



INCORPORATED 1939

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
year ended June 30, 2018



**CITY OF PALOS VERDES ESTATES  
PALOS VERDES ESTATES, CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**WITH REPORT ON AUDIT  
BY INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**CITY OF PALOS VERDES ESTATES, CALIFORNIA**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2018**  
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December 11, 2018

Honorable Mayor and Members of the City Council,

With receipt of the Governmental Finance Officers Association (GFOA) “Certificate of Achievement for Excellence in Financial Reporting Program” for the City’s Comprehensive Annual Financial Report (CAFR) ending June 30, 2017, it has now been 26 consecutive years that the City of Palos Verdes Estates (“the City”) has demonstrated and been recognized for its accuracy, integrity, disclosure, management and reporting of City finances. To accomplish this, our practices and procedures in financial management are routinely updated for representing the City’s financial records in a consistent manner with best practices in governmental accounting and we have, and have had, excellence in the Finance Department consisting of staff who are committed to responsibly managing the City’s fiscal resources.

Consistent with this successful legacy, we are now pleased to present the Comprehensive Annual Financial Report (CAFR) ending June 30, 2018. It is prepared following the same standards of financial reporting and fiscal integrity to continue our history of excellence in financial reporting and management. The CAFR represents a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) that has been audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants.

The CAFR consists of City management’s representations of the City’s finances. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in the CAFR. To provide a reasonable basis for making these representations, the City has instituted a comprehensive framework of internal controls that are designed 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 statements in conformity with GAAP. In principle, because the cost of internal controls should not outweigh their benefits, the City’s comprehensive internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. In turn, we assert that to the best of our knowledge, the financial statements are complete and reliable in all material aspects.

The City’s financial statements have been audited by White Nelson Diehl Evans, LLP, an independent public accountancy firm. The firm was retained by the Palos Verdes Estates City Council beginning with the fiscal year 2015-2016 audit. The presentation of this report completes their third year of a five year engagement with the City. The intent with having an external auditor is to provide reasonable, independent and unbiased assurance that the City’s financial statements

are free of material misstatement. In turn, White Nelson Diehl Evans, LLP has again rendered an unmodified (“clean”) opinion that the City’s financial statements for the fiscal year ended June 30, 2018 were fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

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

### **Profile of the Government**

The City of Palos Verdes Estates, as a planned community designed by Frederick Olmsted, Jr. in 1910, is comprised primarily of residential properties with panoramic views overlooking the Pacific Ocean and Los Angeles metropolitan area; along with large areas of parklands that 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 approximately 13,500 within an area of 4.75 square miles. As a residential community with almost no commercial tax base, the City had depended significantly on property taxes and a special parcel tax to provide services to residents and the public.

The City operates under the Council-Manager form of government. Policy-making and legislative authority are vested in five City Council members. City Council members are elected on a non-partisan basis. Elections have been held in March of odd-numbered years, although in accordance with State law, elections are transitioning to November in even-numbered years beginning in 2020. City Council members serve four-year staggered terms and receive no compensation. One member of the City Council is designated as Mayor; the Mayor’s position rotates annually among the City Council members. The City Council is responsible for a variety of functions including passing ordinances, establishing policies, allocating resources, appointing Commission and Committee members and hiring both the City Manager and City Attorney. The City operates on a July 1 – June 30 fiscal year, and in even-numbered years, the City Council approves a bi-annual operating and capital improvement budget. 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 all hiring decisions. Voters also elect, every four years, a City Treasurer who is responsible for the City’s investment and banking decisions.

City employees provide the following public services: public safety; planning and building services; public works, maintenance of City buildings, parkways, medians and streets; and general administrative services. The City contracts with the Los Angeles County Fire Department for fire suppression and paramedic services. The City also contracts with private firms for professional engineering and capital project management; building plan check, permitting and inspection; business license tax management and collection, information technology services; refuse collection; and grounds maintenance. The City has a franchise agreement with a private firm for residential refuse collection. The City also has concession agreements for use of City property that collectively provide recreational venues consisting of public golf, tennis, swimming and stables for residents and the public.

## Financial Policies

**Budget Policy and Practice** - The City Council adopts a two-year budget document. In the intervening year of the two-year budget, the City Council reviews and affirms the budget appropriations. The budget serves as the foundation and resource allocation multi-year plan for the City's financial planning and control and for the delivery of services. The City Manager presents a balanced bi-annual budget to the City Council in mid-May after an intensive, multi-month internal process of reviewing and presenting year-end and future year revenue projections, expenditure status, and Department budget requests. A public hearing on the proposed budget is held at the first City Council meeting of June and the final budget is adopted prior to June 30. The budget is controlled at the Fund level and the City Manager is authorized to make transfers between Departments within policy defined levels. The budget has also been designed to present fiscal information at the Department and program level to communicate how key services are delivered. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

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

**Government Accounting Standards Board (GASB) 68** – The valuable impact of this accounting standard, which became effective in the in fiscal year 2014-2015 reporting year, cannot be understated. It effectively calls for the full-accrual recording of actuarially determined employee pension obligations as of the date of this report. As such, cities across the country prepare financial reports that include these material liabilities. For Palos Verdes Estates, a pension liability impact of \$11.4 million is identified herein. With GASB 68, some points of clarification are important. It is notable that the pension liability should not be interpreted to have direct/near term budgetary impact; which is to say, the budget includes the current annual payments required for pension obligations. The long-term liability is a future, multi-year obligation that fluctuates based on many factors that are solely under the authority of CalPERS. The inclusion of pension liabilities properly communicates the long term cost of such benefits and underscores the challenges, as discussed in current and past budgets, faced by cities in managing the rising costs in a limited revenue source environment. The City is actively working to manage and ultimately minimize the unfunded liability.

**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 Investment Policy, last updated in 2018. The Investment Policy defines the objectives and priorities of the investment program; it is centered on the safety and liquidity of funds as the highest two priorities, as per California government code. The policy's third priority is to achieve the maximum yield possible within the constraints of the two primary objectives. For the year ending

June 30, 2018, the City uses three main investment mechanisms for idle funds: the State Treasurer's Local Agency Investment Fund (LAIF), Los Angeles County Investment Pool, and U.S. Government securities.

### **Major Initiatives and Achievements**

The following list highlights the City's accomplishments in fiscal year 2017-2018. These accomplishments are accountable to the entire organization. It is not intended to be a comprehensive list but rather, it is a representation of the organization's collective efforts to serve the community.

- **Public Safety:** Along with the appointment of a new Police Chief, the Department maintained an average emergency response time of 3 minutes, conducted "street meets" with the Fire Department to broaden its connection to residents, expanded the participation its volunteer programs, conducted active shooter training at local schools, enhanced communications with the community, and expanded its use of social media presence to increase community outreach and connections.
- **Capital Improvements and Equipment Replacement:** Construction projects were few in recognition of budget constraints resulting from the loss of Measure D parcel tax revenue. One significant project was the implementation of new telephony to provide automated features in the absence of staff, direct connectivity by the public to staff desks, and a reliable network.
- **Public Works:** The Public Works Department was proactive in preparing for the rainy season; storm drains were inspected and cleaned; sandbags were placed in poor drainage areas; runoff was monitored during heavy rain events; debris was picked up and drains were cleared subsequent to rain events; and crews were on duty during forecasted extremely severe weather to ensure public safety. The Public Works Department also facilitated the removal of unpermitted structures and miscellaneous debris from Lunada Bay, provided support for community events, and re-landscaped the entry median on Granvia Altamira and Via Cerritos.
- **Local Hazard Mitigation:** Approximately 220 acres of open space adjacent to private property was again cleared for fire safety. The Local Hazard Mitigation Plan to address the community's susceptibility to various natural hazards and identifying activities to minimize potential impacts was also approved.
- **Community Development:** Over 1,800 building permits were issued for additions and new construction of homes. Total value of building permits issued was approximately \$34.6 million. There was increased interest in remodeling or building new homes with the submittal of 24.5 new Neighborhood Compatibility applications.
- **Forestry:** The City's urban forest has over 10,000 trees. Over 950 trees were trimmed to improve strong growth, remove damaged limbs, enhance aesthetics and as a preventative measure to reduce risk. Approximately 56 trees were removed due to damage, disease or safety concerns.
- **Fiscal Plan and Management:** The City Council completed the year consistent with, and somewhat better than, budgeted projections. The adopted budget represented a balanced resource allocation plan to achieve the priorities and budget savings consistent with budget reductions and policy directives. Again, the City received an award for excellence in

financial reporting. The City also entered into a contract with HdL for business license tax processing and enforcement. The contract with HdL provides efficiency through contracting, and a paperless and automated application process over the internet.

- **Organization Leadership and Management:** The City reduced the number of positions and associated services cognizant of budget constraints. Positions were eliminated in the City Manager's office, Code Enforcement and Police Department.
- **Organizational Professional Training & Development:** City staff participated in over 35 mandated training/webinars specific to their position providing required certification for employees and providing for the knowledge and tools necessary for maintaining customer service. The City of Palos Verdes Estates also expanded participation in the internship program for High School and College Students that teaches civic engagement through hands-on work experience.
- **Treasury:** The City Council approved a new, updated Investment Policy prepared by its Investment Policy Advisory Committee that received recognition and certification by the California Municipal Treasurers Association.

### **Factors Affecting Financial Condition**

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

**Local Economy.** The City of Palos Verdes Estates is overwhelmingly residential; predominately comprised of single family homes. The City is fully developed and has few vacant parcels. Commercial activity in the City is primarily real estate firms with other business that support real estate activity, including mortgage and title companies, or provide local services. Property Tax is the primary component of the City's revenue stream. In this respect, although the City is not diversified in its mix of revenue sources, the City is also not subject to widespread, consumer-driven, economic fluctuations - except to the extent that the real estate market is affected by property sales and valuations. This is because sales tax revenue accounts for less than 3% of total General Fund revenue. Within the City's two small commercial areas at Malaga Cove and Lunada Bay Plazas, there are minor retail and small, locally owned restaurants and food markets. Given this condition, continuing to maintain operating efficiency while adhering to staunch fiscal prudence and long-term planning has served the City well.

In a larger regional point-of-view, the City of Palos Verdes Estates exists among the larger South-Bay region of Los Angeles County, consisting of 16 incorporated cities and 20 communities. The South Bay is home to many aerospace and defense-related industries including the Los Angeles Air Force Base, as well as manufacturing, software development, entertainment, travel and tourism. Located near Los Angeles International Airport and the ports of Los Angeles and Long Beach, the South Bay is an essential component of the Los Angeles County economy and the area is home to many firms dealing in international markets.

**Long-term Financial Planning.** Infrastructure maintenance, replacement, and upgrade are critical components of the City's financial planning and fiscal needs. Like other cities, long-term planning is also necessary for meeting the obligations of state mandates, pension, insurance,

healthcare and contract increases. However, because the City must rely on voter approved taxes for balancing the budget, infrastructure enhancement, and on-going maintenance, options for future needs must be critically evaluated. Revenues must be evaluated for having the fiscal resources to affect necessary infrastructure maintenance, replacement and upgrade and to meet operating obligations. The City Council established a Finance Advisory Committee to provide recommendations for sustaining the long-term viability of the City, and specifically preparing a financial forecast for anticipating the revenue needs of the City. Finances for infrastructure and pensions will remain a key need as both a challenge and opportunity for long-term financial planning. The major assets for which long-term financial planning is necessary includes: sewer and storm water systems; City buildings & equipment; technology equipment and infrastructure; the urban forest and open space/parklands; and roadways, curbs & gutters; and general Citywide equipment. Developing a long range model that both anticipates and funds the maintenance, replacement and upgrade of City assets and the other operating cost increases is necessary, as it will provide the forecast necessary for maintaining the quality of life and services that residents expect and desire.

### **Awards and Acknowledgments**

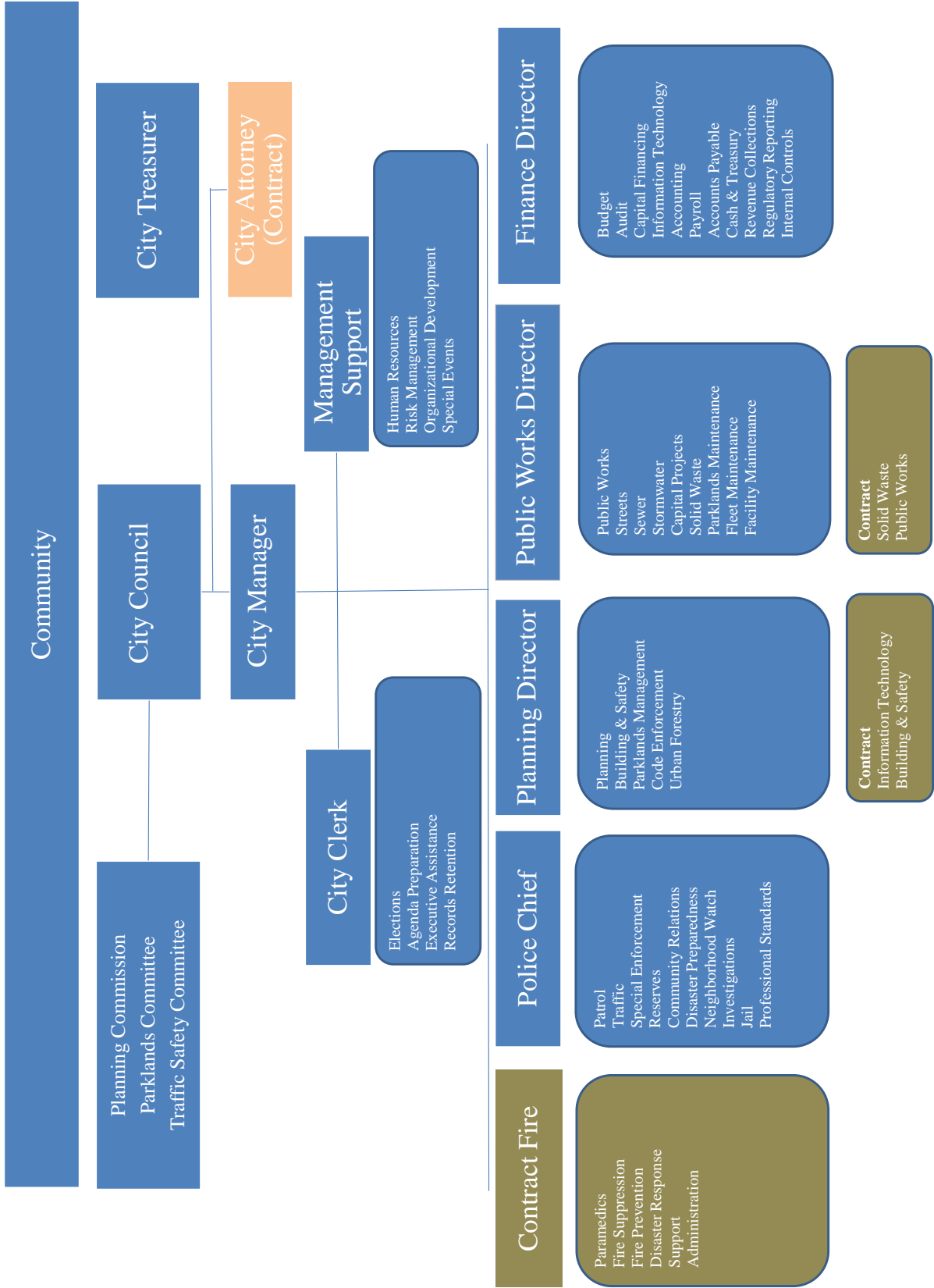
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2017. This was the 26th year that the city has achieved this prestigious award. In order to receive a Certificate of Achievement, the City published an easily readable and an efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

We sincerely thank the City Council for your support and expectations of the highest standards of professionalism, professional ethics, and conservative financial posture in the management of the City's finances. We also thank all the staff of the Finance Department for their vision, integrity, attention to detail, thoroughness, management, and service in achieving the City's excellent financial success during the year.



Anton Dahlerbruch  
City Manager

# City of Palos Verdes Estates - Organizational Structure



# Elected Officials & Executive Team

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## ELECTED OFFICIALS

Mayor  
Mayor Pro Tem  
Council Members

Betty Lin Peterson  
Kenneth J. Kao  
Sanford S. Davidson  
Jennifer L. King  
James D. Vandever

City Treasurer

Victoria Lozzi

## EXECUTIVE TEAM

City Manager  
City Attorney  
Finance Director  
Chief of Police  
City Clerk  
Director of Public Works / City Engineer  
Assistant to the City Manager

Anton Dahlerbruch  
Christi Hogin  
Sharon Del Rosario  
Mark Velez  
Lauren Pettit  
Ken Rukavina  
Karina Bañales

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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Palos Verdes Estates  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Palos Verdes Estates, California (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

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

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

## **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, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Report on Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of proportionate share of the net pension liability for the miscellaneous and safety plans, the schedules of plan contributions for the miscellaneous and safety plans, the schedule of changes in total pension liability and related ratios for the special retirement income plan, and the budgetary comparison schedules for the General Fund and major Special Revenue Funds, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance.

