17,712</u>	<u>18,382</u>	<u>18,836</u>
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 65	55	57	54	68	56	63	68
Public safety	3,031	3,114	3,290	3,403	3,565	3,714	3,902	4,071
Public works	1,315	1,387	1,188	1,242	1,539	1,265	852	978
Parks and recreation	769	803	776	727	833	989	1,008	987
Operating grants and contributions	838	834	927	1,053	1,188	907	1,113	1,291
Capital grants and contributions	689	1,824	2,167	7,571	8,703	2,522	3,656	2,012
Total governmental activities program revenues	<u>6,707</u>	<u>8,017</u>	<u>8,405</u>	<u>14,050</u>	<u>15,896</u>	<u>9,453</u>	<u>10,594</u>	<u>9,407</u>
Net (expense)/revenue	<u>\$ (6,577)</u>	<u>(6,448)</u>	<u>(4,734)</u>	<u>(1,801)</u>	<u>(1,226)</u>	<u>(8,259)</u>	<u>(7,788)</u>	<u>(9,429)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Property taxes	\$ 3,715	4,066	4,287	4,715	5,157	5,390	5,661	5,695
Utility users tax	2,879	18	2	-	-	-	-	-
Sales and use taxes	328	364	369	389	428	406	340	309
Franchise taxes	772	839	828	850	891	886	850	813
Motor vehicle in lieu tax (unrestricted)	795	638	1,080	1,006	1,020	1,052	1,092	1,107
Investment income	192	63	191	335	544	456	241	97
Miscellaneous	116	149	230	136	118	200	80	491
Contribution from other entities	441	564	-	-	-	-	-	-
Extraordinary item – settlement of insurance litigation	4989 ¹	-	-	-	-	-	-	-
Total General Revenue and Extraordinary Item	<u>14,227</u>	<u>6,701</u>	<u>6,987</u>	<u>7,431</u>	<u>8,158</u>	<u>8,390</u>	<u>8,264</u>	<u>8,512</u>
Change in Net Assets	<u>\$ 7,650</u>	<u>253</u>	<u>2,253</u>	<u>5,630</u>	<u>6,932</u>	<u>131</u>	<u>476</u>	<u>(917)</u>

Note: The City of Palos Verdes Estates implemented GASB 34 for the fiscal year ended June 30, 2003.

Additional years will be provided as such information becomes available.

¹ Proceeds from the Bluff Cove litigation were transferred from the general capital improvement fund to the sewer fund.

City of Palos Verdes Estates
Fund Balances of Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund								
Reserved	\$ 15	5	35	19	6	37	4	57
Unreserved	<u>5,884</u>	<u>6,667</u>	<u>6,595</u>	<u>7,012</u>	<u>7,256</u>	<u>7,468</u>	<u>8,472</u>	<u>8,472</u>
Total General Fund	<u>\$ 5,899</u>	<u>6,672</u>	<u>6,630</u>	<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	\$ 301	405	144	53	332	330	328	335
Unreserved, reported in:								
Designated for capital projects	6,181	5,904	3,963	3,640	2,371	2,709	1,857	291
Special revenue funds	2,611	2,172	2,337	2,493	1,717	1,436	2,064	1,716
Capital projects funds	<u>15,517</u>	<u>16,097</u>	<u>15,409</u>	<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>\$24,610</u>	<u>24,578</u>	<u>21,853</u>	<u>21,375</u>	<u>20,428</u>	<u>18,665</u>	<u>19,150</u>	<u>19,441</u>

