

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2013**

CITY OF PALOS VERDES ESTATES
Comprehensive Annual Financial Report
Year ended June 30, 2013



Prepared by Finance Department
Lori Yamasaka, Acting Finance Director
CITY OF PALOS VERDES ESTATES, CALIFORNIA

CITY OF PALOS VERDES ESTATES
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2013

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
Organizational Chart	v
Officials of the City of Palos Verdes Estates.....	vi
Certificate of Achievement for Excellence in Financial Reporting	vii
FINANCIAL SECTION:	
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS:	
Government- Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Budgetary Comparison Statement – General Fund.....	23
Budgetary Comparison Statement – Special Projects.....	24
Budgetary Comparison Statement – Special Fire Parcel Tax	25
Statement of Net Position - Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds.....	27
Statement of Cash Flows - Proprietary Funds.....	28
Statement of Fiduciary Net Position - Fiduciary Funds.....	29

CITY OF PALOS VERDES ESTATES
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2013

TABLE OF CONTENTS

	<u>Page Number</u>
Notes to Basic Financial Statements.....	31
NONMAJOR FUNDS:	
Combining Balance Sheet - Nonmajor Governmental Funds	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	58
Budgetary Comparison Schedules – Special Revenue Funds:	
Gas Tax.....	60
Drug Intervention.....	61
SLESF	62
Corrections.....	63
Proposition A.....	64
Measure R.....	65
Proposition C.....	66
Budgetary Comparison Schedules – Capital Project Funds:	
General Capital Improvement	67
Sewer	68
Combining Statement of Net Position - Internal Service Funds	70
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds.....	71
Combining Statement of Cash Flows - Internal Service Funds.....	72
Combining Statement of Net Position - All Agency Funds	74
Combining Statement of Changes in Assets and Liabilities – All Agency Funds.....	75

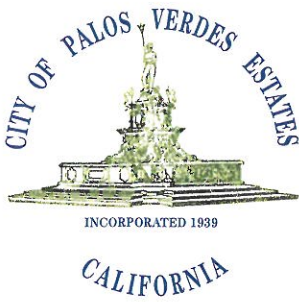
CITY OF PALOS VERDES ESTATES
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2013

TABLE OF CONTENTS

	<u>Page Number</u>
STATISTICAL SECTION:	
Net Position by Component.....	78
Changes in Net Position.....	79
Fund Balances of Governmental Funds.....	80
Changes in Fund Balances of Governmental Funds.....	81
Selected Governmental Activities Tax Revenues by Source.....	82
Assessed Value and Estimated Actual Value of Taxable Property.....	83
Direct and Overlapping Property Tax Rates.....	84
Principal Property Taxpayers.....	85
Property Tax Levies and Collections.....	86
Taxable Property Subject to Fire Tax.....	87
Principal Special Fire Taxpayers.....	88
Fire Tax Rates.....	90
Direct and Overlapping Governmental Activities Debt.....	91
Legal Debt Margin Information.....	92
Demographic and Economic Statistics.....	93
Principal Employers.....	94
Full-time Equivalent City Government Employees by Function/Program.....	95
Operating Indicators by Function/Program.....	96
Capital Asset Statistics by Function/Program.....	97

THIS PAGE INTENTIONALLY LEFT BLANK



CITY OF
Palos Verdes Estates

December 10, 2013

Honorable Mayor and Members of the City Council:

It is the policy of the City of Palos Verdes Estates to publish annually a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) that has been audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants. Pursuant to the policy, we hereby issue the comprehensive annual financial statements of the City of Palos Verdes Estates (“the City”) for the fiscal year ended June 30, 2013.

This report consists of management’s representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making their representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City’s assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City’s financial statement in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge, the financial statement is complete and reliable in all material aspects.

The City’s financial statements have been audited by Lance Soll & Lunghard, LLP, a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent auditor rendered an unqualified opinion that the City’s financial statements for the fiscal year ended June 30, 2013, were fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

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

Profile of the Government

The City of Palos Verdes Estates is dedicated to preserving and enhancing its special position on the Palos Verdes Peninsula in Los Angeles County overlooking the Pacific Ocean with views of Catalina Island and the Santa Monica Bay. The City plan, laid out by Frederick Olmsted, Jr. in 1910, includes large areas of parklands, 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 13,589 within an area of 4.75 square miles. The City is a residential community with almost no commercial tax base primarily dependent upon property taxes, a special tax to finance contract fire services with Los Angeles County, and a sewer user fee to finance a program of sanitary sewer improvements.

The City has operated under the council-manager form of government since 1965. Policy-making and legislative authority are vested in five City Council members. City Council members are elected on a non-partisan basis at City-conducted elections held in March of odd-numbered years. City Council members serve four-year staggered terms. One member of the City Council is designated as mayor; the mayor's position rotates annually among the council members. The City Council is responsible for a variety of functions including passing ordinances, establishing policies, adopting the budget, appointing committees and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of City departments.

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

Financial Policies

Budget Policy and Practice - For planning purposes, the City prepares a two-year budget document; however, the City Council continues to review and adopt the budget on an annual basis. The budget serves as the foundation and resource allocation plan for the City's financial planning and control and for the delivery of services. The City Manager presents the recommended budget to the City Council in mid-May after an internal process of reviewing department budget requests that begins in late-January. A public hearing on the proposed budget is held at the first Council meeting of June and the final budget is adopted prior to June 30. The budget is controlled at the fund level. The City Manager is authorized to make transfers between departments within a fund up to \$10,000. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

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

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

Major Initiatives and Achievements

Each fiscal year, the City Manager’s Office and operating departments establish a “Major Projects List” that is presented to the City Council with periodic status updates. The project listing is supported by the financial plan as contained in the City’s adopted budget. Major projects accomplished during FY 2012-13 include: Hiring of a new City Manager, awarding a professional services contract for Information Technology and completing a computer server replacement project. Settlement and release relating to the occupancy of City owned properties commonly known as Bluff Cove Homes. In the Police Department, accomplishments included: conducting an emergency preparedness activation drill in June 2013 for two of the City’s six disaster districts; continued emergency preparedness planning efforts through the City’s Disaster District Plan (DDP) and through procurement of additional supplies for the district containers; sponsoring the annual Senior Health Fair as part of community programming through the PVE-CARES program which provides resources and assistance to the elderly, and implementing social media communications through Nixle to better inform residents. The City capital programs for street maintenance (~\$1 million) and sanitary sewer upgrades for the replacement of the Rocky Point Sewer Pump Station continued at (~\$1.75 million). FY 12-13 was the final year of the city’s direct assessment of the Sewer Users Fee.

Factors Affecting Financial Condition

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

Local Economy. As mentioned previously, the City is an overwhelmingly residential community of predominately single family homes. The City is fully developed with few vacant parcels. Commercial activity in the City is dominated by real estate firms and other companies that support real estate activity, including mortgage and title companies. As such, the City is not subject to consumer-driven, economic fluctuations except to the extent that the real estate market is affected by property sales and valuations. Sales tax revenue accounts for less than 2% of total general fund revenue. Within the City's two small commercial areas at Malaga Cove and Lunada Bay Plazas, there are minor retail and small, locally owned restaurants and food markets. As part of the larger South-Bay region of Los Angeles County, consisting of 16 incorporated cities and 20 communities, the City is part of a well-diversified economy. The South Bay is home to many aerospace and defense-related industries, as well as manufacturing, software development, entertainment, travel and tourism. Located near Los Angeles International Airport and the ports of Los Angeles and Long Beach, the South Bay is an essential component of the Los Angeles County economy and the area is home to many firms dealing in international markets. The City's residents work in these fields and professions.

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

Awards and Acknowledgments


The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ending June 30, 2012. In order to receive a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe the City's current CAFR continues to meet the Certificate of Achievement program requirements, and it is being submitted to the GFOA to determine its eligibility for another certificate.

We thank Judy Smith, Finance Director (part-time), for oversight of the daily operations of the Finance Department during the past year. We also recognize the Finance Department consisting of Karen Kato and Michelle Mello, Financial Services Technicians, for their assistance, execution of Department policies and requirements, and dedication to the City. We also thank the City Council for its expectations of, and support for, insisting on the highest standards of professionalism, professional ethics, and conservative financial posture in the management of the City's finances.

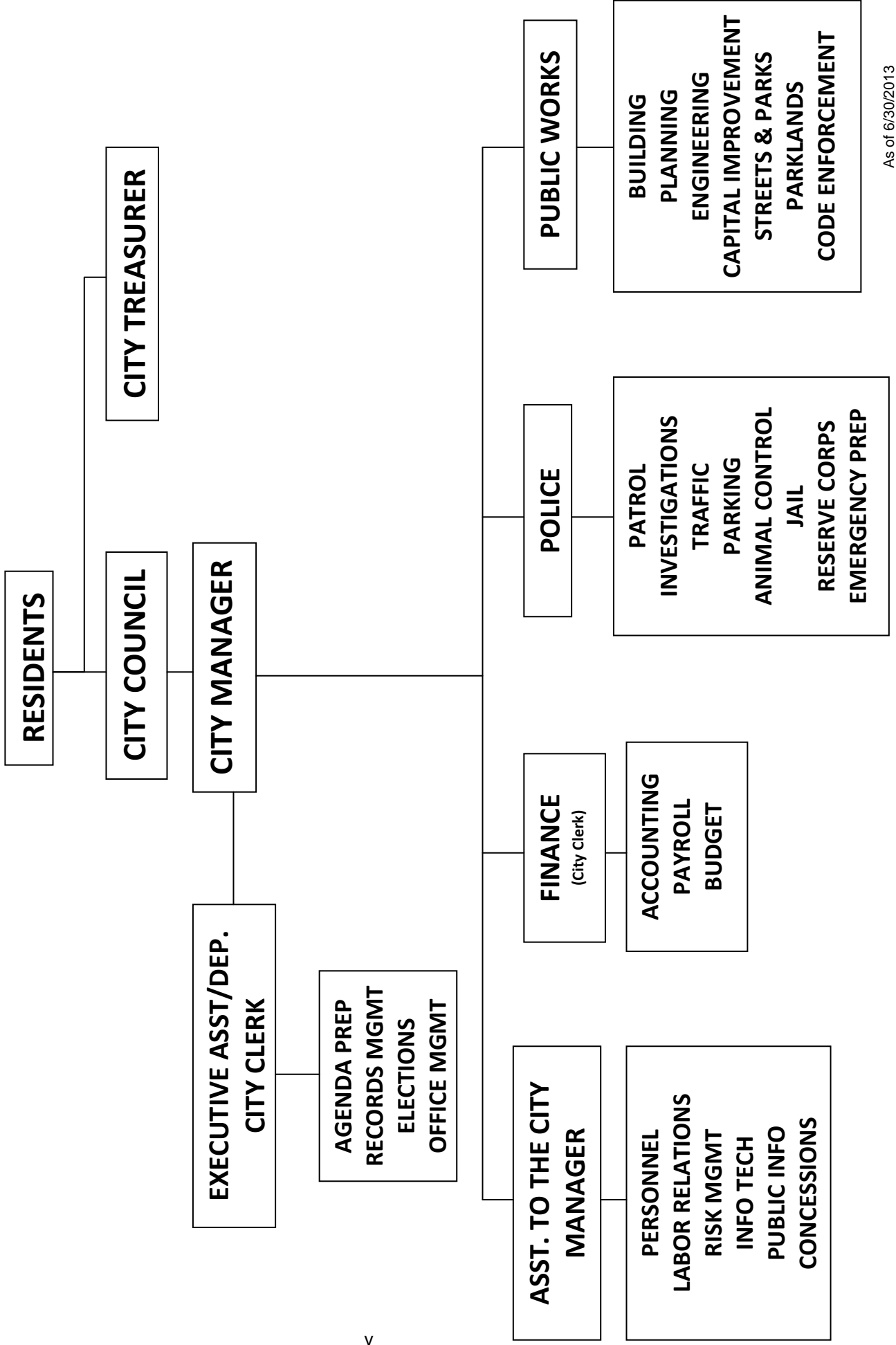


Anton Dahlerbruch
City Manager



Lori Yamasaka
Acting Finance Director

CITY OF PALOS VERDES ESTATES ORGANIZATION CHART



CITY OF PALOS VERDES ESTATES

Officials of the City of Palos Verdes Estates

June 30, 2013

CITY COUNCIL

James F. Goodhart, Mayor
Ellen Perkins, Mayor Pro Tem
Rosemary Humphrey
W. John Rea
George F. Bird, Jr.