**Other Matters (Continued)**

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the City's internal control over financial reporting and compliance.

*White Nelson Nick Evans LLP*

Irvine, California  
December 5, 2018

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## MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Palos Verdes Estates' financial performance provides an overview of the financial activities of the City for the fiscal year ended June 30, 2018. It is suggested that this overview be read in conjunction with the letter of transmittal (pages i-vi) and the accompanying financial statements.

### **Overview of the Financial Statements**

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or disbursed.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term

financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Palos Verdes Estates maintains 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 special revenue fund and the two capital improvement funds; general capital and sewer. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* on pages 69-73 of this report.

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

The basic governmental fund financial statements can be found on pages 18-28 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, the net revenue (expenses) have been included within *governmental activities* in the government-wide financial statements. The two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 25-27 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Palos Verdes Estates' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 28 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes can be found on pages 29-64 of this report.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 69-93.

## **Financial Highlights**

### **Government-wide / Full Accrual Basis**

- In FY 2014-15 the City implemented Government Accounting Standards Board (GASB) Statement Number 68 and during the last year, Statement Number 73. This fundamentally new reporting standards, a continued move in the industry to calibrate local government with private reporting, requires the full recording of pension liabilities and their fiscal sensitivities. Based upon CalPERS provided actuarial studies, this financial report quantifies the City's pension liability at June 30, 2018 at \$15,040,247. Although this recently stated liability has no near term budgetary cash impact, as is the case for all government agencies nationwide, this adjustment



decrements the full-accrual equity presentation substantially illustrating the current costs and projections and obligations of defined benefit plans.

- The City's net position at the end of fiscal year 2017-18 totaled \$53,694,628. Including the impact of reporting pension liabilities (GASB 68), depreciation and investment in capital assets, this is a decrease of \$4,539,724 or 7.8%. The City's net investment in capital assets at June 30, 2018 totaled \$41,014,128, which is \$1,673,759 less than the prior year, and primarily attributable to the annual depreciation of \$3,161,639, net of additions \$1,556,504, and deletions and adjustments of \$68,624. The decline in net position is typical and consistent with historical trends now that GASB 68 requires the reporting of pension liabilities and is affected when annual depreciation expense outpaces annual capital asset additions.
- Unrestricted net position, which may be used to meet the government's ongoing obligations, totaled \$5,683,578 net of the impact of the pension liabilities noted above.
- Net position restricted for special purposes, including public works and public safety, totaled \$6,996,922. Of this total, \$3,718,492 represents assets restricted for sanitary sewer improvements as part of the sewer capital fund and \$3,278,430 restricted special revenue dollars.

### **Governmental Funds / Budgetary Basis**

- The General Fund ended the year in a lower position as compared to FY 2016-17. As of June 30, 2018, the General Fund balance was \$10,255,152, a decrease of \$883,579 (or 7.93%). The lower fund balance resulted from the loss of Measure D to cover operating costs and the reliance upon reserves to maintain basic services. General Fund revenues exceeded expenditures by \$1,835,483 which is greater than the prior year and above the budget projections set in the annual updated plan. Mostly due to the loss of Measure D, the City achieved these operating surpluses with moderate growth in its revenue base, anchored by residential property values, by reducing the budget, delaying projects and continued cost conscious delivery of core municipal services. FY 2017-18 results include General Fund revenue of \$14,206,383 and expenditures of \$12,370,900. Revenues available for appropriation were \$783,044 more than budgeted while actual expenditures were \$426,344 below budget.
- During the year, the City's governmental revenues totaled \$16,372,539, a decrease of \$3,506,347, or 17.6%, from the prior year. General governmental expenditures totaled \$18,342,497 for the fiscal year end, a decrease in expenditures of \$1,865,050, or 9.2% from the prior year. Revenue decreases were also primarily due to the loss of Measure D, representing approximately \$5 million in revenues in the prior year and expenditure decreases mostly due to a reduction in public safety expenditures and a lower level of activity related to capital improvements outlay in the public works arena. In accordance with the budget appropriations at the outset of the year and during the year, overall governmental expenditures exceeded revenues by \$1,969,958 or 12.03%. These expenditures were made from unrestricted and unobligated funds, that were paid with available funds not set aside as the City's policy-established reserves.
- The City has maintained its prudent reserve posture. The City Council's current adopted Fund Balance Policy provides for a committed General Fund minimum balance of \$7,200,000 for emergency contingencies, which may be used in the event of a declared federal, state or local emergency affecting the City or in the event the City suffers a loss of a major general fund revenue source representing \$500,000 or greater. The committed fund balance meets 32% of the City's total operating budget, and it exceeds 58% of the General Fund operating expenditures. Restricted balances include \$3,718,492 of sewer capital funds, which must be used for sanitary sewer upgrades.

### Government-wide / Full Accrual Analysis

The City presents its financial statements using the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management’s Discussion and Analysis (MD & A) – for State and Local Government. GASB 34, in its own right, was quite a significant shift in reporting. As mentioned above, with the introduction of GASB 68, the reporting model and the Government-wide financial statements have made yet another material shift as it relates to pension liabilities.

As noted earlier, net position can, over time, contribute, as one of many factors, to an understanding of a government’s financial position as presented on a full-accrual basis. The City’s net position for fiscal years 2017-18 and 2016-17 are shown in Table 1. For fiscal year 2017-18, assets and deferred outflows of resources exceeded liabilities and deferred outflows of resources by \$53,694,628.

Net Position	2018	2017	Change (in dollars)
Current and other assets	26,321,087	28,978,936	(2,657,849)
Capital assets	41,014,128	42,687,887	(1,673,759)
Total Assets	<b>67,335,215</b>	<b>71,666,823</b>	<b>(4,331,608)</b>
Deferred Outflows	<b>4,265,430</b>	<b>3,385,017</b>	<b>880,413</b>
Non Current liabilities	(1,046,056)	(1,060,520)	14,464
Pension Liabilities	(15,040,247)	(13,020,874)	(2,019,373)
Other liabilities	(1,214,497)	(1,744,770)	530,273
Total liabilities	<b>(17,300,800)</b>	<b>(15,826,164)</b>	<b>(1,474,636)</b>
Deferred Inflows	<b>(605,217)</b>	<b>(991,324)</b>	<b>386,107</b>
Net Invested in capital assets	41,014,128	42,687,887	(1,673,759)
Restricted	6,996,922	6,587,821	409,101
Unrestricted	5,683,578	8,958,644	(3,275,066)
<b>Total net position</b>	<b>53,694,628</b>	<b>58,234,352</b>	<b>(4,539,724)</b>

The largest portion of the City’s net position (76.38 %) reflects its net investment in capital assets (land, buildings, infrastructure, machinery and equipment). It is important to note that, given their infrastructure nature, these assets are not available for future spending. The decrease of \$1,673,759 is attributable to the annual depreciation of \$3,161,639 net of additions/deletions/adjustments totaling \$1,487,880.

An additional portion of the City’s net position (13.03%) represent resources that are subject to legal restrictions on how they may be used. The increase is attributable to current year revenues exceeding current expenditures for restricted funds.

The remaining balance of unrestricted net position (10.59%) may be used to meet the government's ongoing obligations. The unrestricted net position decreased by \$3,275,066, mostly due to the use of unrestricted general funds to pay for fire and paramedic services due to the loss of Measure D. Included as part of the unrestricted net position is the general capital project fund balance, which totals \$5,120,706 or 90.10% of the unrestricted net position, this amount is designated for future capital projects.

**Governmental activities.** During FY 2017-18, the City's net position, including depreciation and capital spending, decreased \$4,539,724 considering all governmental activity, which is attributable to expenses in excess of program and general revenues. Charges for services decreased by \$5.6 million from prior year due to the ending of the fire parcel tax. Prior year charges for services included approximately \$4.7 million of assessments for fire parcel tax, while current year includes only approximately \$44,000. In addition, prior year charges for services included approximately \$1.2 million charges for services representing charges by Internal Service funds to other funds. In current year, the treatment was changed and the net loss was added to expenditures.

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

**Table 2**  
Changes in Net Position

Activities	2018	2017	Change (in dollars)
<b>Program revenues:</b>			
Charges for services	3,335,725	8,912,227	(5,576,502)
Operating grants and contributions	1,702,865	1,021,983	680,882
Capital grants and contributions	916,285	380,084	536,201
<b>General revenues:</b>			
Property taxes	9,466,159	9,088,751	377,408
Other taxes	1,595,596	1,483,396	112,200
Other	<u>295,956</u>	<u>628,092</u>	<u>(332,136)</u>
<b>Total revenues</b>	<b><u>17,312,586</u></b>	<b><u>21,514,533</u></b>	<b><u>(4,201,947)</u></b>
Expenses:			
General government	2,686,355	3,519,766	(833,411)
Public safety	12,119,524	12,044,602	74,922
Public works	5,110,975	5,797,999	(687,024)
Parks and recreation	<u>1,935,456</u>	<u>3,243,230</u>	<u>(1,307,774)</u>
<b>Total expenses</b>	<b><u>21,852,310</u></b>	<b><u>24,605,597</u></b>	<b><u>(2,753,287)</u></b>
Change in net position	(4,539,724)	(3,091,064)	(1,448,660)
Net position beginning	<b><u>58,234,352</u></b>	<b><u>61,325,416</u></b>	<b><u>(3,091,064)</u></b>
Net position June 30, 2018	<b><u>53,694,628</u></b>	<b><u>58,234,352</u></b>	<b><u>(4,539,724)</u></b>

Figure 1 - Revenues - Governmental Activities FY2017-2018

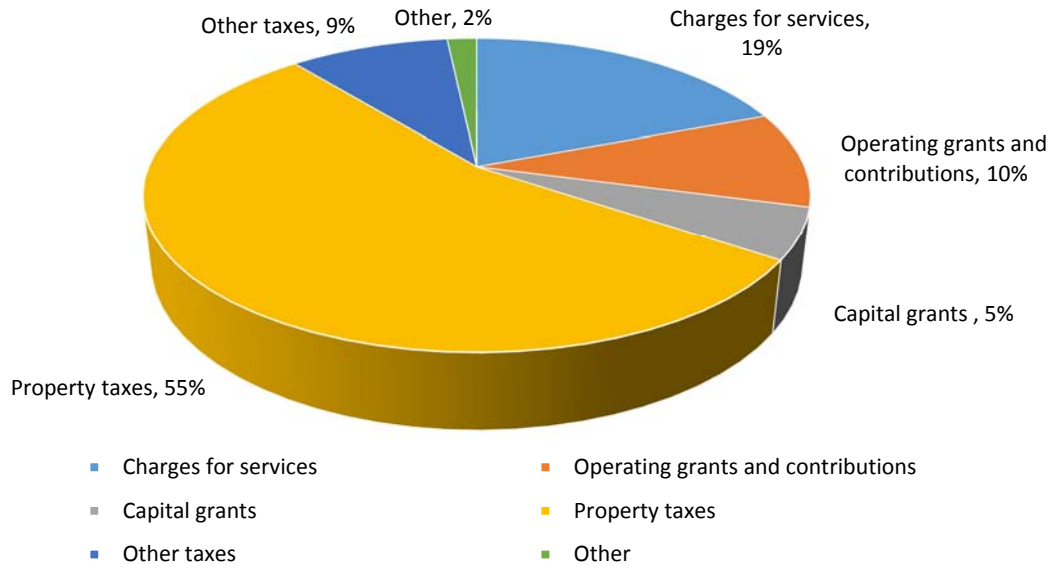
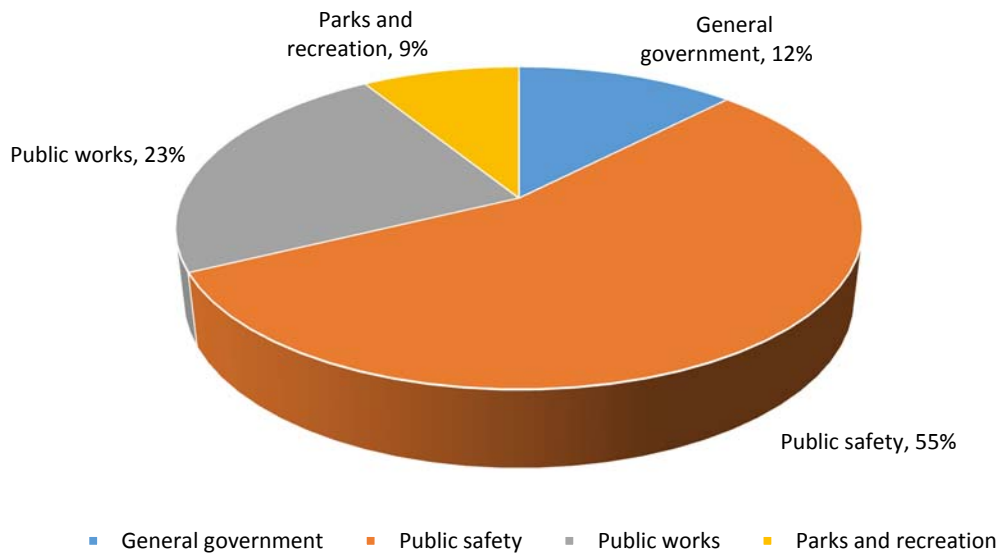


Figure 2 - Expenses - Governmental Activities FY2017-2018



## **Fund Financial Statements / Budgetary Basis**

### ***Governmental Funds***

The City of Palos Verdes Estates' governmental funds ending fund balances totaled \$22,379,520, a decrease of \$1,529,155 or 6.4% compared to the prior year. For the fiscal year ending June 30, 2018, the governmental funds restricted fund balances totaled \$6,996,922, including \$3,718,492 (53.1%) for sanitary sewer capital improvements. The General Fund committed fund balance was maintained at \$7,200,000 as required by City policy. The assigned fund balance for the governmental funds totaled \$5,120,706 and consists primarily of capital fund reserves. The unassigned fund balance of the General Fund totaled \$2,596,521, \$1,326,967 below last year's number.

The funds that qualified as major Funds under the GASB 34 reporting criteria: the General Fund, Special Fire Parcel Tax Special Revenue Fund, Sewer Fund and General Capital Improvements Funds. The General Fund is the chief operating fund of the City. Its balance totaled \$10,255,152, a decrease of \$883,579, or 7.9%, below the prior. In the end result the General Fund attained an unfavorable operating deficit of \$883,579 with revenues exceeding budget by 5.83% and expenditures under budget by 3.33%.

The only revenue recorded in the Special Fire Parcel Tax Special Revenue Fund was the remaining balance of parcel tax due from the prior year of \$43,912. Fire contract services through Los Angeles County totaled \$4,960,171, an increase of \$271,507 (5.79%) compared to the prior year. A transfer of \$4,345,858 from the general fund was recorded to pay for the contract service expenditures due to the loss of Measure D and ending of the fire parcel tax.

The General Capital Improvement Fund's fund balance decreased by \$1,061,417 and ended the year with a balance of \$5,120,706. Capital expenditures totaled \$421,355, a lower amount of capital expenditures than the prior year. Operating revenue is primarily made up of interest earnings and other ancillary income which totaled \$130,188. The primary source of general capital funds is an annual transfer of General Fund Operating surplus. The actual amount of the transfer, if any, is determined each year by the City Council after review of the annual audit report. In fiscal year 2017-18, the City Council approved a one-time transfer from the Capital Improvement fund to the General Fund due to the loss of Measure D.; this also affected the annual capital expenditures. The City's capital improvement program includes the annual street maintenance program, which is being completed in accordance with an adopted multi-year, master pavement management plan. The vast majority of capital expenditures are for street-related projects.

The Sewer Capital Projects Fund balance totals \$3,718,492. Other ancillary revenue totaled \$51,666 while infrastructure improvements totaled \$31,368. As authorization for the property-owner approved sewer user fee expired in FY 2012-13, these operations will become General Fund dependent once available resources are used towards capital and maintenance as outlined in prospective budget plans.

***Proprietary funds.*** The only proprietary funds of the City of Palos Verdes Estates are two internal service funds for equipment replacement and insurance activities. At year-end, net position invested in capital assets of the funds amounted to \$565,417, a decrease of \$131,650 from the prior year. Total Net Position, including capital values, in the Equipment Replacement and Insurance Funds at year end equaled \$2,231,019 and \$1,051,968 respectively for a total of \$3,282,987. This reflects an overall decrease of \$724,902.

### **General Fund Budgetary Highlights**

The difference between the original General Fund budget and the final amended budget expenditures was an increase of \$299,297. The final amended General Fund budget totaled \$13,423,339 for revenue and \$12,797,244 for expenditures. Net transfers of \$2,719,062 were estimated in the updated

FY 17/18 budget, mostly to fund fire contract expenditures in the Special Fire Parcel Tax Special Revenue fund due to the loss of Measure D.

At year end, budget results were favorable on both sides of the equation. General Fund revenues came in \$783,044 (5.83%) above estimates while General fund expenditures were \$426,344 (3.33%) less than budget. The savings occurred within Public safety services and were mostly associated with salary and related savings.

