



INCORPORATED 1939

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
year ended June 30, 2020

THIS PAGE INTENTIONALLY LEFT BLANK

**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, 2020

Prepared by:

Finance Department

**Stephen Hannah
Finance Director**

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF PALOS VERDES ESTATES, CALIFORNIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020
Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
Organization Chart	v
Officials of the City of Palos Verdes Estates	vi
GFOA Certificate of Achievement for Excellence in Financial Reporting	vii
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	5
Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Net Position - Proprietary Funds	25
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27
Statement of Assets and Liabilities - Fiduciary Funds	28
Notes to Financial Statements	29

CITY OF PALOS VERDES ESTATES, CALIFORNIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020
Table of Contents

	<u>Page Number</u>
FINANCIAL SECTION (CONTINUED):	
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability - Miscellaneous	62
Schedule of Contributions - Miscellaneous	63
Schedule of Proportionate Share of the Net Pension Liability - Safety	64
Schedule of Contributions - Safety	65
Schedule of Changes in Total Pension Liability and Related Ratios - Special Retirement Income Plan	66
Budgetary Comparison Schedules:	
General Fund	67
PVE Law Enforcement Special Revenue Fund	68
 Note to Required Supplementary Information	 69
Supplementary Information:	
Nonmajor Governmental Funds:	
Description of Nonmajor Governmental Funds	73
Combining Balance Sheet	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	76
Budgetary Comparison Schedules - Special Revenue Funds:	
Gas Tax	78
Drug Intervention	79
SLESF	80
Special Projects	81
Corrections	82
RMRA	83
Measure M	84
Proposition A	85
Measure R	86
Proposition C	87
Measure W	88
Special Fire Parcel Tax	89
 Budgetary Comparison Schedules - Capital Projects Funds:	
General Capital Improvement - Major Fund	90
Sewer - Major Fund	91
Parklands - Nonmajor Fund	92
 Internal Service Funds:	
Description of Internal Service Funds	93
Combining Statement of Net Position	94
Combining Statement of Revenues, Expenses, and Changes in Net Position	95
Combining Statement of Cash Flows	96

CITY OF PALOS VERDES ESTATES, CALIFORNIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020
Table of Contents

	<u>Page Number</u>
Supplementary Information (Continued):	
Agency Funds:	
Description of Agency Funds	97
Combining Statement of Assets and Liabilities	98
Combining Statement of Changes in Assets and Liabilities	99
STATISTICAL SECTION:	
Description of Statistical Section	101
Financial Trends:	
Net Position by Component	102
Changes in Net Position	103
Fund Balances of Governmental Funds	104
Changes in Fund Balances of Governmental Funds	105
Revenue Capacity:	
Selected Governmental Activities Tax Revenues by Source	106
Assessed Value and Estimated Actual Value of Taxable Property	107
Direct and Overlapping Governments	108
Principal Property Taxpayers	109
Property Tax Levies and Collections	110
Taxable Property Subject to Law Enforcement Services Special Tax	111
Principal Law Enforcement Services Special Tax	112
Debt Capacity:	
Direct and Overlapping Governmental Activities Debt	113
Legal Debt Margin Information	114
Demographic and Economic Information:	
Demographic and Economic Statistics	115
Principal Employers	116
Operating Information:	
Full-Time Equivalent City Government Employees by Function/Program	117
Operating Indicators by Function/Program	118
Capital Asset Statistics by Function/Program	119

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK



February 17, 2021

Honorable Mayor and Members of the City Council:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Palos Verdes Estates (City) for the fiscal year ended June 30, 2020. This report was prepared in accordance with all the appropriate rules and guidelines and independently audited by Clifton Larson Allen (CLA), formerly White Nelson Diehl Evans LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements are free of material misstatement. The independent auditors concluded that there was a reasonable basis for rendering an unmodified opinion for this fiscal year. The independent auditors' report is presented as the first component of the financial section of the CAFR.

The CAFR contains management's representations concerning the City's finances, is free of material misstatement, and management assumes full responsibility for the completeness and reliability of all the information presented. To provide a reasonable basis for making these representations, the City's management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for this report. As the cost of internal controls should not exceed the benefits derived from those controls, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative overview and analysis of the basic financial statements. The MD&A was designed to complement this letter of transmittal and should be read in conjunction with it. Financial data for all funds of the City are included within the CAFR.

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 has depended significantly on revenues derived from two primary sources: general 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 the five-member City Council. City Council members are elected on a non-partisan basis and serve four-year, staggered terms and receive no compensation. One member of the City Council is selected by the City Council as Mayor who serves a one year term. The City Council is responsible for a variety of functions including adopting ordinances, establishing policies, allocating resources, appointing Commission and Committee members and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for 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 a golf course, tennis club, swimming venue and stables for residents and the public.

Financial Policies

Budget Policy and Practice - The City Manager presents a proposed budget to the City Council for adoption annually on or before June 30. The City Council Adopted Budget serves as the resource allocation plan and blueprint for the City Council's control of public resources and for the delivery of services. The budget is controlled at the Fund level, and the City Manager is authorized to make transfers between Departments within City Council approved limits. 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 was adopted.

Fund Balance Policy and Practice –The City Council has formally adopted a Fund Balance Policy which includes a committed General Fund balance of \$8.0 million for emergency contingencies. The emergency contingencies reserve 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 of State sourced funding 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 adopted City Council policy and GASB 54.

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. The Investment Policy defines the objectives and priorities of the investment program. Consistent with the applicable provisions of the California Government Code, is the City's Investment Policy prioritizes safety and then liquidity of funds over investment returns.

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 nearly fully developed with 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. For example, sales tax 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 small, locally owned retail shops, restaurants and food markets. As the City continues to improve its operating efficiency, practices fiscal prudence, and adopts an increasing focus on long-term planning, fiscal sustainability is an achievable goal.

From a regional perspective, the City of Palos Verdes Estates is part of 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, and travel and tourism focused firms. 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 Pension Related Debt. As with most cities in California, the long-term costs associated with employee pensions weighs heavily on the City's finances. As CalPERS continues to struggle with balancing investment returns, creating a lower risk profile, and restrictions on investment opportunities, the Unfunded Accrued Liability (UAL) has grown significantly since the plan's losses of 2008 and 2009. Per the most recent actuarial reports, the City's UAL was \$17.6 million and its Net Pension Liability, as reported in this report, is \$16.1 million at June 30, 2020.

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. As the City must rely on voter approved revenues for assistance in balancing the budget, infrastructure enhancement, and on-going maintenance, options for future needs must be critically evaluated. Revenues must be evaluated for having the lowest impact to our residents

with the greatest affect for funding necessary infrastructure maintenance, replacement and upgrade and to meet operating obligations. The City Council established a Finance Advisory Committee which, working closely with City staff, provides recommendations for sustaining the long-term fiscal health of the City. Finances for infrastructure and pensions will remain a key need as both a challenge and opportunity for long-term financial planning. Developing a long-range model that both anticipates and funds the maintenance, replacement and upgrade of City assets and increases in operating costs is imperative to maintaining the quality of life and services that residents expect and desire.

Awards and Acknowledgments

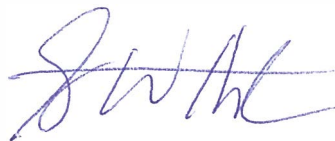
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2019. This was the 28th year that the City 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 (GAAP) and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR 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 leadership – particularly during the past year where the City, state, nation and world continue to suffer the impacts of COVID-19. Even during these particularly challenging times, the City has been able to retain the highest standards of professionalism, ethics, and conservative financial planning while managing the City's finances. We also thank the City staff for their integrity, hard work, and dedication in service to the City, its residents, businesses, and visitors.

Respectfully submitted,

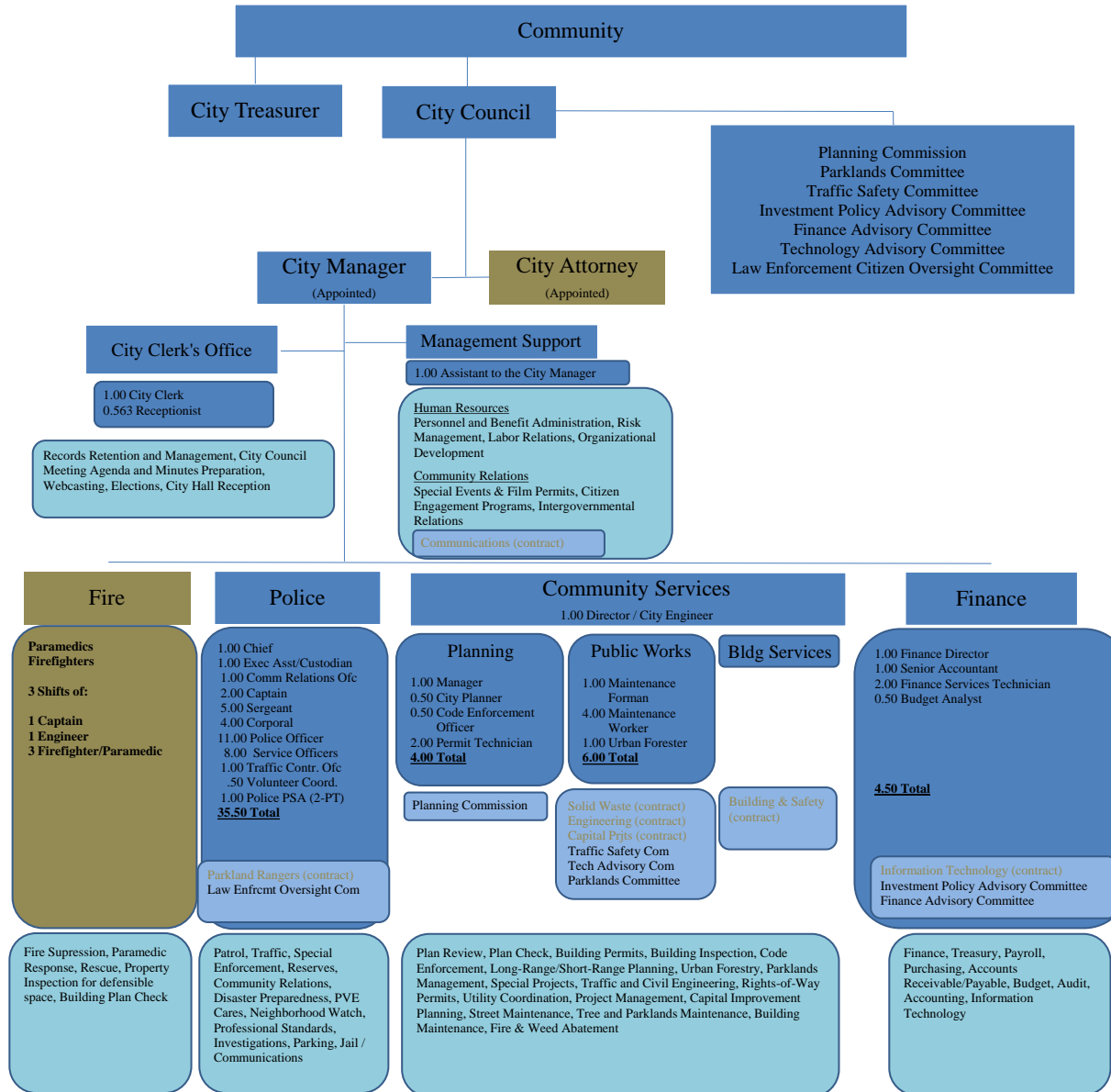


Laura Guglielmo
City Manager



Stephen W. Hannah
Director of City Support Services

Palos Verdes Estates Organizational Structure



Legend:
Contract Service

Elected Officials & Executive Team

ELECTED OFFICIALS

Mayor	David McGowan
Mayor Pro Tem	Michael Kemps
Council Members	Stanford S. Davidson Kenneth Kao Victoria A. Lozzi
City Treasurer	Elizabeth Ying

EXECUTIVE TEAM

City Manager (Interim)	Laura Guglielmo
City Attorney	Christi Hogin
Finance Director	Stephen Hannah
Chief of Police	Dan Dreiling
Deputy City Clerk	Kylynn Chaney
Director of Planning and Building Public Works	Brianna Rindge



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, 2019

Christopher P. Morill

Executive Director/CEO

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK



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, 2020, and the related notes to the financial statements, which collectively comprise the City's 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 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, 2020, 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 financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 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 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the 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 financial statements and, accordingly, we express no opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2021, 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 solely 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 effectiveness of the City's 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
February 17, 2021

THIS PAGE INTENTIONALLY LEFT BLANK

MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Palos Verdes Estates' (City) financial performance provides an overview of the financial activities of the City for the fiscal year ended June 30, 2020. It is suggested that this overview be read in conjunction with the letter of transmittal (pages i-iv) and the accompanying financial statements.

Financial Highlights

- The General Fund ended the year in a higher position as compared to FY 2018-19. As of June 30, 2020, the General Fund balance was \$15.4 million, an increase of \$2.4 million, or 18.1%.
- General Fund expenditures exceeded revenues by \$2.6 million before transfers in. Net Transfers into the General Fund totaled \$4.9 million all of which was from PVE Law Enforcement Special Tax Fund. FY 2019-20 results include General Fund revenue of \$15.4 million and expenditures of \$18.0 million. Revenues available for appropriation were \$497 thousand more than budgeted while actual expenditures were \$635 thousand lower than budget.
- During the year, the City's governmental revenues totaled \$22.2 million, a decrease of \$640 thousand, or 2.8%, from the prior year. General governmental expenditures totaled \$21.1 million for the fiscal year end, an increase in expenditures of \$1.9 million, or 10.0% from the prior year. Revenues remained relatively stable despite the impact of the pandemic. Expenditure increases were mostly due to public safety expenditures. Overall governmental revenues exceeded expenditures by \$1.1 million or 5.1%.
- The City maintained its prudent reserve posture. The City's current adopted Fund Balance Policy provides for a minimum General Fund committed fund balance of \$8,000,000 for emergency contingencies. The committed fund balance, required to be between 40% and 50% of the General Fund operating expenditures, was 44.5% of operating expenditures. Restricted balances include \$1.7 million of sewer capital funds, which must be used for sanitary sewer upgrades. The assigned fund balance includes one-time revenues related the exchange of Rule 20A Southern California Edison credits with the City of Rolling Hills in the amount of \$675 thousand.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: the Government-wide Financial Statements, the Fund Financial Statements, and the Notes to the Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements, including non-major fund financial statements and a statistical section.