ADMINISTRATION AND DEPARTMENT HEADS

City Manager	Anton Dahlerbruch
City Treasurer	Joseph C. Sherwood, Jr.
City Attorney	Christi Hogin
Police Chief	John Eberhard
Director of Finance	Judy Smith
Assistant to the City Manager	Alexa Davis



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, 2012

Executive Director/CEO

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITORS' REPORT

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

Report on 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Palos Verdes Estates, California, as of June 30, 2013, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Special Projects Fund, and Special Fire Parcel Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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

Other Matters

Required Supplementary Information

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

Prior Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2012, from which such partial information was derived.

Other Information

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

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

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



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Lance, Soll & Lughard, LLP

Brea, California
December 2, 2013

THIS PAGE INTENTIONALLY LEFT BLANK

MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Palos Verdes Estates' financial performance provides an overview of the financial activities of the City for the fiscal year ended June 30, 2013. It is suggested that this overview be read in conjunction with the letter of transmittal (**pages i-iv**) and the accompanying financial statements.

Financial Highlights

- The City's net position at the end of fiscal year 2012-2013 totaled \$79,967,899. This is a decrease of \$2,264,313; representing a decrease of 2.75% compared to the prior year. The City's net investment in capital assets at June 30, 2013, totaled \$51,727,775 and represented a decrease of \$1,512,457 mostly attributable to depreciation.
- Unrestricted net position, which may be used to meet the government's ongoing obligations, totaled \$20,244,464. Of the unrestricted net position, \$9,051,662 represent assets assigned for general capital project purposes and \$7,200,000 represent assets within the general fund committed for emergency contingencies.
- Net position restricted for special purposes, including public works and public safety, totaled \$7,995,660. Of this total, \$5,404,357 represents assets restricted for sanitary sewer improvements as part of the sewer capital fund.
- During the year, the City's general governmental revenues totaled \$17,459,537, a minimal increase of \$368,497 from the prior year. General governmental expenditures totaled \$17,402,742 for the fiscal year end, a decrease in expenditures of \$505,985 compared to the prior year. The decrease is attributable to lower retirement costs within public safety of \$839,894. Overall governmental revenues exceeded expenditures by \$56,795
- As of June 30, 2013, the general fund balance was \$9,395,053, an increase of \$503,587, which includes net operating transfers of (\$1,195,404). General fund revenues exceeded expenditures by \$1,698,991. The City achieved general fund operating surpluses due to its stable revenue base, anchored by residential property values, and its focus on core municipal services. FY 2013 results include general fund revenue of \$11,174,933 and expenditures of \$9,475,942. General fund revenues available for appropriation were \$390,618 more than budgeted while actual expenditures were \$484,138 less than budget.
- The City's financial statements reflect provisions of GASB 54 regarding fund balance. The City Council's adopted Fund Balance Policy provides for a committed general fund balance of \$7.2 million for emergency contingencies, which may be used in the event of a declared federal, state or local emergency affecting the City or in the event the City suffers a loss of a major general fund revenue source representing \$500,000 or greater. The committed fund balance equals approximately 50% of the City's total operating budget. Restricted balances include \$5,404,357 of sewer capital funds, which must be used for sanitary sewer upgrades.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements reflect functions of the City of Palos Verdes Estates that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The City does not maintain or report *business-type activities*, which are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City of Palos Verdes Estates include general government, public safety, public works, parks and recreation. Capital projects are reported as governmental activities according to the nature of the project. The government-wide financial statements can be found on pages 13-15 of this report.

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

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

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

The City of Palos Verdes Estates maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special projects fund, the special fire parcel tax fund and the two capital improvement funds; general capital and sewer. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* on pages 56-59 of this report.

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

The basic governmental fund financial statements can be found on pages 16-22 of this report.

Proprietary funds. The City of Palos Verdes Estates maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Palos Verdes Estates' various governmental functions. The City of Palos Verdes Estates uses internal service funds to account for equipment replacement (vehicles, computer systems and furniture) and insurance activities. Because these services benefit governmental functions, they have been included within *governmental activities* in the government-wide financial statements. The two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Palos Verdes Estates' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 29 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes can be found on pages 31-54 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 56-75.

Government-wide Financial Analysis

The City presents its financial statements using the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD & A) – for State and Local Government.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net position for fiscal year 2012-2013 are shown in Table 1. In the case of the City of Palos Verdes Estates, assets exceeded liabilities by \$79,967,899 at June 30, 2013.

Table 1
City of Palos Verdes Estates Net Position

	<u>2013</u>	<u>2012</u>	<u>Change</u> <u>(in dollars)</u>
Current and other assets	\$30,969,359	\$30,861,762	\$ 107,597
Capital assets	<u>51,727,775</u>	<u>53,240,232</u>	<u>(1,512,457)</u>
Total Assets	<u>82,697,134</u>	<u>84,101,994</u>	<u>(1,404,860)</u>
Long-term liabilities	(1,585,766)	(1,166,809)	(418,957)
Other liabilities	<u>(1,143,469)</u>	<u>(702,973)</u>	<u>(440,496)</u>
Total liabilities	<u>(2,729,235)</u>	<u>(1,869,782)</u>	<u>(859,453)</u>
Net Invested in capital assets	51,727,775	53,240,232	(1,512,457)
Restricted	7,995,660	8,460,943	(465,283)
Unrestricted	<u>20,244,464</u>	<u>20,531,037</u>	<u>(286,573)</u>
Total net position	<u>\$79,967,899</u>	<u>\$82,232,212</u>	<u>(\$2,264,313)</u>

The largest portion of the City of Palos Verdes Estates' net position (65%) reflects its net investment in capital assets (land, buildings, infrastructure, machinery and equipment). These assets are not available for future spending.

An additional portion of the City of Palos Verdes Estates' net position (10%) represent resources that are subject to legal restrictions on how they may be used. The remaining balance of unrestricted net position (25%) may be used to meet the government's ongoing obligations. Included as part of the unrestricted net position is the general capital project fund balance, which totals \$9,051,662 or 45% of the unrestricted net position.

Governmental activities. During 2013, the City's net position decreased \$2,264,313 due to governmental activity, which is attributable to expenses in excess of program and general revenues.

Table 2
City of Palos Verdes Estates
Changes in Net Position

	<u>2013</u>	<u>2012</u>	<u>Change</u> <u>(in dollars)</u>
Program revenues:			
Charges for services	\$6,763,030	\$6,511,447	\$251,583
Operating grants and contributions	1,036,495	1,076,845	(40,350)
Capital grants and contributions	1,069,864	1,211,873	(142,009)
General revenues:			
Property taxes	6,098,959	5,841,802	257,157
Other taxes	2,400,774	2,311,636	89,138
Other	<u>165,351</u>	<u>329,144</u>	<u>(163,793)</u>
Total revenues	<u>17,534,473</u>	<u>17,282,747</u>	<u>251,726</u>

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

	<u>2013</u>	<u>2012</u>	<u>Change</u> (in dollars)
Expenses:			
General government	\$2,156,709	\$1,573,677	\$583,032
Public safety	9,969,583	10,280,881	(311,298)
Public works	2,980,309	3,165,639	(185,330)
Parks and recreation	<u>4,692,185</u>	<u>4,250,192</u>	<u>441,993</u>
Total expenses	<u>19,798,786</u>	<u>19,270,389</u>	<u>528,397</u>
Increase in net position	(2,264,313)	(1,987,642)	(276,671)
Net position July 1, 2012	<u>82,232,212</u>	<u>84,219,854</u>	<u>(1,987,642)</u>
Net position June 30, 2013	<u>\$79,967,899</u>	<u>\$82,232,212</u>	<u>(\$2,264,313)</u>

Figure 1 – Revenues - Governmental Activities FY 2012-2013

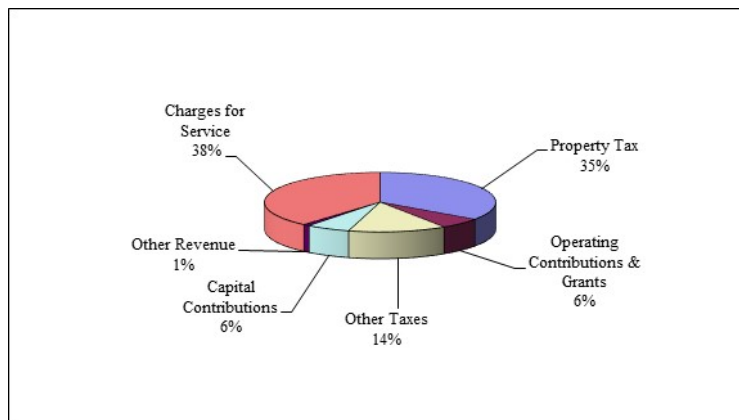
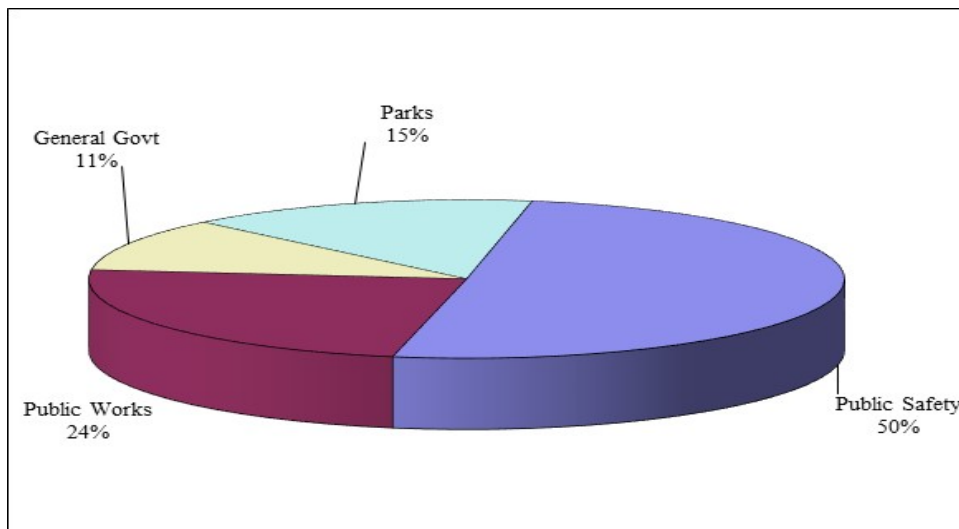


Figure 2 – Expenses – Governmental Activities FY 2012-13



Fund Financial Statements

Governmental Funds.