### 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, 2018, totals \$41,014,128 (net of accumulated depreciation). This is a decrease of \$1,673,759 compared to the prior year. This investment in capital assets includes land, buildings, improvements, machinery/equipment, vehicles, furniture, streets, sewers and storm drains. During the year, governmental fund capital additions totaled \$1,487,880 and construction in progress expenditures of \$112,755 were brought to completion. The most significant change in balances have to do with annual depreciation cost incurred. Major capital expenditures incurred during the year include the following:

- Building Improvements totaling \$440,580 primarily at the Palos Verdes Golf Club.
- Machinery & Equipment purchases totaling \$456,480 primarily at the Palos Verdes Golf Club and Palos Verdes Beach and Athletic Club.
- Infrastructure construction projects totaling \$93,758.
- Purchase of Automobile License Plate Reader equipment within the Equipment Replacement Fund & Capital Improvements fund for the Police Department totaling \$95,744.
- Upgrade City-wide phone system within the Equipment Replacement Fund totaling \$122,272.

**Figure 3 – Capital Assets (net of Depreciation)**

Capital Assets	2018	2017
Land	4,487,892	4,487,892
Construction in progress	253,591	18,774
Building and improvements	6,012,512	6,177,685
Machinery and equipment	952,615	548,160
Furniture and fixtures	41,952	19,516
Vehicles	270,958	463,904
Infrastructure	28,994,608	30,971,956
Total	<u>41,014,128</u>	<u>42,687,887</u>

Additional information on the City’s capital assets can be found in note 3 beginning on page 43 of this report.

**Long-term debt.** The City has no debt instruments outstanding but does record exiting liabilities in the area of vested employee benefits. At the end of the current fiscal year, the City of Palos Verdes Estates’ outstanding liability is \$1,046,056, a decrease of \$14,464 (1.36%) composed of \$428,883 due within one year and \$617,173 due in more than one year for vested or accumulated employee compensated absences. Additional information on long-term debt can be found in note 5 beginning on page 45 of the report.

## **Economic Factors and Next Year's Budget**

The City approves a two-year budget document for planning purposes, but will appropriate funds for expenditures on an annual basis. FY 2018-19 represents the first year of a two-year budget cycle. The City Council adopted the FY 2018-20 biennial budget on June 26, 2018 and the following factors were considered in preparing the budget:

- With passage of Measure E funds that are secured for nine years, providing approximately \$5 million for our local, community based Palos Verdes Police Department. Measure E reinstated 25% of the City's revenue for maintaining the quality and level of services that have historically defined and represented Palos Verdes Estates.
- The General Fund is projected to be balanced for FY 2018-20 and maintains a 50% reserve of \$9,062,359 in FY 2018-19. The unrestricted General Fund Balance as of June 30, 2019 is budgeted to be \$1,613,606.
- The City is projecting a moderate 2.7 to 6.0 % growth in revenue sources that exceed FY 2017-18 projections.
- When parsing out the major elements of the General Fund revenues, property tax remains as the major driver in the anticipated growth patterns when considering sheer incoming dollar revenue streams. Property tax growth assumptions are projected at a conservative 3.5% to 6.5% growth rate.
- In terms of other key revenue streams, Planning and Building activity is consistent with prior year levels. Concession rent and investment earnings are trending level with recent years.
- Los Angeles County Fire and Paramedic service costs are expected to increase by 3%. With the loss of Measure D, these services will be funded by the General Fund of \$5,121,957.
- In terms of labor costs, the budget includes a decrease in full time equivalent positions (full and part-time) from 61 to 57. Normal and sustainable salary and benefit growth assumptions were factored into the budget including known, and estimated, CalPERS pension rate increases. Increases in regional healthcare and insurance costs have also been factored-in.
- Capital improvement projects are anticipated totaling \$4.7 million, including \$1.6 million in various street improvement projects, \$380,500 in traffic projects, \$695,000 in facility improvements, \$1,710,000 for infrastructure and \$345,000 for City beautification projects. Prior year carryforward projects, yet to be completed, are included within these appropriations.
- The sanitary sewer budget includes \$325,000 towards upgrades on Via Coronel/Zurita and \$100,000 for Sewer condition assessment costs.
- Overall and continued challenges include, common to all cities, rising pension, health care and insurance costs and the dedication of enhanced revenue sources to pay for aging citywide facilities and long term infrastructure needs.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 340 Palos Verdes Drive West, Palos Verdes Estates, California 90274.

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CITY OF PALOS VERDES ESTATES

STATEMENT OF NET POSITION

JUNE 30, 2018

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 24,047,919
Receivables:	
Accounts	722,672
Accrued interest	99,121
Prepaid costs	1,426,219
Due from other governments	5,955
Inventories	19,201
Capital assets not being depreciated	4,741,483
Capital assets, net of accumulated depreciation	36,272,645
	<hr/>
<b>Total Assets</b>	<b>67,335,215</b>
	<hr/>
<b>Deferred Outflows of Resources:</b>	
Deferred pension-related items	4,265,430
	<hr/>
<b>Total Deferred Outflows of Resources</b>	<b>4,265,430</b>
	<hr/>
<b>Liabilities:</b>	
Accounts payable	816,951
Accrued liabilities	299,055
Unearned revenues	98,491
Noncurrent liabilities:	
Due within one year	428,883
Due in more than one year	617,173
Net pension liability	15,040,247
	<hr/>
<b>Total Liabilities</b>	<b>17,300,800</b>
	<hr/>
<b>Deferred Inflows of Resources:</b>	
Deferred pension-related items	605,217
	<hr/>
<b>Total Deferred Inflows of Resources</b>	<b>605,217</b>
	<hr/>
<b>Net Position:</b>	
Net investment in capital assets	41,014,128
Restricted for:	
Public safety	1,163,722
Public works	5,833,200
Unrestricted	5,683,578
	<hr/>
<b>Total Net Position</b>	<b>\$ 53,694,628</b>
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See accompanying notes to financial statements.

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CITY OF PALOS VERDES ESTATES

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 2,686,355	\$ 91,927	\$ -	\$ -	\$ (2,594,428)
Public safety	12,119,524	198,985	704,700	21,820	(11,194,019)
Parks and recreation	1,935,456	1,394,235	-	894,465	353,244
Public works	5,110,975	1,650,578	998,165	-	(2,462,232)
<b>Total Governmental Activities</b>	<b>\$ 21,852,310</b>	<b>\$ 3,335,725</b>	<b>\$ 1,702,865</b>	<b>\$ 916,285</b>	<b>(15,897,435)</b>

General Revenues:

Taxes:

Property taxes	9,466,159
Sales and use taxes	532,761
Franchise taxes	589,616
Business licenses taxes	209,938
Other taxes	263,281
Investment income	117,976
Gain on sale of property	15,350
Miscellaneous	162,630

**Total General Revenues**

11,357,711

Change in Net Position

(4,539,724)

Net Position at Beginning of Year

58,234,352

**Net Position at End of Year**

**\$ 53,694,628**

See accompanying notes to financial statements.

CITY OF PALOS VERDES ESTATES

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General	Special Revenue Fund	Capital Projects Funds	
		Special Fire Parcel Tax	General Capital Improvements	Sewer
<b>Assets:</b>				
Cash and investments	\$ 9,930,705	\$ 140,982	\$ 5,375,500	\$ 3,730,755
Accounts receivable	688,852	-	-	-
Interest receivable	99,121	-	-	-
Prepaid costs	439,430	-	-	-
Due from other governments	-	1,190	-	-
Due from other funds	-	-	-	-
Inventory - materials	19,201	-	-	-
<b>Total Assets</b>	<b>\$ 11,177,309</b>	<b>\$ 142,172</b>	<b>\$ 5,375,500</b>	<b>\$ 3,730,755</b>
<b>Liabilities:</b>				
Accounts payable	\$ 524,251	\$ -	\$ 254,794	\$ 12,263
Accrued salaries and benefits	289,915	-	-	-
Unearned revenue	98,491	-	-	-
<b>Total Liabilities</b>	<b>912,657</b>	<b>-</b>	<b>254,794</b>	<b>12,263</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	9,500	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>9,500</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid costs	439,430	-	-	-
Inventory - materials	19,201	-	-	-
<b>Restricted for:</b>				
Public safety	-	142,172	-	-
Public works	-	-	-	3,718,492
<b>Committed to:</b>				
Emergency contingencies	7,200,000	-	-	-
<b>Assigned to:</b>				
Capital projects	-	-	5,120,706	-
<b>Unassigned</b>	<b>2,596,521</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>10,255,152</b>	<b>142,172</b>	<b>5,120,706</b>	<b>3,718,492</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 11,177,309</b>	<b>\$ 142,172</b>	<b>\$ 5,375,500</b>	<b>\$ 3,730,755</b>

See accompanying notes to financial statements.

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 3,129,221	\$ 22,307,163
28,959	717,811
-	99,121
6,740	446,170
4,765	5,955
-	-
-	19,201
<b>\$ 3,169,685</b>	<b>\$ 23,595,421</b>
\$ 17,547	\$ 808,855
9,140	299,055
-	98,491
<b>26,687</b>	<b>1,206,401</b>
-	9,500
-	<b>9,500</b>
6,740	446,170
-	19,201
1,021,550	1,163,722
2,114,708	5,833,200
-	7,200,000
-	5,120,706
-	2,596,521
<b>3,142,998</b>	<b>22,379,520</b>
<b>\$ 3,169,685</b>	<b>\$ 23,595,421</b>

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CITY OF PALOS VERDES ESTATES

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

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Fund balances - total governmental funds		\$ 22,379,520
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of depreciation have not been included as financial resources in governmental fund activity.		
Capital assets	\$ 114,619,341	
Less accumulated depreciation	<u>(74,170,630)</u>	40,448,711
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Compensated absences		(1,046,056)
Pension-related debt applicable to the City's governmental activities is not due and payable in the current period and accordingly is not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the statement of net position as the changes in these amounts affect only the government-wide statements for governmental activities.		
Deferred outflows of resources	4,265,430	
Deferred inflows of resources	(605,217)	
Pension liability	<u>(15,040,247)</u>	(11,380,034)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		
		9,500
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.		
		<u>3,282,987</u>
<b>Net position of governmental activities</b>		<b><u><u>\$ 53,694,628</u></u></b>

See accompanying notes to financial statements.

CITY OF PALOS VERDES ESTATES

STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	General	Special Revenue Fund	Capital Projects Funds	
		Special Fire Parcel Tax	General Capital Improvements	Sewer
<b>Revenues:</b>				
Property taxes	\$ 8,116,414	\$ -	\$ -	\$ -
Special assessments	-	43,912	-	-
Other taxes	1,345,086	-	-	-
Licenses and permits	898,334	-	-	-
Revenue from other agencies	1,460,872	8,958	-	-
Charges for services	807,356	-	-	-
Use of money and property	1,292,437	-	77,902	51,666
Fines and forfeitures	128,610	-	-	-
Miscellaneous	157,274	-	52,286	-
<b>Total Revenues</b>	<b>14,206,383</b>	<b>52,870</b>	<b>130,188</b>	<b>51,666</b>
<b>Expenditures:</b>				
Current:				
General government	2,340,994	-	-	-
Public safety	6,539,156	4,960,171	-	-
Parks and recreation	1,268,726	-	-	-
Public works	2,222,024	-	421,355	31,368
<b>Total Expenditures</b>	<b>12,370,900</b>	<b>4,960,171</b>	<b>421,355</b>	<b>31,368</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,835,483	(4,907,301)	(291,167)	20,298
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,626,796	4,345,858	258,996	-
Transfers out	(4,345,858)	-	(1,029,246)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(2,719,062)</b>	<b>4,345,858</b>	<b>(770,250)</b>	<b>-</b>
Net Change in Fund Balances	(883,579)	(561,443)	(1,061,417)	20,298
Fund Balances at Beginning of Year	11,138,731	703,615	6,182,123	3,698,194
<b>Fund Balances at End of Year</b>	<b>\$ 10,255,152</b>	<b>\$ 142,172</b>	<b>\$ 5,120,706</b>	<b>\$ 3,718,492</b>



<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 8,116,414
-	43,912
-	1,345,086
-	898,334
1,893,717	3,363,547
-	807,356
37,715	1,459,720
-	128,610
-	209,560
<b>1,931,432</b>	<b>16,372,539</b>
6,378	2,347,372
4,234	11,503,561
-	1,268,726
548,091	3,222,838
<b>558,703</b>	<b>18,342,497</b>
1,372,729	(1,969,958)
-	6,231,650
(415,743)	(5,790,847)
<b>(415,743)</b>	<b>440,803</b>
956,986	(1,529,155)
2,186,012	23,908,675
<b>\$ 3,142,998</b>	<b>\$ 22,379,520</b>

See accompanying notes to financial statements.

CITY OF PALOS VERDES ESTATES

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

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Net change in fund balances - total governmental funds \$ (1,529,155)

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

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

Capital outlays	\$ 426,915	
Contributed assets	894,465	
Depreciation	<u>(2,863,489)</u>	(1,542,109)

Compensated absences expenses reported in the statement of activities  
do not require the use of current financial resources and, therefore, are  
not reported as expenditures in the governmental funds. 14,464

Pension obligation expenses reported in the statement of activities  
do not require the use of current financial resources and, therefore, are  
not reported as expenditures in the governmental funds. (752,853)

Revenues reported as unavailable revenue in the governmental funds  
and recognized in the statement of activities. These are included in  
the intergovernmental revenues in the governmental fund activity. (5,169)

Internal service funds are used by management to charge the costs of certain  
activities, such as equipment management and self-insurance, to individual  
funds. The net revenues (expenses) of the internal service fund are reported  
with governmental activities. (724,902)

**Change in net position of governmental activities \$ (4,539,724)**

CITY OF PALOS VERDES ESTATES

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2018

	<u>Governmental Activities Internal Service Funds</u>
<b>Assets:</b>	
Current Assets:	
Cash and investments	\$ 1,740,756
Accounts receivable	4,861
Prepaid costs	<u>980,049</u>
<b>Total Current Assets</b>	<b><u>2,725,666</u></b>
Capital Assets:	
Machinery and equipment	3,495,335
Furniture and fixtures	306,694
Vehicles	1,280,946
Less accumulated depreciation	<u>(4,517,558)</u>
<b>Net Capital Assets</b>	<b><u>565,417</u></b>
<b>Total Assets</b>	<b><u>3,291,083</u></b>
<b>Liabilities:</b>	
Current Liabilities:	
Accounts payable	<u>8,096</u>
<b>Total Current Liabilities</b>	<b><u>8,096</u></b>
<b>Total Liabilities</b>	<b><u>8,096</u></b>
<b>Net Position:</b>	
Net investment in capital assets	565,417
Unrestricted	<u>2,717,570</u>
<b>Total Net Position</b>	<b><u>\$ 3,282,987</u></b>

See accompanying notes to financial statements.

CITY OF PALOS VERDES ESTATES

STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018

	<u>Governmental Activities Internal Service Funds</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 974,066
<b>Total Operating Revenues</b>	<u>974,066</u>
<b>Operating Expenses:</b>	
Material and supplies	80,618
General liability insurance	571,354
Property and vehicle insurance	43,904
Workers' compensation	358,891
Depreciation expense	254,149
<b>Total Operating Expenses</b>	<u>1,308,916</u>
Operating Loss	<u>(334,850)</u>
<b>Nonoperating Revenues:</b>	
Interest revenue	35,401
Gain on disposal of capital assets	15,350
<b>Total Nonoperating Revenues</b>	<u>50,751</u>
Loss before Transfers	<u>(284,099)</u>
<b>Other Financing Sources (Uses):</b>	
Transfers in	106,747
Transfers out	(547,550)
<b>Total Other Financing Sources (Uses)</b>	<u>(440,803)</u>
Changes in Net Position	(724,902)
Net Position at Beginning of Year	<u>4,007,889</u>
<b>Net Position at End of Year</b>	<u><u>\$ 3,282,987</u></u>

See accompanying notes to financial statements.

CITY OF PALOS VERDES ESTATES

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2018

	<u>Governmental Activities Internal Service Funds</u>
<b>Cash Flows from Operating Activities:</b>	
Cash received from user departments	\$ 1,029,906
Cash paid to suppliers for goods and services	<u>(2,149,873)</u>
<b>Net Cash Used in Operating Activities</b>	<b><u>(1,119,967)</u></b>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Transfers from other funds	106,747
Transfers to other funds	<u>(547,550)</u>
<b>Net Cash Used in Noncapital Financing Activities</b>	<b><u>(440,803)</u></b>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition and construction of capital assets	(127,759)
Proceeds from sales of capital assets	<u>20,610</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b><u>(107,149)</u></b>
<b>Cash Flows from Investing Activities:</b>	
Interest received	<u>35,401</u>
<b>Net Cash Provided by Investing Activities</b>	<b><u>35,401</u></b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(1,632,518)</b>
Cash and Cash Equivalents at Beginning of Year	<u>3,373,274</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 1,740,756</u></b>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</b>	
Operating loss	<u>\$ (334,850)</u>
<b>Adjustments to reconcile operating loss to net cash used in operating activities:</b>	
Depreciation expense	254,149
(Increase) decrease in accounts receivable	55,840
(Increase) decrease in prepaid costs	(980,049)
Increase (decrease) in accounts payable	<u>(115,057)</u>
<b>Total Adjustments</b>	<b><u>(785,117)</u></b>
<b>Net Cash Used in Operating Activities</b>	<b><u>\$ (1,119,967)</u></b>

See accompanying notes to financial statements.