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

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues:								
Property tax	\$ 3,715	4,066	4,288	4,715	5,157	5,390	5,661	5,695
Special assessment	2,799	4,223	4,390	4,617	4,594	4,924	5,140	5,098
Utility user tax	2,880	18	2	-	-	-	-	-
Other taxes	1,321	1,433	1,383	1,474	1,532	1,479	1,385	1,378
Licenses and permits	658	726	583	574	784	654	545	514
Fines and forfeitures	182	201	169	181	177	191	190	181
Use of money and agencies	1,219	1,099	1,310	1,588	2,093	2,058	1,639	1,300
Revenues from other agencies	1,781	1,519	1,882	1,895	2,027	1,771	3,088	2,155
Charges for services	765	734	708	756	860	678	410	549
Other	124	173	254	383	135	323	89	975
Total revenues	<u>15,444</u>	<u>14,192</u>	<u>14,969</u>	<u>16,183</u>	<u>17,359</u>	<u>17,468</u>	<u>18,147</u>	<u>17,845</u>
Expenditures:								
General government	1,388	1,377	1,307	1,317	1,475	1,437	1,561	1,536
Public safety	6,638	7,408	7,479	8,285	8,813	8,893	9,504	10,877
Public works	3,449	3,658	6,122	5,395	5,557	5,164	4,514	4,014
Parks and recreation	1,130	925	886	940	952	1,123	1,113	1,074
Total expenditures	<u>12,605</u>	<u>13,368</u>	<u>15,794</u>	<u>15,937</u>	<u>16,797</u>	<u>16,617</u>	<u>16,692</u>	<u>17,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,839</u>	<u>824</u>	<u>(825)</u>	<u>246</u>	<u>562</u>	<u>851</u>	<u>1,455</u>	<u>344</u>
Other financing sources (uses):								
Transfers in	8,521	824	1,762	891	2,326	1,709	541	563
Transfers out	<u>(8,521)</u>	<u>(824)</u>	<u>(1,762)</u>	<u>(891)</u>	<u>(2,335)</u>	<u>(1,709)</u>	<u>(541)</u>	<u>(563)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Extraordinary item - settlement in insurance litigation	<u>4,989</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 7,828</u>	<u>824</u>	<u>(825)</u>	<u>246</u>	<u>553</u>	<u>851</u>	<u>1,455</u>	<u>344</u>

* The City of Palos Verdes Estates has elected to show only eight 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>
2001	\$ 3,172,466	2,403,286	280,162	335,793	764,265	6,955,972
2002	3,433,933	2,608,640	238,646	355,790	759,724	7,396,733
2003	3,714,562	2,879,526	328,119	771,668	794,616	8,488,491
2004	4,066,440	17,885	363,931	838,457	638,145	5,924,858
2005	4,287,637	1,703	369,132	828,572	1,080,711	6,567,755
2006	4,715,003	-	388,514	850,227	1,005,877	6,959,621
2007	5,157,262	-	428,381	890,940	1,020,034	7,496,617
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

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			
2001	\$ 2,905,763	38,958	4,016	6,884	2,941,853	0.1135%
2002	3,114,644	34,917	5,991	5,189	3,150,363	0.1135%
2003	3,327,768	35,366	5,068	4,557	3,363,645	0.1135%
2004	3,597,540	35,340	5,040	7,425	3,630,495	0.1135%
2005	3,876,638	34,912	6,251	7,375	3,910,426	0.1135%
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%

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	City Direct Rate	LA County ERAF/Palos Verdes Library District/Palos Verdes Unified School District	Total	Overlapping Rates						Total Direct Overlapping Rates
				Palos Verdes Peninsula Unified School District	LA County flood Control District	Metropolitan Water District	Palos Verdes Library District	Los Angeles County	Comm. College	
2001	.1135	.8865	1.0000	.0161	.0016	.0088	.0114	.0013	-	1.0392
2002	.1135	.8865	1.0000	.0155	.0011	.0077	.0096	.0011	.0160	1.0510
2003	.1135	.8865	1.0000	.0151	.0009	.0067	.0097	.0010	.0146	1.0480
2004	.1135	.8865	1.0000	.0150	.0002	.0058	.0085	.0009	.0181	1.0485
2005	.1135	.8865	1.0000	.0150	.0002	.0058	.0085	.0009	.0181	1.0485
2006	.1130	.8870	1.0000	.0195	.0001	.0052	.0078	.0008	.0143	1.0477
2007	.1130	.8870	1.0000	.0141	.0001	.0047	.0073	.0006	.0215	1.0483
2008	.1130	.8870	1.0000	.0197	.0001	.0045	.0068	.0000	.0088	1.0399
2009	.1130	.8870	1.0000	.0201	.0000	.0043	.0068	.0000	.0221	1.0533
2010	.1130	.8870	1.0000	.0216	.0000	.0043	.0068	.0000	.0231	1.0556

Source: Los Angeles County Auditor Controller's Office.

Note: In 1978, California voters passed proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1% is shared by all taxing agencies for which the subject property resides within. The property is also directly assessed by LA County and by the Palos Verdes Unified School District and library.