The City of Palos Verdes Estates' governmental funds ending fund balances totaled \$26,292,375 a decrease of \$521,205 (-1.94%) compared to the prior year. For the fiscal year ending June 30, 2013, the governmental funds restricted fund balances totaled \$7,487,269, including \$5,404,357 (72%) for sanitary sewer capital improvements. The committed fund balance (general fund) totaled \$7,200,000. The assigned fund balance for the governmental funds totaled \$9,051,662 and consists exclusively of the general capital fund balance. The unassigned fund balance of the governmental funds (general fund) totaled \$2,096,572, while the non-spendable fund balances total \$456,872, representing inventory and prepaid costs.

Five funds qualify as major funds under the GASB 34 reporting criteria: the general fund, special projects fund, special fire parcel tax fund, sewer fund and general capital improvements funds. The general fund is the chief operating fund of the City of Palos Verdes Estates. The general fund balance totaled \$9,395,053, an increase of \$503,587 compared to the prior year, which includes the net effect of operating transfers (\$1,195,404). The general fund balance is comprised of the following: non-spendable balance of \$98,481; committed balance of \$7,200,000 for emergency contingencies; and unassigned fund balance totaling \$2,096,572. The City Council will review the amount of the unassigned fund balance and determine whether to modify the Fund Balance Policy to increase the committed fund balance or transfer funds to the general capital projects fund to assist in future capital project financing. The general fund balance, excluding non-spendable, represents 98% of FY 2013 total general fund expenditures.

The special projects fund accounts for receipt of funds from several sources, many of which are grants that have restrictions on their use. Receipts deposited to the special projects fund generally are transferred to reimburse other funds, mainly the general fund and general capital projects fund, for eligible expenditure activity. During FY 11-12, the City applied for a \$150,000 grant of L.A. County Proposition A Parks funds. The grant is available on a reimbursement basis following expenditures, which were incurred by the capital project fund during the fiscal year for various pathway improvements and other projects. As a result, the pending receipt of the grant is shown as deferred revenue.

The special fire parcel tax fund balance increased \$54,506. Fire contract services through Los Angeles County totaled \$4,122,393 in 2013, an increase of \$148,155 compared to the prior year. Revenue from the special fire tax totaled \$4,167,275. Other revenues totaled \$9,624.

The sewer capital projects fund balance totals \$5,404,357. During FY 2013, sewer fees and other revenue totaled \$1,048,498 while expenditures totaled \$1,746,425. The final sewer pump station will be completed during FY 2013-14 at a cost of approximately \$1.74 million. Authorization for the property-owner approved sewer user fee expired in FY 2012-13. The City is in the process of designing and constructing a sewer force main project to provide redundant capacity at the two city-owned pump stations.

The general capital improvement fund balance decreased \$559,509 and totals \$9,051,662. Capital project expenditures totaled \$1,398,565. Operating revenue is the combination of interest earnings and adjustment of securities to fair market value which totaled (\$10,944). Operating transfers in totaled \$850,000 including \$650,000 from the general fund and \$200,000 from the Measure R fund. The primary source of general capital funds is an annual transfer of general fund operating surplus. The actual amount of the transfer, if any, is determined each year by the City Council after review of the annual audit report. The City's capital improvement program includes the annual street maintenance program, which is being completed in accordance with an

adopted multi-year, master pavement management plan. The vast majority of capital expenditures are for street-related projects.

Proprietary funds. The only proprietary funds of the City of Palos Verdes Estates are two internal service funds for equipment replacement and insurance activities. At year-end, net position invested in capital assets of the funds amounted to \$543,861, a decrease of \$58,946 from the prior year.

General Fund Budgetary Highlights

The difference between the original general fund budget and the final amended budget was an increase of \$252,596 in revenues and transfers in, with transfers accounting for \$32,596 of the change. The final amended budget reflects an increase of \$1,436,255 in expenditures, including transfers out of (\$1,228,000) of which, \$578,000 was for the retro payment of the City's CJPIA insurance premium and \$650,000 was transferred to the general capital improvement fund.

General fund expenditures were \$484,138 less than budget with most of the savings (47.5%) occurring within the Police department due to position vacancies and associated salary and benefit savings. Other areas of savings within the general fund included: General governmental services realized savings of \$123,353 mainly within supplies and services, and savings of \$131,215 within public works and parks budgets.

Capital Asset and Debt Administration

Capital Assets. The City of Palos Verdes Estates' investment in capital assets for its governmental activities as of June 30, 2013, totals \$51,727,775 (net of accumulated depreciation). This is a decrease of \$1,512,457 compared to the prior year. This investment in capital assets includes land, buildings, improvements, machinery/equipment, vehicles, furniture, streets, sewers and storm drains. During Fiscal Year 2013, governmental fund capital expenditures totaled \$2,800,059 including the following:

- Street improvement projects totaling \$774,687;
- Sanitary sewer projects in accordance with the sewer master plan totaling \$1,665,608, including the continuation of the construction on the Rocky Point pump station, and
- Replacement of various vehicles within the Police and Streets/Parks department in accordance with established depreciation/replacement schedules at a cost of \$94,312.

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

	<u>2013</u>	<u>2012</u>	<u>Change</u> <u>(in dollars)</u>
Land	\$4,487,892	\$4,487,892	\$ ---
Construction in progress	1,685,596	19,988	1,665,608
Building and improvements	11,192,746	12,823,316	(1,630,570)
Machinery and equipment	893,132	1,128,719	(235,587)
Furniture and fixtures	109,883	125,944	(16,061)
Vehicles	72,384	84,065	(11,681)
Infrastructure	<u>33,286,142</u>	<u>34,570,308</u>	<u>(1,284,166)</u>
Total	<u>\$51,727,775</u>	<u>\$53,240,232</u>	<u>(\$1,512,457)</u>

Additional information on the City's capital assets can be found in note 4 beginning on page 44 of this report.

Long-term debt. The City avoids debt financing. At the end of the current fiscal year, the City of Palos Verdes Estates' outstanding debt is \$1,670,717 composed of \$792,998 for vested or accumulated employee compensated absences; \$316,202 for the special retirement income plan; and a retrospective insurance deposit payable to the California Joint Powers Authority (CJPIA) of \$561,517. Additional information on long-term debt can be found in note 6 of the notes to the basic financial statements on pages 45-46 of the report.

Economic Factors and Next Year's Budget

The City prepares a two-year budget document for planning purposes, but continues to adopt the budget on an annual basis. FY 2013-2014 represents the second year of the two-year budget cycle. The City Council adopted the FY 2013-2014 budget on June 25, 2013 and the following factors were considered in preparing the budget:

- The City faces another year of limited revenue growth as evidenced by residential real estate activity. The budget assumed a 2.5% increase in assessed values; some modest growth in development activity and limited expenditure growth. The FY 13-14 total operating budget reflects a 6.1% increase compared to the FY 12-13 adjusted budget.
- A 3.14% increase in the contract cost for fire and paramedic services through Los Angeles County Fire totaling \$4.27 million and associated 3.35% increase in the voter approved special parcel tax rate.
- General capital improvements projects totaling \$1.50 million, including \$896,500 in various street improvement projects, \$215,000 for catch basin replacement as well as \$100,000 provided for parkland and median improvement projects. This is the second year resources have been devoted to such projects.
- Sanitary sewer capital budget of \$3.95 million, including the completion of the Rocky Point pump station and a \$2 million "placeholder" for potential sewer lining projects.

Requests for Information

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

CITY OF PALOS VERDES ESTATES

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	
	2013	2012
Assets:		
Cash and investments	\$ 29,188,719	\$ 29,125,710
Receivables:		
Accounts	390,115	693,373
Accrued interest	29,386	43,578
Prepaid costs	1,060,388	564,388
Due from other governments	274,057	407,048
Inventories	26,694	27,665
Capital assets not being depreciated	6,173,488	4,507,880
Capital assets, net of depreciation	45,554,287	48,732,352
Total Assets	82,697,134	84,101,994
Liabilities:		
Accounts payable	717,617	469,853
Accrued liabilities	214,521	186,640
Deposits payable	126,380	15,452
Noncurrent liabilities:		
Due within one year	84,951	31,028
Due in more than one year	1,585,766	1,166,809
Total Liabilities	2,729,235	1,869,782
Net Position:		
Net investment in capital assets	51,727,775	53,240,232
Restricted for:		
Public safety	709,539	627,125
Public works	7,286,121	7,833,818
Unrestricted	20,244,464	20,531,037
Total Net Position	\$ 79,967,899	\$ 82,232,212

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF PALOS VERDES ESTATES

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net Governmental Activities	
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	2013	2012
Functions/Programs						
Primary Government:						
Governmental Activities:						
General government	\$ 2,156,709	\$ 85,098	\$ 6,815	\$ -	\$ (2,064,796)	\$ (1,511,112)
Public safety	9,969,583	4,415,550	126,958	16,209	(5,410,866)	(5,874,779)
Parks and recreation	2,980,309	1,108,948	44,484	-	(1,826,877)	(2,060,985)
Public works	4,692,185	1,153,434	858,238	1,053,655	(1,626,858)	(1,023,348)
Total Governmental Activities	\$ 19,798,786	\$ 6,763,030	\$ 1,036,495	\$ 1,069,864	(10,929,397)	(10,470,224)
General Revenues:						
Taxes:						
Property taxes					6,098,959	5,841,802
Sales and use taxes					348,654	317,694
Franchise taxes					535,545	537,274
Business licenses taxes					204,486	208,612
Other taxes					185,626	150,679
Motor vehicle in lieu - unrestricted					1,126,463	1,097,377
Investment Income					(12,470)	186,260
Miscellaneous					177,821	142,884
Total General Revenues					8,665,084	8,482,582
Change in Net Position					(2,264,313)	(1,987,642)
Net Position at Beginning of Year					82,232,212	86,668,866
Restatement of Net Position					-	(2,449,012)
Net Position at End of Year					\$79,967,899	\$ 82,232,212