CITY OF PALOS VERDES ESTATES

STATEMENT OF ASSETS AND LIABILITIES

FIDUCIARY FUNDS

JUNE 30, 2018

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	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and investments	\$ 217,897
Accounts receivable	<u>15</u>
<b>Total Assets</b>	<b><u><u>\$ 217,912</u></u></b>
<b>Liabilities:</b>	
Deposits payable	<u>\$ 217,912</u>
<b>Total Liabilities</b>	<b><u><u>\$ 217,912</u></u></b>

# CITY OF PALOS VERDES ESTATES, CALIFORNIA

## Notes to Basic Financial Statements

June 30, 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Palos Verdes Estates, California (the City), have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

#### a. Reporting Entity

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

#### 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 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). 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*. *Measurement focus* indicates the type of resources being measured. 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 33.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Basis of Accounting and Measurement Focus (Continued)

Government-wide Financial Statements (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 other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund balance, 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 proprietary 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.

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 nonexchange 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 nonexchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b. Basis of Accounting and Measurement Focus (Continued)**

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

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

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

Property taxes, franchise taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 statements of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

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

Fiduciary Funds

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Given their materiality and significance, the City reports the following major governmental funds:

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

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

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

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

Additionally, the City reports the following fund types:

Special Revenue Funds - The special revenue funds are used to account for specific revenues that are legally restricted for particular purposes.

Capital Projects Funds - The capital projects funds are used to account for resources intended to be used primarily for major capital facilities.

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d. New Accounting Pronouncements**

**GASB Current-Year Standards**

GASB 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017, and did not impact the City.

GASB 82 - *Pension Issues*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, and did not impact the City.

GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017, and did not impact the City.

GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017, and did not impact the City.

**Pending Accounting Standards**

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

- GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018.
- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.
- GASB 90 - *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.

**e. 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 statement of net position for the internal service fund is considered cash and cash equivalents.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f. Investments**

For financial reporting purposes, investments are adjusted to their fair value whenever the difference between fair value and the carrying amount is material. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The City pools cash and investments of all funds. 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.

**g. Prepaid Costs and Inventory**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

Inventories are valued at cost using first in/first-out (FIFO) method. The cost of such inventories is recorded as expenditures when consumed rather than when purchased.

**h. 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 proceeding the fiscal year for which the taxes are levied. Taxes are levied on July 1 and cover the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1.

All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on March 1 each year, and are delinquent, if unpaid, on August 31. At June 30, 2018, there were no material delinquent, unsecured property taxes. Property taxes receivable are included with due from other governments in the financial statements. At June 30, 2018, the total property taxes receivable of \$327,345 is included in accounts receivable in the accompanying financial statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**i. Capital Assets**

Capital assets, which include all infrastructure assets acquired prior to the implementation of GASB 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 acquisition value on the date donated.

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

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

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

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

**j. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to pensions for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**j. Deferred Outflows/Inflows of Resources (Continued)**

- Deferred outflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to pensions for the changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to pensions resulting from the difference in projected and actual earnings on investments of the pension plans fiduciary net position. These amounts are amortized over five years.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflows from unavailable revenues, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows related to pensions for differences between expected and actual experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflows related to pensions for the changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.

**k. Pension Plans**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**l. Compensated Absences**

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

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

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

**m. Fund Balance**

The City Council adopted resolution R11-09 in conformity with GASB 54. In the fund financial statements, government funds report the following fund balance classifications:

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**m. Fund Balance (Continued)**

Stabilization Arrangements

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

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

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

The City also monitors its unassigned fund balances in achieving policy established target reserve levels. Unassigned General Fund balance as of June 30, 2018, totaled \$2,596,521.

**n. Net Position**

In the government-wide financial statements and proprietary fund financial statements, net position is the excess of all the City's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net position is divided into three categories. These categories apply only to net position, which is determined and are described below:

- Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

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

**o. Use of Estimates**

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



**CITY OF PALOS VERDES ESTATES, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**2. CASH AND INVESTMENTS**

**Cash and Investments**

Cash and investments as of June 30, 2018, were classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 24,047,919
Statement of Fiduciary Net Position:	
Cash and investments	217,897
Total cash and investments	<u>\$ 24,265,816</u>

Cash and investments as of June 30, 2018, consisted of the following:

Cash on hand	\$ 1,500
Deposits with financial institutions	1,450,325
Investments	22,813,991
Total cash and investments	<u>\$ 24,265,816</u>

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

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

Investment Types Authorized by State Law	*Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
United States Treasury Obligations	5 years	None	None
United States Agency Securities	None	None	None
Banker's Acceptances	180 days	15%	10%
Commercial Paper	270 days	15%	10%
Non-Negotiable Certificates of Deposit	5 years	30%	N/A
Negotiable Certificates of Deposit	5 years	30%	N/A
Repurchase Agreements	180 days	15%	10%
Medium-Term Notes	2 years	15%	10%
Money Market Mutual Funds	N/A	20%	10%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

N/A - Not Applicable

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

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

**CITY OF PALOS VERDES ESTATES, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**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:

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 36 Months	37 to 60 Months
LAIF	\$ 4,511,066	\$ 4,511,066	\$ -	\$ -
Negotiable Certificates of Deposit	6,537,116	1,489,873	3,628,873	1,418,370
Los Angeles County Pooled Investment Funds	3,005,299	3,005,299	-	-
US Agency Securities:				
Federal Home Loan Mortgage Corporation	987,730	-	-	987,730
Federal Home Loan Bank	3,880,930	-	1,949,230	1,931,700
Federal National Mortgage Association	3,891,850	-	1,972,400	1,919,450
<b>Total</b>	<b>\$ 22,813,991</b>	<b>\$ 9,006,238</b>	<b>\$ 7,550,503</b>	<b>\$ 6,257,250</b>

**Disclosures Relating to Credit Risk**

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

Investment Type	Total	Minimum Legal Rating	Rating as of Year-End	
			AA+	Not Rated
LAIF	\$ 4,511,066	N/A	\$ -	\$ 4,511,066
Negotiable Certificates of Deposit	6,537,116	N/A	-	6,537,116
Los Angeles County Pooled Investment Funds	3,005,299	N/A	-	3,005,299
US Agency Securities:				
Federal Home Loan Mortgage Corporation	987,730	N/A	987,730	-
Federal Home Loan Bank	3,880,930	N/A	3,880,930	-
Federal National Mortgage Association	3,891,850	N/A	3,891,850	-
<b>Total</b>	<b>\$ 22,813,991</b>		<b>\$ 8,760,510</b>	<b>\$ 14,053,481</b>

**2. CASH AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**

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

Issuer	Amount Invested
Federal Home Loan Bank	\$ 3,880,930
Federal National Mortgage Association	3,891,850

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to Custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. At June 30, 2018, all of the City’s deposits are covered by FDIC or collateralized as required by law.

**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 prorated 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.

**Investment in County Investment Pool**

The City is a voluntary participant in the Los Angeles County Investment Pool (LACIP) that is regulated by the California Government Code and the Los Angeles County Board of Supervisors under the oversight of the Los Angeles County Treasurer-Tax Collector. 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 LACIP for the entire LACIP portfolio. The balance available for withdrawal is based on the accounting records maintained by LACIP, which are recorded on an amortized cost basis.

**CITY OF PALOS VERDES ESTATES, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**2. CASH AND INVESTMENTS (CONTINUED)**

**Fair Value Measurements**

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs quoted market prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2018:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
US Government Agency Securities:				
Federal Home Loan				
Mortgage Corporation	\$ -	\$ 987,730	\$ -	\$ 987,730
Federal Home Loan Bank	-	3,880,930	-	3,880,930
Federal National Mortgage Association	-	3,891,850	-	3,891,850
Negotiable Certificates of Deposit	-	6,537,116	-	6,537,116
	<u>\$ -</u>	<u>\$ 15,297,626</u>	<u>\$ -</u>	15,297,626
Investments not Subject to Fair Value Hierarchy:				
LAIF				4,511,066
Los Angeles County Pooled Investment Fund				<u>3,005,299</u>
				<u>\$ 22,813,991</u>

**CITY OF PALOS VERDES ESTATES, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**3. CAPITAL ASSETS**

A summary of changes in capital asset activity for the year ended June 30, 2018, is as follows:

	Balance at July 1, 2017	Transfers/ Adjustments	Additions	Deletions	Balance at June 30, 2018
Capital assets, not being depreciated:					
Land	\$ 4,487,892	\$ -	\$ -	\$ -	\$ 4,487,892
Construction in progress	18,774	(112,755)	454,936	(107,364)	253,591
Total capital assets, not being depreciated	<u>4,506,666</u>	<u>(112,755)</u>	<u>454,936</u>	<u>(107,364)</u>	<u>4,741,483</u>
Capital assets, being depreciated:					
Buildings and improvements	28,423,283	-	440,580	-	28,863,863
Machinery	4,477,658	-	578,753	(78,814)	4,977,597
Furniture and fixtures	667,981	-	-	-	667,981
Vehicles	1,310,961	-	5,488	(35,503)	1,280,946
Infrastructure	78,980,944	112,755	76,747	-	79,170,446
Total capital assets, being depreciated	<u>113,860,827</u>	<u>112,755</u>	<u>1,101,568</u>	<u>(114,317)</u>	<u>114,960,833</u>
Less accumulated depreciation for:					
Buildings and improvements	(22,245,598)	-	(605,753)	-	(22,851,351)
Machinery	(3,929,498)	-	(174,298)	78,814	(4,024,982)
Furniture and fixtures	(648,465)	44,000	(21,564)	-	(626,029)
Vehicles	(847,057)	-	(193,174)	30,243	(1,009,988)
Infrastructure	(48,008,988)	-	(2,166,850)	-	(50,175,838)
Total accumulated depreciation	<u>(75,679,606)</u>	<u>44,000</u>	<u>(3,161,639)</u>	<u>109,057</u>	<u>(78,688,188)</u>
Total capital assets, being depreciated, net	<u>38,181,221</u>	<u>156,755</u>	<u>(2,060,071)</u>	<u>(5,260)</u>	<u>36,272,645</u>
Governmental activities capital assets, net	<u>\$ 42,687,887</u>	<u>\$ 44,000</u>	<u>\$ (1,605,135)</u>	<u>\$ (112,624)</u>	<u>\$ 41,014,128</u>

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

Governmental activities:	
General government	\$ 41,061
Public safety	2,375
Public works	2,166,846
Parks and recreation	697,208
Internal service funds	<u>254,149</u>
Total depreciation expense - governmental activities	<u>\$ 3,161,639</u>

**CITY OF PALOS VERDES ESTATES, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**Transfers In and Out**

Transfers in and out for the fiscal year ended June 30, 2018, are as follows:

Transfers In	Transfers Out	Amount
General Fund	General Capital Improvements Capital Projects Fund Other Governmental Funds Equipment Replacement Internal Service Fund	\$ 1,029,246 50,000 547,550
Special Fire Parcel Tax Special Revenue Fund	General Fund	4,345,858
General Capital Improvements Capital Projects Fund	Other Governmental Funds	258,996
Equipment Replacement Internal Service Funds	Other Governmental Funds	106,747
		\$ 6,338,397

The General Capital Improvements Capital Projects Fund, Other Governmental Funds and Equipment Replacement Internal Service Fund transferred \$1,029,246, \$50,000, and \$547,550 to General Fund, respectively, for covering one-time project costs approved in the General Fund budget.

Transfer to General Capital Improvements Capital Projects Fund is for capital improvement projects.

The General Fund transferred \$4,345,858 to Special Fire Parcel Tax Special Revenue Fund to fund the fire and emergency services contract.

The Other Governmental Funds transferred \$106,747 to Equipment Replacement Internal Service Fund to fund several equipment purchases.

**CITY OF PALOS VERDES ESTATES, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**5. LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2018, is as follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018	Due Within One Year	Due in More Than One Year
Compensated absences	\$ 1,060,520	\$ 506,628	\$ (521,092)	\$ 1,046,056	\$ 428,883	\$ 617,173

**Compensated Absences**

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

**6. LIABILITY, WORKERS' COMPENSATION, AND PURCHASED INSURANCE**

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

The City of Palos Verdes Estates is a member of the California Joint Powers Insurance Authority (the Authority). The Authority is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

**b. Self-Insurance Programs of the Authority**

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward and not subject to routine annual retrospective adjustment. The total funding requirement for self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Primary Liability Program

In the primary liability program, claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

**6. LIABILITY, WORKERS' COMPENSATION, AND PURCHASED INSURANCE  
(CONTINUED)**

**b. Self-Insurance Programs of the Authority (Continued)**

For 2017-18, the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) \$2.5 million annual aggregate deductible in the \$3 million in excess of \$2 million layer and (b) \$3 million annual aggregate deductible in the \$5 million in excess of \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million in excess of \$5 million layer, however it is fully covered under a separate policy and therefore not retained by the Authority. The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sublimit of \$30 million per occurrence.

Workers' Compensation Program

The City of Palos Verdes Estates also participates in the workers' compensation program administered by the Authority. In the workers' compensation program, claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2017-18, the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

**c. Purchased Insurance**

Pollution Legal Liability Insurance

The City of Palos Verdes Estates participates in the pollution legal liability insurance program, which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Palos Verdes Estates. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has an aggregate limit of \$50 million. Each member of the Authority has a \$10 million sublimit during the three-year term of the policy.



**6. LIABILITY, WORKERS' COMPENSATION, AND PURCHASED INSURANCE**  
**(CONTINUED)**

**c. Purchased Insurance (Continued)**

Property Insurance

The City of Palos Verdes Estates participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Palos Verdes Estates property is currently insured according to a schedule of covered property submitted by the City of Palos Verdes Estates to the Authority. City of Palos Verdes Estates property currently has all-risk property insurance protection in the amount of \$500,000,000. There is a \$10,000 deductible per occurrence except for nonemergency vehicle insurance, which has a \$2,500 deductible.

Earthquake and Flood Insurance

The City of Palos Verdes Estates purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Palos Verdes Estates property currently has earthquake protection in the amount of \$150,000,000. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

Crime Insurance

The City of Palos Verdes Estates purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

Special Event Tenant User Liability Insurance

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

**d. Adequacy of Protection**

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2017-18.

**CITY OF PALOS VERDES ESTATES, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**7. DEFINED BENEFITS PENSION PLANS**

The following is a summary of pension-related items for the year ended June 30, 2018:

	Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalPERS Miscellaneous	\$ 3,486,675	\$ 1,123,479	\$ (299,921)	\$ 541,977
CalPERS Safety	11,062,935	3,141,951	(286,399)	1,404,166
Special Retirement Income Plan	490,637	-	(18,897)	31,887
	<u>\$ 15,040,247</u>	<u>\$ 4,265,430</u>	<u>\$ (605,217)</u>	<u>\$ 1,978,030</u>

- a. Public Employees' Retirement System (CalPERS)

**General Information about the Pension Plans**

Plan Descriptions

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of services. PEPRM miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**CITY OF PALOS VERDES ESTATES, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**7. DEFINED BENEFITS PENSION PLANS (CONTINUED)**

a. Public Employees' Retirement System (CalPERS) (Continued)

**General Information about the Pension Plans (Continued)**

Benefits Provided (Continued)

Below is a summary of the plans' provisions and benefits in effect at June 30, 2018, for which the City of Palos Verdes Estates has contracted:

Major Benefit Options	Miscellaneous	
	Classic	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit provision/benefit formula	2.0%@55	2%@62
Social security	No	No
Full/modified	Full	Full
Benefit vesting schedule	5 Years of service	5 Years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	Minimum 50	Minimum 52
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	6.896%	6.250%
Required employee contribution rates:		
Normal cost rate	8.921%	6.533%
Payment of unfunded liability	\$ 67,966	\$ 187

Major Benefit Options	Safety	
	Classic	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit provision/benefit formula	3.0%@50	2.7%@57
Social security	No	No
Full/modified	Full	Full
Benefit vesting schedule	5 Years of service	5 Years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	Minimum 50	Minimum 50
Monthly benefits, as a % of eligible compensation	3%	2.0% to 2.7%
Required employee contribution rates	8.988%	11.500%
Required employee contribution rates:		
Normal cost rate	19.723%	11.990%
Payment of unfunded liability	\$ 456,145	\$ 29

**CITY OF PALOS VERDES ESTATES, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**7. DEFINED BENEFITS PENSION PLANS (CONTINUED)**

- a. Public Employees' Retirement System (CalPERS) (Continued)

**General Information about the Pension Plans (Continued)**

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

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

As of June 30, 2018, the City of Palos Verdes Estates reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 3,486,675
Safety	11,062,935
Total Net Pension Liability	<u>\$ 14,549,610</u>

The City of Palos Verdes Estates' net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for each Plan as of the measurement dates ended June 30, 2016 and 2017, were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2016	0.08251%	0.18639%
Proportion - June 30, 2017	0.08845%	0.18515%
Change - Increase (Decrease)	0.00594%	-0.00124%

**CITY OF PALOS VERDES ESTATES, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**7. DEFINED BENEFITS PENSION PLANS (CONTINUED)**

a. Public Employees' Retirement System (CalPERS) (Continued)

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

For the year ended June 30, 2018, the City of Palos Verdes Estates recognized pension expense of \$541,977 and \$1,404,166 for the Miscellaneous and Safety Plans, respectively. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 264,132	\$ -	\$ 937,914	\$ -
Differences between expected and actual experience	3,372	(79,247)	116,056	(27,101)
Change in assumptions	685,913	(31,904)	1,683,093	(114,309)
Net differences between projected and actual earnings on plan investments	165,795	-	399,738	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	4,267	(188,770)	5,150	(144,989)
Total	<u>\$ 1,123,479</u>	<u>\$ (299,921)</u>	<u>\$ 3,141,951</u>	<u>\$ (286,399)</u>

Amounts of \$264,132 and \$937,914 reported as deferred outflows of resources related to contributions subsequent to the measurement date for the Miscellaneous and Safety Plans, respectively, will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Miscellaneous	Safety
2019	\$ 43,009	\$ 426,704
2020	359,926	1,040,285
2021	252,746	666,638
2022	(96,255)	(215,989)

**7. DEFINED BENEFITS PENSION PLANS (CONTINUED)**

- a. Public Employees' Retirement System (CalPERS) (Continued)

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Actuarial Assumptions

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016 actuarial accounting valuation. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increase	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

- (1) Varies by entry age and service.  
(2) The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 Experience Study report (based on CalPERS demographic data from 1997 to 2011) available on the CalPERS website.  
(3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions

In fiscal year 2017-2018, the financial reporting discount rate was reduced from 7.65% to 7.15%. Deferred outflows of resources and deferred inflows of resources for changes of assumptions represent the unamortized portion of this assumption change and the unamortized portion of the changes of assumptions related to prior measurement periods.