Basic Financial Statements

The Basic Financial Statements contain the Government-wide Financial Statements, the Fund Financial Statements and the Notes to the Basic Financial Statements. This report also includes supplementary information intended to furnish additional detail to support 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' finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, on a full accrual basis of accounting similar to that used by private sector companies. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

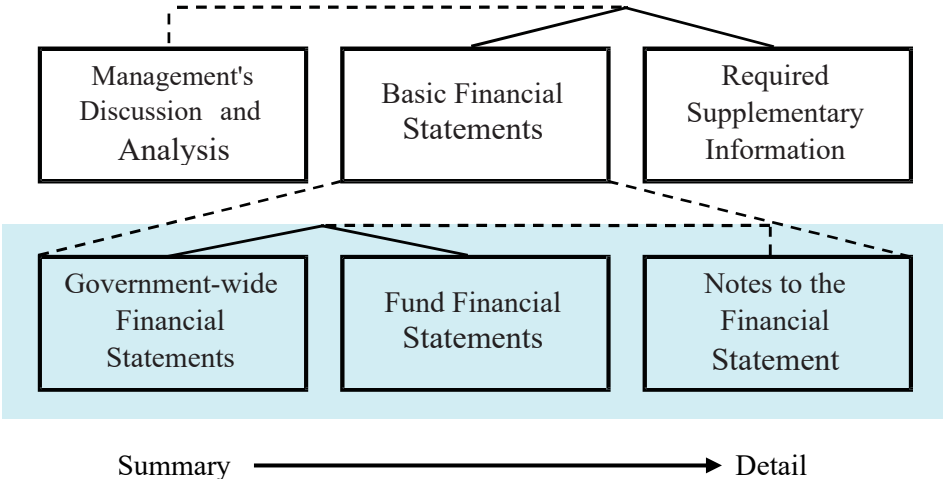
The *Statement of Activities* provides information about the City's revenues and expenses on a full accrual basis, with an emphasis on measuring net revenues or expenses for each of the City's programs. The Statement of Activities explains in detail the change in net position for the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements reflect functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). **The City does not maintain or report business-type activities.** The governmental activities of the City 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. The fund financial statements focus on current available resources and are organized and operated on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts, established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The focus of governmental and proprietary fund financial statements is on major funds. Major funds are determined based on minimum criteria set forth by the Government Accounting Standards Board (GASB). Like other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting is also used to aid financial management by segregating transactions related to certain government functions or activities.

The Notes to the Basic Financial Statements. The Notes to the Basic Financial Statements provide additional information and narrative disclosures that are essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes can be found on pages 29-59 of this report.

**REQUIRED COMPONENTS OF
THE ANNUAL FINANCIAL 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 67-92.

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 maintains individual governmental funds. Information is presented separately in the balance sheet and in the statement of revenues, expenditures, and changes in fund balances for the General Fund, the PVE Law Enforcement Fund, General Capital Improvements Fund, and Sewer Capital Improvements Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary funds. The City maintains Internal Service funds (ISF), one type of proprietary fund, to accumulate and allocate costs among the City's various governmental functions. The City 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 ISFs 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 94-96 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's 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 98-99 of this report.

Financial Highlights
Government-wide / Full Accrual Basis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2020, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$50.8 million, a decrease of \$3.6 million, or 6.6 percent, from the prior fiscal year.

Net investment in capital assets accounted for \$35.8 million, or 70.5 percent, of the City's total net position. This component of net position consists of capital assets (land, structures and improvements, equipment, infrastructure, and construction-in-progress) net of accumulated depreciation, reduced by any outstanding debt attributable to the acquisition, construction, or improvement of the assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Net investment in capital assets decreased by \$3.3 million, or 8.4 percent, from the prior fiscal year. This decrease in governmental activities is mostly attributable the recognition of \$3.1 million in depreciation.

Restricted net position amounted to \$5.7 million, representing 11.1 percent of total net position. This component of net position represents resources that are subject to external restrictions imposed by creditors and grantors, laws and regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. This component of the City's net position decreased \$2.2 million or 27.5 percent, from the prior fiscal year primarily as a result of a review of capital project fund activities.

The remaining unrestricted component of \$9.3 million increased \$1.9 million, or 25.7 percent, from the prior fiscal year.

Net Position
June 30, 2020 and 2019

	2020	2019
Current and other assets	\$ 30,839,524	\$ 30,063,873
Capital assets	35,849,427	39,168,475
Total Assets	66,688,951	69,232,348
Deferred Outflows	3,852,304	3,839,756
Non Current liabilities	1,443,119	1,022,625
Pension Liabilities	16,497,599	15,061,794
Other liabilities	398,094	1,374,978
Total liabilities	18,338,812	17,459,397
Deferred Inflows	1,366,747	(1,195,859)
Investment in capital assets	35,849,427	39,168,475
Restricted	5,688,268	7,849,913
Unrestricted	9,298,001	7,398,460
Total net position	\$ 50,835,696	\$ 54,416,848

Governmental activities. During FY 2019-20, governmental activities net position decreased \$3.6 million, or 6.6%, when compared to the prior fiscal year.

Total revenues for governmental activities decreased \$1.3 million, or 5.5%. Program Revenues, that is revenues derived from charges for services and grants, decreased \$925 thousand. This decrease was primarily attributable to reduction in Capital grants and contributions of \$652 thousand, a result of a prior fiscal year one-time distribution of Asset Forfeiture funds to the City, and a \$261 thousand decrease in charges for services resulting from the impact of the pandemic. General Revenues, revenues such as from taxes and investments, decreased \$380 thousand. This resulted from a \$680 thousand reduction in Other Revenues, from the one-time prior year sale of \$675 thousand of SCE Rule 20A credits, offset by a \$438 thousand increase in Property Tax revenues.

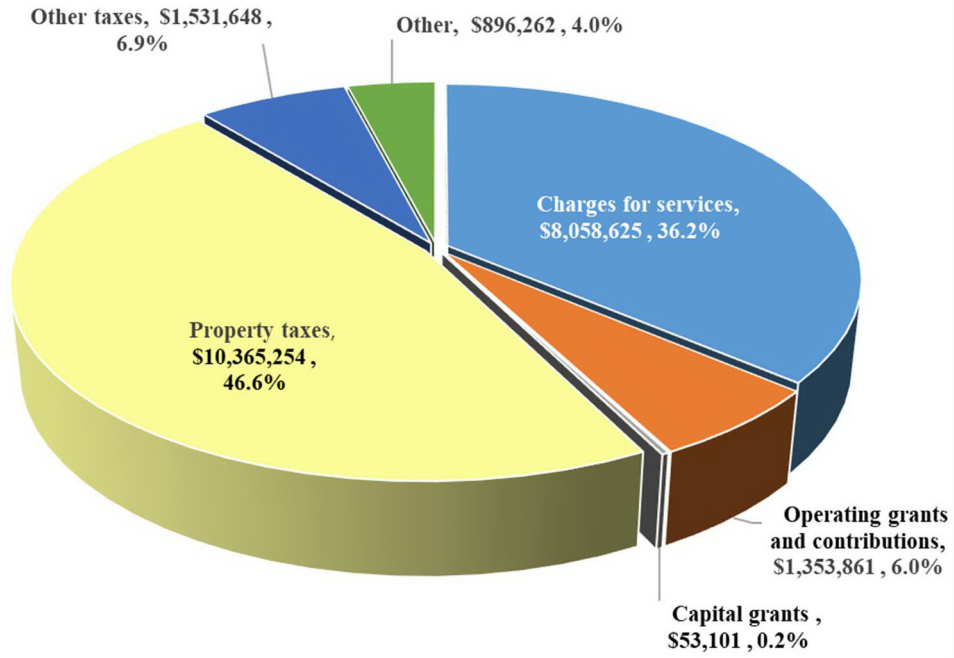
Governmental Activities expenses increased \$3.0 million or 13.1%. This is attributable to an increase in the Public Works function of \$1.7 million, related to non-capitalizable infrastructure maintenance projects, and moderate increases in pension related costs, a fire service contract and parklands maintenance costs.

The following table presents condensed information from the statement of activities for the fiscal years 2020 and 2019. As previously stated, all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

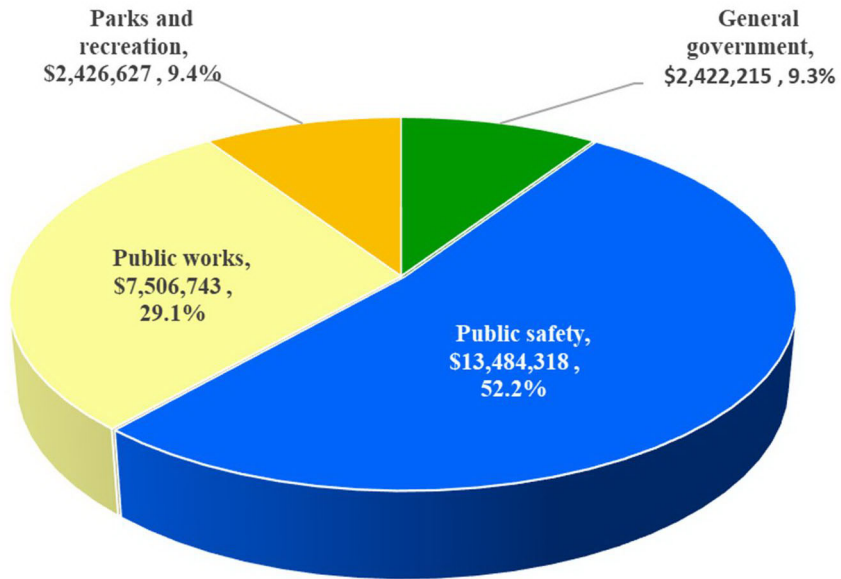
**Changes in Net Position
As of June 30 2020 and 2019**

	2020	2019
Program revenues:		
Charges for services	\$ 8,058,625	\$ 8,319,441
Operating grants and contributions	1,353,861	1,365,814
Capital grants and contributions	53,101	705,068
General revenues:		
Property taxes	10,365,254	9,927,748
Other taxes	1,531,648	1,668,264
Other	896,262	1,576,768
Total revenues	22,258,751	23,563,103
Expenses:		
General government	2,422,215	2,825,972
Public safety	13,484,318	12,725,635
Public works	7,506,743	5,812,999
Parks and recreation	2,426,627	1,476,277
Total expenses	25,839,903	22,840,883
Change in net position	(3,581,152)	722,220
Net position beginning	54,416,848	53,694,628
Net position June 30, 2020	\$ 50,835,696	\$ 54,416,848

Governmental Activities Revenues



Governmental Activities Expenses



Fund Financial Statements / Budgetary Basis

Governmental Funds

The City's governmental funds ending fund balances totaled \$27.1 million, an increase of \$1.1 million or 4.2% compared to the prior year. At June 30, 2020, the total of all restricted fund balances for government funds was \$5.7 million while assigned fund balance totaled \$6.8 million. These balances consisted primarily of capital fund reserves. Total assets for governmental funds increased \$981 thousand, reflecting a \$952 thousand increase in cash over the prior year. Total liabilities decrease by \$108 thousand, or 7.8%.

Major funds

The General Fund ended the year with a fund balance of \$15.4 million, an increase of \$2.4 million or 18.1% over the prior fiscal year. The General Fund committed fund balance was increased by \$800 thousand to \$8.0 million, as required by City policy. The unassigned fund balance of the General Fund totaled \$6.2 million, a \$1.6 million increase over last year's balance. Total assets for the General Fund increased \$2.2 million, reflecting a \$2.2 million increase in cash over the prior year. Total liabilities decrease by \$133 thousand, or 11.4%.

The revenues of the General Fund fell \$526 thousand or 3.3%. This decrease resulted primarily from the \$675 thousand decrease in Other Revenues from the SCE Rule 20A credits sale in fiscal year 2018/2019 offset by a \$363 thousand or 4.3% increase in Property Tax revenues. General Fund expenditures increased a modest \$310 thousand, 1.8%, when compared to the prior year.

The following schedule provides a year-over-year comparison for the General fund:

General Fund			
	2020	2019	Change (in dollars)
Revenues	\$ 15,403,234	\$ 15,929,144	\$ (525,910)
Expenditures	17,965,905	17,644,075	321,830
Excess Revenues/Expenditures	(2,562,671)	(1,714,931)	(847,740)
Transfers In	4,926,291	5,048,107	(121,816)
Transfers Out	-	(552,000)	552,000
Net Transfers	4,926,291	4,496,107	430,184
Net Change in Fund Balance	2,363,620	2,781,176	(417,556)
Beginning Fund Balance	13,036,328	10,255,152	2,781,176
Ending Fund Balance	\$ 15,399,948	\$ 13,036,328	\$ 2,363,620

The other major governmental funds were the PVE Law Enforcement Special Revenue Fund, General Capital Improvement Fund, and the Sewer Fund. The PVE Law Enforcement Special Revenue Fund had only transfers in, transfers out and investment activity (interest income). There was no material variations in any activity based (P&L) or point in time (BS) financial data. The Sewer Fund also had minimal financial activity with no material changes year-over-year in any activity based on point in time financial data. The fund balance of the Capital Improvements Fund decreased \$943 thousand and total assets for General Capital Improvement Fund, consisting of cash, decreased \$1.0 million. This changes reflect the effects of the City's ongoing slurry seal program that was continued during the current year.