CITY OF PALOS VERDES ESTATES

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds			Capital Projects Funds
	General	Special Projects	Special Fire Parcel Tax	General Capital Improvements
Assets:				
Cash and investments	\$ 9,513,472	\$ 655,460	\$ 77,140	\$ 9,090,869
Accounts receivable	390,115	-	-	-
Interest receivable	9,385	311	172	9,510
Prepaid items	71,787	-	355,081	-
Due from other governments	-	154,644	70,186	-
Due from other funds	-	-	-	-
Inventory - materials	26,694	-	-	-
Total Assets	\$ 10,011,453	\$ 810,415	\$ 502,579	\$ 9,100,379
Liabilities, Deferred inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 282,319	\$ 111	\$ -	\$ 48,717
Accrued salaries and benefits	207,701	-	-	-
Deposits payable	126,380	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	616,400	111	-	48,717
Deferred inflows of resources:				
Unavailable revenues	-	150,000	-	-
Total Deferred inflows of Resources	-	150,000	-	-
Fund Balances:				
Nonspendable:				
Inventory	26,694	-	-	-
Prepaid costs	71,787	-	355,081	-
Restricted for:				
Public safety	-	-	147,498	-
Public works	-	660,304	-	-
Committed to:				
Committed for emergency contingencies	7,200,000	-	-	-
Assigned to:				
Capital Projects	-	-	-	9,051,662
Unassigned	2,096,572	-	-	-
Total Fund Balances	9,395,053	660,304	502,579	9,051,662
Total Liabilities, deferred inflows of resources, and Fund Balances	\$ 10,011,453	\$ 810,415	\$ 502,579	\$ 9,100,379

CITY OF PALOS VERDES ESTATES

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Capital Projects Funds		Totals	
	Sewer	Other Governmental Funds	Totals	
			2013	2012
Assets:				
Cash and investments	\$ 5,726,425	\$ 1,270,959	\$ 26,334,325	\$ 26,406,454
Accounts receivable	-	-	390,115	693,373
Interest receivable	6,219	576	26,173	39,388
Prepaid items	-	3,310	430,178	60,593
Due from other governments	19,832	29,395	274,057	407,048
Due from other funds	-	-	-	35,288
Inventory - materials	-	-	26,694	27,665
Total Assets	\$ 5,752,476	\$ 1,304,240	\$ 27,481,542	\$ 27,669,809
Liabilities, Deferred inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 348,119	\$ 19,000	\$ 698,266	\$ 468,849
Accrued salaries and benefits	-	6,820	214,521	186,640
Deposits payable	-	-	126,380	15,452
Due to other funds	-	-	-	35,288
Total Liabilities	348,119	25,820	1,039,167	706,229
Deferred inflows of resources:				
Unavailable revenues	-	-	150,000	150,000
Total Deferred inflows of Resources	-	-	150,000	150,000
Fund Balances:				
Nonspendable:				
Inventory	-	-	26,694	27,665
Prepaid costs	-	3,310	430,178	60,593
Restricted for:				
Public safety	-	206,960	354,458	627,125
Public works	5,404,357	1,068,150	7,132,811	7,681,252
Committed to:				
Committed for emergency contingencies	-	-	7,200,000	7,200,000
Assigned to:				
Capital Projects	-	-	9,051,662	9,611,171
Unassigned	-	-	2,096,572	1,605,774
Total Fund Balances	5,404,357	1,278,420	26,292,375	26,813,580
Total Liabilities, deferred inflows of resources, and Fund Balances	\$ 5,752,476	\$ 1,304,240	\$ 27,481,542	\$ 27,669,809

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF PALOS VERDES ESTATES

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Fund balances of governmental funds \$ 26,292,375

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

Capital assets net of depreciation have not been included as financial resources in governmental fund activity.

Capital Assets	108,016,821
Less accumulated depreciation	(56,832,907)

Long-term debt and compensated absences that have not been included in the governmental fund activity:

Special Retirement Income Plan	(316,202)
Compensated Absences	(792,998)
Retrospective Deposits Payable	(561,517)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. 150,000

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. 4,012,327

Net Position of governmental activities **\$ 79,967,899**

CITY OF PALOS VERDES ESTATES

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Special Revenue Funds		Capital Projects Funds
		Special Projects	Special Fire Parcel Tax	General Capital Improvements
Revenues:				
Property taxes	\$ 6,098,959	\$ -	\$ -	\$ -
Special assessments	-	-	4,167,275	-
Other taxes	1,274,311	-	-	-
Licenses and permits	700,807	-	-	-
Revenues from other agencies	1,148,136	90,611	9,177	-
Charges for services	475,387	-	-	-
Use of money and property	1,095,598	3,325	447	(10,944)
Fines and forfeitures	205,614	-	-	-
Miscellaneous	176,121	-	-	-
Total Revenues	11,174,933	93,936	4,176,899	(10,944)
Expenditures:				
Current:				
General government	1,497,477	-	-	-
Public safety	5,643,145	-	4,122,393	-
Parks and recreation	1,078,136	-	-	-
Public works	1,257,184	16,098	-	1,398,565
Total Expenditures	9,475,942	16,098	4,122,393	1,398,565
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,698,991	77,838	54,506	(1,409,509)
Other Financing Sources (Uses):				
Transfers in	32,596	-	-	850,000
Transfers out	(1,228,000)	(32,596)	-	-
Total Other Financing Sources (Uses)	(1,195,404)	(32,596)	-	850,000
Net Change in Fund Balances	503,587	45,242	54,506	(559,509)
Fund Balances, Beginning of Year	8,891,466	615,062	448,073	9,611,171
Fund Balances, End of Year	\$ 9,395,053	\$ 660,304	\$ 502,579	\$ 9,051,662

CITY OF PALOS VERDES ESTATES

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Capital Projects Funds	Other Governmental Funds	Totals	
	Sewer		2013	2012
Revenues:				
Property taxes	\$ -	\$ -	\$ 6,098,959	\$ 5,841,802
Special assessments	1,053,655	-	5,220,930	5,044,252
Other taxes	-	-	1,274,311	1,214,259
Licenses and permits	-	-	700,807	675,493
Revenues from other agencies	-	970,338	2,218,262	2,277,575
Charges for services	-	-	475,387	454,193
Use of money and property	(5,157)	5,877	1,089,146	1,228,110
Fines and forfeitures	-	-	205,614	211,517
Miscellaneous	-	-	176,121	143,839
Total Revenues	1,048,498	976,215	17,459,537	17,091,040
Expenditures:				
Current:				
General government	-	5,309	1,502,786	1,436,685
Public safety	-	85,178	9,850,716	10,368,272
Parks and recreation	-	-	1,078,136	1,165,880
Public works	1,746,425	552,832	4,971,104	4,937,890
Total Expenditures	1,746,425	643,319	17,402,742	17,908,727
Excess (Deficiency) of Revenues Over (Under) Expenditures	(697,927)	332,896	56,795	(817,687)
Other Financing Sources (Uses):				
Transfers in	-	-	882,596	1,161,827
Transfers out	-	(200,000)	(1,460,596)	(1,161,827)
Total Other Financing Sources (Uses)	-	(200,000)	(578,000)	-
Net Change in Fund Balances	(697,927)	132,896	(521,205)	(817,687)
Fund Balances, Beginning of Year	6,102,284	1,145,524	26,813,580	27,631,267
Fund Balances, End of Year	\$ 5,404,357	\$ 1,278,420	\$ 26,292,375	\$ 26,813,580

CITY OF PALOS VERDES ESTATES

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds \$ (521,205)

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

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

Depreciation	(4,034,093)
Capital outlay	2,651,850

To record change in the retrospective deposit payable reported on the Statement of Net Position (385,946)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (73,808)

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense. (13,126)

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

Change in net position of the internal service funds	183,283
Less: Capital contributions	(71,268)

Change in net position of governmental activities **\$ (2,264,313)**

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON STATEMENT
 GENERAL FUND
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 8,891,466	\$ 8,891,466	\$ 8,891,466	\$ -
Resources (Inflows):				
Taxes	6,969,500	7,089,500	7,373,270	283,770
Licenses and permits	636,000	636,000	700,807	64,807
Revenues from other agencies	1,109,750	1,109,750	1,148,136	38,386
Charges for services	494,065	494,065	475,387	(18,678)
Use of money and property	1,086,000	1,086,000	1,095,598	9,598
Fines and forfeitures	180,000	180,000	205,614	25,614
Miscellaneous	89,000	189,000	176,121	(12,879)
Transfers in	-	32,596	32,596	-
Amounts Available for Appropriation	19,455,781	19,708,377	20,098,995	390,618
Charges to Appropriation (Outflow):				
General government	1,429,240	1,620,830	1,497,477	123,353
Public safety	5,872,715	5,872,715	5,643,145	229,570
Parks and recreation	1,084,680	1,084,680	1,078,136	6,544
Public works	1,365,190	1,381,855	1,257,184	124,671
Transfers out	-	1,228,000	1,228,000	-
Total Charges to Appropriations	9,751,825	11,188,080	10,703,942	484,138
Budgetary Fund Balance, June 30	\$ 9,703,956	\$ 8,520,297	\$ 9,395,053	\$ 874,756

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON STATEMENT
 SPECIAL PROJECTS
 YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 615,062	\$ 615,062	\$ 615,062	\$ -
Resources (Inflows):				
Revenue from other agencies	77,000	77,000	90,611	13,611
Use of money and property	3,000	3,000	3,325	325
Amounts Available for Appropriation	695,062	695,062	708,998	13,936
Charges to Appropriation (Outflow):				
Public works	20,620	22,120	16,098	6,022
Transfers out	-	32,596	32,596	-
Total Charges to Appropriations	20,620	54,716	48,694	6,022
Budgetary Fund Balance, June 30	\$ 674,442	\$ 640,346	\$ 660,304	\$ 19,958

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON STATEMENT
 SPECIAL FIRE PARCEL TAX
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 448,073	\$ 448,073	\$ 448,073	\$ -
Resources (Inflows):				
Special assessments	4,150,800	4,150,800	4,167,275	16,475
Revenue from other agencies	9,000	9,000	9,177	177
Use of money and property	-	-	447	447
Amounts Available for Appropriation	4,607,873	4,607,873	4,624,972	17,099
Charges to Appropriation (Outflow):				
Public safety	4,145,215	4,145,215	4,122,393	22,822
Total Charges to Appropriations	4,145,215	4,145,215	4,122,393	22,822
Budgetary Fund Balance, June 30	\$ 462,658	\$ 462,658	\$ 502,579	\$ 39,921

CITY OF PALOS VERDES ESTATES

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2013

	Governmental Activities - Internal Service Funds Total	
	2013	2012
Assets:		
Current:		
Cash and investments	\$ 2,854,394	\$ 2,719,256
Interest receivable	3,213	4,190
Prepaid items	630,210	503,795
Total current assets	3,487,817	3,227,241
Capital assets		
Machinery and equipment	3,073,358	2,961,562
Furniture and fixtures	249,033	235,662
Vehicles	943,108	904,134
Less accumulated depreciation	(3,721,638)	(3,498,551)
Net capital assets	543,861	602,807
Total assets	\$ 4,031,678	\$ 3,830,048
Liabilities and Net Position:		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 19,351	\$ 1,004
Total current liabilities	19,351	1,004
Total liabilities	19,351	1,004
Net Position:		
Net investment in Capital Assets	543,861	602,807
Unrestricted	3,468,466	3,226,237
Total net position	4,012,327	3,829,044
Total liabilities and net position	\$ 4,031,678	\$ 3,830,048