**7. DEFINED BENEFITS PENSION PLANS (CONTINUED)**

- a. Public Employees' Retirement System (CalPERS) (Continued)

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for each Plan and reflects the long-term expected rate of return for the each Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**CITY OF PALOS VERDES ESTATES, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**7. DEFINED BENEFITS PENSION PLANS (CONTINUED)**

a. Public Employees' Retirement System (CalPERS) (Continued)

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Discount Rate (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

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

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 5,747,640	\$ 16,623,174
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 3,486,675	\$ 11,062,935
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 1,614,102	\$ 6,517,716



**7. DEFINED BENEFITS PENSION PLANS (CONTINUED)**

- a. Public Employees' Retirement System (CalPERS) (Continued)

**Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Pension Plan Fiduciary Net Position

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

**Payable to the Pension Plan**

At June 30, 2018, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

- b. Special Retirement Income Plan for Health Insurance:

**Description of Plan**

The City provides a Special Retirement Income Plan, a single employer defined benefit plan, which covers eligible City employees to assist qualified retirees in purchasing health insurance. The plan was established and is administered by the City to provide a fixed monthly cash payment (\$275 per month for general, management and police employees) to qualifying retirees until they reach the age of 65 as required under various memoranda of understanding (MOU) with the City's employee groups. A separate report is not prepared by the plan.

**Benefits Provided**

The following summarizes the primary characteristics of the benefit:

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

**7. DEFINED BENEFITS PENSION PLANS (CONTINUED)**

b. Special Retirement Income Plan for Health Insurance (Continued)

**Employees Covered**

At June 30, 2018, the following employees were covered by the benefit terms of the Plan:

Inactive employees currently receiving benefits	6
Participating active employees	<u>52</u>
Total	<u><u>58</u></u>

**Funding Policy and Contribution Rates**

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

**Net Pension Liability**

The City’s net pension liability for the plan is measured as the total pension liability. There are no fiduciary plan net assets. The net pension liability of the Plan is measured as of June 30, 2018, using an actuarial valuation as of June 30, 2017 rolled forward using standard update procedures. As summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions**

Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.80%
Inflation	2.75%
Salary Increase	2.75%
Mortality Rate Table	(1)

- (1) 2014 CalPERS Mortality for Active Safety Employees  
 2014 CalPERS Active Mortality for Miscellaneous  
 Employees

**Change of Assumptions**

In fiscal year 2017-2018, the financial reporting discount rate changed from 3.5% to 3.8%. Deferred outflows of resources and deferred inflows of resources for changes of assumptions represent the unamortized portion of this assumption change.

**CITY OF PALOS VERDES ESTATES, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**7. DEFINED BENEFITS PENSION PLANS (CONTINUED)**

b. Special Retirement Income Plan for Health Insurance (Continued)

**Discount Rate**

The discount rate used to measure the total pension liability was 3.8% for the plan and was based on the Bond Buyer 20 Bond Index.

**Changes in the Net Pension Liability**

Balance at June 30, 2017	<u>\$ 500,779</u>
Changes in the year:	
Service cost	14,047
Interest on the total pension liability	18,867
Change in assumptions	(20,434)
Benefit payments	<u>(22,622)</u>
Current-year changes	<u>(10,142)</u>
Balance at June 30, 2018	<u><u>\$ 490,637</u></u>

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

The following presents the City's net pension liability for the Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease	2.80%
Net Pension Liability	\$ 528,502
Current Discount Rate	3.80%
Net Pension Liability	\$ 490,637
1% Increase	3.80%
Net Pension Liability	\$ 438,553

**CITY OF PALOS VERDES ESTATES, CALIFORNIA**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

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**7. DEFINED BENEFITS PENSION PLANS (CONTINUED)**

b. Special Retirement Income Plan for Health Insurance (Continued)

**Pension Expenses and Deferred Outflows/Inflows of Resources**

For the year ended June 30, 2018, the City recognized pension expense of \$31,887. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ (18,897)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense (income) as follows:

Year Ending June 30,	
2019	\$ (1,537)
2020	(1,537)
2021	(1,537)
2022	(1,537)
2023	(1,537)
Thereafter	(11,212)

**Payable to the Pension Plan**

At June 30, 2018, there was no outstanding amount of contributions payable to the pension plans for the year ended June 30, 2018.

**CITY OF PALOS VERDES ESTATES, CALIFORNIA**

**Notes to Basic Financial Statements**

**June 30, 2018**

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**8. 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, 2017 (the most recent information available), audited financial statements indicated the following:

Total assets	\$ 3,153,801
Total liabilities	127,798
Total equity (net position)	3,026,003
Revenues	3,049,535
Expenditures	2,927,498
Net change in net position	122,037

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

**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. SUBSEQUENT EVENTS**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 5, 2018, the date the financial statements were available to be issued.

**CITY OF PALOS VERDES ESTATES**

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

<b>Fiscal Year Ended</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Measurement period	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.35160%	0.03313%	0.02771%	0.02858%
Proportionate share of the net pension liability	\$ 3,486,675	\$ 2,866,438	\$ 1,902,144	\$ 1,778,540
Covered payroll	\$ 2,615,522	\$ 2,631,865	\$ 2,236,354	\$ 2,114,922
Proportionate share of the net pension liability as a percentage of covered payroll	133.31%	108.91%	85.06%	84.09%
Plan fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	87.59%
Plan's proportionate share of aggregate employer contributions	\$ 490,023	\$ 457,711	\$ 429,477	\$ 339,407

**Notes to Schedule:**

**Benefit Changes:**

There were no changes in benefits.

**Changes in Assumptions:**

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

\* Fiscal year 2015 was the first year of implementation; therefore, four years are shown.

**CITY OF PALOS VERDES ESTATES**

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

<b>Fiscal Year Ended</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Contractually required contribution (actuarially determined)	\$ 264,132	\$ 262,115	\$ 216,861	\$ 235,683
Contributions in relation to the actuarially determined contributions	(264,132)	(262,115)	(216,861)	(235,683)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,292,800	\$ 2,615,522	\$ 2,631,865	\$ 2,236,354
Contributions as a percentage of covered payroll	11.52%	10.02%	8.24%	10.54%

**Notes to Schedule:**

Valuation Date	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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**Methods and Assumptions Used to Determine Contribution Rates:**

Single and agent employers	Entry age**
Amortization method	Level percent of payroll, closed**
Asset valuation method	Market value***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	Minimum 50 years
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

\* Fiscal year 2015 was the first year of implementation; therefore, four years are shown.

\*\* The valuation for June 30, 2012, 2013, and 2014 (applicable to fiscal years ended June 30, 2015, 2016, and 2017, respectively) included the same actuarial assumptions.

\*\*\* The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15-Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013, 2014, and 2015 valuations (applicable to fiscal years ended June 30, 2016, 2017, and 2018, respectively).

**CITY OF PALOS VERDES ESTATES**

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

<b>Fiscal Year Ended</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Measurement period	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.11155%	0.11156%	0.10844%	0.10264%
Proportionate share of the net pension liability	\$ 11,062,935	\$ 9,653,657	\$ 7,443,296	\$ 6,386,937
Covered payroll	\$ 2,701,490	\$ 2,560,208	\$ 2,387,823	\$ 2,256,104
Proportionate share of the net pension liability as a percentage of covered payroll	409.51%	377.07%	311.72%	283.10%
Plan fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	81.42%
Plan's proportionate share of aggregate employer contribution	\$ 989,631	\$ 935,561	\$ 948,325	\$ 792,313

**Notes to Schedule:**

**Benefit Changes:**

There were no changes in benefits.

**Changes in Assumptions:**

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

\* Fiscal year 2015 was the first year of implementation; therefore, four years are shown.



**CITY OF PALOS VERDES ESTATES**

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

<b>Fiscal Year Ended</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Contractually required contribution (actuarially determined)	\$ 937,914	\$ 893,364	\$ 778,083	\$ 878,354
Contributions in relation to the actuarially determined contributions	(937,914)	(893,364)	(778,083)	(878,354)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,563,821	\$ 2,701,490	\$ 2,560,208	\$ 2,387,823
Contributions as a percentage of covered payroll	36.58%	33.07%	30.39%	36.78%

**Notes to Schedule:**

Valuation Date	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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**Methods and Assumptions Used to Determine Contribution Rates:**

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market value***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	Minimum 50 years
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

\* Fiscal year 2015 was the first year of implementation; therefore, four years are shown.

\*\* The valuation for June 30, 2012, 2013, and 2014 (applicable to fiscal years ended June 30, 2015, 2016, and 2017, respectively) included the same actuarial assumptions.

\*\*\* The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15-Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013, 2014, and 2015 valuations (applicable to fiscal years ended June 30, 2016, 2017, and 2018, respectively).

**CITY OF PALOS VERDES**

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS  
SPECIAL RETIREMENT INCOME PLAN**

**Last Ten Fiscal Years\***

<b>Fiscal Year Ended</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Measurement Date	6/30/2018	6/30/2017
Total Pension Liability:		
Service cost	\$ 17,087	\$ 13,671
Interest on total pension liability	18,867	17,080
Differences between expected and actual experience	-	-
Changes in assumptions	(20,434)	-
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	<u>(22,622)</u>	<u>(22,622)</u>
Net Change in Total Pension Liability	(7,102)	8,129
Total Pension Liability - Beginning of Year	<u>500,779</u>	<u>492,650</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 493,677</u>	<u>\$ 500,779</u>
Covered payroll	\$ 4,856,621	\$ 5,192,073
Net pension liability as percentage of covered payroll	10.17%	9.65%

Notes to Schedule:

There are no assets accumulated in a trust fund that meet the criteria in GASB Statement No. 73, paragraph 4 to pay related benefits.

Benefit Changes:

There were not changes in benefits.

Changes in Assumptions:

The discount rate was changed from 3.5% to 3.8%

\* Fiscal year 2017 was the first year of implementation; therefore, two years are shown.

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 7,981,689	\$ 7,981,689	\$ 8,116,414	\$ 134,725
Other taxes	1,356,206	1,366,206	1,345,086	(21,120)
Licenses and permits	567,500	604,500	898,334	293,834
Revenue from other agencies	1,390,895	1,390,895	1,460,872	69,977
Charges for services	515,000	515,000	807,356	292,356
Use of money and property	1,393,100	1,393,100	1,292,437	(100,663)
Fines and forfeitures	150,000	150,000	128,610	(21,390)
Miscellaneous	524,091	21,949	157,274	135,325
<b>Total Revenues</b>	<b>13,878,481</b>	<b>13,423,339</b>	<b>14,206,383</b>	<b>783,044</b>
<b>Expenditures:</b>				
Current:				
General government	2,116,484	2,339,131	2,340,994	(1,863)
Public safety	7,142,338	7,133,988	6,539,156	594,832
Parks and recreation	1,201,785	1,251,785	1,268,726	(16,941)
Public works	2,037,340	2,072,340	2,222,024	(149,684)
<b>Total Expenditures</b>	<b>12,497,947</b>	<b>12,797,244</b>	<b>12,370,900</b>	<b>426,344</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,380,534	626,095	1,835,483	1,209,388
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,529,246	1,626,796	1,626,796	-
Transfers out	(4,345,858)	(4,345,858)	(4,345,858)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(2,816,612)</b>	<b>(2,719,062)</b>	<b>(2,719,062)</b>	<b>-</b>
Net Change in Fund Balance	(1,436,078)	(2,092,967)	(883,579)	1,209,388
Fund Balance at Beginning of Year	11,138,731	11,138,731	11,138,731	-
<b>Fund Balance at End of Year</b>	<b>\$ 9,702,653</b>	<b>\$ 9,045,764</b>	<b>\$ 10,255,152</b>	<b>\$ 1,209,388</b>

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL FIRE PARCEL TAX SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Special assessments	\$ -	\$ -	\$ 43,912	\$ 43,912
Revenue from other agencies	-	-	8,958	8,958
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>52,870</b>	<b>52,870</b>
<b>Expenditures:</b>				
Current:				
Public safety	5,006,988	5,006,988	4,960,171	46,817
<b>Total Expenditures</b>	<b>5,006,988</b>	<b>5,006,988</b>	<b>4,960,171</b>	<b>46,817</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,006,988)	(5,006,988)	(4,907,301)	99,687
<b>Other Financing Sources (Uses):</b>				
Transfers in	4,345,858	4,345,858	4,345,858	-
<b>Total Other Financing Sources (Uses)</b>	<b>4,345,858</b>	<b>4,345,858</b>	<b>4,345,858</b>	<b>-</b>
Net Change in Fund Balance	(661,130)	(661,130)	(561,443)	99,687
Fund Balance at Beginning of Year	703,615	703,615	703,615	-
<b>Fund Balance at End of Year</b>	<b>\$ 42,485</b>	<b>\$ 42,485</b>	<b>\$ 142,172</b>	<b>\$ 99,687</b>

**CITY OF PALOS VERDES ESTATES, CALIFORNIA**  
**Note to Required Supplementary Information Financial**  
**June 30, 2018**

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***1. BUDGETARY DATA***

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

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

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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

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

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

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

Corrections - to account for funds received from the State Department of Corrections.

Road Maintenance and Rehabilitation Account (RMRA) - To account for the City's share of gas tax monies for the purpose of construction, reconstruction, maintenance, and right-of-way acquisition relating to streets and highways.

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

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

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

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

### CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for resources intended to be used primarily for major capital facilities.

Parklands - is used to make improvements to/in the City's parklands.