The following schedule provides a year-over-year comparison for all governmental funds:

Total Governmental Funds			
	2020	2019	Change (in dollars)
Revenues	\$ 22,233,824	\$22,855,332	\$ (621,508)
Expenditures	21,145,068	19,209,029	1,936,039
Excess Revenues/Expenditures	1,088,756	3,646,303	(2,557,547)
Transfers In	6,292,075	5,825,290	466,785
Transfers Out	(6,292,075)	(5,826,859)	(465,216)
Net Transfers	-	(1,569)	1,569
Net Change in Fund Balance	1,088,756	3,644,734	(2,555,978)
Beginning Fund Balance	26,024,254	22,379,520	3,644,734
Ending Fund Balance	\$ 27,113,010	\$26,024,254	\$ 1,088,756

Proprietary funds. The only proprietary funds of the City are two internal service funds for equipment replacement and insurance activities. Total Net Position for the Equipment Replacement and Insurance Funds at year end equaled \$1.9 million and \$1.1 million respectively for a total of \$3.0 million. This reflects an overall decrease of \$128 thousand.

General Fund Budgetary Highlights

The difference between the original General Fund budget and the final amended appropriation budget, that is expenditures, was an increase of \$267 thousand. Estimated Revenues increased \$6 thousand. The final amended General Fund budget totaled \$14.9 million for estimated revenues and \$18.6 million for expenditures. Net transfers were just under \$5.0 million

At year end, budget results were favorable on both sides of the equation. General Fund estimated revenues came in \$497 thousand, or 3.3%, above estimates while General fund expenditures were \$634 thousand, or 3.4%, below authorized spending authority. Budgetary savings were recognized in the general government, public safety and parks and recreation functional areas.

Significant budget to actual revenue variances included \$124 thousand, or 17.5%, in charges for services primarily related to building and planning activities exceeding expectations. Use of money and property revenues exceeded estimates by \$333 thousand primarily resulting from a favorable mark-to-market year-end accrual.

Significant budget to actual expenditure variances include the general government and park and recreation functional areas. General government had favorable expenditure variances of \$200 thousand, or 19.9%, in payroll related expenditures resulting from staff vacancies, \$45 thousand, or 11.7%, in contractual services expenditures and \$41 thousand, or 41.7%, in public communications expenditures. Parks and Recreation positive variances of \$101 thousand, or 14.2%, positive variance in contractual services resulting from a delay in authorizing a contract limiting maintenance activities during the fourth quarter, and \$57 thousand, or 26.6%, in utility expenses.

Capital Asset and Debt Administration

Capital Assets. The City’s investment in capital assets for its governmental activities as of June 30, 2020, totaled \$35.8 million (net of accumulated depreciation). This is a decrease of \$3.3 million 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 \$278 thousand and construction in progress expenditures of \$467 thousand were expensed and were not considered capitalizable. The most significant change in balances have to do with annual depreciation cost incurred. The most significant capital expenditure incurred during the year was for Public Safety vehicles.

Capital Assets (Net of Depreciation)

Capital Assets	2020	2019	Change (in dollars)
Land	4,487,892	4,487,892	-
Construction in progress	200,942	541,474	(340,532)
Building and improvements	5,013,390	5,614,749	(601,359)
Machinery and equipment	964,625	1,206,861	(242,236)
Furniture and fixtures	25,912	32,977	(7,065)
Vehicles	266,564	235,442	31,122
Infrastructure	24,890,102	27,049,081	(2,158,979)
Total	<u>35,849,427</u>	<u>39,168,476</u>	<u>(3,319,049)</u>

Additional information on the City’s capital assets can be found in Note 3 beginning on page 44 of this report.

Long-term debt. The City has no debt instruments outstanding but does record existing liabilities in the area of vested employee benefits. At the end of the current fiscal year, the City’ net pension liability under GASB 68 was \$16.1 million consisting of \$4 million for the Miscellaneous Plans and \$12.1 million for the Safety Plans. Additional information on long-term debt can be found in Note 7 beginning on page 48 of the report.

Economic Factors and Next Year’s Budget

Economic Factors

The City begins Fiscal Year 2020/2021 during a worldwide once-in-one-hundred-years pandemic caused by COVID-19. The public health impacts of the pandemic have had a significant toll on the worldwide, USA, and California economies. One illustrative metric: the US unemployment rate was 3.6% in December 2019 compared with 6.7% in December 2020. Overall, state and local governments generally have been significantly impacted because at a time when demand for certain government services has increased (for example, unemployment insurance and public health services), decreased economic activity has reduced tax revenues – especially sales tax.

Fortunately, for the City, its revenues are primarily generated via property tax collections based upon a stable and healthy assessed valuation. The City’s expenditures have been well managed to ensure continued fiscal stability. During the first six months of Fiscal Year 2020/2021, collections of property tax and other revenue sources have remained within budgetary targets and expenditures remain under strict management. The bottom line: despite uncertainty in the broader world, the City’s finances remain stable and healthy in the short term.

Fiscal Year 2020/2021 Budget

In calendar year 2020, the City experienced significant turn-over in staffing, including the departure of three key positions: the City's Finance Director, Director of Community Development and Public Works, and Assistant to the City Manager. This occurred while the City was searching for a new City Manager, a position which had not seen a permanent incumbent since April 2019. With this as a backdrop, the City's Fiscal Year 2020/2021 budget was adopted by the City Council in late June 2020 without the customary shepherding by a seasoned Finance Director or City Manager – a “transitional, caretaker budget.”

The City welcomed a new City Manager in mid-June and a new Finance Director in August 2020. Both newcomers began their tenures with the City by conducting a thorough review of the City's fiscal condition. While the City Council Adopted Budget for Fiscal Year 2020/2021 provided an adequate guide for routine City Operations, the City Manager and Finance Director (now City Support Services Director) have dedicated a significant portion of their tenures to a thorough review of fiscal and budgetary practices at the City. In November, the City Council approved the City Manager's proposal to make important changes to the City's organizational structure. Further, the City Support Services Director has concluded a thorough review of the City's financial resources, implemented updates to operational best practices, reconstructed and improved the City's five year financial forecast, and updated the City's budget preparation process to improve clarity, accuracy, and transparency.

Based upon the new operational model, the City is currently recruiting for a Director of Community Development and a Director of Public Works. It is expected both positions will be filled just as the City begins preparation of the City Manager's Proposed Budget for Fiscal Year 2021/2022. This will allow for additional professional input as the City reviews and improves planning for capital improvement projects – including the incorporation of a revised and more achievable Five Year Capital Improvement Plan.

As reflected in the updated Five Year Financial Forecast, the City needs to make preparations in Fiscal Year 2020/2021 to address an expected General Fund budget deficit in Fiscal Year 2026/2027. While revenues remain stable, as with other municipalities statewide, pension costs – especially the Unfunded Accrued Liability (UAL) – remain a significant challenge. And, the City is facing a number of deferred maintenance issues, especially with respect to its urban forest and parklands. To properly address these needs, it is forecast the City will need to (1) maintain existing special revenues past their current sunset (Measure E – the Palos Verdes Estates Special Law Enforcement Tax – expires in 2027) and (2) implement new sources of revenues while managing operational costs. At the City Council's direction, staff is preparing a review of existing revenue sources and potential new revenue sources for the Council's consideration.

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 Department of City Support Services, 340 Palos Verdes Drive West, Palos Verdes Estates, California 90274 (or via email at pvefinance@pvestates.org).

CITY OF PALOS VERDES ESTATES

STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental Activities
Assets:	
Cash and investments	\$ 28,993,402
Receivables:	
Accounts	666,550
Accrued interest	96,391
Prepaid costs	1,071,216
Due from other governments	4,836
Inventories	7,129
Capital assets not being depreciated	4,688,834
Capital assets, net of accumulated depreciation	31,160,593
	<hr/>
Total Assets	66,688,951
	<hr/>
Deferred Outflows of Resources:	
Deferred pension-related items	3,852,304
	<hr/>
Total Deferred Outflows of Resources	3,852,304
	<hr/>
Liabilities:	
Accounts payable	367,338
Accrued liabilities	295,427
Unearned revenues	503,713
Noncurrent liabilities:	
Due within one year - Other long-term liabilities	276,641
Due in more than one year	
Other long-term liabilities	398,094
Net pension liability	16,497,599
	<hr/>
Total Liabilities	18,338,812
	<hr/>
Deferred Inflows of Resources:	
Deferred pension-related items	1,366,747
	<hr/>
Total Deferred Inflows of Resources	1,366,747
	<hr/>
Net Position:	
Net investment in capital assets	35,849,427
Restricted for:	
Public safety	1,479,720
Public works	4,208,548
Unrestricted	9,298,001
	<hr/>
Total Net Position	\$ 50,835,696
	<hr/>

See accompanying notes to financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF PALOS VERDES ESTATES

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 2,422,215	\$ 127,949	\$ -	\$ -	\$ (2,294,266)
Public safety	13,484,318	5,101,822	164,462	53,101	(8,164,933)
Parks and recreation	2,426,627	1,280,200	-	-	(1,146,427)
Public works	7,506,743	1,548,654	1,189,399	-	(4,768,690)
Total Governmental Activities	\$ 25,839,903	\$ 8,058,625	\$ 1,353,861	\$ 53,101	(16,374,316)

General Revenues:

Taxes:

Property taxes	10,365,254
Sales and use taxes	555,086
Franchise taxes	579,365
Business licenses taxes	196,278
Other taxes	200,919
Investment income	880,461
Miscellaneous	15,801

Total General Revenues

12,793,164

Change in Net Position

(3,581,152)

Net Position at Beginning of Year

54,416,848

Net Position at End of Year

\$ 50,835,696

See accompanying notes to financial statements.

CITY OF PALOS VERDES ESTATES

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>General</u>	<u>Special Revenue Fund PVE Law Enforcement</u>	<u>Capital Projects Funds General Capital Improvements</u>
Assets:			
Cash and investments	\$ 15,163,462	\$ 113,285	\$ 4,296,093
Accounts receivable	562,468	67,270	-
Interest receivable	96,391	-	-
Prepaid costs	502,208	-	-
Due from other governments	-	-	-
Due from other funds	103,066	-	-
Inventory - materials	7,129	-	-
Total Assets	<u>\$ 16,434,724</u>	<u>\$ 180,555</u>	<u>\$ 4,296,093</u>
Liabilities:			
Accounts payable	\$ 245,508	\$ -	\$ 101,379
Accrued salaries and benefits	285,555	-	-
Unearned revenue	503,713	-	-
Due to other funds	-	-	-
Total Liabilities	<u>1,034,776</u>	<u>-</u>	<u>101,379</u>
Fund Balances:			
Nonspendable:			
Prepaid costs	502,208	-	-
Inventory - materials	7,129	-	-
Restricted for:			
Public safety	-	180,555	-
Public works	-	-	-
Committed to:			
Emergency contingencies	8,000,000	-	-
Assigned to:			
Nonrecurring expenditures	675,295	-	-
Capital projects	-	-	4,194,714
Unassigned	<u>6,215,316</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>15,399,948</u>	<u>180,555</u>	<u>4,194,714</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 16,434,724</u>	<u>\$ 180,555</u>	<u>\$ 4,296,093</u>

See accompanying notes to financial statements.

Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Sewer		
\$ 3,644,666	\$ 3,778,709	\$ 26,996,215
-	36,812	666,550
-	-	96,391
-	-	502,208
-	4,836	4,836
-	-	103,066
-	-	7,129
\$ 3,644,666	\$ 3,820,357	\$ 28,376,395
\$ 11,794	\$ 2,498	\$ 361,179
654	9,218	295,427
-	-	503,713
-	103,066	103,066
12,448	114,782	1,263,385
-	-	502,208
-	-	7,129
-	1,299,165	1,479,720
1,699,072	2,509,476	4,208,548
-	-	8,000,000
-	-	675,295
1,933,146	-	6,127,860
-	(103,066)	6,112,250
3,632,218	3,705,575	27,113,010
\$ 3,644,666	\$ 3,820,357	\$ 28,376,395

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF PALOS VERDES ESTATES

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Fund balances - total governmental funds		\$ 27,113,010
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	\$ 115,451,451	
Less accumulated depreciation	<u>(80,024,484)</u>	35,426,967
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Compensated absences		(674,735)
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	3,852,304	
Deferred inflows of resources	(1,366,747)	
Pension liability	<u>(16,497,599)</u>	(14,012,042)
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>2,982,496</u>
Net position of governmental activities		<u>\$ 50,835,696</u>

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, 2020

	General	Special Revenue Fund	Capital Projects Funds	
		PVE Law Enforcement	General Capital	
			Improvements	Sewer
Revenues:				
Property taxes	\$ 8,760,576	\$ -	\$ -	\$ -
Special assessments	-	4,992,916	-	-
Other taxes	1,348,255	-	-	-
Licenses and permits	828,924	-	-	-
Revenue from other agencies	1,605,328	-	-	-
Charges for services	828,953	-	-	-
Use of money and property	1,916,861	15,525	72,197	57,391
Fines and forfeitures	85,001	-	-	-
Miscellaneous	29,336	-	-	-
Total Revenues	15,403,234	5,008,441	72,197	57,391
Expenditures:				
Current:				
General government	1,846,364	-	-	-
Public safety	12,679,125	-	-	-
Parks and recreation	1,149,648	-	-	-
Public works	2,290,768	-	2,381,280	113,226
Total Expenditures	17,965,905	-	2,381,280	113,226
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,562,671)	5,008,441	(2,309,083)	(55,835)
Other Financing Sources (Uses):				
Transfers in	4,926,291	-	1,365,784	-
Transfers out	-	(4,925,646)	-	-
Total Other Financing Sources (Uses)	4,926,291	(4,925,646)	1,365,784	-
Net Change in Fund Balances	2,363,620	82,795	(943,299)	(55,835)
Fund Balances at Beginning of Year	13,036,328	97,760	5,138,013	3,688,053
Fund Balances at End of Year	\$ 15,399,948	\$ 180,555	\$ 4,194,714	\$ 3,632,218

See accompanying notes to financial statements.