CITY OF PALOS VERDES ESTATES

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Governmental Activities - Internal Service Funds Totals	
	2013	2012
Operating Revenues:		
Charges for services	\$ 725,275	\$ 744,210
Other	24,336	5,000
Total Operating Revenues	749,611	749,210
Operating Expenses:		
Materials and supplies	51,336	14,411
General liability insurance	871,158	335,798
Property and vehicle insurance	18,347	17,386
Depreciation	278,423	264,019
Total Operating Expenses	1,219,264	631,614
Operating Income (Loss)	(469,653)	117,596
Nonoperating Revenues:		
Interest revenue	1,293	19,634
Gain on disposal of capital assets	2,375	10,658
Total Nonoperating Revenues	3,668	30,292
Net income before transfers and contributions	(465,985)	147,888
Capital contributions from other funds	71,268	30,561
Transfers in	578,000	-
Changes in Net Position	183,283	178,449
Net Position:		
Beginning of Fiscal Year	3,829,044	3,650,595
End of Fiscal Year	\$ 4,012,327	\$ 3,829,044

CITY OF PALOS VERDES ESTATES

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2013

	Governmental Activities - Internal Service Funds Totals	
	2013	2012
Cash Flows from Operating Activities:		
Cash received from user departments	\$ 749,611	\$ 749,216
Cash paid to suppliers for goods or services	(1,048,909)	(480,757)
Net Cash Provided by (Used in) Operating Activities	(299,298)	268,459
Cash Flows from Non-Capital Financing Activities:		
Cash transfers in	578,000	-
Net Cash Provided by Non-Capital Financing Activities	578,000	-
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(148,209)	(227,492)
Proceeds from sales of capital assets	2,375	10,658
Net Cash Used in Capital and Related Financing Activities	(145,834)	(216,834)
Cash Flows from Investing Activities:		
Interest received	2,270	21,642
Net Cash Provided by Investing Activities	2,270	21,642
Net Increase in Cash and Cash Equivalents	135,138	73,267
Cash and Cash Equivalents at Beginning of Year	2,719,256	2,645,989
Cash and Cash Equivalents at End of Year	\$ 2,854,394	\$ 2,719,256
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ (469,653)	\$ 117,596
Adjustments to reconcile operating income (loss) net cash provided by (used in) operating activities:		
Depreciation	278,423	264,019
Decrease in accounts receivable	-	6
Increase in prepaid items	(126,415)	(65,651)
Increase (decrease) in accounts payable	18,347	(47,511)
Total Adjustments	170,355	150,863
Net Cash Provided by (Used in) Operating Activities	\$ (299,298)	\$ 268,459
Non-Cash Investing, Capital, and Financing Activities:		
Equipment acquisitions funded by governmental funds	\$ 71,268	\$ 30,561

CITY OF PALOS VERDES ESTATES

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Agency Funds	
	2013	2012
Assets:		
Cash and investments	\$ 171,065	\$ 160,269
Interest receivable	82	105
Total Assets	\$ 171,147	\$ 160,374
Liabilities:		
Accounts payable	\$ 5,328	\$ 295
Deposits payable	165,819	160,079
Total Liabilities	\$ 171,147	\$ 160,374

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF PALOS VERDES ESTATES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1: Summary of Significant Accounting Policies

a. Reporting Entity

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

Joint Ventures

Palos Verdes Peninsula Transit Joint Powers Authority

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

The Palos Verdes Peninsula Transit Authority's fiscal year ends on June 30. As of June 30, 2012 (the most recent information available), audited financial statements indicated the following:

Total assets	\$	2,693,610
Total liabilities		196,811
Total equity (Net Position)		2,496,799
Revenues		2,335,594
Expenditures		2,397,438
Net increase in fund balance		(61,844)

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

b. Basis of Accounting and Measurement Focus

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Governmental Funds

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

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

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

Fiduciary Funds

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

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

The City reports the following major governmental funds:

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

The Special Projects Fund is used to account for funds received from other governmental agencies that are earmarked for specific projects.

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

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

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

Additionally, the City reports the following fund types:

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

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

Agency Funds - The agency funds are used to account for the resources held by the City in a fiduciary capacity to record special deposits and assessment district repayments.

Note 1: Summary of Significant Accounting Policies (Continued)

d. Cash and Cash Equivalents

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

e. Investments

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

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

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

f. Prepaid Items and Inventory

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

g. Property Taxes

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period.

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.

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 1: Summary of Significant Accounting Policies (Continued)

All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on March 1 each year, and are delinquent, if unpaid, on August 31. At June 30, 2013, there were no material delinquent, unsecured property taxes. Property taxes receivable are included with due from other Governments on the balance sheet. At June 30, 2013, the total property taxes receivable is \$109,863.

h. Capital Assets

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

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

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

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

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

i. Deferred outflows/inflows of resources

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

j. 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.

k. Fund Equity

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

- Nonspendable include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Note 1: Summary of Significant Accounting Policies (Continued)

- Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, City Council. The formal action that is required to be taken to establish, modify or rescind a fund balance commitment is a resolution.
- Assigned include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager or Finance Director is authorized to assign amounts to a specific purpose, which was established by the governing body through resolution.
- Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

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

I. Net Position Flow Assumption

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

m. Fund Balance Flow Assumptions

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

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 1: Summary of Significant Accounting Policies (Continued)

Stabilization Arrangements

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

- Declaration of a state or federal state of emergency or declaration of a local emergency as provided in the Palos Verdes Estates Municipal Code Section 2.28.060;
- Loss of general fund revenue in the amount of \$500,000 or more either through state action to divert or change general fund allocations or local conditions affecting a major revenue source.

n. Prior Year Data

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

o. Use of Estimates

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

p. Other Post-employment Benefits

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

Note 2: Stewardship, Compliance and Accountability

Budgetary Data:

Budgets are reported on the same basis as the funds and are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General, Special Revenue and Capital Projects Funds.

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

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 3: Cash Investments

Cash investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 29,188,719
Fiduciary funds:	
Cash and investments	<u>171,065</u>
Total cash and investments	<u>\$ 29,359,784</u>

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$ 1,500
Deposits with financial institutions	809,993
Investments	<u>28,548,291</u>
Total cash and investment	<u>\$ 29,359,784</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.

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 3: Cash Investments (Continued)

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

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

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:

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 3: Cash Investments (Continued)

Investment Type	Total	Remaining Maturity (in months)		
		12 Months Or Less	13 to 24 Months	25 to 60 Months
LAIF	\$ 22,685,994	\$ 22,685,994	\$ -	\$ -
Certificate of Deposit	1,953,467	-	-	1,953,467
U.S. Agency Securities:				
Federal Home Loan Mortgage	1,959,120	-	-	1,959,120
Federal National Mortgage Association	1,949,710	-	-	1,949,710
Total	\$ 28,548,291	\$ 22,685,994	\$ -	\$ 5,862,297

Disclosures Relating to Credit Risk

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

Investment Type	Total	Minimum Legal Rating	Rating as of Year End	
			AA+	Not Rated
LAIF	\$ 22,685,994	N/A	\$ -	\$ 22,685,994
Certificates of Deposit	1,953,467	N/A	-	1,953,467
U.S. Agency Securities				
Federal Home Loan Mortgage	1,959,120	N/A	1,959,120	-
Federal National Mortgage Association	1,949,710	N/A	1,949,710	-
Total	\$ 28,548,291		\$3,908,830	\$ 24,639,461

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	\$ 1,959,120
Federal National Mortgage Association	1,949,710

Note 3: Cash Investments (Continued)

Custodial Credit Risk

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

Investment in State Investment Pool

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

GASB Statement No. 31

The City adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards (e.g. mark to market) for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 4: Capital Assets

A summary of changes in capital asset activity for the year ended June 30, 2013, is as follows:

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,487,892	\$ -	\$ -	\$ 4,487,892
Construction in progress	19,988	1,665,608	-	1,685,596
Total assets not being depreciated	<u>4,507,880</u>	<u>1,665,608</u>	<u>-</u>	<u>6,173,488</u>
Capital assets being depreciated:				
Building and improvements	27,493,385	107,716	-	27,601,101
Machinery	4,130,283	144,366	-	4,274,649
Furniture and fixtures	596,950	13,370	-	610,320
Vehicles	904,132	94,312	55,336	943,108
Infrastructure	71,904,967	774,687	-	72,679,654
Total assets being depreciated	<u>105,029,717</u>	<u>1,134,451</u>	<u>55,336</u>	<u>106,108,832</u>
Less accumulated depreciation for:				
Buildings and improvements	14,670,069	1,738,286	-	16,408,355
Machinery	3,001,564	379,953	-	3,381,517
Furniture and fixtures	471,006	29,431	-	500,437
Vehicles	820,067	105,993	55,336	870,724
Infrastructure	37,334,659	2,058,853	-	39,393,512
Total accumulated depreciation	<u>56,297,365</u>	<u>4,312,516</u>	<u>55,336</u>	<u>60,554,545</u>
Net capital assets being depreciated	<u>48,732,352</u>	<u>(3,178,065)</u>	<u>-</u>	<u>45,554,287</u>
Total capital assets	<u>\$ 53,240,232</u>	<u>\$ (1,512,457)</u>	<u>\$ -</u>	<u>\$ 51,727,775</u>

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

Governmental activities:	
General government	\$ 97,375
Public safety	1,850
Public works	2,059,338
Parks and recreation	1,875,530
Internal service funds	278,423
Total depreciation expense-governmental activities	<u>\$ 4,312,516</u>

CITY OF PALOS VERDES ESTATES

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Note 5: Interfund Receivables, Payables and Transfers

The following summarizes the total transfers in and out as of June 30, 2013:

	Transfers Out			
	General Fund	Special Projects Fund	Other Governmental Funds	Total
Transfers In				
General Fund	\$ -	\$ 32,596	\$ -	\$ 32,596
General Capital Improvements Fund	650,000	-	200,000	850,000
Internal Service Funds	578,000	-	-	578,000
	<u>\$ 1,228,000</u>	<u>\$ 32,596</u>	<u>\$ 200,000</u>	<u>\$ 1,460,596</u>

The majority of transfers were made from the General Fund to subsidize various capital improvement projects.

Note 6: Long-Term Liabilities

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2013, is as follows:

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013	Due Within One Year	Due Beyond One Year
Governmental activities:						
Compensated absences	\$ 719,190	\$ 709,832	\$ 636,024	\$ 792,998	\$ 84,951	\$ 708,047
Plan benefits (note 9)	303,076	13,126	-	316,202	-	316,202
Retrospective deposit payable:						
General liability	173,018	265,469	-	438,487	-	438,487
Workers' compensation	2,553	120,477	-	123,030	-	123,030
Total	<u>\$ 1,197,837</u>	<u>\$ 1,108,904</u>	<u>\$ 636,024</u>	<u>\$ 1,670,717</u>	<u>\$ 84,951</u>	<u>\$ 1,585,766</u>

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

CJPIA Retrospective Deposit Liability

Retrospective deposits and refunds are cost allocation adjustments to prior coverage periods. Some claims take many years to resolve and over time their estimated value changes. The retrospective adjustments are calculated annually and take into consideration all the changes in claim values that occurred during the most recent year. The formula is designed to adequately cover the cost of claims brought against members and to ensure the overall financial strength and security of the Authority. The formula was developed to be as equitable as possible by taking into consideration both risk exposure and claims experience of individual members. CJPIA has temporarily deferred the payment on retrospective deposits owed to the Authority by members. The payment deferral period extends until July 1, 2013, for the Liability program and July 1, 2015, for the Workers' Compensation program. Retrospective deposit payments are scheduled to resume on these dates. The October 2012 annual retrospective adjustment is included in these balances.