CITY OF PALOS VERDES ESTATES

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2018

	Special Revenue Funds				
	Gas Tax	Drug Intervention	SLESF	Special Projects	Corrections
<b>Assets:</b>					
Cash and investments	\$ 80,807	\$ 643,727	\$ 372,133	\$ 962,165	\$ 5,974
Accounts receivable	-	-	-	-	-
Interest receivable	-	-	-	-	-
Prepaid costs	-	-	-	-	-
Due from other governments	-	-	-	4,765	-
<b>Total Assets</b>	<b>\$ 80,807</b>	<b>\$ 643,727</b>	<b>\$ 372,133</b>	<b>\$ 966,930</b>	<b>\$ 5,974</b>
<b>Liabilities:</b>					
Accounts payable	\$ 7,162	\$ -	\$ -	\$ 10,101	\$ 284
Accrued salaries and benefits	9,140	-	-	-	-
<b>Total Liabilities</b>	<b>16,302</b>	<b>-</b>	<b>-</b>	<b>10,101</b>	<b>284</b>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Prepaid costs	-	-	-	-	-
<b>Restricted for:</b>					
Public safety	-	643,727	372,133	-	5,690
Public works	64,505	-	-	956,829	-
<b>Total Fund Balances</b>	<b>64,505</b>	<b>643,727</b>	<b>372,133</b>	<b>956,829</b>	<b>5,690</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 80,807</b>	<b>\$ 643,727</b>	<b>\$ 372,133</b>	<b>\$ 966,930</b>	<b>\$ 5,974</b>



Special Revenue Funds (Continued)					Capital Projects Fund	Total Nonmajor Governmental Funds
RMRA	Measure M	Proposition A	Measure R	Proposition C	Parklands	
\$ 51,180	\$ 145,245	\$ 32,127	\$ 176,677	\$ 608,020	\$ 51,166	\$ 3,129,221
28,959	-	-	-	-	-	28,959
-	-	-	-	-	-	-
-	-	6,740	-	-	-	6,740
-	-	-	-	-	-	4,765
<b>\$ 80,139</b>	<b>\$ 145,245</b>	<b>\$ 38,867</b>	<b>\$ 176,677</b>	<b>\$ 608,020</b>	<b>\$ 51,166</b>	<b>\$ 3,169,685</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,547
-	-	-	-	-	-	9,140
-	-	-	-	-	-	<b>26,687</b>
-	-	6,740	-	-	-	6,740
-	-	-	-	-	-	1,021,550
80,139	145,245	32,127	176,677	608,020	51,166	2,114,708
<b>80,139</b>	<b>145,245</b>	<b>38,867</b>	<b>176,677</b>	<b>608,020</b>	<b>51,166</b>	<b>3,142,998</b>
<b>\$ 80,139</b>	<b>\$ 145,245</b>	<b>\$ 38,867</b>	<b>\$ 176,677</b>	<b>\$ 608,020</b>	<b>\$ 51,166</b>	<b>\$ 3,169,685</b>

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	Special Revenue Funds				
	Gas Tax	Drug Intervention	SLESF	Special Projects	Corrections
<b>Revenues:</b>					
Revenue from other agencies	\$ 291,709	\$ 555,092	\$ 139,416	\$ 51,469	\$ 5,572
Use of money and property	1,344	4,954	4,922	13,567	-
Miscellaneous	-	-	-	-	-
<b>Total Revenues</b>	<b>293,053</b>	<b>560,046</b>	<b>144,338</b>	<b>65,036</b>	<b>5,572</b>
<b>Expenditures:</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	4,234
Public works	313,251	-	-	22,055	-
<b>Total Expenditures</b>	<b>313,251</b>	<b>-</b>	<b>-</b>	<b>22,055</b>	<b>4,234</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,198)	560,046	144,338	42,981	1,338
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	(76,747)	(30,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(76,747)</b>	<b>(30,000)</b>	<b>-</b>
Net Change in Fund Balances	(20,198)	560,046	67,591	12,981	1,338
Fund Balances at Beginning of Year	84,703	83,681	304,542	943,848	4,352
<b>Fund Balances at End of Year</b>	<b>\$ 64,505</b>	<b>\$ 643,727</b>	<b>\$ 372,133</b>	<b>\$ 956,829</b>	<b>\$ 5,690</b>

Special Revenue Funds (Continued)					Capital Projects Fund	Total Nonmajor Governmental Funds
RMRA	Measure M	Proposition A	Measure R	Proposition C	Parklands	
\$ 80,059	\$ 144,003	\$ 255,774	\$ 158,904	\$ 211,719	\$ -	\$ 1,893,717
80	1,242	132	2,945	7,822	707	37,715
-	-	-	-	-	-	-
<b>80,139</b>	<b>145,245</b>	<b>255,906</b>	<b>161,849</b>	<b>219,541</b>	<b>707</b>	<b>1,931,432</b>
-	-	6,378	-	-	-	6,378
-	-	-	-	-	-	4,234
-	-	212,785	-	-	-	548,091
-	-	<b>219,163</b>	-	-	-	<b>558,703</b>
80,139	145,245	36,743	161,849	219,541	707	1,372,729
-	-	-	-	-	-	-
-	-	-	(258,996)	-	(50,000)	(415,743)
-	-	-	<b>(258,996)</b>	-	<b>(50,000)</b>	<b>(415,743)</b>
80,139	145,245	36,743	(97,147)	219,541	(49,293)	956,986
-	-	2,124	273,824	388,479	100,459	2,186,012
<b>\$ 80,139</b>	<b>\$ 145,245</b>	<b>\$ 38,867</b>	<b>\$ 176,677</b>	<b>\$ 608,020</b>	<b>\$ 51,166</b>	<b>\$ 3,142,998</b>

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE  
GAS TAX SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2018**

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	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from other agencies	\$ 360,192	\$ 360,192	\$ 291,709	\$ (68,483)
Use of money and property	1,000	1,000	1,344	344
<b>Total Revenues</b>	<b>361,192</b>	<b>361,192</b>	<b>293,053</b>	<b>(68,139)</b>
<b>Expenditures:</b>				
Current:				
Public works	363,724	363,724	313,251	50,473
<b>Total Expenditures</b>	<b>363,724</b>	<b>363,724</b>	<b>313,251</b>	<b>50,473</b>
Net Change in Fund Balance	(2,532)	(2,532)	(20,198)	(17,666)
Fund Balance at Beginning of Year	84,703	84,703	84,703	-
<b>Fund Balance at End of Year</b>	<b>\$ 82,171</b>	<b>\$ 82,171</b>	<b>\$ 64,505</b>	<b>\$ (17,666)</b>

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE  
 DRUG INTERVENTION SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2018**

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	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from other agencies	\$ -	\$ 555,100	\$ 555,092	\$ (8)
Use of money and property	500	1,700	4,954	3,254
<b>Total Revenues</b>	<b>500</b>	<b>556,800</b>	<b>560,046</b>	<b>3,246</b>
Fund Balance at Beginning of Year	83,681	83,681	83,681	-
<b>Fund Balance at End of Year</b>	<b>\$ 84,181</b>	<b>\$ 640,481</b>	<b>\$ 643,727</b>	<b>\$ 3,246</b>

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE  
SLESF SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2018**

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	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from other agencies	\$ 100,000	\$ 100,000	\$ 139,416	\$ 39,416
Use of money and property	500	500	4,922	4,422
<b>Total Revenues</b>	<b>100,500</b>	<b>100,500</b>	<b>144,338</b>	<b>43,838</b>
<b>Other Financing Sources (Uses):</b>				
Transfers out	-	(76,747)	(76,747)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(76,747)</b>	<b>(76,747)</b>	<b>-</b>
Net Change in Fund Balance	100,500	23,753	67,591	43,838
Fund Balance at Beginning of Year	304,542	304,542	304,542	-
<b>Fund Balance at End of Year</b>	<b>\$ 405,042</b>	<b>\$ 328,295</b>	<b>\$ 372,133</b>	<b>\$ 43,838</b>

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL PROJECTS SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from other agencies	\$ 99,000	\$ 99,000	\$ 51,469	\$ (47,531)
Use of money and property	-	-	13,567	13,567
<b>Total Revenues</b>	<b>99,000</b>	<b>99,000</b>	<b>65,036</b>	<b>(33,964)</b>
<b>Expenditures:</b>				
Current:				
Public works	10,160	10,160	22,055	(11,895)
<b>Total Expenditures</b>	<b>10,160</b>	<b>10,160</b>	<b>22,055</b>	<b>(11,895)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	88,840	88,840	42,981	(45,859)
<b>Other Financing Uses:</b>				
Transfers out	(30,000)	(30,000)	(30,000)	-
<b>Total Other Financing Uses</b>	<b>(30,000)</b>	<b>(30,000)</b>	<b>(30,000)</b>	<b>-</b>
Net Change in Fund Balance	58,840	58,840	12,981	(45,859)
Fund Balance at Beginning of Year	943,848	943,848	943,848	-
<b>Fund Balance at End of Year</b>	<b>\$ 1,002,688</b>	<b>\$ 1,002,688</b>	<b>\$ 956,829</b>	<b>\$ (45,859)</b>

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE  
CORRECTIONS SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2018**

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	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from other agencies	\$ 6,000	\$ 6,000	\$ 5,572	\$ (428)
<b>Total Revenues</b>	<b>6,000</b>	<b>6,000</b>	<b>5,572</b>	<b>(428)</b>
<b>Expenditures:</b>				
Current:				
Public safety	4,700	4,700	4,234	466
<b>Total Expenditures</b>	<b>4,700</b>	<b>4,700</b>	<b>4,234</b>	<b>466</b>
Net Change in Fund Balance	1,300	1,300	1,338	38
Fund Balance at Beginning of Year	4,352	4,352	4,352	-
<b>Fund Balance at End of Year</b>	<b>\$ 5,652</b>	<b>\$ 5,652</b>	<b>\$ 5,690</b>	<b>\$ 38</b>



CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE

ROAD MAINTENANCE AND REHABILITATION ACCOUNT SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenue from other agencies	\$ -	\$ 78,000	\$ 80,059	\$ 2,059
Use of money and property	-	500	80	(420)
<b>Total Revenues</b>	<b>-</b>	<b>78,500</b>	<b>80,139</b>	<b>1,639</b>
Fund Balance at Beginning of Year	-	-	-	-
<b>Fund Balance at End of Year</b>	<b>\$ -</b>	<b>\$ 78,500</b>	<b>\$ 80,139</b>	<b>\$ 1,639</b>

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE  
 MEASURE M SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2018**

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	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from other agencies	\$ -	\$ 170,816	\$ 144,003	\$ (26,813)
Use of money and property	-	3,000	1,242	(1,758)
<b>Total Revenues</b>	<b>-</b>	<b>173,816</b>	<b>145,245</b>	<b>(28,571)</b>
Fund Balance at Beginning of Year	-	-	-	-
<b>Fund Balance at End of Year</b>	<b>\$ -</b>	<b>\$ 173,816</b>	<b>\$ 145,245</b>	<b>\$ (28,571)</b>

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE  
PROPOSITION A SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from other agencies	\$ 256,596	\$ 256,596	\$ 255,774	\$ (822)
Use of money and property	3,500	3,500	132	(3,368)
<b>Total Revenues</b>	<b>260,096</b>	<b>260,096</b>	<b>255,906</b>	<b>(4,190)</b>
<b>Expenditures:</b>				
Current:				
General government	5,310	5,310	6,378	(1,068)
Public works	926,118	256,596	212,785	43,811
<b>Total Expenditures</b>	<b>931,428</b>	<b>261,906</b>	<b>219,163</b>	<b>42,743</b>
Net Change in Fund Balance	(671,332)	(1,810)	36,743	38,553
Fund Balance at Beginning of Year	2,124	2,124	2,124	-
<b>Fund Balance at End of Year</b>	<b>\$ (669,208)</b>	<b>\$ 314</b>	<b>\$ 38,867</b>	<b>\$ 38,553</b>

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE  
MEASURE R SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from other agencies	\$ 160,969	\$ 160,969	\$ 158,904	\$ (2,065)
Use of money and property	1,000	1,000	2,945	1,945
<b>Total Revenues</b>	<b>161,969</b>	<b>161,969</b>	<b>161,849</b>	<b>(120)</b>
<b>Other Financing Uses:</b>				
Transfers out	(258,996)	(258,996)	(258,996)	-
<b>Total Other Financing Uses</b>	<b>(258,996)</b>	<b>(258,996)</b>	<b>(258,996)</b>	<b>-</b>
Net Change in Fund Balance	(97,027)	(97,027)	(97,147)	(120)
Fund Balance at Beginning of Year	273,824	273,824	273,824	-
<b>Fund Balance at End of Year</b>	<b>\$ 176,797</b>	<b>\$ 176,797</b>	<b>\$ 176,677</b>	<b>\$ (120)</b>

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE  
 PROPOSITION C SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from other agencies	\$ 214,090	\$ 214,090	\$ 211,719	\$ (2,371)
Use of money and property	1,000	1,000	7,822	6,822
<b>Total Revenues</b>	<b>215,090</b>	<b>215,090</b>	<b>219,541</b>	<b>4,451</b>
<b>Expenditures:</b>				
Current:				
Public works	208,667	208,667	-	208,667
<b>Total Expenditures</b>	<b>208,667</b>	<b>208,667</b>	<b>-</b>	<b>208,667</b>
Net Change in Fund Balance	6,423	6,423	219,541	213,118
Fund Balance at Beginning of Year	388,479	388,479	388,479	-
<b>Fund Balance at End of Year</b>	<b>\$ 394,902</b>	<b>\$ 394,902</b>	<b>\$ 608,020</b>	<b>\$ 213,118</b>

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE

GENERAL CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND - MAJOR FUND

YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ -	\$ -	\$ 77,902	\$ 77,902
Miscellaneous	-	-	52,286	52,286
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>130,188</b>	<b>130,188</b>
<b>Expenditures:</b>				
Current:				
Public works	1,970,775	2,074,665	421,355	1,653,310
<b>Total Expenditures</b>	<b>1,970,775</b>	<b>2,074,665</b>	<b>421,355</b>	<b>1,653,310</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,970,775)	(2,074,665)	(291,167)	1,783,498
<b>Other Financing Sources (Uses):</b>				
Transfers in	258,996	258,996	258,996	-
Transfers out	(1,029,246)	(1,029,246)	(1,029,246)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(770,250)</b>	<b>(770,250)</b>	<b>(770,250)</b>	<b>-</b>
Net Change in Fund Balance	(2,741,025)	(2,844,915)	(1,061,417)	1,783,498
Fund Balance at Beginning of Year	6,182,123	6,182,123	6,182,123	-
<b>Fund Balance at End of Year</b>	<b>\$ 3,441,098</b>	<b>\$ 3,337,208</b>	<b>\$ 5,120,706</b>	<b>\$ 1,783,498</b>

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE  
SEWER CAPITAL PROJECTS FUND - MAJOR FUND  
YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Use of money and property	\$ 30,000	\$ 30,000	\$ 51,666	\$ 21,666
<b>Total Revenues</b>	<b>30,000</b>	<b>30,000</b>	<b>51,666</b>	<b>21,666</b>
<b>Expenditures:</b>				
Current:				
Public works	771,495	771,495	31,368	740,127
<b>Total Expenditures</b>	<b>771,495</b>	<b>771,495</b>	<b>31,368</b>	<b>740,127</b>
Net Change in Fund Balance	(741,495)	(741,495)	20,298	761,793
Fund Balance at Beginning of Year	3,698,194	3,698,194	3,698,194	-
<b>Fund Balance at End of Year</b>	<b>\$ 2,956,699</b>	<b>\$ 2,956,699</b>	<b>\$ 3,718,492</b>	<b>\$ 761,793</b>

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE  
 PARKLANDS CAPITAL PROJECTS FUND - NONMAJOR FUND  
 YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Use of money and property	\$ -	\$ -	\$ 707	\$ 707
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>707</b>	<b>707</b>
<b>Expenditures:</b>				
Current:				
Public works	-	100,000	-	100,000
<b>Total Expenditures</b>	<b>-</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>
Excess (Deficiency) of Revenues	-	(100,000)	707	100,707
<b>Other Financing Sources:</b>				
Transfers out	-	(50,000)	(50,000)	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>(50,000)</b>	<b>(50,000)</b>	<b>-</b>
Net Change in Fund Balance	-	(150,000)	(49,293)	100,707
Fund Balance at Beginning of Year	100,459	100,459	100,459	-
<b>Fund Balance at End of Year</b>	<b>\$ 100,459</b>	<b>\$ (49,541)</b>	<b>\$ 51,166</b>	<b>\$ 100,707</b>



## **INTERNAL SERVICE FUNDS**

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

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

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

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
JUNE 30, 2018

	Governmental Activities - Internal Service Funds		
	Equipment Replacement	Insurance	Total
<b>Assets:</b>			
Current Assets:			
Cash and investments	\$ 1,673,615	\$ 67,141	\$ 1,740,756
Accounts receivable	-	4,861	4,861
Prepaid costs	-	980,049	980,049
<b>Total Current Assets</b>	<b>1,673,615</b>	<b>1,052,051</b>	<b>2,725,666</b>
Capital Assets:			
Machinery and equipment	3,495,335	-	3,495,335
Furniture and fixtures	306,694	-	306,694
Vehicles	1,280,946	-	1,280,946
Less accumulated depreciation	(4,517,558)	-	(4,517,558)
<b>Net Capital Assets</b>	<b>565,417</b>	<b>-</b>	<b>565,417</b>
<b>Total Assets</b>	<b>2,239,032</b>	<b>1,052,051</b>	<b>3,291,083</b>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts payable	8,013	83	8,096
<b>Total Current Liabilities</b>	<b>8,013</b>	<b>83</b>	<b>8,096</b>
<b>Total Liabilities</b>	<b>8,013</b>	<b>83</b>	<b>8,096</b>
<b>Net Position:</b>			
Net investment in capital assets	565,417	-	565,417
Unrestricted	1,665,602	1,051,968	2,717,570
<b>Total Net Position</b>	<b>\$ 2,231,019</b>	<b>\$ 1,051,968</b>	<b>\$ 3,282,987</b>