CITY OF PALOS VERDES ESTATES

Principal Property Taxpayers

Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>2010</u>			<u>2001</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Tei Fu Chen Trust	\$ 30,738,232	1	0.59%	\$ 18,711,652	1	0.63%
Jose A. and Briditte Collazo Trust	22,094,225	2	0.43%	-	-	-
Masafumi Miyamoto	13,874,419	3	0.27%	11,624,671	2	0.39%
Jason and Wendy Moskowitz Trust	12,683,242	4	0.24%	-	-	-
Jackson and Julie Yang	11,258,803	5	0.22%	-	-	-
Hussain M. Shaikh	11,011,900	6	0.21%	-	-	-
Richard C. Lundquist Trust	10,634,892	7	0.20%	-	-	-
Timothy D. Armour Trust Del Mar Trust	10,283,416	8	0.20%	-	-	-
Bernadette and Mirabel Chao Trust	9,224,340	9	0.18%	7,445,118	4	0.25%
Yong G. Yan Trust	9,008,630	10	0.17%	-	-	-
Ta Hsiung Kao & Chyi Chuen	-	-	-	7,797,240	3	0.26%
Mastumoto Dental College of America	-	-	-	6,781,940	5	0.23%
Toyota Motor Sales USA Inc.	-	-	-	6,679,316	6	0.22%
Julian Elliot	-	-	-	6,313,152	7	0.21%
Deepak & Nandini Chopra	-	-	-	6,310,045	8	0.21%
Robert A. & Kathleen M. Eckert	-	-	-	6,087,571	9	0.20%
Perlman Trust	-	-	-	5,713,952	10	0.19%
	<u>\$ 140,812,099</u>		<u>2.71%</u>	<u>\$ 83,464,657</u>		<u>2.79%</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>
2001	\$ 2,937,133	\$ 2,857,425	97.29	\$ 72,126	\$ 2,929,551	99.74%
2002	3,163,498	3,082,388	97.44	74,732	3,157,120	99.80%
2003	3,436,256	3,347,066	97.40	79,585	3,426,651	99.72%
2004	3,709,834	3,628,027	97.79	90,992	3,719,019	100.25%
2005	4,045,265	3,949,536	97.63	78,642	4,028,178	99.58%
2006	4,392,166	4,278,192	97.41	85,888	4,364,080	99.36%
2007	4,729,479	4,549,980	96.20	91,585	4,641,565	98.14%
2008	5,065,255	4,810,980	94.98	130,813	4,941,793	97.56%
2009	5,332,363	5,081,257	95.29	223,255	5,304,512	99.48%
2010	5,430,923	5,243,610	96.55	224,553	5,468,163	100.69%

Note: 1 - These are collections during the fiscal year for various prior year accounts. Specific fiscal year information not available.

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 Direct Tax Rate
	Parcels. w/Bldg.- Improvement	Vacant	Residential Property	Commercial Property	Total Square Footage	Residential Property	Commercial Property	Total	
2006	5,075		14,711,704	246,593	14,958,297	\$3,054,312	\$38,595	\$3,092,907	\$ 226.72/parcel plus \$0.129850/sq.ft.
2006	0	110	0	0	0	24,939	0	24,939	\$ 226.72/parcel
2007	5,089		14,901,919	246,593	15,148,512	\$3,267,135	\$40,911	\$3,308,046	\$240.32/parcel plus \$0.137641/sq.ft.
2007	0	96	0	0	0	23,071	0	23,071	\$240.32/parcel
2008	5,097		15,027,563	246,593	15,274,156	\$3,424,361	\$42,629	\$3,466,990	\$250.41/parcel plus \$0.143422/sq.ft.
2008	0	89	0	0	0	22,286	0	22,286	\$250.41/parcel
2009	5,106		15,116,737	246,593	15,363,330	\$3,583,877	\$ 44,419	\$3,628,296	\$260.93/Parcel plus \$0.149446/sq.ft.
2009	0	83	0	0	0	21,657	0	21,657	\$260.93/parcel
2010	5,120		15,230,913	246,593	15,477,506	\$3,755,995	\$ 46,285	\$3,802,280	\$271.89/parcel plus \$0.155723/sq.ft.
2010	0	72	0	0	0	19,576	0	19,576	\$271.89/parcel

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 Bureau Veritas

CITY OF PALOS VERDES ESTATES
Fire Tax Rates
Direct Government
Last Five Fiscal Years