Note 6: Long-Term Liabilities (Continued)

Optional Payment Plans

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

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

Retrospective Balances will Change Annually

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

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

More information on the CJPIA retrospective balances can be found on the CJPIA website at CJPIA.org. At June 30, 2013, the retrospective amount due was \$561,517.

Note 7: Liability, Workers' Compensation, and Purchased Insurance

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

The City of Palos Verdes Estates is a member of the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (Authority). The Authority is composed of 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

b. Self-Insurance Programs of the Authority

Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

Note 7: Liability, Workers' Compensation, and Purchased Insurance (Continued)

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Liability

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2012-13 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

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

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

Workers' Compensation

In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

Note 7: 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 (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Palos Verdes Estates. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance

The City of 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 \$44,761,657. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

The City of Palos Verdes Estates purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

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 2012-13.

Note 8: Defined Benefits Pension Plan

California Public Employees' Retirement Plan (PERS)

City Miscellaneous Plan

Plan Description

The City of Palos Verdes Estates contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 8: Defined Benefits Pension Plan (Continued)

Funding Policy

Active members are required by State statute to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City's employer required annual contribution rate was 4.017% for miscellaneous employees for the fiscal year. The contribution requirements of the plan members and the City are established and may be amended by PERS.

Contributions

For the year ended June 30, 2013, the City's contribution of \$72,529 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) project salary increases range from 3.55% to 14.45% for miscellaneous employees depending on age, service, and type of employment. This includes an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis over thirteen years.

THREE-YEAR TREND INFORMATION FOR PERS – Miscellaneous Plan

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2011	\$ 45,004	100%
6/30/2012	64,857	100%
6/30/2013	72,529	100%

The City's miscellaneous plan became part of a CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required.

Public Safety Plan

Plan Description

The City of Palos Verdes Estates contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 8: Defined Benefits Pension Plan (Continued)

Funding Policy

Active members are required by State statute to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City's employer required annual contribution rate was 29.992% for safety employees for the fiscal year. The contribution requirements of the plan members and the City are established and may be amended by PERS.

Contributions

For the year ended June 30, 2013, the City's contribution of \$547,327 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) project salary increases range from 3.55% to 14.45% for safety employees depending on age, service, and type of employment. This includes an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis over thirteen years.

THREE-YEAR TREND INFORMATION FOR PERS – Public Safety Plan

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2011	\$ 506,855	100%
6/30/2012	624,391	100%
6/30/2013	547,327	100%

The City's public safety plan became part of a CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required.

Note 9: Special Retirement Income Plan

Description of Plan

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

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 9: Special Retirement Income Plan (Continued)

The following summarizes the primary characteristics of the benefit:

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

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

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

Funding Policy and Contribution Rates

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

Annual Plan Cost and Net Plan Obligation

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

Annual required contribution	\$ 34,900
Interest on net plan obligation	6,062
Adjustment to annual required contribution	<u>(14,636)</u>
Annual plan cost	26,326
Contributions/benefits paid	<u>13,200</u>
Increase (decrease) in net plan obligation	13,126
Net plan obligation beginning of year	<u>303,076</u>
Net plan obligation end of year	<u><u>\$ 316,202</u></u>

The plan uses the "entry age normal" actuarial cost method to determine funding rates for active employees. It uses the normal cost method to amortize the unfunded liability over a period of 30 years at 4.75% interest. (Thirty years is the longest amortization period allowable under GASB 25 and 27). The required contributions for the plan were determined as part of

Note 9: Special Retirement Income Plan (Continued)

the July 1, 2012 actuarial valuation. The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, termination rates, vesting rates, retirement rates and discount rate. Projections of benefits for financial reporting purposes are based on the MOU, (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitations. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. Amounts determined for the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The significant actuarial assumptions used in the valuation of the plan are as follows:

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

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

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

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

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

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

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 9: Special Retirement Income Plan (Continued)

Actuarial Accrued Liability as of July 1, 2012:

	Total	General		Police
		Employees	Management	
Active: Pre-65	\$ 303,577	\$ 49,396	\$ 79,244	\$ 174,937
Post-65	-	-	-	-
Subtotal	303,577	49,396	79,244	174,937
Retiree: Pre-65	98,484	-	-	98,484
Post-65	-	-	-	-
Subtotal	98,484	-	-	98,484
Subtotal Pre-65	402,061	49,396	79,244	273,421
Subtotal Post-65	-	-	-	-
Grand Total	402,061	49,396	79,244	273,421
Funded at July 1, 2012	-	-	-	-
Unfunded AAL	<u>\$ 402,061</u>	<u>\$ 49,396</u>	<u>\$ 79,244</u>	<u>\$ 273,421</u>
1st Year UAAL Amortization at 4.75% over 30 years	<u>\$ 22,325</u>	<u>\$ 2,431</u>	<u>\$ 4,779</u>	<u>\$ 15,115</u>

Trend information is as follows:

Year ended June 30,	Annual Plan Cost (APC)	Contributions/ Benefits Paid	% of APC Contributed	Net Plan Obligation
2011	\$ 29,030	\$ 12,300	34%	\$ 289,878
2012	28,248	15,050	53%	303,076
2013	26,326	13,200	50%	316,202

Funded Status

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as % of covered Payroll
7/1/2008	\$ -	\$ 314,187	\$ 314,187	\$ -	\$ 3,439,138	9.14%
7/1/2010	-	343,190	343,190	-	3,721,290	9.22%
7/1/2012	-	402,061	402,061	-	4,017,811	10.01%

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 10: Contingencies

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

Note 11: Construction Commitments

The City has an active construction project as of June 30, 2013, relating to the Rocky Point Road Sewage Pump Station Project. At fiscal year-end, the City's encumbrances with the contractor were as follows:

<u>Spent-to-date</u>	<u>Remaining Commitment</u>
\$ 1,368,834	\$ 180,255

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

CITY OF PALOS VERDES ESTATES

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds			
	Gas Tax	Drug Intervention	SLESF	Corrections
Assets:				
Cash and investments	\$ 204,081	\$ 81,093	\$ 121,854	\$ 4,323
Interest receivable	92	39	59	-
Prepaid items	3,310	-	-	-
Due from other governments	29,395	-	-	-
Total Assets	\$ 236,878	\$ 81,132	\$ 121,913	\$ 4,323
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 18,950	\$ -	\$ -	\$ 50
Accrued salaries and benefits	6,462	-	358	-
Total Liabilities	25,412	-	358	50
Fund Balances:				
Nonspendable:				
Prepaid costs	3,310	-	-	-
Restricted for:				
Public safety	-	81,132	121,555	4,273
Public works	208,156	-	-	-
Total Fund Balances	211,466	81,132	121,555	4,273
Total Liabilities and Fund Balances	\$ 236,878	\$ 81,132	\$ 121,913	\$ 4,323

CITY OF PALOS VERDES ESTATES

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>Special Revenue Funds</u>			<u>Total Governmental Funds</u>
	<u>Proposition A</u>	<u>Measure R</u>	<u>Proposition C</u>	
Assets:				
Cash and investments	\$ 517,519	\$ 173,500	\$ 168,589	\$ 1,270,959
Interest receivable	238	75	73	576
Prepaid items	-	-	-	3,310
Due from other governments	-	-	-	29,395
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 517,757</u>	<u>\$ 173,575</u>	<u>\$ 168,662</u>	<u>\$ 1,304,240</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 19,000
Accrued salaries and benefits	-	-	-	6,820
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,820</u>
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	3,310
Restricted for:				
Public safety	-	-	-	206,960
Public works	517,757	173,575	168,662	1,068,150
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>517,757</u>	<u>173,575</u>	<u>168,662</u>	<u>1,278,420</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 517,757</u>	<u>\$ 173,575</u>	<u>\$ 168,662</u>	<u>\$ 1,304,240</u>

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30,2013

	Special Revenue Funds			
	Gas Tax	Drug Intervention	SLESF	Corrections
Revenues:				
Revenues from other agencies	\$ 324,314	\$ 6,050	\$ 100,000	\$ 6,050
Use of money and property	794	412	574	-
Total Revenues	325,108	6,462	100,574	6,050
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	78,875	6,303
Public works	272,282	-	-	-
Total Expenditures	272,282	-	78,875	6,303
Excess (Deficiency) of Revenues Over (Under) Expenditures	52,826	6,462	21,699	(253)
Other Financing Sources (Uses):				
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	52,826	6,462	21,699	(253)
Fund Balances, Beginning of Year	158,640	74,670	99,856	4,526
Fund Balances, End of Year	\$ 211,466	\$ 81,132	\$ 121,555	\$ 4,273

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30,2013

	Special Revenue Funds			Total Governmental Funds
	Proposition A	Measure R	Proposition C	
Revenues:				
Revenues from other agencies	\$ 217,648	\$ 135,238	\$ 181,038	\$ 970,338
Use of money and property	2,245	1,156	696	5,877
Total Revenues	219,893	136,394	181,734	976,215
Expenditures:				
Current:				
General government	5,309	-	-	5,309
Public safety	-	-	-	85,178
Public works	100,000	-	180,550	552,832
Total Expenditures	105,309	-	180,550	643,319
Excess (Deficiency) of Revenues Over (Under) Expenditures	114,584	136,394	1,184	332,896
Other Financing Sources (Uses):				
Transfers out	-	(200,000)	-	(200,000)
Total Other Financing Sources (Uses)	-	(200,000)	-	(200,000)
Net Change in Fund Balances	114,584	(63,606)	1,184	132,896
Fund Balances, Beginning of Year	403,173	237,181	167,478	1,145,524
Fund Balances, End of Year	\$ 517,757	\$ 173,575	\$ 168,662	\$ 1,278,420

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE

GAS TAX

YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 158,640	\$ 158,640	\$ 158,640	\$ -
Resources (Inflows):				
Revenue from other agencies	371,800	371,800	324,314	(47,486)
Use of money and property	1,000	1,000	794	(206)
Amounts Available for Appropriation	531,440	531,440	483,748	(47,692)
Charges to Appropriation (Outflow):				
Public works	295,160	295,160	272,282	22,878
Total Charges to Appropriations	295,160	295,160	272,282	22,878
Budgetary Fund Balance, June 30	\$ 236,280	\$ 236,280	\$ 211,466	\$ (24,814)

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 DRUG INTERVENTION
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 74,670	\$ 74,670	\$ 74,670	\$ -
Resources (Inflows):				
Revenue from other agencies	-	-	6,050	6,050
Use of money and property	400	400	412	12
Amounts Available for Appropriation	75,070	75,070	81,132	6,062
Budgetary Fund Balance, June 30	\$ 75,070	\$ 75,070	\$ 81,132	\$ 6,062