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Funds		
	Equipment Replacement	Insurance	Total
<b>Operating Revenues:</b>			
Charges for services	\$ -	\$ 974,066	\$ 974,066
<b>Operating Expenses:</b>			
Material and supplies	80,618	-	80,618
General liability insurance	-	571,354	571,354
Property and vehicle insurance	-	43,904	43,904
Workers' compensation	-	358,891	358,891
Depreciation expense	254,149	-	254,149
<b>Total Operating Expenses</b>	<b>334,767</b>	<b>974,149</b>	<b>1,308,916</b>
Operating Loss	(334,767)	(83)	(334,850)
<b>Nonoperating Revenues:</b>			
Interest revenue	28,414	6,987	35,401
Gain on disposal of capital assets	15,350	-	15,350
<b>Total Nonoperating Revenues</b>	<b>43,764</b>	<b>6,987</b>	<b>50,751</b>
Loss before Transfers	(291,003)	6,904	(284,099)
<b>Other Financing Sources (Uses):</b>			
Transfers in	106,747	-	106,747
Transfers out	(547,550)	-	(547,550)
Changes in Net Position	(731,806)	6,904	(724,902)
Net Position at Beginning of Year	2,962,825	1,045,064	4,007,889
<b>Net Position at End of Year</b>	<b>\$ 2,231,019</b>	<b>\$ 1,051,968</b>	<b>\$ 3,282,987</b>

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Funds		
	Equipment Replacement	Insurance	Total
<b>Cash Flows from Operating Activities:</b>			
Cash received from user departments	\$ 44,614	\$ 985,292	\$ 1,029,906
Cash paid to suppliers for goods and services	(195,758)	(1,954,115)	(2,149,873)
<b>Net Cash Used in Operating Activities</b>	<b>(151,144)</b>	<b>(968,823)</b>	<b>(1,119,967)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers from other funds	106,747	-	106,747
Transfers to other funds	(547,550)	-	(547,550)
<b>Net Cash Used in Noncapital Financing Activities</b>	<b>(440,803)</b>	<b>-</b>	<b>(440,803)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(127,759)	-	(127,759)
Proceeds from sales of capital assets	20,610	-	20,610
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(107,149)</b>	<b>-</b>	<b>(107,149)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	28,414	6,987	35,401
<b>Net Cash Provided by Investing Activities</b>	<b>28,414</b>	<b>6,987</b>	<b>35,401</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(670,682)</b>	<b>(961,836)</b>	<b>(1,632,518)</b>
Cash and Cash Equivalents at Beginning of Year	2,344,297	1,028,977	3,373,274
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,673,615</b>	<b>\$ 67,141</b>	<b>\$ 1,740,756</b>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</b>			
Operating loss	\$ (334,767)	\$ (83)	\$ (334,850)
<b>Adjustments to reconcile operating loss to net cash provided by operating activities:</b>			
Depreciation expense	254,149	-	254,149
(Increase) decrease in accounts receivable	44,614	11,226	55,840
(Increase) decrease in prepaid costs	-	(980,049)	(980,049)
Increase (decrease) in accounts payable	(115,140)	83	(115,057)
<b>Total Adjustments</b>	<b>183,623</b>	<b>(968,740)</b>	<b>(785,117)</b>
<b>Net Cash Used in Operating Activities</b>	<b>\$ (151,144)</b>	<b>\$ (968,823)</b>	<b>\$ (1,119,967)</b>

## **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 ASSETS AND LIABILITIES

ALL AGENCY FUNDS

JUNE 30, 2018

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	<u>Special Deposits</u>	<u>Police Property Evidence</u>	<u>Total</u>
<b>Assets:</b>			
Cash and investments	\$ 203,302	\$ 14,595	\$ 217,897
Accounts receivable	15	-	15
<b>Total Assets</b>	<b><u>\$ 203,317</u></b>	<b><u>\$ 14,595</u></b>	<b><u>\$ 217,912</u></b>
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Deposits payable	203,317	14,595	217,912
<b>Total Liabilities</b>	<b><u>\$ 203,317</u></b>	<b><u>\$ 14,595</u></b>	<b><u>\$ 217,912</u></b>

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2018

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
<b>SPECIAL DEPOSITS</b>				
<b>Assets:</b>				
Cash and investments	\$ 189,285	\$ 53,924	\$ (39,907)	\$ 203,302
Accounts receivables	-	15	-	15
<b>Total Assets</b>	<b><u>\$ 189,285</u></b>	<b><u>\$ 53,939</u></b>	<b><u>\$ (39,907)</u></b>	<b><u>\$ 203,317</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 238	\$ -	\$ (238)	\$ -
Deposits payable	189,047	57,241	(42,971)	203,317
<b>Total Liabilities</b>	<b><u>\$ 189,285</u></b>	<b><u>\$ 57,241</u></b>	<b><u>\$ (43,209)</u></b>	<b><u>\$ 203,317</u></b>
<b>POLICE PROPERTY EVIDENCE</b>				
<b>Assets:</b>				
Cash and investments	\$ 14,393	\$ 207	\$ (5)	\$ 14,595
<b>Total Assets</b>	<b><u>\$ 14,393</u></b>	<b><u>\$ 207</u></b>	<b><u>\$ (5)</u></b>	<b><u>\$ 14,595</u></b>
<b>Liabilities:</b>				
Deposits payable	\$ 14,393	\$ 207	\$ (5)	\$ 14,595
<b>Total Liabilities</b>	<b><u>\$ 14,393</u></b>	<b><u>\$ 207</u></b>	<b><u>\$ (5)</u></b>	<b><u>\$ 14,595</u></b>
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>Assets:</b>				
Cash and investments	\$ 203,678	\$ 54,131	\$ (39,912)	\$ 217,897
Accounts receivables	-	15	-	15
<b>Total Assets</b>	<b><u>\$ 203,678</u></b>	<b><u>\$ 54,146</u></b>	<b><u>\$ (39,912)</u></b>	<b><u>\$ 217,912</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 238	\$ -	\$ (238)	\$ -
Deposits payable	203,440	57,448	(42,976)	217,912
<b>Total Liabilities</b>	<b><u>\$ 203,678</u></b>	<b><u>\$ 57,448</u></b>	<b><u>\$ (43,214)</u></b>	<b><u>\$ 217,912</u></b>

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## STATISTICAL SECTION

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

<b>Contents</b>	<b><u>Pages</u></b>
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	96 - 99
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	100 - 108
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's financial activities take place.	109 - 110
<u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	111 - 112
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	113 - 115

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

CITY OF PALOS VERDE STATES  
Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities</b>										
Net investment in capital assets	\$ 59,719	\$ 56,687	\$ 54,677	\$ 53,240	\$ 51,728	\$ 48,675	\$ 46,006	\$ 45,358	\$ 42,688	\$ 41,014
Restricted	1,720	2,050	8,254	8,461	7,996	7,970	7,773	6,417	6,588	6,997
Unrestricted	<u>27,067</u>	<u>28,931</u>	<u>23,738</u>	<u>20,531</u>	<u>20,244</u>	<u>20,813</u>	<u>10,747</u>	<u>9,210</u>	<u>8,958</u>	<u>5,684</u>
<b>Total governmental activities net position</b>	<b><u>\$ 88,506</u></b>	<b><u>\$ 87,668</u></b>	<b><u>\$ 86,669</u></b>	<b><u>\$ 82,232</u></b>	<b><u>\$ 79,968</u></b>	<b><u>\$ 77,458</u></b>	<b><u>\$ 64,526</u></b>	<b><u>\$ 60,985</u></b>	<b><u>\$ 58,234</u></b>	<b><u>\$ 53,695</u></b>
<b>Primary government</b>										
Net investment in capital assets	\$ 59,719	\$ 56,687	\$ 54,677	\$ 53,240	\$ 53,240	\$ 48,675	\$ 46,006	\$ 45,358	\$ 42,688	\$ 41,014
Restricted	1,720	2,050	8,254	8,461	8,461	7,970	7,773	6,417	6,588	6,997
Unrestricted	<u>27,067</u>	<u>28,931</u>	<u>23,738</u>	<u>20,531</u>	<u>20,531</u>	<u>20,813</u>	<u>10,747</u>	<u>9,210</u>	<u>8,958</u>	<u>5,684</u>
<b>Total primary government net position</b>	<b><u>\$ 88,506</u></b>	<b><u>\$ 87,668</u></b>	<b><u>\$ 86,669</u></b>	<b><u>\$ 82,232</u></b>	<b><u>\$ 82,232</u></b>	<b><u>\$ 77,458</u></b>	<b><u>\$ 64,526</u></b>	<b><u>\$ 60,985</u></b>	<b><u>\$ 58,234</u></b>	<b><u>\$ 53,695</u></b>

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

CITY OF PALOS VERDE ESTATES

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government	\$ 1,693	\$ 1,592	\$ 1,699	\$ 1,573	\$ 2,157	\$ 1,542	\$ 2,244	\$ 2,911	\$ 3,520	\$ 2,686
Public safety	9,554	9,536	9,770	10,281	9,969	10,299	10,476	11,555	12,045	12,120
Public works	4,327	4,887	4,299	4,250	2,980	2,970	3,013	6,891	5,798	5,111
Parks and recreation	2,808	2,821	2,892	3,166	4,692	5,257	5,703	3,092	3,243	1,935
<b>Total governmental activities expenses</b>	<b>\$18,382</b>	<b>\$18,836</b>	<b>\$18,660</b>	<b>\$19,270</b>	<b>\$19,798</b>	<b>\$20,068</b>	<b>\$21,436</b>	<b>\$24,449</b>	<b>\$24,606</b>	<b>\$21,852</b>
<b>Program revenues:</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	\$ 63	\$ 68	\$ 66	\$ 56	\$ 85	\$ 50	\$ 56	\$ 472	\$ 1,278	\$ 92
Public safety	3,902	4,071	4,291	4,260	4,416	4,548	4,675	4,765	4,890	199
Public works	852	978	1,477	1,129	1,153	957	1,154	1,283	1,422	1,651
Parks and recreation	1,008	987	992	1,066	1,109	1,190	1,261	-	1,322	1,394
Operating grants and contributions	1,113	1,291	1,021	1,077	1,036	1,177	1,353	2,013	1,022	1,703
Capital grants and contributions	3,656	2,012	1,377	1,212	1,070	48	20	1,756	380	916
<b>Total governmental activities program revenues</b>	<b>10,594</b>	<b>9,407</b>	<b>9,224</b>	<b>8,800</b>	<b>8,869</b>	<b>7,970</b>	<b>8,519</b>	<b>10,289</b>	<b>10,314</b>	<b>5,955</b>
<b>Net (expense)/revenue</b>	<b>\$(7,788)</b>	<b>\$(9,429)</b>	<b>\$(9,436)</b>	<b>\$(10,470)</b>	<b>\$(10,929)</b>	<b>\$(12,098)</b>	<b>\$(12,917)</b>	<b>\$(14,160)</b>	<b>\$(14,292)</b>	<b>\$(15,897)</b>
<b>General revenues and other changes in net position:</b>										
<b>Governmental activities:</b>										
<b>Taxes:</b>										
Property taxes	\$ 5,661	\$ 5,695	\$ 5,743	\$ 5,842	\$ 6,099	\$ 6,494	\$ 6,859	\$ 7,247	\$ 9,089	\$ 9,466
Utility users tax	-	-	-	-	-	-	-	-	-	-
Sales and use taxes	340	309	319	318	349	384	427	435	426	533
Franchise taxes and other taxes	850	813	961	897	925	985	1,042	1,009	1,058	1,063
Motor vehicle in lieu tax (unrestricted)	1,092	1,107	1,127	1,097	1,126	1,184	1,248	1,323	-	-
Investment income	241	97	208	186	(12)	256	215	320	76	118
Miscellaneous	80	491	79	143	178	285	343	361	552	178
<b>Total General Revenue and Extraordinary Item</b>	<b>8,264</b>	<b>8,512</b>	<b>8,437</b>	<b>8,483</b>	<b>8,665</b>	<b>9,588</b>	<b>10,134</b>	<b>10,695</b>	<b>11,201</b>	<b>11,358</b>
<b>Change in Net Position</b>	<b>\$ 476</b>	<b>\$(917)</b>	<b>\$(999)</b>	<b>\$(1,987)</b>	<b>\$(2,264)</b>	<b>\$(2,510)</b>	<b>\$(2,783)</b>	<b>\$(3,465)</b>	<b>\$(3,091)</b>	<b>\$(4,539)</b>

\* The City implemented GASB 68 in 2014-15 which significantly impacted net equity and resulted in the restatement of net position by \$10,148,73 on the statement of net position

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

	Fiscal Year									
	2009	2010	2011*	2012*	2013*	2014*	2015*	2016*	2017*	2018*
<b>General fund:</b>										
Reserved	\$ 4	\$ 57								
Unreserved	8,472	8,472								
<b>Total general fund</b>	<u>\$ 8,476</u>	<u>\$ 8,529</u>								
<b>All other governmental funds:</b>										
Reserved	\$ 328	\$ 335								
Unreserved, reported in:										
Designated for capital projects	1,857	291								
Special revenue funds	2,064	1,716								
Capital projects funds	14,901	17,099								
<b>Total all other governmental funds</b>	<u>19,150</u>	<u>19,441</u>								
<b>Total</b>	<u>\$ 27,626</u>	<u>\$ 27,970</u>								
<b>General fund:</b>										
Nonspendable			\$ 65	\$ 86	\$ 98	\$ 99	\$ 31	\$ 15	\$ 15	\$ 458
Restricted			-	-	-	-	-	-	-	-
Committed			7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
Assigned			957	-	-	-	-	-	-	-
Unassigned			1,111	1,605	2,097	2,521	3,219	4,114	3,924	2,597
<b>Total general fund</b>			<u>\$ 9,333</u>	<u>\$ 8,891</u>	<u>\$ 9,395</u>	<u>\$ 9,820</u>	<u>\$ 10,450</u>	<u>\$ 11,329</u>	<u>\$ 11,139</u>	<u>\$ 10,255</u>
<b>All other governmental funds:</b>										
Nonspendable			\$ 331	\$ 3	\$ 358	\$ 373	\$ -	\$ 395	\$ -	\$ 7
Restricted			7,861	8,308	7,487	7,598	7,773	6,417	6,588	6,997
Committed			-	-	-	-	-	-	-	-
Assigned			-	9,611	9,052	8,375	7,132	5,096	6,182	5,121
Unassigned			10,106	-	-	-	-	-	-	-
<b>Total all other governmental funds</b>			<u>18,298</u>	<u>17,922</u>	<u>16,897</u>	<u>16,346</u>	<u>14,905</u>	<u>11,908</u>	<u>12,770</u>	<u>12,125</u>
<b>Total</b>			<u>\$27,631</u>	<u>\$26,813</u>	<u>\$26,292</u>	<u>\$26,166</u>	<u>\$25,355</u>	<u>\$23,237</u>	<u>\$23,909</u>	<u>\$22,380</u>

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

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Property Tax	\$ 5,661	\$ 5,695	\$ 5,693	\$ 5,842	\$ 6,099	\$ 6,494	\$ 6,859	\$ 7,247	\$ 7,701	\$ 8,116
Special assessment	5,140	5,098	5,316	5,044	5,221	4,316	4,464	4,582	4,715	44
Utility user tax	-	-	-	-	-	-	-	-	-	-
Other taxes	1,385	1,378	1,574	1,214	1,274	1,369	1,469	1,445	1,468	1,345
Licenses and permits	545	514	625	675	701	606	598	590	590	898
Fines and forfeitures	190	181	210	212	206	2,416	2,591	2,543	135	129
Use of money and agencies	1,639	1,300	1,175	1,228	1,089	407	447	602	1,368	1,460
Revenues from other agencies	3,088	2,155	2,051	2,278	2,218	1,412	1,423	1,612	2,694	3,364
Charges for services	410	549	501	454	475	207	176	147	656	807
Miscellaneous	89	975	79	144	176	288	326	361	552	210
Total revenues	<u>18,147</u>	<u>17,845</u>	<u>17,224</u>	<u>17,091</u>	<u>17,459</u>	<u>17,515</u>	<u>18,353</u>	<u>19,129</u>	<u>19,879</u>	<u>16,373</u>
Expenditures										
General government	1,561	1,536	1,595	1,437	1,503	1,853	2,069	2,164	2,363	2,347
Public safety	9,504	10,877	10,805	10,368	9,851	10,298	10,803	11,412	11,854	11,504
Public works	4,514	4,014	3,913	4,938	4,971	3,786	4,801	6,450	4,628	3,223
Parks and recreation	1,113	1,074	1,091	1,166	1,078	1,141	1,190	1,221	1,363	1,269
Total expenditures	<u>16,692</u>	<u>17,501</u>	<u>17,404</u>	<u>17,909</u>	<u>17,403</u>	<u>17,078</u>	<u>18,863</u>	<u>21,247</u>	<u>20,208</u>	<u>18,343</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,455</u>	<u>344</u>	<u>(180)</u>	<u>(818)</u>	<u>56</u>	<u>437</u>	<u>(510)</u>	<u>(2,118)</u>	<u>(329)</u>	<u>(1,970)</u>
Other financing sources (uses):										
Transfers in	541	563	5,357	1,162	883	700	1,015		2,658	6,232
Transfers out	(541)	(563)	(5,515)	(1,162)	(1,461)	(1,263)	(1,317)		(1,658)	(5,791)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(158)</u>	<u>-</u>	<u>(578)</u>	<u>(563)</u>	<u>(302)</u>	<u>-</u>	<u>1,000</u>	<u>441</u>
Net change in fund balances	<u>\$ 1,455</u>	<u>\$ 344</u>	<u>\$ (338)</u>	<u>\$ (818)</u>	<u>\$ (522)</u>	<u>\$ (126)</u>	<u>\$ (812)</u>	<u>\$ (2,118)</u>	<u>\$ 671</u>	<u>\$ (1,529)</u>