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 8,760,576
250	4,993,166
-	1,348,255
-	828,924
1,621,052	3,226,380
-	828,953
71,259	2,133,233
-	85,001
-	29,336
1,692,561	22,233,824
7,102	1,853,466
1,089	12,680,214
-	1,149,648
676,466	5,461,740
684,657	21,145,068
1,007,904	1,088,756
-	6,292,075
(1,366,429)	(6,292,075)
(1,366,429)	-
(358,525)	1,088,756
4,064,100	26,024,254
\$ 3,705,575	\$ 27,113,010

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, 2020

Net change in fund balances - total governmental funds		\$	1,088,756
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	\$	126,692	
Disposals		(467,224)	
Depreciation		<u>(2,954,660)</u>	(3,295,192)
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.			347,890
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.			(1,594,145)
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.			<u>(128,461)</u>
Change in net position of governmental activities		\$	<u><u>(3,581,152)</u></u>

See accompanying notes to financial statements.

CITY OF PALOS VERDES ESTATES

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2020

	<u>Governmental Activities Internal Service Funds</u>
Assets:	
Current Assets:	
Cash and investments	\$ 1,997,187
Prepaid costs	<u>569,008</u>
Total Current Assets	<u>2,566,195</u>
Noncurrent Assets:	
Capital Assets:	
Machinery and equipment	3,530,223
Furniture and fixtures	306,694
Vehicles	1,422,674
Less accumulated depreciation	<u>(4,837,131)</u>
Net Capital Assets	<u>422,460</u>
Total Assets	<u>2,988,655</u>
Liabilities:	
Current Liabilities:	
Accounts payable	<u>6,159</u>
Total Current Liabilities	<u>6,159</u>
Total Liabilities	<u>6,159</u>
Net Position:	
Net investment in capital assets	422,460
Unrestricted	<u>2,560,036</u>
Total Net Position	<u>\$ 2,982,496</u>

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, 2020

	<u>Governmental Activities Internal Service Funds</u>
Operating Revenues:	
Charges for services	\$ 1,285,329
Total Operating Revenues	<u>1,285,329</u>
Operating Expenses:	
Material and supplies	14,507
General liability insurance	781,221
Property and vehicle insurance	53,333
Workers' compensation	450,775
Depreciation expense	174,764
Total Operating Expenses	<u>1,474,600</u>
Operating Loss	<u>(189,271)</u>
Nonoperating Revenues:	
Interest revenue	24,927
Gain on disposal of capital assets	35,883
Total Nonoperating Revenues	<u>60,810</u>
Changes in Net Position	(128,461)
Net Position at Beginning of Year	<u>3,110,957</u>
Net Position at End of Year	<u>\$ 2,982,496</u>

See accompanying notes to financial statements.

CITY OF PALOS VERDES ESTATES

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2020

	Governmental Activities
	Internal Service Funds
Cash Flows from Operating Activities:	
Cash received from user departments	\$ 1,287,579
Cash paid to suppliers for goods and services	(1,807,462)
Net Cash Used in Operating Activities	(519,883)
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(150,908)
Proceeds from sales of capital assets	35,883
Net Cash Used in Capital and Related Financing Activities	(115,025)
Cash Flows from Investing Activities:	
Interest received	24,927
Net Cash Provided by Investing Activities	24,927
Net Decrease in Cash and Cash Equivalents	(609,981)
Cash and Cash Equivalents at Beginning of Year	2,607,168
Cash and Cash Equivalents at End of Year	\$ 1,997,187
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	\$ (189,271)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	174,764
(Increase) decrease in accounts receivable	(2,250)
(Increase) decrease in prepaid costs	(509,810)
Increase (decrease) in accounts payable	6,684
Total Adjustments	(330,612)
Net Cash Used in Operating Activities	\$ (519,883)

See accompanying notes to financial statements.

CITY OF PALOS VERDES ESTATES

STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Agency Funds</u>
Assets:	
Cash and investments	\$ 242,778
Total Assets	<u>\$ 242,778</u>
Liabilities:	
Deposits payable	\$ 242,778
Total Liabilities	<u>\$ 242,778</u>

See accompanying notes to financial statements.

CITY OF PALOS VERDES ESTATES, CALIFORNIA

Notes to Financial Statements

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 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 include the financial activities of the City.

b. Basis of Accounting and Measurement Focus

The *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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely, to a significant extent, on fees and charges for support. The City has no business-type activities. The primary government is reported separately from discretely presented component units for which the primary government is financially accountable. The City has no discretely presented component units. Certain eliminations have been made as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34 in regard to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated.

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.

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.

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

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

Government-wide Financial Statements (Continued)

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.

Certain eliminations have been made in regard to interfund transfers, payables and receivables. All internal balances in the statement of net position have been eliminated. Internal service fund activity has been eliminated and net balances are included in the governmental activities. Interfund services provided and used, if any, are not eliminated in the consolidation process.

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 60-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)

Governmental Funds (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 PVE Law Enforcement 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 police services.

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

Current Year Standards

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*, which was effective immediately. This statement provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Paragraphs 4 and 5 are applicable to fiscal year 2019-2020. This statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively.

The requirements of these paragraphs 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:

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the financial statements.

This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, and early application is encouraged.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. New Accounting Pronouncements (Continued)

In June 2017, GASB issued Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset for leases with a term of more than 12 months. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. For leases with a term of 12 months or less, lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this statement are effective for reporting periods beginning after June 15, 2021, and early application is encouraged.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to leases, fiduciary activities, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments.

The requirements of this statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

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. 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 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. Unsecured personal property taxes become due on March 1 each year and are delinquent, if unpaid, on August 31. At June 30, 2020, 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, 2020, the total property taxes receivable of \$284,945 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.

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 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.
- Deferred inflows 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.

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 includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.
- Committed includes 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 includes 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 includes 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 \$8 million. The specific permitted uses of the committed fund balance are as follows:

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, 2020, totaled \$6,226,486.

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 Financial Statements
June 30, 2020

2. CASH AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2020, were classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 28,993,402
Statement of Fiduciary Net Position:	
Cash and investments	242,778
Total cash and investments	<u>\$ 29,236,180</u>

Cash and investments as of June 30, 2020, consisted of the following:

Cash on hand	\$ 1,500
Deposits with financial institutions	171,381
Investments	29,063,299
Total cash and investments	<u>\$ 29,236,180</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	5 years	None	None
Banker's Acceptances	180 days	15%	10%
Commercial Paper	270 days	15%	10%
Non-Negotiable Certificates of Deposit	5 years	30%	\$250,000
Negotiable Certificates of Deposit	5 years	30%	\$250,000
Repurchase Agreements	180 days	15%	10%
Medium-Term Notes	2 years	20%	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.

CITY OF PALOS VERDES ESTATES, CALIFORNIA
Notes to Financial Statements
June 30, 2020

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	\$ 11,943,669	\$ 11,943,669	\$ -	\$ -
Negotiable Certificates of Deposit	9,152,084	1,957,772	5,380,681	1,813,631
Los Angeles County Pooled Investment Funds	1,652,451	1,652,451	-	-
US Agency Securities:				
Federal Home Loan Mortgage Corporation	3,013,880	-	-	3,013,880
Federal Home Loan Bank	1,004,500	-	-	1,004,500
Federal National Mortgage Association	1,004,120	-	-	1,004,120
Freddie Mac	1,003,160	-	-	1,003,160
Municipal Bonds	289,435	-	-	289,435
Total	\$ 29,063,299	\$ 15,553,892	\$ 5,380,681	\$ 8,128,726

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 & 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	\$ 11,943,669	N/A	\$ -	\$ 11,943,669
Negotiable Certificates of Deposit	9,152,084	N/A	-	9,152,084
Los Angeles County Pooled Investment Funds	1,652,451	N/A	-	1,652,451
US Agency Securities:				
Federal Home Loan Mortgage Corporation	3,013,880	N/A	3,013,880	-
Federal Home Loan Bank	1,004,500	N/A	1,004,500	-
Federal National Mortgage Association	1,004,120	N/A	1,004,120	-
Freddie Mac	1,003,160	N/A	1,003,160	-
Municipal Bonds	289,435	N/A	289,435	-
Total	\$ 29,063,299		\$ 5,022,500	\$ 22,748,204

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 Mortgage Corporation	\$ 3,013,880

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, 2020, 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 Financial Statements
June 30, 2020

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 are 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, 2020:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
US Government Agency Securities:				
Federal Home Loan				
Mortgage Corporation	\$ -	\$ 3,013,880	\$ -	\$ 3,013,880
Federal Home Loan Bank	-	1,004,500	-	1,004,500
Federal National Mortgage Association	-	1,004,120	-	1,004,120
Freddie Mac	-	1,003,160	-	1,003,160
Municipal Bonds	-	289,435	-	289,435
Negotiable Certificates of Deposit	-	9,152,084	-	9,152,084
Total Leveled Investments	<u>\$ -</u>	<u>\$ 15,467,179</u>	<u>\$ -</u>	15,467,179
Investments not Subject to Fair Value Hierarchy:				
LAIF				11,943,669
Los Angeles County Pooled Investment Fund				<u>1,652,451</u>
Total Investment Portfolio				<u>\$ 29,063,299</u>

CITY OF PALOS VERDES ESTATES, CALIFORNIA
Notes to Financial Statements
June 30, 2020

3. CAPITAL ASSETS

A summary of changes in capital asset activity for the year ended June 30, 2020, is as follows:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 4,487,892	\$ -	\$ -	\$ 4,487,892
Construction in progress	541,474	126,692	(467,224) *	200,942
Total capital assets, not being depreciated	<u>5,029,366</u>	<u>126,692</u>	<u>(467,224)</u>	<u>4,688,834</u>
Capital assets, being depreciated:				
Buildings and improvements	29,068,275		-	29,068,275
Machinery	5,449,218	32,415	-	5,481,633
Furniture and fixtures	667,981	-	-	667,981
Vehicles	1,304,181	118,493	-	1,422,674
Infrastructure	79,381,645	-	-	79,381,645
Total capital assets, being depreciated	<u>115,871,300</u>	<u>150,908</u>	<u>-</u>	<u>116,022,208</u>
Less accumulated depreciation for:				
Buildings and improvements	(23,453,526)	(601,359)	-	(24,054,885)
Machinery	(4,242,358)	(274,650)	-	(4,517,008)
Furniture and fixtures	(635,004)	(7,065)	-	(642,069)
Vehicles	(1,068,739)	(87,371)	-	(1,156,110)
Infrastructure	(52,332,564)	(2,158,979)	-	(54,491,543)
Total accumulated depreciation	<u>(81,732,191)</u>	<u>(3,129,424)</u>	<u>-</u>	<u>(84,861,615)</u>
Total capital assets, being depreciated, net	<u>34,139,109</u>	<u>(2,978,516)</u>	<u>-</u>	<u>31,160,593</u>
Governmental activities capital assets, net	<u>\$ 39,168,475</u>	<u>\$ (2,851,824)</u>	<u>\$ (467,224)</u>	<u>\$ 35,849,427</u>

* - Includes deletion of projects that did not meet the criteria of capital assets.

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

Governmental activities:	
General government	\$ 35,689
Public safety	2,375
Public works	2,162,939
Parks and recreation	753,657
Internal service funds	<u>174,764</u>
Total depreciation expense - governmental activities	<u>\$ 3,129,424</u>

CITY OF PALOS VERDES ESTATES, CALIFORNIA
Notes to Financial Statements
June 30, 2020

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Transfers In and Out

Transfers in and out for the fiscal year ended June 30, 2020, are as follows:

Transfers In	Transfers Out	Amount
General Fund	PVE Law Enforcement	
	Special Revenue Fund	\$ 4,925,646
	Other Governmental Funds	645
General Capital Improvements		
Capital Projects Fund	Other Governmental Funds	1,365,784
		<u>\$ 6,292,075</u>

The PVE Law Enforcement Special Revenue Fund transferred \$4,925,646 to the General Fund for Police Department related expenditures.

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

5. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2020, is as follows:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020	Due Within One Year	Due in More Than One Year
Compensated absences	\$ 1,022,625	\$ 13,054	\$ (360,944)	\$ 674,735	\$ 276,641	\$ 398,094

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

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

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 are 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.

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.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance.

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 2019-20, the Authority's pooled retention is \$1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$1 million. Coverage from \$1 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.

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

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 for the three-year period from July 1, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sublimit during the three-year term of the policy.

Property Insurance

The City of Palos Verdes Estates participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Palos Verdes Estates property is currently insured according to a schedule of covered property submitted by the City of Palos Verdes Estates to the Authority. City of Palos Verdes Estates property currently has all-risk property insurance protection in the amount of \$44,819,642. 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 "Non Participant." 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 2019-20.