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 SLESF
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 99,856	\$ 99,856	\$ 99,856	\$ -
Resources (Inflows):				
Revenue from other agencies	100,000	100,000	100,000	-
Use of money and property	100	100	574	474
Amounts Available for Appropriation	199,956	199,956	200,430	474
Charges to Appropriation (Outflow):				
Public safety	69,900	82,175	78,875	3,300
Total Charges to Appropriations	69,900	82,175	78,875	3,300
Budgetary Fund Balance, June 30	\$ 130,056	\$ 117,781	\$ 121,555	\$ 3,774

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
CORRECTIONS
YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 4,526	\$ 4,526	\$ 4,526	\$ -
Resources (Inflows):				
Revenue from other agencies	3,000	3,000	6,050	3,050
Amounts Available for Appropriation	7,526	7,526	10,576	3,050
Charges to Appropriation (Outflow):				
Public safety	3,000	7,000	6,303	697
Total Charges to Appropriations	3,000	7,000	6,303	697
Budgetary Fund Balance, June 30	\$ 4,526	\$ 526	\$ 4,273	\$ 3,747

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION A
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 403,173	\$ 403,173	\$ 403,173	\$ -
Resources (Inflows):				
Revenue from other agencies	189,000	189,000	217,648	28,648
Use of money and property	2,000	2,000	2,245	245
Amounts Available for Appropriation	594,173	594,173	623,066	28,893
Charges to Appropriation (Outflow):				
General government	5,310	5,310	5,309	1
Public works	100,000	100,000	100,000	-
Total Charges to Appropriations	105,310	105,310	105,309	1
Budgetary Fund Balance, June 30	\$ 488,863	\$ 488,863	\$ 517,757	\$ 28,894

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 MEASURE R
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 237,181	\$ 237,181	\$ 237,181	\$ -
Resources (Inflows):				
Revenue from other agencies	123,650	123,650	135,238	11,588
Use of money and property	1,000	1,000	1,156	156
Amounts Available for Appropriation	361,831	361,831	373,575	11,744
Charges to Appropriation (Outflow):				
Transfers out	200,000	200,000	200,000	-
Total Charges to Appropriations	200,000	200,000	200,000	-
Budgetary Fund Balance, June 30	\$ 161,831	\$ 161,831	\$ 173,575	\$ 11,744

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 167,478	\$ 167,478	\$ 167,478	\$ -
Resources (Inflows):				
Revenue from other agencies	158,000	158,000	181,038	23,038
Use of money and property	300	300	696	396
Amounts Available for Appropriation	325,778	325,778	349,212	23,434
Charges to Appropriation (Outflow):				
Public works	180,550	180,550	180,550	-
Total Charges to Appropriations	180,550	180,550	180,550	-
Budgetary Fund Balance, June 30	\$ 145,228	\$ 145,228	\$ 168,662	\$ 23,434

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 GENERAL CAPITAL IMPROVEMENTS
 YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 9,611,171	\$ 9,611,171	\$ 9,611,171	\$ -
Resources (Inflows):				
Use of money and property	50,000	50,000	(10,944)	(60,944)
Transfers in	200,000	850,000	850,000	-
Amounts Available for Appropriation	9,861,171	10,511,171	10,450,227	(60,944)
Charges to Appropriation (Outflow):				
Public works	1,687,000	1,711,400	1,398,565	312,835
Total Charges to Appropriations	1,687,000	1,711,400	1,398,565	312,835
Budgetary Fund Balance, June 30	\$ 8,174,171	\$ 8,799,771	\$ 9,051,662	\$ 251,891

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE

SEWER

YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 6,102,284	\$ 6,102,284	\$ 6,102,284	\$ -
Resources (Inflows):				
Assessments	1,043,000	1,043,000	1,053,655	10,655
Use of money and property	50,000	50,000	(5,157)	(55,157)
Amounts Available for Appropriation	7,195,284	7,195,284	7,150,782	(44,502)
Charges to Appropriation (Outflow):				
Public works	1,450,000	2,057,270	1,746,425	310,845
Total Charges to Appropriations	1,450,000	2,057,270	1,746,425	310,845
Budgetary Fund Balance, June 30	\$ 5,745,284	\$ 5,138,014	\$ 5,404,357	\$ 266,343

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, 2013

	<u>Governmental Activities - Internal Service Funds</u>		
	<u>Equipment Replacement</u>	<u>Insurance</u>	<u>Totals</u>
Assets:			
Current:			
Cash and investments	\$ 2,722,689	\$ 131,705	\$ 2,854,394
Interest receivable	2,827	386	3,213
Prepaid items	2,737	627,473	630,210
Total current assets	<u>2,728,253</u>	<u>759,564</u>	<u>3,487,817</u>
Capital assets			
Machinery and equipment	3,073,358	-	3,073,358
Furniture and fixtures	249,033	-	249,033
Vehicles	943,108	-	943,108
Less accumulated depreciation	(3,721,638)	-	(3,721,638)
Net capital assets	<u>543,861</u>	<u>-</u>	<u>543,861</u>
Total assets	<u>\$ 3,272,114</u>	<u>\$ 759,564</u>	<u>\$ 4,031,678</u>
Liabilities and Net Position:			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 19,351	\$ -	\$ 19,351
Total current liabilities	<u>19,351</u>	<u>-</u>	<u>19,351</u>
Total liabilities	<u>19,351</u>	<u>-</u>	<u>19,351</u>
Net Position:			
Net investment in Capital Assets	543,861	-	543,861
Unrestricted	2,708,902	759,564	3,468,466
Total net position	<u>3,252,763</u>	<u>759,564</u>	<u>4,012,327</u>
Total liabilities and net position	<u>\$ 3,272,114</u>	<u>\$ 759,564</u>	<u>\$ 4,031,678</u>

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

	Governmental Activities - Internal Service Funds		
	Equipment Replacement	Insurance	Totals
Operating Revenues:			
Charges for services	\$ 345,275	\$ 380,000	\$ 725,275
Other	24,336	-	24,336
Total Operating Revenues	369,611	380,000	749,611
Operating Expenses:			
Materials and supplies	51,336	-	51,336
General liability insurance	-	871,158	871,158
Property and vehicle insurance	-	18,347	18,347
Depreciation	278,423	-	278,423
Total Operating Expenses	329,759	889,505	1,219,264
Operating Income (Loss)	39,852	(509,505)	(469,653)
Nonoperating Revenues (Expenses):			
Interest revenue	(1,633)	2,926	1,293
Gain (loss) on disposal of capital assets	2,375	-	2,375
Total Nonoperating Revenues (Expenses)	742	2,926	3,668
Net income before transfers and contributions	40,594	(506,579)	(465,985)
Capital contributions from other funds	71,268	-	71,268
Transfers in	-	578,000	578,000
Changes in Net Position	111,862	71,421	183,283
Net Position:			
Beginning of Year	3,140,901	688,143	3,829,044
End of Fiscal Year	\$ 3,252,763	\$ 759,564	\$ 4,012,327

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2013

	<u>Governmental Activities - Internal Service Funds</u>		
	<u>Equipment Replacement</u>	<u>Insurance</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Cash received from user departments	\$ 369,611	\$ 380,000	\$ 749,611
Cash paid to suppliers for goods or services	(35,726)	(1,013,183)	(1,048,909)
Net Cash Provided by (Used in) Operating Activities	333,885	(633,183)	(299,298)
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	-	578,000	578,000
Net Cash Provided by Non-Capital Financing Activities	-	578,000	578,000
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(148,209)	-	(148,209)
Proceeds from sales of capital assets	2,375	-	2,375
Net Cash Used in Capital and Related Financing Activities	(145,834)	-	(145,834)
Cash Flows from Investing Activities:			
Interest received	(595)	2,865	2,270
Net Cash Provided by (Used in) Investing Activities	(595)	2,865	2,270
Net Increase (Decrease) in Cash and Cash Equivalents	187,456	(52,318)	135,138
Cash and Cash Equivalents at Beginning of Year	2,535,233	184,023	2,719,256
Cash and Cash Equivalents at End of Year	\$ 2,722,689	\$ 131,705	\$ 2,854,394
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ 39,852	\$ (509,505)	\$ (469,653)
Adjustments to reconcile operating income (loss) net cash provided by (used in) operating activities:			
Depreciation	278,423	-	278,423
Increase in prepaid items	(2,737)	(123,678)	(126,415)
Increase in accounts payable	18,347	-	18,347
Total Adjustments	294,033	(123,678)	170,355
Net Cash Provided by (Used in) Operating Activities	\$ 333,885	\$ (633,183)	\$ (299,298)
Non-Cash Investing, Capital, and Financing Activities:			
Equipment acquisitions funded by governmental funds	\$ 71,268	\$ -	\$ 71,268

AGENCY FUNDS

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

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

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

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF NET POSITION
 ALL AGENCY FUNDS
 JUNE 30, 2013

	<u>Special Deposits</u>	<u>Police Property Evidence</u>	<u>Totals</u>
Assets:			
Cash and investments	\$ 158,106	\$ 12,959	\$ 171,065
Interest receivable	76	6	82
Total Assets	<u>\$ 158,182</u>	<u>\$ 12,965</u>	<u>\$ 171,147</u>
Liabilities:			
Accounts payable	\$ 5,328	\$ -	\$ 5,328
Deposits payable	152,854	12,965	165,819
Total Liabilities	<u>\$ 158,182</u>	<u>\$ 12,965</u>	<u>\$ 171,147</u>

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2013

	Balance 7/1/2012	Additions	Deductions	Balance 6/30/2013
<u>Special Deposits</u>				
Assets:				
Cash and investments	\$ 148,005	\$ 21,396	\$ 11,295	\$ 158,106
Interest receivable	98	76	98	76
Total Assets	<u>\$ 148,103</u>	<u>\$ 21,472</u>	<u>\$ 11,393</u>	<u>\$ 158,182</u>
Liabilities:				
Accounts payable	\$ 295	\$ 16,328	\$ 11,295	\$ 5,328
Deposits payable	147,808	21,472	16,426	152,854
Total Liabilities	<u>\$ 148,103</u>	<u>\$ 37,800</u>	<u>\$ 27,721</u>	<u>\$ 158,182</u>
<u>Police Property Evidence</u>				
Assets:				
Cash and investments	\$ 12,264	\$ 695	\$ -	\$ 12,959
Interest receivable	7	-	1	6
Total Assets	<u>\$ 12,271</u>	<u>\$ 695</u>	<u>\$ 1</u>	<u>\$ 12,965</u>
Liabilities:				
Deposits payable	12,271	702	8	12,965
Total Liabilities	<u>\$ 12,271</u>	<u>\$ 702</u>	<u>\$ 8</u>	<u>\$ 12,965</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 160,269	\$ 22,091	\$ 11,295	\$ 171,065
Interest receivable	105	76	99	82
Total Assets	<u>\$ 160,374</u>	<u>\$ 22,167</u>	<u>\$ 11,394</u>	<u>\$ 171,147</u>
Liabilities:				
Accounts payable	\$ 295	\$ 16,328	\$ 11,295	\$ 5,328
Deposits payable	160,079	22,174	16,434	165,819
Total Liabilities	<u>\$ 160,374</u>	<u>\$ 38,502</u>	<u>\$ 27,729</u>	<u>\$ 171,147</u>

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 context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	78-81
Revenue Capacity	
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	82-90
Debt Capacity	
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's financial activities take place.	91-92
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	93-94
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	95-97