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>
2009	5,661,511	-	339,894	850,419	1,091,887	7,943,711
2010	5,694,990	-	309,252	813,086	1,107,133	7,924,461
2011	5,742,916	-	319,346	961,648	1,126,570	8,150,480
2012	5,841,800	-	317,694	896,566	1,097,377	8,153,437
2013	6,098,958	-	348,653	925,656	1,126,463	8,499,730
2014	6,494,062	-	383,800	984,904	1,183,953	9,046,719
2015	6,858,942	-	426,727	1,042,439	1,248,033	9,576,141
2016	7,247,897	-	435,005	1,009,002	1,323,094	10,014,998
2017	7,700,661	-	426,147	1,040,622	1,388,090	10,555,520
2018	8,009,908	-	388,757	1,062,835	1,456,252	10,917,752

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			
2009	5,057,668	40,784	5,015	7,487	5,095,981	0.1130%
2010	5,159,361	44,987	5,492	7,136	5,202,704	0.1130%
2011	5,135,015	50,147	4,540	6,211	5,183,491	0.1130%
2012	5,279,303	47,759	4,732	7,560	5,324,234	0.1130%
2013	5,419,878	48,191	4,344	7,389	5,465,024	0.1130%
2014	5,696,771	48,936	4,285	8,128	5,741,864	0.1130%
2015	6,009,062	50,686	4,768	8,225	6,056,291	0.1130%
2016	6,373,721	53,021	4,539	8,067	6,423,214	0.1109%
2017	6,698,291	54,279	4,132	8,555	6,748,147	0.1110%
2018	6,934,299	61,003	3,624	4,701	6,994,225	0.1130%

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

Data Source: Los Angeles County Assessor Combined Tax Rolls

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

Fiscal Year	Direct Rates				Overlapping Rates					
	City Direct Rate	LA County ERAF/Palos Verdes Library District/Palos Verdes Unified School District	Total General Levy	Palos Verdes Peninsula Unified School District	LA County Flood Control District	Metropolitan Water District	Palos Verdes Library District	Los Angeles County	Comm. College	Total Direct Overlapping Rates
2009	0.1130	0.8870	1.00000	0.0201	-	0.0043	0.0068	-	0.0221	1.05330
2010	0.1130	0.8870	1.00000	0.0216	-	0.0043	0.0068	-	0.0231	1.05560
2011	0.1130	0.8870	1.00000	0.0225	-	0.0037	0.0067	-	0.0403	1.07320
2012	0.1130	0.8870	1.00000	0.0225	-	0.0037	0.0064	-	0.0353	1.06786
2013	0.1130	0.8870	1.00000	0.0241	-	0.0035	0.0064	-	0.0488	1.08279
2014	0.1130	0.8870	1.00000	0.0231	-	0.0035	0.0061	-	0.0445	1.07727
2015	0.1130	0.8870	1.00000	0.0233	-	0.0035	0.0059	-	0.0402	1.07281
2016	0.1130	0.8870	1.00000	0.0234	-	0.0035	0.0056	-	0.0358	1.06830
2017	0.1130	0.8870	1.00000	0.0232	-	0.0035	-	-	0.0359	1.06260
2018	0.1130	0.8870	1.00000	0.0231	-	0.0035	-	-	0.0460	1.07260

Source: Los Angeles County Auditor Controller's Office.



CITY OF PALOS VERDES ESTATES

Principal Property Taxpayers

Current Year and Ten Years Ago

Taxpayer	2018			2008		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Tei Fu Chen Trust	\$ 34,106,619	1	0.48%	\$ 29,544,631	1	0.62%
Lowell W and Lisa B. Hill	33,151,828	2	0.47%			
Masafumi Miyamoto	15,394,803	3	0.22%	13,335,664	4	0.28%
Jose A. and Brigitte Collazo Trust	14,955,000	4	0.21%	16,174,079	2	0.34%
Tatiana Von Furstenberg Trust	14,629,391	5	0.21%			
Yi Lin	13,979,992	5	0.20%			
Jackson and Julie Yang	13,747,391	6	0.19%	10,702,102	7	0.22%
Winstep Int'l Holdings USA LLC	13,462,215	7	0.19%			
Timothy D Armour Trust	12,062,743	9	0.17%			
Richard C Lundquist Company Trust	11,800,288	10	0.17%	10,221,928	9	0.21%
Bernadette Chao Trust				8,866,151	10	0.18%
Jason and Wendy Moskowitz Trust				11,291,827	5	0.23%
Goon G Kim Living Trust				11,050,000	6	0.23%
Hussain M Shaikh				10,291,870	8	0.21%
Albert Centofante Trust				13,742,134	3	0.28%
	<u>\$ 177,290,270</u>		<u>2.51%</u>	<u>\$ 135,220,386</u>		<u>2.80%</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</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent (1)</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
2009	5,332,363	5,081,257	95.29%	-	5,081,257	95.29%
2010	5,430,923	5,243,610	96.55%	-	5,243,610	96.55%
2011	5,435,360	5,304,265	97.59%	-	5,304,265	97.59%
2012	5,611,918	5,494,212	97.90%	-	5,494,212	97.90%
2013	5,793,667	5,689,018	98.19%	-	5,689,018	98.19%
2014	6,121,791	6,031,018	98.52%	-	6,031,018	98.52%
2015	6,458,489	6,390,201	98.94%	-	6,390,201	98.94%
2016	7,134,756	6,960,188	97.55%	-	6,960,188	97.55%
2017	7,241,298	7,154,824	98.81%	-	7,154,824	98.81%
2018	7,860,750	7,556,360	96.13%	-	7,556,360	96.13%

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

Source: Los Angeles County Auditor Controller's Office.

CITY OF PALOS VERDES ESTATES

Taxable Property Subject to Fire Tax

Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Assessable		Real Property Square Footage			Special Tax		Total	Total Direct Tax Rate
	Parcels w/ Bldg - Improvement	Vacant	Residential Property	Commercial Property	Total Square Footage	Residential Property	Commercial Property		
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
2011	5,121		15,299,417	246,890	15,546,307	3,924,997	48,276	3,973,273	\$283.30/parcel plus \$0.16226/sq.ft
2011	0	71	0	0	0	20,114	0	20,114	
2012	5,124		15,361,156	242,466	15,603,622	3,936,148	47,275	3,983,423	\$283.30/parcel plus \$0.16226/sq.ft
2012	0	68	0	0	0	19,264	0	19,264	\$0.16226/sq.ft
2013	5,125		15,376,945	242,466	15,619,411	4,076,952	48,930	4,125,882	\$293.22/parcel plus \$0.16794/sq.ft
2013	-	67	-	-	-	19,646	-	19,646	
2014	5,124		15,407,685	242,466	15,650,151	4,213,652	50,511	4,264,162	\$302.69/parcel plus \$0.173366/sq.ft
2014	-	67	-	-	-	20,280	-	20,280	
2015	5,125		15,560,524	242,466	15,802,990	4,374,002	52,101	4,426,103	\$320.62/parcel plus \$0.183637/sq.ft
2015	-	67	-	-	-	20,919	-	20,919	
2016	5,125		15,619,985	223,749	15,843,737	4,503,223	49,425	4,552,648	\$320.62/parcel plus \$0.183637/sq. ft
2016	-	67	-	-	-	21,482	-	21,482	
2017	5,192		15,744,671	242,466	15,987,137	4,653,836	54,760	4,708,596	\$328.16/parcel plus \$0.187952/sq. ft
2017	-	68	-	-	-	22,315	-	22,315	

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.

The Fire and Paramedic Special Parcel Tax expired in 2017 and no further data is presented after this date.

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

CITY OF PALOS VERDES ESTATES

Principal Special Fire Taxpayers

June 30, 2018

Current Year and Prior Year

Property Owners	2017		
	Building Square Footage Value	Special Fire Tax Assessed	Percentage of Building Square Footage
Barnett, Rita C	36,753	\$ 9,533	0.23%
Lunada Bay Investment Co.	36,478	7,184	0.23%
Chen Tei Fu Co. Trust	29,678	5,906	0.18%
Peninsula Investment Co.	29,502	6,201	0.18%
79 parcels (special fire tax paid over \$2,000)	963,053	206,932	6.02%
1235 parcels (special fire tax paid between \$1,000-\$1,999)	5,942,604	1,522,196	37.17%
3878 parcels (special fire tax paid less than \$1,000 each)	9,081,480	2,979,468	56.80%
Total	<u>15,987,137</u>	<u>\$ 4,708,596</u>	<u>100.00%</u>

Notes:

The Fire and Paramedic Special Parcel Tax expired in 2017 and therefore no changes to the prior year table have been presented.

CITY OF PALOS VERDES ESTATES

Principal Special Fire Taxpayers

June 30, 2018

Current Year and Prior Year

Property Owners	2016		
	Building Square Footage Value	Special Fire Tax Assessed	Percentage of Building Square Footage
Lunada Bay Investment Co.	36,478	\$ 7,020	0.23%
Barnett, Rita C	34,257	8,535	0.22%
Peninsula Investment Co.	29,502	6,059	0.19%
Chen Tei Fu Co. Trust	29,678	5,771	0.19%
67 parcels (special fire tax paid over \$2,000)	845,402	176,728	5.34%
1094 parcels (special fire tax paid between \$1,000-\$1,999)	5,430,979	1,348,076	34.29%
4031 parcels (special fire tax paid less than \$1,000 each)	9,563,617	3,048,613	60.38%
Total	<u>15,839,998</u>	<u>\$ 4,573,417</u>	<u>100.00%</u>

CITY OF PALOS VERDES ESTATES

Fire Tax Rates

Direct Government

Last Ten Fiscal Years

	<u>City Direct Tax Rate</u>
2009	0.23760
2010	0.24690
2011	0.25690
2012	0.25650
2013	0.26540
2014	0.27380
2015	0.28140
2016	0.28870
2017	0.29450
2018	-

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.

The Fire and Paramedic Special Parcel Tax expired in 2017 and no further data is presented after this date.

CITY OF PALOS VERDES ESTATES  
Direct and Overlapping Governmental Activities Debt  
June 30, 2018

2017-2018 Assessed Valuation: \$7,075,865,925

Governmental Unit	Outstanding Debt 6/30/18	Estimated Percentage Applicable	Estimated Share of
<b>Overlapping General Fund Debt (Note 1)</b>			
Los Angeles County General Fund Obligations	\$ 1,921,992,404	0.497%	\$ 9,552,302
Los Angeles County Superindendant of Schools COP'S	6,500,306	0.497%	\$ 32,307
Los Angeles County Sanitation District-			
South Bay Authorities	3,205,696	15.630%	\$ 501,050
Los Angeles County Sanitation District #5	18,807,503	0.560%	\$ 105,322
<b>Direct &amp; Overlapping Tax &amp; Assessment Debt (Note 2)</b>			
Los Angeles Community College District	4,165,830,000	0.891%	37,117,545
Palos Verdes Peninsula Unified School District	62,104,101	29.943%	18,595,831
Los Angeles Regional Park & Open Space			
Assessment District	26,575,000	0.497%	132,078
Palos Verdes Library District	-	0.000%	-
Metropolitan Water District	60,600,000	0.258%	<u>156,348</u>
Subtotal, overlapping debt			66,192,783
City direct debt			(0)
Less: Los Angeles County General Fund Obligations supported by landfill revenues			<u>-</u>
Net Total direct and overlapping debt			<u><u>\$ 66,192,783</u></u>

Sources: Callifornia Municipal Statistics and HDL.

**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 country's taxable assessed value that is within the boundaries of the city and dividing it by the district's total taxable assessed value.

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

CITY OF PALOS VERDES ESTATES

Legal Debt Margin Information

June 30, 2018

(dollars in thousands)

Assessed value before homeowners exemption	<u>\$ 7,075,866</u>
Debt limit- 15% of assessed value	\$ 1,061,380
Amount of debt applicable to debt limit	<u>-</u>
	<u>\$ 1,061,380</u>

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt Limit	\$ 764,297	\$ 780,406	\$ 777,524	\$ 798,635	\$ 819,753	\$ 862,783	\$ 908,444	\$ 965,056	\$ 1,012,222	\$ 1,061,380
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 764,297</u>	<u>\$ 780,406</u>	<u>\$ 777,524</u>	<u>\$ 798,635</u>	<u>\$ 819,753</u>	<u>\$ 862,783</u>	<u>\$ 908,444</u>	<u>\$ 965,056</u>	<u>\$ 1,012,222</u>	<u>\$ 1,061,380</u>

Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
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Note:

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



CITY OF PALOS VERDES ESTATES  
Demographic and Economic Statistics

Last Ten Calendar Years

Calendar Year	City Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate (%)
2009	14,046	1,052,984	75,245	2.6
2010	14,085	1,303,144	92,520	2.9
2011	13,480	1,225,469	90,668	2.8
2012	13,516	1,246,247	91,710	2.1
2013	13,589	1,211,307	88,643	1.7
2014	13,665	1,206,227	88,239	1.4
2015	13,665	1,185,951	86,490	1.1
2016	13,712	1,220,847	89,035	0.8
2017	13,663	1,257,471	91,706	0.8
2018*	13,519	1,031,827	54,917	1.0

- Sources:
- (1) Population - California Department of Finance
  - (2) Income - Last available Census - \* Los Angeles, Anaheim Metropolitan Statistical Area
  - (3) Employment - State of California Employment Development Department (City Data)

\* Using a new data source from the Bureau of Economic Analysis, MSA data is no longer 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</u>
Unified School District	1156	1	85.06%
Concession Clubs			
Palos Verdes Golf Club	97	2	7.14%
Palos Verdes Beach & Athletic Club	15		
Palos Verdes Tennis Club	6		
Palos Verdes Stables	6		
City Government			
City of Palos Verdes Estates	61	3	4.49%
Restaurants	16	4	1.18%
Real Estate and Escrow Companies	<u>2</u>	5	0.15%
Total	<u>1359</u>		100.00%

Source: City Finance Department

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

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

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government:										
Administration	5.520	5.520	5.520	5.125	5.125	5.125	5.188	5.686	5.686	5.686
Finance	3.600	3.600	3.600	3.000	3.000	4.000	4.000	4.000	4.000	4.000
Building and Planning	2.500	2.500	2.500	2.000	2.000	3.000	4.000	6.000	4.500	4.500
Police:										
Sworn officers	25.000	25.000	25.000	25.000	25.000	25.000	25.000	25.000	25.000	25.000
Service officers (2)	12.000	12.000	12.000	12.000	12.000	12.000	12.000	12.000	12.000	13.000
Other	2.500	1.500	2.500	2.500	2.800	2.800	2.600	3.100	3.900	1.500
Street and Parks	5.000	5.500	5.500	5.500	5.500	5.500	5.500	5.500	7.500	7.000
<b>Total</b>	<b>56.120</b>	<b>55.620</b>	<b>56.620</b>	<b>55.125</b>	<b>55.425</b>	<b>57.425</b>	<b>58.288</b>	<b>61.286</b>	<b>62.586</b>	<b>60.686</b>

Source: City Finance Department

Notes:

- (1) The City contracts with the following:
  - a) Los Angeles County for fire and paramedic services
  - b) HR. Green for building, planning and public works administrative services.
- (2) Includes 1 Community Relations Officer and 1 Traffic Control Officer.

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

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Police:</b>										
Physical arrests	594	419	237	503	590	679	521	562	580	516
Parking violations	3,010	3,002	3,029	2,917	2,705	2,580	1,619	1,697	1,476	1,462
Moving violations	553	798	1,102	1,191	1,552	1,068	639	1,039	1,004	1,430
<b>Building &amp; Planning:</b>										
Building permits issues	1,614	1,650	1,843	1,994	2,025	2,064	2,087	2,130	2,030	1,813
Total number of inspections	2,763	220	2,507	2,565	2,442	2,336	2,197	2,618	2,916	2,957
Grading applications	20	17	17.5	11.5	18.0	20.5	21.0	23	28	17
Neighborhood compatibility applications	35	32.5	33	23	27	29	29	32	42	27
Miscellaneous applications	44	53	38.50	57.00	50.00	46.00	62.00	74	96	71
<b>Public Works:</b>										
Public works permits	322	200	178	227	191	219	219	278	418	372
Street resurfacing (miles)	9.9	3.55	3.28	3.35	3.62	0.78	0.78	4.00	3.36	0.00

Source: City Departments

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

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

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	4	4	4	4	4	4	4	4	4	4
Streets (miles)	78	78	78	78	78	78	78	78	78	78
Sanitary sewers (miles)	76	76	76	76	76	76	76	76	76	76
Storm drains (miles)	28.8	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5
Recreation facilities: (2)										
Golf	1	1	1	1	1	1	1	1	1	1
Stables	1	1	1	1	1	1	1	1	1	1
Tennis club	1	1	1	1	1	1	1	1	1	1
Beach club	1	1	1	1	1	1	1	1	1	1

Source: City Departments

Notes

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

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