	<u>City Direct Tax Rate</u>
2006	\$.20840
2007	\$.21990
2008	\$.22840
2009	\$.23760
2010	\$.24690

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
Principal Special Fire Taxpayers
June 30, 2010
Current Year and Prior Year

<u>Property Owners</u>	2010		
	Building Square Footage <u>Value</u>	Special Fire Tax <u>Assessed</u>	Percentage of Building <u>Sq. Footage</u>
Lunada Bay Investment Co.	36,478	\$ 5,952	0.24%
Chen Tei Fu Co. Trust	26,650	4,422	0.17%
Lunada Bay Apartments Ltd.	23,361	3,910	0.15%
Plaza Palos Verdes LLC	23,203	3,885	0.15%
33 parcels (special fire tax paid over \$2,000)	382,024	67,375	2.47%
461 parcels (special fire tax paid between \$1,000-\$1,999)	2,874,465	572,962	18.57%
4698 parcels (special fire tax paid less than \$1,000 each)	<u>12,111,325</u>	<u>3,163,351</u>	<u>78.25%</u>
TOTAL	<u>15,477,506</u>	<u>\$ 3,821,857</u>	<u>100.00%</u>

Source: Fire and Paramedic Services Special Tax Report prepared by Bureau Veritas

CITY OF PALOS VERDES ESTATES
Principal Special Fire Taxpayers
June 30, 2009
Current Year and Prior Year

<u>Property Owners</u>	2009		
	<u>Building Square Footage Value</u>	<u>Special Fire Tax Assessed</u>	<u>Percentage of Building Sq. Footage</u>
Lunada Bay Investment Co.	36,478	\$ 5,712	0.24%
Chen Tei Fu Co. Trust	26,650	4,244	0.17%
Lunada Bay Apartments Ltd.	23,361	3,753	0.15%
Plaza Palos Verdes LLC	23,203	3,729	0.15%
21 parcels (special fire tax paid over \$2,000)	288,048	48,526	1.87%
389 parcels (special fire tax paid between \$1,000-\$1,999)	2,572,396	485,936	16.74%
4775 parcels (special fire tax paid less than \$1,000 each)	<u>12,393,194</u>	<u>3,098,054</u>	<u>80.67%</u>
TOTAL	<u>15,363,330</u>	<u>\$ 3,649,954</u>	<u>100.00%</u>

Source: Fire and Paramedic Services Special Tax Report prepared by Bureau Veritas

CITY OF PALOS VERDES ESTATES
Direct and Overlapping Governmental Activities Debt
June 30, 2010

2009-2010 Assessed Valuation: \$5,202,703,875

<u>Governmental Unit</u>	<u>Outstanding Debt</u> <u>6/30/10</u>	<u>Estimated</u> <u>Percentage</u> <u>Applicable</u>	<u>Estimated</u> <u>Share of</u> <u>Overlapping</u> <u>Debt</u>
Overlapping General Fund Debt (Note 1)			
Los Angeles County General Fund Obligations	\$ 855,695,839	0.559 %	\$ 4,783,340
Los Angeles County Pension Fund Obligations	118,486,192	0.559 %	662,338
Los Angeles County Superintendent of Schools COPs	13,185,458	0.559 %	73,707
Los Angeles County Sanitation District – South Bay Authorities	9,696,146	16.688 %	1,618,093
Los Angeles County Sanitation District #5	56,909,182	0.568 %	323,244
Direct & Overlapping tax & Assessment Debt (Notes 1 & 2)			
Los Angeles Community College District	2,365,515,000	0.985 %	23,300,323
Palos Verdes Peninsula Unified School District	82,346,983	30.124 %	24,806,205
Los Angeles Regional Park & Open Space Assessment District	222,660,000	0.559 %	1,244,669
Palos Verdes Library District	7,416,000	28.637 %	2,123,730
Metropolitan Water District	264,220,000	0.288 %	760,954
Los Angeles County Flood District	69,610,000	0.565 %	<u>393,297</u>
Subtotal, overlapping debt			\$ 60,089,900
City direct debt			<u>-</u>
Total direct and overlapping debt			<u>\$ 60,089,900</u>

Source: California 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 does 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 county'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, 2010
(dollars in thousands)

Assessed value before homeowners exemption	<u>\$ 5,202,704</u>
Debt limit - 15% of assessed value	\$ 780,406
Amount of debt applicable to debt limit	<u>0</u>
Legal debt margin	<u>\$ 780,406</u>

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$ 441,278	472,404	504,546	544,574	586,564	633,657	686,784	724,261	764,297	780,406
Total net debt applicable to limit	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Legal debt margin	<u>\$ 441,278</u>	<u>472,404</u>	<u>504,546</u>	<u>544,574</u>	<u>586,564</u>	<u>633,657</u>	<u>686,784</u>	<u>724,261</u>	<u>764,297</u>	<u>780,406</u>
Total net debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%	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).