CITY OF PALOS VERDES ESTATES, CALIFORNIA
Notes to Financial Statements
June 30, 2020

7. DEFINED BENEFITS PENSION PLANS

The following is a summary of pension-related items for the year ended June 30, 2020:

	Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalPERS Miscellaneous	\$ 3,958,694	\$ 1,086,290	\$ (552,599)	\$ 864,353
CalPERS Safety	12,136,014	2,751,753	(699,059)	2,243,559
Special Retirement Income Plan	402,891	14,261	(115,089)	18,971
	<u>\$ 16,497,599</u>	<u>\$ 3,852,304</u>	<u>\$ (1,366,747)</u>	<u>\$ 3,126,883</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' Miscellaneous and Safety 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 five years of services. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least five years of service. All members are eligible for non-duty disability benefits after five 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 Financial Statements
June 30, 2020

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 the June 30, 2019 measurement date, 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 employer contribution rates:		
Normal cost rate	9.409%	6.842%
Payment of unfunded liability	\$ 115,200	\$ 349

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 employer contribution rates:		
Normal cost rate	20.556%	12.141%
Payment of unfunded liability	\$ 578,395	\$ 547

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.

The net pension liability is primarily liquidated from the General Fund.

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

As of June 30, 2020, 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	\$ 3,958,694
Safety	12,136,014
Total Net Pension Liability	<u>\$ 16,094,708</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, 2019, 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, 2018 rolled forward to June 30, 2019 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.

CITY OF PALOS VERDES ESTATES, CALIFORNIA
Notes to Financial Statements
June 30, 2020

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)

The City's proportionate share of the net pension liability for each Plan as of the measurement dates ended June 30, 2018 and 2019, were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2018	0.03863%	0.11843%
Proportion - June 30, 2019	0.03609%	0.11626%
Change - Increase (Decrease)	-0.00254%	-0.00217%

For the year ended June 30, 2020, the City of Palos Verdes Estates recognized pension expense of \$864,353 and \$2,243,559 for the Miscellaneous and Safety Plans, respectively. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous</u>		<u>Safety</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 329,638	\$ -	\$ 1,177,920	\$ -
Differences between expected and actual experience	274,948	(21,303)	792,372	-
Change in assumptions	188,769	(66,917)	497,434	(97,074)
Net differences between projected and actual earnings on plan investments	-	(69,210)	-	(166,952)
Change in employer's proportion	292,935	-	284,027	(33,082)
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(395,169)	-	(401,951)
Total	<u>\$ 1,086,290</u>	<u>\$ (552,599)</u>	<u>\$ 2,751,753</u>	<u>\$ (699,059)</u>

CITY OF PALOS VERDES ESTATES, CALIFORNIA
Notes to Financial Statements
June 30, 2020

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)

Amounts of \$329,638 and \$1,177,920 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, 2021. 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
2021	\$ 224,906	\$ 792,279
2022	(51,031)	(68,795)
2023	16,192	118,807
2024	13,986	32,483

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement period was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The total pension liability was based on the following assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method

Actuarial Assumptions:

Discount Rate	7.15%
Inflation	2.50%
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 probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.
- (3) The less of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

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)

Long-Term Expected Rate of Return

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 cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

(b) An expected inflation of 2.0% used for this period

(c) An expected inflation of 2.92% used for this period

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%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 one percentage point lower or one percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 6,407,376	\$ 18,030,185
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 3,958,694	\$ 12,136,014
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 1,937,481	\$ 7,303,718

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, 2020, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

7. DEFINED BENEFITS PENSION PLANS (CONTINUED)

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

Employees Covered

At the measurement date of June 30, 2020, the following employees were covered by the benefit terms of the Plan:

Inactive employees currently receiving benefits	6
Participating active employees	49
Total	<u>55</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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB68. Plan assets have not been accumulated in a separately established trust fund.

Total Pension Liability

The City's total pension liability for the plan is measured as the total pension liability. There are no fiduciary plan net position. The total pension liability of the Plan is measured as of June 30, 2020, using an actuarial valuation as of June 30, 2020. As summary of principal assumptions and methods used to determine the total pension liability is shown below.

CITY OF PALOS VERDES ESTATES, CALIFORNIA
Notes to Financial Statements
June 30, 2020

7. DEFINED BENEFITS PENSION PLANS (CONTINUED)

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

Actuarial Assumptions

Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	2.45%
Inflation	1.75%
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 2019-2020, the financial reporting discount rate changed from 3.13% to 2.45%. Deferred inflows of resources for changes of assumptions represent the unamortized portion of this assumption change.

Discount Rate

The discount rate used to measure the total pension liability was 2.45% for the plan. Since there are no assets accumulated in a separately established trust fund, the discount rate was based on the Fidelity municipal government-obligation AA-rated 20-yr bond index rate.

Changes in the Total Pension Liability

Balance at June 30, 2019	\$ 381,494
Changes in the year:	
Service cost	18,785
Interest on the total pension liability	12,159
Difference between expected and actual experience	(1,676)
Change in assumptions	15,779
Benefit payments	(23,650)
Current-year changes	21,397
Balance at June 30, 2020	\$ 402,891

CITY OF PALOS VERDES ESTATES, CALIFORNIA
Notes to Financial Statements
June 30, 2020

7. DEFINED BENEFITS PENSION PLANS (CONTINUED)

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

Sensitivity of the Total 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 one percentage point lower or one percentage point higher than the current rate:

1% Decrease		1.45%
Total Pension Liability	\$	426,850
Current Discount Rate		2.45%
Total Pension Liability	\$	402,891
1% Increase		345.00%
Total Pension Liability	\$	379,975

Pension Expenses and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2020, the City recognized pension expense of \$18,971. At June 30, 2020, 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
Differences between actual and expected experience	\$ -	\$ (64,215)
Change in assumptions	14,261	(50,874)
Total	<u>\$ 14,261</u>	<u>\$ (115,089)</u>

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

Year Ending June 30,		
2021	\$	(11,973)
2022		(11,973)
2023		(11,973)
2024		(11,973)
2025		(11,973)
Thereafter		(40,963)

7. DEFINED BENEFITS PENSION PLANS (CONTINUED)

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

Payable to the Pension Plan

At June 30, 2020, there was no outstanding amount of contributions payable to the pension plans for the year ended June 30, 2020.

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 toward 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, 2019 (the most recent information available), audited financial statements indicated the following:

Total assets	\$ 3,586,144
Total liabilities	257,061
Total equity (net position)	3,329,083
Revenues	3,077,947
Expenditures	2,877,140
Net change in net position	200,807

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 financial statements of the City.

9. CONTINGENCIES (CONTINUED)

COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of an outbreak of a new strain of coronavirus (the COVID-19 outbreak) and the risks that is posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. The City’s operations are heavily dependent on the ability to raise sales taxes, property taxes and transient occupancy taxes and assess business licenses, developer fees and construction permits. Additionally, access to grants and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak may have a continued adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation is expected to depress the tax bases and other areas in which the City received revenue during fiscal year 2021. The outbreak could also have other potential impacts, including disruptions or restrictions on employees’ ability to work. As such, this may hinder the liability for the City to meets the needs of its constituents. The City cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time; however, if the pandemic continues, it may have an effect on the City’s results of future operations and financial position in fiscal year 2021.

10. LAW ENFORCEMENT PARCEL TAX

In April of 2018, the citizens approved Measure E, the Law Enforcement Parcel Tax. The tax is to remain in effect for nine years starting with the FY 2019 property tax year. The measure requires annual review by the Law Enforcement Services Special Tax Oversight Committee (LESSTOC).

Pursuant to the terms of the measure, the use of the revenues generated by the parcel tax are “restricted to obtaining, providing, operating, and maintaining local and independent community based law enforcement services throughout the entire City, which shall include paying the salaries and benefits of police personnel, upgrading technology and safety equipment, maintaining response times, paying for any such other necessary law enforcement expenses and paying the direct costs in levying this tax”.

Additionally, the City is required to file a report at least annually, no later than July 1 of each calendar year containing (i) the amount of funds collected and expended under this ordinance; and (ii) the status of any project required or authorized to be funded to carry out the purposes stated above.

Finally, LESSTOC is to annually review and audit expenditures of revenues derived from the Law Enforcement Services Parcel Tax. LESSTOC has requested that information pertaining to the receipt and use of these funds be included in the City’s annual financial report.

Activities related to the Law Enforcement Parcel Tax for the fiscal year ended June 30, 2020 are as follows:

(a)	-	(b)	=	(c)
Actual Special Tax Revenue Received		Actaul Allowable Law Enforcement Expenses		Special Tax Revenue Over / (Under) Allowable Expenses
\$ 4,992,915	-	\$ 7,197,870	=	\$ (2,204,955)

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PALOS VERDES ESTATES

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

Fiscal year ended	Miscellaneous					
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement period	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.03863%	0.03609%	0.03516%	0.03313%	0.02771%	0.02858%
Plan's proportionate share of the net pension liability	\$ 3,958,694	\$ 3,477,503	\$ 3,486,675	\$ 2,866,438	\$ 1,902,144	\$ 1,778,540
Plan's covered payroll	\$ 2,135,996	\$ 2,292,800	\$ 2,615,522	\$ 2,631,865	\$ 2,236,354	\$ 2,114,922
Plan's proportionate share of the net pension liability as a percentage of covered payroll	185.33%	151.67%	133.31%	108.91%	85.06%	84.09%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	78.26%	75.26%	73.31%	74.06%	78.40%	87.59%
Plan's proportionate share of aggregate employer contributions	\$ 590,326	\$ 533,137	\$ 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%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

* Fiscal year 2015 was the first year of implementation and therefore only six years are shown.

CITY OF PALOS VERDES ESTATES

SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years*

Fiscal year ended	Miscellaneous					
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 329,638	\$ 292,074	\$ 264,132	\$ 262,115	\$ 216,861	\$ 235,683
Contributions in relation to the actuarially determined contributions	<u>(329,638)</u>	<u>(292,074)</u>	<u>(264,132)</u>	<u>(262,115)</u>	<u>(216,861)</u>	<u>(235,683)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,025,111	\$ 2,135,996	\$ 2,292,800	\$ 2,615,522	\$ 2,631,865	\$ 2,236,354
Contributions as a percentage of covered payroll	16.28%	13.67%	11.52%	10.02%	8.24%	10.54%

Notes to Schedule:

Valuation Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
----------------	-----------	-----------	-----------	-----------	-----------	-----------

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	15 Year Smoothed Market Method
Inflation	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) Minimum 50 years.
- (5) 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 and therefore only six years are shown.

CITY OF PALOS VERDES ESTATES

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years*

Fiscal year ended	Safety					
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement period	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.11843%	0.11626%	0.11155%	0.11156%	0.10844%	0.10264%
Plan's proportionate share of the net pension liability	\$ 12,136,014	\$ 11,202,797	\$ 11,062,935	\$ 9,653,657	\$ 7,443,296	\$ 6,386,937
Plan's covered payroll	\$ 2,483,523	\$ 2,563,821	\$ 2,701,490	\$ 2,560,208	\$ 2,387,823	\$ 2,256,104
Plan's proportionate share of the net pension liability as a percentage of covered payroll	488.66%	436.96%	409.51%	377.07%	311.72%	283.10%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.26%	75.26%	73.31%	74.06%	78.40%	81.42%
Plan's proportionate share of aggregate employer contributions	\$ 1,353,963	\$ 1,309,888	\$ 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%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:

There were no changes in assumptions.

* Fiscal year 2015 was the first year of implementation and therefore only six years are shown.

CITY OF PALOS VERDES ESTATES

SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years*

Fiscal year ended	Safety					
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 1,177,920	\$ 1,075,089	\$ 937,914	\$ 893,364	\$ 778,083	\$ 878,354
Contributions in relation to the actuarially determined contributions	<u>(1,177,920)</u>	<u>(1,075,089)</u>	<u>(937,914)</u>	<u>(893,364)</u>	<u>(778,083)</u>	<u>(878,354)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,258,550	\$ 2,483,523	\$ 2,563,821	\$ 2,701,490	\$ 2,560,208	\$ 2,387,823
Contributions as a percentage of covered payroll	52.15%	43.29%	36.58%	33.07%	30.39%	36.78%

Notes to Schedule:

Valuation Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
----------------	-----------	-----------	-----------	-----------	-----------	-----------

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	15 Year Smoothed Market Method
Inflation	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) Minimum 50 years.
- (5) 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 and therefore only six years are shown.

CITY OF PALOS VERDES

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

Last Ten Fiscal Years*

Fiscal Year Ended	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Measurement Date	6/30/2019	6/30/2019	6/30/2018	6/30/2017
Total Pension Liability:				
Service cost	\$ 18,785	\$ 14,433	\$ 17,087	\$ 13,671
Interest on total pension liability	12,159	18,822	18,867	17,080
Differences between expected and actual experience	(1,676)	(77,595)	-	-
Changes in assumptions	15,779	(45,278)	(20,434)	-
Changes in benefits	-	-	-	-
Benefit payments, including refunds of employee contributions	<u>(23,650)</u>	<u>(19,525)</u>	<u>(22,622)</u>	<u>(22,622)</u>
Net Change in Total Pension Liability	21,397	(109,143)	(7,102)	8,129
Total Pension Liability - Beginning of Year	<u>381,494</u>	<u>490,637</u>	<u>500,779</u>	<u>492,650</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 402,891</u>	<u>\$ 381,494</u>	<u>\$ 493,677</u>	<u>\$ 500,779</u>
Covered payroll	\$ 4,283,661	\$ 4,619,519	\$ 4,856,621	\$ 5,192,073
Net pension liability as percentage of covered payroll	9.41%	8.26%	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 no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2019 to June 30, 2020:

The discount rate was changed from 3.13% to 2.45%

From fiscal year June 30, 2018 to June 30, 2019:

The discount rate was changed from 3.8% to 3.13%

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

The discount rate was changed from 3.13% to 2.45%

* Fiscal year 2017 was the first year of implementation and therefore only four years are shown.