Source: City Finance Department

CITY OF PALOS VERDES ESTATES

Demographic and Economic Statistics

Last Ten Calendar Years

<u>Calendar Year</u>	<u>City Population</u>	<u>LA County Population (thousands) (2)</u>	<u>Personal Income (millions of dollars) (2)</u>	<u>Per Capital Personal Income (2)</u>	<u>Unemployment Rate (3)</u>
2001	13,572	12,550	403,518	32,152	1.1
2002	13,757	12,691	412,753	32,522	1.3
2003	13,928	12,817	427,041	33,318	1.4
2004	14,086	12,899	453,901	35,188	1.3
2005	14,208	12,933	475,262	36,746	1.0
2006	14,041	12,867	505,197	39,011	0.9
2007	14,085	12,785	540,510	42,278	1.0
2008	14,046	12,768	555,450	42,916	1.5
2009	14,046 (1)	*	*	*	1.6
2010	14,085 (1)	*	*	*	2.6

- 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 (2)</u>
Palos Verdes Peninsula Unified School District	593	1	66.18%
Concession clubs		2	12.61%
Palos Verdes Golf Club	101		
Palos Verdes Beach & Athletic Club	6		
Palos Verdes Tennis Club	6		
City Government			
City of Palos Verdes Estates	57	3	6.36%
Restaurants	17	4	1.90%
Real Estate & Escrow Companies	<u>25</u>	5	<u>2.79%</u>
Total	<u>805</u>		<u>89.84%</u>

Source: City Finance Department

Notes (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.

(3): Data regarding principal employers as of ten years prior to the current period is not available.

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

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of June 30,</u>									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government:										
Management services	8.88	8.88	8.88	8.88	8.88	8.88	9	9	9	9
Finance	2	2	2	2	2	2	2	2	2	2
Building and Planning	1.8	1.8	2	3	3	2.25	2.5	2.50	2.50	2.50
Other	5.34	4.28	4.78	4.78	4.77	4.77	4.57	4.64	4.64	4.09
Police:										
Sworn officers (2)	21	21	21	22	22	22	22	22	22	22
Service officers (3)	11	11	11	10	10	10	11	11	11	11
Streets and Parks	<u>6</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5.5</u>
Total	56.02	54.96	55.66	55.66	55.65	54.90	56.07	56.14	56.14	56.09

Source: City Finance Department

Notes :

- (1) The City contracts with the following:
 - a) Los Angeles County for fire and paramedic services
 - b) Charles Abott & Associates for building, planning and public works administrative services.
- (2) Chief of Police, 2 Captains and Secretary to the Chief are included in General Government – Management services
- (3) Includes 1 Community Relations Officer

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police:										
Physical arrests	684	788	685	608	825	681	899	797	594	419
Parking violations	1,775	2,071	2,135	2,405	1,958	2,768	2,898	2,901	3,010	3,002
Moving violations	2,024	2,465	2,200	1,875	1,386	943	758	958	553	798
Building & Planning:										
Building permits issued	1,340	1,301	1,419	1,681	1,744	2,052	2,458	2,197	1,614	1,650
Total number of inspections	3,886	3,981	3,845	4,845	4,170	4,068	4,072	3,898	2,763	2,320
Grading applications	24	24	25	37	27	24	27	23	20	17
Neighborhood compatibility Applications	59	59	79	58	71	64	57	49	35	32.5
Miscellaneous applications	15	15	30	20	22	23	30	34	44	53
Public Works:										
Public works permits	281	215	221	212	237	294	241	272	322	200
Street resurfacing (miles)	11	10.7	10.5	10.4	1.3	0	9.3	8.7	9.9	3.55

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Function/Program (1)</u>										
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)	26	26	26	26	27	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).