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 8,591,564	\$ 8,591,564	\$ 8,760,576	\$ 169,012
Other taxes	1,368,060	1,368,060	1,348,255	(19,805)
Licenses and permits	889,212	889,213	828,924	(60,289)
Revenue from other agencies	1,586,092	1,586,092	1,605,328	19,236
Charges for services	699,313	705,313	828,953	123,640
Use of money and property	1,583,800	1,583,800	1,916,861	333,061
Fines and forfeitures	150,000	150,000	85,001	(64,999)
Miscellaneous	32,000	32,000	29,336	(2,664)
Total Revenues	14,900,041	14,906,042	15,403,234	497,192
Expenditures:				
Current:				
General government	1,896,867	2,137,752	1,846,364	291,388
Public safety	12,781,269	12,836,753	12,679,125	157,628
Parks and recreation	1,381,187	1,354,154	1,149,648	204,506
Public works	2,274,921	2,272,232	2,290,768	(18,536)
Total Expenditures	18,334,244	18,600,891	17,965,905	634,986
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,434,203)	(3,694,849)	(2,562,671)	1,132,178
Other Financing Sources (Uses):				
Transfers in	4,973,000	4,973,000	4,926,291	(46,709)
Total Other Financing Sources (Uses)	4,973,000	4,973,000	4,926,291	(46,709)
Net Change in Fund Balance	1,538,797	1,278,151	2,363,620	1,085,469
Fund Balance at Beginning of Year	13,036,328	13,036,328	13,036,328	-
Fund Balance at End of Year	\$ 14,575,125	\$ 14,314,479	\$ 15,399,948	\$ 1,085,469

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE
PVE LAW ENFORCEMENT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessments	\$ 4,973,000	\$ 4,973,000	\$ 4,992,916	\$ 19,916
Use of money and property	-	-	15,525	15,525
Total Revenues	4,973,000	4,973,000	5,008,441	35,441
Other Financing Sources (Uses):				
Transfers out	(4,973,000)	(4,973,000)	(4,925,646)	47,354
Total Other Financing Sources (Uses)	(4,973,000)	(4,973,000)	(4,925,646)	47,354
Net Change in Fund Balance	-	-	82,795	82,795
Fund Balance at Beginning of Year	97,760	97,760	97,760	-
Fund Balance at End of Year	\$ 97,760	\$ 97,760	\$ 180,555	\$ 82,795

CITY OF PALOS VERDES ESTATES, CALIFORNIA

Note to Required Supplementary Information

June 30, 2020

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.

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

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.

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

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, 2020

	Special Revenue Funds					
	Gas Tax	Drug Intervention	SLESF	Special Projects	Corrections	RMRA
Assets:						
Cash and investments	\$ 121,024	\$ 666,576	\$ 618,669	\$ 1,021,613	\$ 12,680	\$ 537,798
Accounts receivable	-	-	-	-	990	35,822
Due from other governments	-	-	-	4,586	-	-
Total Assets	\$ 121,024	\$ 666,576	\$ 618,669	\$ 1,026,199	\$ 13,670	\$ 573,620
Liabilities:						
Accounts payable	\$ 927	\$ -	\$ -	\$ 1,571	\$ -	\$ -
Accrued salaries and benefits	9,218	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total Liabilities	10,145	-	-	1,571	-	-
Fund Balances:						
Restricted for:						
Public safety	-	666,576	618,669	-	13,670	-
Public works	110,879	-	-	1,024,628	-	573,620
Unassigned	-	-	-	-	-	-
Total Fund Balances	110,879	666,576	618,669	1,024,628	13,670	573,620
Total Liabilities and Fund Balances	\$ 121,024	\$ 666,576	\$ 618,669	\$ 1,026,199	\$ 13,670	\$ 573,620

Special Revenue Funds (Continued)						Capital Projects Fund	Total Nonmajor Governmental Funds
Measure M	Proposition A	Measure R	Proposition C	Measure W	Special Fire Parcel Tax	Parklands	
\$ 4,570	\$ 95,797	\$ 952	\$ 593,356	\$ -	\$ -	\$ 105,674	\$ 3,778,709
-	-	-	-	-	-	-	36,812
-	-	-	-	-	250	-	4,836
\$ 4,570	\$ 95,797	\$ 952	\$ 593,356	\$ -	\$ 250	\$ 105,674	\$ 3,820,357
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,498
-	-	-	-	-	-	-	9,218
-	-	-	-	103,066	-	-	103,066
-	-	-	-	103,066	-	-	114,782
-	-	-	-	-	250	-	1,299,165
4,570	95,797	952	593,356	-	-	105,674	2,509,476
-	-	-	-	(103,066)	-	-	(103,066)
4,570	95,797	952	593,356	(103,066)	250	105,674	3,705,575
\$ 4,570	\$ 95,797	\$ 952	\$ 593,356	\$ -	\$ 250	\$ 105,674	\$ 3,820,357

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	Special Revenue Funds					
	Gas Tax	Drug Intervention	SLESF	Special Projects	Corrections	RMRA
Revenues:						
Revenue from other agencies	\$ 311,928	\$ -	\$ 156,222	\$ 84,446	\$ 7,590	\$ 234,581
Special assessments	-	-	-	-	-	-
Use of money and property	1,626	10,312	9,131	15,849	-	6,977
Total Revenues	313,554	10,312	165,353	100,295	7,590	241,558
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	616	-	473	-
Public works	264,129	-	-	71,803	-	-
Total Expenditures	264,129	-	616	71,803	473	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	49,425	10,312	164,737	28,492	7,117	241,558
Other Financing Sources (Uses):						
Transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	49,425	10,312	164,737	28,492	7,117	241,558
Fund Balances at Beginning of Year	61,454	656,264	453,932	996,136	6,553	332,062
Fund Balances at End of Year	\$ 110,879	\$ 666,576	\$ 618,669	\$ 1,024,628	\$ 13,670	\$ 573,620

Special Revenue Funds (Continued)					Capital Projects Fund	Total Nonmajor Governmental Funds	
Measure M	Proposition A	Measure R	Proposition C	Measure W	Special Fire Parcel Tax	Parklands	
\$ 183,394	\$ 262,325	\$ 162,966	\$ 217,600	\$ -	\$ -	\$ -	\$ 1,621,052
-	-	-	-	-	250	-	250
6,481	1,297	4,021	13,931	-	-	1,634	71,259
189,875	263,622	166,987	231,531	-	250	1,634	1,692,561
-	7,102	-	-	-	-	-	7,102
-	-	-	-	-	-	-	1,089
-	237,468	-	-	103,066	-	-	676,466
-	244,570	-	-	103,066	-	-	684,657
189,875	19,052	166,987	231,531	(103,066)	250	1,634	1,007,904
(528,223)	-	(348,983)	(488,578)	-	(645)	-	(1,366,429)
(528,223)	-	(348,983)	(488,578)	-	(645)	-	(1,366,429)
(338,348)	19,052	(181,996)	(257,047)	(103,066)	(395)	1,634	(358,525)
342,918	76,745	182,948	850,403	-	645	104,040	4,064,100
\$ 4,570	\$ 95,797	\$ 952	\$ 593,356	\$ (103,066)	\$ 250	\$ 105,674	\$ 3,705,575

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE
GAS TAX SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from other agencies	\$ 356,954	\$ 356,954	\$ 311,928	\$ (45,026)
Use of money and property	1,200	1,200	1,626	426
Total Revenues	358,154	358,154	313,554	(44,600)
Expenditures:				
Current:				
Public works	318,962	321,792	264,129	57,663
Total Expenditures	318,962	321,792	264,129	57,663
Net Change in Fund Balance	39,192	36,362	49,425	13,063
Fund Balance at Beginning of Year	61,454	61,454	61,454	-
Fund Balance at End of Year	\$ 100,646	\$ 97,816	\$ 110,879	\$ 13,063

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE
 DRUG INTERVENTION SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 1,100	\$ 1,100	\$ 10,312	\$ 9,212
Total Revenues	1,100	1,100	10,312	9,212
Fund Balance at Beginning of Year	656,264	656,264	656,264	-
Fund Balance at End of Year	\$ 657,364	\$ 657,364	\$ 666,576	\$ 9,212

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE
SLESF SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from other agencies	\$ 120,000	\$ 120,000	\$ 156,222	\$ 36,222
Use of money and property	2,500	2,500	9,131	6,631
Total Revenues	122,500	122,500	165,353	42,853
Expenditures:				
Current:				
Public safety	88,177	88,177	616	87,561
Total Expenditures	88,177	88,177	616	87,561
Net Change in Fund Balance	34,323	34,323	164,737	130,414
Fund Balance at Beginning of Year	453,932	453,932	453,932	-
Fund Balance at End of Year	\$ 488,255	\$ 488,255	\$ 618,669	\$ 130,414

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE
SPECIAL PROJECTS SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from other agencies	\$ 122,900	\$ 122,900	\$ 84,446	\$ (38,454)
Use of money and property	9,000	9,000	15,849	6,849
Total Revenues	131,900	131,900	100,295	(31,605)
Expenditures:				
Current:				
Public works	97,620	97,620	71,803	25,817
Total Expenditures	97,620	97,620	71,803	25,817
Excess (Deficiency) of Revenues Over (Under) Expenditures	34,280	34,280	28,492	(5,788)
Net Change in Fund Balance	34,280	34,280	28,492	(5,788)
Fund Balance at Beginning of Year	996,136	996,136	996,136	-
Fund Balance at End of Year	\$ 1,030,416	\$ 1,030,416	\$ 1,024,628	\$ (5,788)

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE
CORRECTIONS SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from other agencies	\$ 6,000	\$ 6,000	\$ 7,590	\$ 1,590
Total Revenues	6,000	6,000	7,590	1,590
Expenditures:				
Current:				
Public safety	4,700	4,700	473	4,227
Total Expenditures	4,700	4,700	473	4,227
Net Change in Fund Balance	1,300	1,300	7,117	5,817
Fund Balance at Beginning of Year	6,553	6,553	6,553	-
Fund Balance at End of Year	\$ 7,853	\$ 7,853	\$ 13,670	\$ 5,817

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE

ROAD MAINTENANCE AND REHABILITATION ACCOUNT (RMRA) SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from other agencies	\$ 222,183	\$ 222,183	\$ 234,581	\$ 12,398
Use of money and property	1,000	1,000	6,977	5,977
Total Revenues	223,183	223,183	241,558	18,375
Fund Balance at Beginning of Year	332,062	332,062	332,062	-
Fund Balance at End of Year	\$ 555,245	\$ 555,245	\$ 573,620	\$ 18,375

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE
MEASURE M SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from other agencies	\$ 193,002	\$ 193,002	\$ 183,394	\$ (9,608)
Use of money and property	1,100	1,100	6,481	5,381
Total Revenues	194,102	194,102	189,875	(4,227)
Other Financing Uses:				
Transfers out	-	-	(528,223)	(528,223)
Total Other Financing Uses	-	-	(528,223)	(528,223)
Net Change in Fund Balance	194,102	194,102	(338,348)	(532,450)
Fund Balance at Beginning of Year	342,918	342,918	342,918	-
Fund Balance at End of Year	\$ 537,020	\$ 537,020	\$ 4,570	\$ (532,450)

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE
PROPOSITION A SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from other agencies	\$ 273,741	\$ 273,741	\$ 262,325	\$ (11,416)
Use of money and property	1,500	1,500	1,297	(203)
Total Revenues	275,241	275,241	263,622	(11,619)
Expenditures:				
Current:				
General government	7,078	7,078	7,102	(24)
Public works	249,805	249,805	237,468	12,337
Total Expenditures	256,883	256,883	244,570	12,313
Net Change in Fund Balance	18,358	18,358	19,052	694
Fund Balance at Beginning of Year	76,745	76,745	76,745	-
Fund Balance at End of Year	\$ 95,103	\$ 95,103	\$ 95,797	\$ 694

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE
MEASURE R SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from other agencies	\$ 170,314	\$ 170,314	\$ 162,966	\$ (7,348)
Use of money and property	2,500	2,500	4,021	1,521
Total Revenues	172,814	172,814	166,987	(5,827)
Other Financing Uses:				
Transfers out	-	-	(348,983)	(348,983)
Total Other Financing Uses	-	-	(348,983)	(348,983)
Net Change in Fund Balance	172,814	172,814	(181,996)	(354,810)
Fund Balance at Beginning of Year	182,948	182,948	182,948	-
Fund Balance at End of Year	\$ 355,762	\$ 355,762	\$ 952	\$ (354,810)

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from other agencies	\$ 227,061	\$ 227,061	\$ 217,600	\$ (9,461)
Use of money and property	4,500	4,500	13,931	9,431
Total Revenues	231,561	231,561	231,531	(30)
Other Financing Sources (Uses):				
Transfers out	-	(650,000)	(488,578)	161,422
Total Other Financing Sources (Uses)	-	(650,000)	(488,578)	161,422
Net Change in Fund Balance	231,561	(418,439)	(257,047)	161,392
Fund Balance at Beginning of Year	850,403	850,403	850,403	-
Fund Balance at End of Year	\$ 1,081,964	\$ 431,964	\$ 593,356	\$ 161,392

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE
MEASURE W SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from other agencies	\$ -	\$ 260,000	\$ -	\$ (260,000)
Total Revenues	-	260,000	-	(260,000)
Expenditures:				
Current:				
Public works	-	162,400	103,066	59,334
Total Expenditures	-	162,400	103,066	59,334
Net Change in Fund Balance	-	97,600	(103,066)	(200,666)
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	\$ -	\$ 97,600	\$ (103,066)	\$ (200,666)

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE
SPECIAL FIRE PARCEL TAX SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Special assessments	\$ -	\$ -	\$ 250	\$ 250
Total Revenues	-	-	250	250
Other Financing Sources:				
Transfers out	-	-	(645)	(645)
Total Other Financing Sources	-	-	(645)	(645)
Net Change in Fund Balance	-	-	(395)	(395)
Fund Balance at Beginning of Year	645	645	645	-
Fund Balance at End of Year	\$ 645	\$ 645	\$ 250	\$ (395)

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE

GENERAL CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND - MAJOR FUND

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 52,000	\$ 52,000	\$ 72,197	\$ 20,197
Total Revenues	52,000	52,000	72,197	20,197
Expenditures:				
Current:				
Public works	4,708,555	5,358,555	2,381,280	2,977,275
Total Expenditures	4,708,555	5,358,555	2,381,280	2,977,275
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,656,555)	(5,306,555)	(2,309,083)	2,997,472
Other Financing Sources (Uses):				
Transfers in	-	650,000	1,365,784	715,784
Total Other Financing Sources (Uses)	-	650,000	1,365,784	715,784
Net Change in Fund Balance	(4,656,555)	(4,656,555)	(943,299)	3,713,256
Fund Balance at Beginning of Year	5,138,013	5,138,013	5,138,013	-
Fund Balance at End of Year	\$ 481,458	\$ 481,458	\$ 4,194,714	\$ 3,713,256

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE
SEWER CAPITAL PROJECTS FUND - MAJOR FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 31,000	\$ 31,000	\$ 57,391	\$ 26,391
Total Revenues	31,000	31,000	57,391	26,391
Expenditures:				
Current:				
Public works	741,008	741,008	113,226	627,782
Total Expenditures	741,008	741,008	113,226	627,782
Net Change in Fund Balance	(710,008)	(710,008)	(55,835)	654,173
Fund Balance at Beginning of Year	3,688,053	3,688,053	3,688,053	-
Fund Balance at End of Year	\$ 2,978,045	\$ 2,978,045	\$ 3,632,218	\$ 654,173

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE
 PARKLANDS CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 500	\$ 500	\$ 1,634	\$ 1,134
Total Revenues	500	500	1,634	1,134
Net Change in Fund Balance	500	500	1,634	1,134
Fund Balance at Beginning of Year	104,040	104,040	104,040	-
Fund Balance at End of Year	\$ 104,540	\$ 104,540	\$ 105,674	\$ 1,134

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, 2020

	Governmental Activities - Internal Service Funds		
	Equipment Replacement	Insurance	Total
Assets:			
Current Assets:			
Cash and investments	\$ 1,502,160	\$ 495,027	\$ 1,997,187
Prepaid costs	-	569,008	569,008
Total Current Assets	1,502,160	1,064,035	2,566,195
Capital Assets:			
Machinery and equipment	3,530,223	-	3,530,223
Furniture and fixtures	306,694	-	306,694
Vehicles	1,422,674	-	1,422,674
Less accumulated depreciation	(4,837,131)	-	(4,837,131)
Net Capital Assets	422,460	-	422,460
Total Assets	1,924,620	1,064,035	2,988,655
Liabilities:			
Current Liabilities:			
Accounts payable	6,159	-	6,159
Total Current Liabilities	6,159	-	6,159
Total Liabilities	6,159	-	6,159
Net Position:			
Net investment in capital assets	422,460	-	422,460
Unrestricted	1,496,001	1,064,035	2,560,036
Total Net Position	\$ 1,918,461	\$ 1,064,035	\$ 2,982,496

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2020

	Governmental Activities - Internal Service Funds		
	Equipment Replacement	Insurance	Total
Operating Revenues:			
Charges for services	\$ -	\$ 1,285,329	\$ 1,285,329
Total Operating Revenues	-	1,285,329	1,285,329
Operating Expenses:			
Material and supplies	14,507	-	14,507
General liability insurance	-	781,221	781,221
Property and vehicle insurance	-	53,333	53,333
Workers' compensation	-	450,775	450,775
Depreciation expense	174,764	-	174,764
Total Operating Expenses	189,271	1,285,329	1,474,600
Operating Loss	(189,271)	-	(189,271)
Nonoperating Revenues:			
Interest revenue	24,927	-	24,927
Gain on sale of capital assets	35,883	-	35,883
Total Nonoperating Revenues	60,810	-	60,810
Changes in Net Position	(128,461)	-	(128,461)
Net Position at Beginning of Year	2,046,922	1,064,035	3,110,957
Net Position at End of Year	\$ 1,918,461	\$ 1,064,035	\$ 2,982,496

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2020

	Governmental Activities - Internal Service Funds		
	Equipment Replacement	Insurance	Total
Cash Flows from Operating Activities:			
Cash received from user departments	\$ -	\$ 1,287,579	\$ 1,287,579
Cash paid to suppliers for goods and services	(10,073)	(1,797,389)	(1,807,462)
Net Cash Provided by (Used in) Operating Activities	(10,073)	(509,810)	(519,883)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(150,908)	-	(150,908)
Proceeds from sales of capital assets	35,883	-	35,883
Net Cash Used in Capital and Related Financing Activities	(115,025)	-	(115,025)
Cash Flows from Investing Activities:			
Interest received	24,927	-	24,927
Net Cash Provided by Investing Activities	24,927	-	24,927
Net Increase (Decrease) in Cash and Cash Equivalents	(100,171)	(509,810)	(609,981)
Cash and Cash Equivalents at Beginning of Year	1,602,331	1,004,837	2,607,168
Cash and Cash Equivalents at End of Year	\$ 1,502,160	\$ 495,027	\$ 1,997,187
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:			
Operating loss	\$ (189,271)	\$ -	\$ (189,271)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation expense	174,764	-	174,764
(Increase) decrease in accounts receivable	-	(2,250)	(2,250)
(Increase) decrease in prepaid costs	-	(509,810)	(509,810)
Increase (decrease) in accounts payable	4,434	2,250	6,684
Total Adjustments	179,198	(509,810)	(330,612)
Net Cash Provided by (Used in) Operating Activities	\$ (10,073)	\$ (509,810)	\$ (519,883)

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, 2020

	<u>Special Deposits</u>	<u>Police Property Evidence</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 233,077	\$ 9,701	\$ 242,778
Total Assets	<u>\$ 233,077</u>	<u>\$ 9,701</u>	<u>\$ 242,778</u>
Liabilities:			
Deposits payable	233,077	9,701	\$ 242,778
Total Liabilities	<u>\$ 233,077</u>	<u>\$ 9,701</u>	<u>\$ 242,778</u>

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2020

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
SPECIAL DEPOSITS				
Assets:				
Cash and investments	\$ 222,870	\$ 32,977	\$ (22,770)	\$ 233,077
Total Assets	<u>\$ 222,870</u>	<u>\$ 32,977</u>	<u>\$ (22,770)</u>	<u>\$ 233,077</u>
Liabilities:				
Accounts payable	\$ -	\$ 2,589	\$ (2,589)	\$ -
Deposits payable	222,870	33,726	(23,519)	233,077
Total Liabilities	<u>\$ 222,870</u>	<u>\$ 36,315</u>	<u>\$ (26,108)</u>	<u>\$ 233,077</u>
POLICE PROPERTY EVIDENCE				
Assets:				
Cash and investments	\$ 9,551	\$ 150	\$ -	\$ 9,701
Total Assets	<u>\$ 9,551</u>	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ 9,701</u>
Liabilities:				
Deposits payable	\$ 9,551	\$ 150	\$ -	\$ 9,701
Total Liabilities	<u>\$ 9,551</u>	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ 9,701</u>
TOTAL - ALL AGENCY FUNDS				
Assets:				
Cash and investments	\$ 232,421	\$ 33,127	\$ (22,770)	\$ 242,778
Accounts receivables	-	-	-	-
Total Assets	<u>\$ 232,421</u>	<u>\$ 33,127</u>	<u>\$ (22,770)</u>	<u>\$ 242,778</u>
Liabilities:				
Accounts payable	\$ -	\$ 2,589	\$ (2,589)	\$ -
Deposits payable	232,421	33,876	(23,519)	242,778
Total Liabilities	<u>\$ 232,421</u>	<u>\$ 36,465</u>	<u>\$ (26,108)</u>	<u>\$ 242,778</u>

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

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

Contents	<u>Pages</u>
<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.	102 - 105
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	106 - 112
<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.	113 - 114
<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.	115 - 116
<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.	117 - 119

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

CITY OF PALOS VERDES ESTATES

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 54,677	\$ 53,240	\$ 51,728	\$ 48,675	\$ 46,006	\$ 45,358	\$ 42,688	\$ 41,014	\$ 39,168	\$ 35,849
Restricted	8,254	8,461	7,996	7,970	7,773	6,417	6,588	6,997	7,850	5,688
Unrestricted	23,738	20,531	20,244	20,813	10,747	9,210	8,958	5,684	7,398	9,298
Total governmental activities net position	<u>\$ 86,669</u>	<u>\$ 82,232</u>	<u>\$ 79,968</u>	<u>\$ 77,458</u>	<u>\$ 64,526</u>	<u>\$ 60,985</u>	<u>\$ 58,234</u>	<u>\$ 53,695</u>	<u>\$ 54,416</u>	<u>\$ 50,835</u>
Primary government										
Net investment in capital assets	\$ 54,677	\$ 53,240	\$ 53,240	\$ 48,675	\$ 46,006	\$ 45,358	\$ 42,688	\$ 41,014	\$ 39,168	\$ 35,849
Restricted	8,254	8,461	8,461	7,970	7,773	6,417	6,588	6,997	7,850	5,688
Unrestricted	23,738	20,531	20,531	20,813	10,747	9,210	8,958	5,684	7,398	9,298
Total primary government net position	<u>\$ 86,669</u>	<u>\$ 82,232</u>	<u>\$ 82,232</u>	<u>\$ 77,458</u>	<u>\$ 64,526</u>	<u>\$ 60,985</u>	<u>\$ 58,234</u>	<u>\$ 53,695</u>	<u>\$ 54,416</u>	<u>\$ 50,835</u>

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

CITY OF PALOS VERDES ESTATES
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses:										
Governmental activities:										
General government	\$ 1,699	\$ 1,573	\$ 2,157	\$ 1,542	\$ 2,244	\$ 2,911	\$ 3,520	\$ 2,686	\$ 2,826	\$ 2,422
Public safety	9,770	10,281	9,969	10,299	10,476	11,555	12,045	12,120	12,726	13,484
Public works	4,299	4,250	4,692	5,257	5,703	3,092	3,243	5,111	5,813	2,427
Parks and recreation	2,892	3,166	2,980	2,970	3,013	6,891	5,798	1,935	1,476	7,507
Total governmental activities expenses	\$ 18,660	\$ 19,270	\$ 19,798	\$ 20,068	\$ 21,436	\$ 24,449	\$ 24,606	\$ 21,852	\$ 22,841	\$ 25,840
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 66	\$ 56	\$ 85	\$ 50	\$ 56	\$ 472	\$ 1,278	\$ 92	\$ 96	\$ 128
Public safety	4,291	4,260	4,416	4,548	4,675	4,765	4,890	199	5,173	5,102
Public works	1,477	1,129	1,153	957	1,154	1,283	1,422	1,651	1,671	1,280
Parks and recreation	992	1,066	1,109	1,190	1,261	-	1,322	-	1,380	1,549
Operating grants and contributions	1,021	1,077	1,036	1,177	1,353	2,013	1,022	3,097	1,366	1,354
Capital grants and contributions	1,377	1,212	1,070	48	20	1,756	380	916	705	53
Total governmental activities program revenues	9,224	8,800	8,869	7,970	8,519	10,289	10,314	5,955	10,391	9,466
Net (expense)/revenue	\$ (9,436)	\$ (10,470)	\$ (10,929)	\$ (12,098)	\$ (12,917)	\$ (14,160)	\$ (14,292)	\$ (15,897)	\$ (12,450)	\$ (16,374)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 5,743	\$ 5,842	\$ 6,099	\$ 6,494	\$ 6,859	\$ 7,247	\$ 9,089	\$ 9,466	\$ 9,928	\$ 10,365
Sales and use taxes	319	318	349	384	427	435	426	533	631	555
Franchise taxes and other taxes	961	897	925	985	1,042	1,009	1,058	1,063	1,038	977
Motor vehicle in lieu tax (unrestricted)	1,127	1,097	1,126	1,184	1,248	1,323	-	-	-	-
Investment income	208	186	(12)	256	215	320	76	118	875	880
Miscellaneous	79	143	178	285	343	361	552	178	702	16
Total General Revenue and Extraordinary Item	8,437	8,483	8,665	9,588	10,134	10,695	11,201	11,358	13,174	12,793
Change in Net Position	\$ (999)	\$ (1,987)	\$ (2,264)	\$ (2,510)	\$ (2,783)	\$ (3,465)	\$ (3,091)	\$ (4,539)	\$ 724	\$ (3,581)

* Government Activities Expenses have been updated for FY2013-2017 to reflect the correct Activity for those years. The Activities included: Public works and Parks and

** 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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General fund:										
Nonspendable	\$ 65	\$ 86	\$ 98	\$ 99	\$ 31	\$ 15	\$ 15	\$ 458	\$ 528	\$ 509
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	8,000
Assigned	957	-	-	-	-	-	-	-	675	675
Unassigned	1,111	1,605	2,097	2,521	3,219	4,114	3,924	2,597	4,633	6,216
Total general fund	<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>	<u>\$13,036</u>	<u>\$15,400</u>
All other governmental funds:										
Nonspendable	\$ 331	\$ 3	\$ 358	\$ 373	\$ -	\$ 395	\$ -	\$ 7	\$ -	\$ -
Restricted	7,861	8,308	7,487	7,598	7,773	6,417	6,588	6,997	7,850	5,688
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	10,106	9,611	9,052	8,375	7,132	5,096	6,182	5,121	5,138	6,128
Unassigned	-	-	-	-	-	-	-	-	-	(103)
Total all other governmental funds	<u>18,298</u>	<u>17,922</u>	<u>16,897</u>	<u>16,346</u>	<u>14,905</u>	<u>11,908</u>	<u>12,770</u>	<u>12,125</u>	<u>12,988</u>	<u>11,713</u>
Total	<u><u>\$27,631</u></u>	<u><u>\$26,813</u></u>	<u><u>\$ 26,292</u></u>	<u><u>\$ 26,166</u></u>	<u><u>\$ 25,355</u></u>	<u><u>\$ 23,237</u></u>	<u><u>\$ 23,909</u></u>	<u><u>\$22,380</u></u>	<u><u>\$26,024</u></u>	<u><u>\$27,113</u></u>

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

	Fiscal Year										
	2010	2011	2012	2013	2014*	2015*	2016*	2017	2018	2019	2020
Revenues:											
Property Tax	\$ 5,695	\$ 5,693	\$ 5,842	\$ 6,099	\$ 6,494	\$ 6,859	\$ 7,247	\$ 7,701	\$ 8,116	\$ 8,397	\$ 8,761
Special assessment	5,098	5,316	5,044	5,221	4,316	4,464	4,582	4,715	44	4,988	4,993
Other taxes	1,378	1,574	1,214	1,274	1,369	1,469	1,445	1,468	1,345	1,476	1,348
Licenses and permits	514	625	675	701	606	598	590	590	898	903	829
Revenues from other agencies	2,155	2,051	2,278	2,218	2,416	2,591	2,543	2,694	3,364	3,221	3,227
Charges for services	549	501	454	475	407	447	601	656	807	797	829
Use of money and agencies	1,300	1,175	1,228	1,089	1,412	1,423	1,612	1,368	1,460	2,213	2,133
Fines and forfeitures	181	210	212	206	207	176	147	135	129	148	85
Miscellaneous	975	79	144	176	288	326	361	552	210	712	29
Total revenues	17,845	17,224	17,091	17,459	17,515	18,353	19,128	19,879	16,373	22,855	22,234
Expenditures											
General government	1,536	1,595	1,437	1,503	1,853	2,069	2,164	2,363	2,347	2,534	1,853
Public safety	10,877	10,805	10,368	9,851	10,298	10,803	11,412	11,854	11,504	11,785	12,680
Public works	4,014	3,913	4,938	4,971	3,786	4,801	6,450	4,628	3,223	3,641	1,150
Parks and recreation	1,074	1,091	1,166	1,078	1,141	1,190	1,221	1,363	1,269	1,249	5,462
Total expenditures	17,501	17,404	17,909	17,403	17,078	18,863	21,247	20,208	18,343	19,209	21,145
Excess (deficiency) of revenues over (under) expenditures	344	(180)	(818)	56	437	(510)	(2,119)	(329)	(1,970)	3,646	1,089
Other financing sources (uses):											
Transfers in	563	5,357	1,162	883	700	1,015	-	2,658	6,232	5,825	6,292
Transfers out	(563)	(5,515)	(1,162)	(1,461)	(1,263)	(1,317)	-	(1,658)	(5,791)	(5,827)	(6,292)
Total other financing sources (uses)	-	(158)	-	(578)	(563)	(302)	-	1,000	441	(2)	-
Net change in fund balances	\$ 344	\$ (338)	\$ (818)	\$ (522)	\$ (126)	\$ (812)	\$ (2,119)	\$ 671	\$ (1,529)	\$ 3,644	\$ 1,089

* Revenue categories have been updated for FY2014-2016 to reflect the correct category for those years. The categories included: Fines and forfeitures, Use of money and agencies, Revenues from other agencies, and Charges for services.

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

Fiscal Year	Property Tax	Sales and Use Tax	Franchise and Other Taxes	Motor Vehicle in Lieu Tax	Total
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
2019	8,397,233	438,411	1,037,557	1,530,514	11,403,716
2020	8,760,576	438,411	976,561	1,604,678	11,780,226

Source: City Finance Department

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

Fiscal Year Ended June 30	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Other			
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%
2019	7,296,612	60,910	4,246	8,810	7,352,958	0.1130%
2020	7,616,571	73,556	3,668	2,664	7,691,131	0.1113%

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 value is reassessed at the purchase price of the property. 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	Metropolitan Water District	Palos Verdes Library District	Comm. College	Total Direct Overlapping Rates
2010	0.1130	0.8870	1.0000	0.0216	0.0043	0.0068	0.0231	1.05560
2011	0.1130	0.8870	1.0000	0.0225	0.0037	0.0067	0.0403	1.07320
2012	0.1130	0.8870	1.0000	0.0225	0.0037	0.0064	0.0353	1.06786
2013	0.1130	0.8870	1.0000	0.0241	0.0035	0.0064	0.0488	1.08279
2014	0.1130	0.8870	1.0000	0.0231	0.0035	0.0061	0.0445	1.07727
2015	0.1130	0.8870	1.0000	0.0233	0.0035	0.0059	0.0402	1.07281
2016	0.1130	0.8870	1.0000	0.0234	0.0035	0.0056	0.0358	1.06830
2017	0.1130	0.8870	1.0000	0.0232	0.0035	-	0.0359	1.06260
2018	0.1130	0.8870	1.0000	0.0231	0.0035	-	0.0460	1.07260
2019	0.1130	0.8870	1.0000	0.0237	0.0035	-	0.0462	1.07342
2020	0.1113	0.8887	1.0000	0.0236	0.0035	-	0.0272	1.05426

Source: Los Angeles County Auditor Controller's Office.

CITY OF PALOS VERDES ESTATES

Principal Property Taxpayers
Current Year and Ten Years Ago

Taxpayer	2020			2011		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Lowell W and Lisa B. Hill	\$ 41,699,734	1	0.54%			
Tei Fu Chen Trust	35,484,524	2	0.46%	\$ 30,665,382	1	0.59%
Masafumi Miyamoto	16,016,747	3	0.21%	13,841,534	3	0.27%
Tatiana Von Furstenberg Trust	15,211,602	4	0.20%	15,050,748	2	0.43%
Jose A. and Brigitte Collazo Trust	14,955,000	5	0.19%			
Timothy D Armour Trust	14,754,244	6	0.19%			
Yi Lin	14,544,782	7	0.19%	9,639,335	7	0.20%
PVM Holdings	14,399,135	8	0.19%			
Jackson and Julie Yang	14,302,784	9	0.18%	11,232,119	5	0.22%
Winstep Int'l Holdings USA LLC	14,006,086	10	0.18%			
Jason and Wendy Moskowitz Trust				11,374,640	4	0.24%
Richard C Lundquist Company Trust				10,609,686	6	0.20%
Hussain M Shaikh				9,600,000	8	0.21%
Yong G. Yan Trust				9,592,226	9	
Palos Verdes Golf Club				9,500,592	10	0.18%
						0.17%
	<u>\$ 195,374,638</u>		<u>2.53%</u>	<u>\$ 131,106,262</u>		<u>2.71%</u>

Source: Los Angeles County Assessor

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

Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		in Subsequent Years ¹	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
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%
2019	8,274,578	7,936,064	95.91%	-	7,936,064	95.91%
2020	8,660,619	8,389,225	96.87%	-	8,389,225	96.87%

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 Law Enforcement Services Special 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			
2019	5,134	0	15,862,547	296,601	16,159,148	\$ 4,917,393.40	\$ 70,264.20	\$ 4,987,657.60	\$342/parcel plus \$0.308658/sq/ft	
2019	0	79	0	0	0	19,576	0	27,018	\$342/parcel	
2020	5,138	0	15,893,109	285,320	16,178,429	4,924,190	68,692	4,992,882	\$342/parcel plus \$0.308614/sq/ft	
2020	0	83	0	0	0	0	0	28,386	\$342/parcel	

Note: The City annually levies on each eligible property a "special tax" to finance the cost of City's Law Enforcement services. There are two components of the tax 1.) a base amount per lot and 2.) a cost per square foot of building improvements.

The Law Enforcement Services Special Tax was voter approved on April 10, 2018 and commences with fiscal year 2018/2019.

Source: Special Tax Report prepared by NBS.

CITY OF PALOS VERDES ESTATES
Principal Law Enforcement Services Special Tax
June 30, 2020
Current Year and Prior Year

Property Owners	2019		
	Building Square Footage Value	Special Tax Assessed	Percentage of Building Square Footage
Barnett Rita C Et Al Tr	37,861	\$ 9,624	0.24%
Lunada Bay Investment Co.	36,478	7,638	0.23%
Hill Lowell & Lisa B.	28,677	6,761	0.18%
Peninsula Investment Co & The Maltzman Investment Co	29,502	6,584	0.18%
181 parcels (special tax paid over \$2,000)	1,405,500	348,816	8.75%
1,666 parcels (special tax paid between \$1,000-\$1,999)	7,077,513	2,004,085	44.07%
3,361 parcels (special tax paid less than \$1,000 each)	7,577,906	2,665,727	47.18%
Total	<u>16,060,919</u>	<u>\$ 5,018,628</u>	<u>100.00%</u>

The Law Enforcement Services Special Tax was voter approved on April 10, 2018 and commenced with fiscal year 2018/2019.

CITY OF PALOS VERDES ESTATES
Direct and Overlapping Governmental Activities Debt
June 30, 2020

2019-2020 Assessed Valuation: \$7,783,416,760

Governmental Unit	Outstanding Debt 6/30/20	Estimated Percentage Applicable	Estimated Share of
Overlapping General Fund Debt (Note 1)			
Los Angeles County General Fund Obligations	\$ 2,317,550,679	0.483%	\$ 11,193,770
Los Angeles County Superindendant of Schools COP'S	5,182,434	0.483%	\$ 25,031
Los Angeles County Sanitation District- South Bay Authorities	1,573,880	15.359%	\$ 241,732
Los Angeles County Sanitation District #5	9,233,499	0.537%	\$ 49,584
Direct & Overlapping Tax & Assessment Debt (Note 2)			
Los Angeles Community College District	4,234,460,000	0.859%	36,374,011
Palos Verdes Peninsula Unified School District	54,613,827	29.953%	16,358,480
Metropolitan Water District	37,300,000	0.252%	93,996
Subtotal, overlapping debt			64,336,604
City direct debt			(0)
Net Total direct and overlapping debt			<u>\$ 64,336,604</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, 2020

(dollars in thousands)

Assessed value before homeowners exemption	\$7,783,417
Debt limit- 15% of assessed value	\$1,167,513
Amount of debt applicable to debt limit	-
	<u>\$1,167,513</u>

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit	\$ 777,524	\$ 798,635	\$ 819,753	\$ 862,783	\$ 908,444	\$ 965,056	\$1,012,222	\$ 1,061,380	\$ 1,116,289	\$1,167,513
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$ 777,524	\$ 798,635	\$ 819,753	\$ 862,783	\$ 908,444	\$ 965,056	\$1,012,222	\$ 1,061,380	\$ 1,116,289	\$1,167,513
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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

CITY OF PALOS VERDES ESTATES
Demographic and Economic Statistics
Last Ten Calendar Years

<u>Calendar Year</u>	<u>City Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Unemploymen t Rate (%)</u>
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	63,886	1.0
2019	13,544	1,089,150	66,684	1.9
2020	13,190	1,137,073	66,684	10.3

- 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)

CITY OF PALOS VERDES ESTATES

Principal Employers

Current Year

<u>Type of Business (1)</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Unified School District	1201	1	85.18%
Concession Clubs			
Palos Verdes Golf Club	96	2	6.81%
Palos Verdes Beach & Athletic Club	6		
Palos Verdes Tennis Club	3		
Palos Verdes Stables	2		
City Government			
City of Palos Verdes Estates	54	3	3.83%
Restaurants	33	4	2.34%
Real Estate and Escrow Companies	<u>15</u>	5	1.06%
Total	<u>1410</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	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government:										
Administration	5.52	5.13	5.13	5.13	5.19	5.69	5.69	5.69	3.56	3.50
Finance	3.60	3.00	3.00	4.00	4.00	4.00	4.00	4.00	4.50	4.50
Building and Planning	2.50	2.00	2.00	3.00	4.00	6.00	4.50	4.50	5.00	5.00
Police:										
Sworn officers	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	23.00	23.00
Service officers (2)	12.00	12.00	12.00	12.00	12.00	12.00	12.00	13.00	11.00	11.00
Other	2.50	2.50	2.80	2.80	2.60	3.10	3.90	1.50	1.50	1.50
Street and Parks	5.50	5.50	5.50	5.50	5.50	5.50	7.50	7.00	6.00	6.00
Total	56.62	55.13	55.43	57.43	58.29	61.29	62.59	60.69	54.56	54.50

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police:										
Physical arrests	237	503	590	679	521	562	580	516	356	375
Parking violations	3,029	2,917	2,705	2,580	1,619	1,697	1,476	1,462	1,104	1,262
Moving violations	1,102	1,191	1,552	1,068	639	1,039	1,004	1,430	1,937	725
Building & Planning:										
Building permits issues	1,843	1,994	2,025	2,064	2,087	2,130	2,030	1,813	1,980	738
Total number of inspections	2,507	2,565	2,442	2,336	2,197	2,618	2,916	2,957	2,894	2,984
Grading applications	17.5	11.5	18.0	20.5	21.0	23	28	17	1	12
Neighborhood compatibility applications	33	23	27	29	29	32	42	27	32	21
Miscellaneous applications	38.50	57.00	50.00	46.00	62.00	74	96	71	51	59
Public Works:										
Public works permits	178	227	191	219	219	278	418	372	387	373

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										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police:											
Stations	1	1	1	1	1	1	1	1	1	1	1
Patrol units	4	4	4	4	4	4	4	4	4	4	4
Streets (miles)	78	78	78	78	78	78	78	78	78	78	78
Sanitary sewers (miles)	76	76	76	76	76	76	76	76	76	76	76
Storm drains (miles)	28.5	28.5	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	1
Stables	1	1	1	1	1	1	1	1	1	1	1
Tennis club	1	1	1	1	1	1	1	1	1	1	1
Beach club	1	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).

THIS PAGE INTENTIONALLY LEFT BLANK