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 in accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 47,431	\$ 50,376	\$ 55,508	\$ 61,847	\$ 60,831	\$ 59,719	\$ 56,687	\$ 54,677	\$ 53,240	\$ 51,728
Restricted	2,067	1,959	1,979	1,593	1,324	1,720	2,050	8,254	8,461	7,996
Unrestricted	<u>23,898</u>	<u>23,315</u>	<u>23,794</u>	<u>24,773</u>	<u>26,189</u>	<u>27,067</u>	<u>28,931</u>	<u>23,738</u>	<u>20,531</u>	<u>20,244</u>
Total governmental activities net position	<u>\$ 73,396</u>	<u>\$ 75,650</u>	<u>\$ 81,281</u>	<u>\$ 88,213</u>	<u>\$ 88,344</u>	<u>\$ 88,506</u>	<u>\$ 87,668</u>	<u>\$ 86,669</u>	<u>\$ 82,232</u>	<u>\$ 79,968</u>
Primary government										
Net investment in capital assets	\$ 47,431	\$ 50,376	\$ 55,508	\$ 61,847	\$ 60,831	\$ 59,719	\$ 56,687	\$ 54,677	\$ 53,240	\$ 51,728
Restricted	2,067	1,959	1,979	1,593	1,324	1,720	2,050	8,254	8,461	7,996
Unrestricted	<u>23,898</u>	<u>23,315</u>	<u>23,794</u>	<u>24,773</u>	<u>26,189</u>	<u>27,067</u>	<u>28,931</u>	<u>23,738</u>	<u>20,531</u>	<u>20,244</u>
Total primary government net position	<u>\$ 73,396</u>	<u>\$ 75,650</u>	<u>\$ 81,281</u>	<u>\$ 88,213</u>	<u>\$ 88,344</u>	<u>\$ 88,506</u>	<u>\$ 87,668</u>	<u>\$ 86,669</u>	<u>\$ 82,232</u>	<u>\$ 79,968</u>

CITY OF PALOS VERDES ESTATES

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental activities:										
General government	\$ 1,485	\$ 1,361	\$ 1,385	\$ 1,458	\$ 1,504	\$ 1,693	\$ 1,592	\$ 1,699	\$ 1,573	\$ 2,157
Public safety	7,182	7,488	8,284	8,443	8,899	9,554	9,536	9,770	10,281	9,969
Public works	4,511	3,199	4,846	5,851	4,588	4,327	4,887	4,299	4,250	2,980
Parks and recreation	1,287	1,091	1,336	1,370	2,721	2,808	2,821	2,892	3,166	4,692
Total governmental activities expenses	<u>\$14,465</u>	<u>\$13,139</u>	<u>\$15,851</u>	<u>\$ 17,122</u>	<u>\$ 17,712</u>	<u>\$18,382</u>	<u>\$ 18,836</u>	<u>\$ 18,660</u>	<u>\$ 19,270</u>	<u>\$ 19,798</u>
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 55	\$ 57	\$ 54	\$ 68	\$ 56	\$ 63	\$ 68	\$ 66	\$ 56	\$ 85
Public safety	3,114	3,290	3,403	3,565	3,714	3,902	4,071	4,291	4,260	4,416
Public works	1,387	1,188	1,242	1,539	1,265	852	978	1,477	1,129	1,153
Parks and recreation	803	776	727	833	989	1,008	987	992	1,066	1,109
Operating grants and contributions	834	927	1,053	1,188	907	1,113	1,291	1,021	1,077	1,036
Capital grants and contributions	1,824	2,167	7,571	8,703	2,522	3,656	2,012	1,377	1,212	1,070
Total governmental activities program revenues	<u>8,017</u>	<u>8,405</u>	<u>14,050</u>	<u>15,896</u>	<u>9,453</u>	<u>10,594</u>	<u>9,407</u>	<u>9,224</u>	<u>8,800</u>	<u>8,869</u>
Net (expense)/revenue	<u>\$ (6,448)</u>	<u>\$ (4,734)</u>	<u>\$ (1,801)</u>	<u>\$ (1,226)</u>	<u>\$ (8,259)</u>	<u>\$ (7,788)</u>	<u>\$ (9,429)</u>	<u>\$ (9,436)</u>	<u>\$ (10,470)</u>	<u>\$ (10,929)</u>
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 4,066	\$ 4,287	\$ 4,715	\$ 5,157	\$ 5,390	\$ 5,661	\$ 5,695	\$ 5,743	\$ 5,842	\$ 6,099
Utility users tax	18	2	-	-	-	-	-	-	-	-
Sales and use taxes	364	369	389	428	406	340	309	319	318	349
Franchise taxes and other taxes	839	828	850	891	886	850	813	961	897	925
Motor vehicle in lieu tax (unrestricted)	638	1,080	1,006	1,020	1,052	1,092	1,107	1,127	1,097	1,126
Investment income	63	191	335	544	456	241	97	208	186	(12)
Miscellaneous	149	230	136	118	200	80	491	79	143	178
Contribution from other entities	564	-	-	-	-	-	-	-	-	-
Total General Revenue	<u>6,701</u>	<u>6,987</u>	<u>7,431</u>	<u>8,158</u>	<u>8,390</u>	<u>8,264</u>	<u>8,512</u>	<u>8,437</u>	<u>8,483</u>	<u>8,665</u>
Change in Net Position	<u>\$ 253</u>	<u>\$ 2,253</u>	<u>\$ 5,630</u>	<u>\$ 6,932</u>	<u>\$ 131</u>	<u>\$ 476</u>	<u>\$ (917)</u>	<u>\$ (999)</u>	<u>\$ (1,987)</u>	<u>\$ (2,264)</u>

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

	2004	2005	2006	2007	2008	2009	2010	2011*	2012*	2013*
General fund:										
Reserved	\$ 5	\$ 35	\$ 19	\$ 6	\$ 37	\$ 4	\$ 57			
Unreserved	6,667	6,595	7,012	7,256	7,468	8,472	8,472			
Total general fund	<u>\$ 6,672</u>	<u>\$ 6,630</u>	<u>\$ 7,031</u>	<u>\$ 7,262</u>	<u>\$ 7,505</u>	<u>\$ 8,476</u>	<u>\$ 8,529</u>			
All other governmental funds:										
Reserved	\$ 405	\$ 144	\$ 53	\$ 332	\$ 330	\$ 328	\$ 335			
Unreserved, reported in:										
Designated for capital projects	5,904	3,963	3,640	2,371	2,709	1,857	291			
Special revenue funds	2,172	2,337	2,493	1,717	1,436	2,064	1,716			
Capital projects funds	16,097	15,409	15,189	16,008	14,190	14,901	17,099			
Total all other governmental funds	<u>\$ 24,578</u>	<u>\$ 21,853</u>	<u>\$ 21,375</u>	<u>\$ 20,428</u>	<u>\$ 18,665</u>	<u>\$ 19,150</u>	<u>\$ 19,441</u>			
General fund:										
Nonspendable								\$ 65	\$ 86	\$ 98
Restricted								-	-	-
Committed								7,200	7,200	7,200
Assigned								957	-	-
Unassigned								1,111	1,605	2,097
Total general fund								<u>\$ 9,333</u>	<u>\$ 8,891</u>	<u>\$ 9,395</u>
All other governmental funds:										
Nonspendable								\$ 331	\$ 3	\$ 358
Restricted								7,861	8,308	7,487
Committed								-	-	-
Assigned								-	9,611	9,052
Unassigned								10,106	-	-
Total all other governmental funds								<u>\$ 18,298</u>	<u>\$ 17,922</u>	<u>\$ 16,897</u>

* GASB 54 has been implemented in fiscal year 2011

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Property Tax	\$ 4,066	\$ 4,288	\$ 4,715	\$ 5,157	\$ 5,390	\$ 5,661	\$ 5,695	\$ 5,743	\$ 5,842	\$ 6,099
Special assessment	4,223	4,390	4,617	4,594	4,924	5,140	5,098	5,316	5,044	5,221
Utility user tax	18	2	-	-	-	-	-	-	-	-
Other taxes	1,433	1,383	1,474	1,532	1,479	1,385	1,378	1,281	1,214	1,274
Licenses and permits	726	583	574	784	654	545	514	625	675	701
Fines and forfeitures	201	169	181	177	191	190	181	210	212	206
Use of money and agencies	1,099	1,310	1,588	2,093	2,058	1,639	1,300	1,175	1,228	1,089
Revenues from other agencies	1,519	1,882	1,895	2,027	1,771	3,088	2,155	2,294	2,278	2,218
Charges for services	734	708	756	860	678	410	549	501	454	475
Miscellaneous	173	254	383	135	323	89	975	79	144	176
Total revenues	14,192	14,969	16,183	17,359	17,468	18,147	17,845	17,224	17,091	17,459
Expenditures										
General government	1,377	1,307	1,317	1,475	1,437	1,561	1,536	1,595	1,437	1,503
Public safety	7,408	7,479	8,285	8,813	8,893	9,504	10,877	10,805	10,368	9,851
Public works	3,658	6,122	5,395	5,557	5,164	4,514	4,014	3,913	4,938	4,971
Parks and recreation	925	886	940	952	1,123	1,113	1,074	1,091	1,166	1,078
Total expenditures	13,368	15,794	15,937	16,797	16,617	16,692	17,501	17,404	17,909	17,403
Excess (deficiency) of revenues over (under) expenditures	824	(825)	246	562	851	1,455	344	(180)	(818)	56
Other financing sources (uses):										
Transfers in	824	1,762	891	2,326	1,709	541	563	5,357	1,162	883
Transfers out	(824)	(1,762)	(891)	(2,335)	(1,709)	(541)	(563)	(5,515)	(1,162)	(1,461)
Total other financing sources (uses)	-	-	-	(9)	-	-	-	(158)	-	(578)
Net change in fund balances	\$ 824	\$ (825)	\$ 246	\$ 553	\$ 851	\$ 1,455	\$ 344	\$ (338)	\$ (818)	\$ (522)

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Utility Users Tax</u>	<u>Sales and Use Tax</u>	<u>Franchise and Other Taxes</u>	<u>Motor Vehicle in Lieu Tax</u>	<u>Total</u>
2004	\$ 4,066,440	\$ 17,885	\$ 363,931	\$ 838,457	\$ 638,145	\$ 5,924,858
2005	4,287,637	1,703	369,132	828,572	1,080,711	6,567,755
2006	4,715,003	-	388,514	850,227	1,005,877	6,959,621
2007	5,157,262	-	428,381	891,940	1,020,034	7,497,617
2008	5,389,989	-	406,517	886,129	1,051,782	7,734,417
2009	5,661,511	-	339,894	850,419	1,091,887	7,943,711
2010	5,694,990	-	309,252	813,086	1,107,133	7,924,461
2011	5,742,916	-	319,346	961,648	1,126,570	8,150,480
2012	5,841,800	-	317,694	896,566	1,097,377	8,153,437
2013	6,098,958	-	348,653	925,656	1,126,463	8,499,730

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			
2004	\$3,597,540	\$ 35,340	\$ 5,040	\$ 7,425	\$ 3,630,495	0.1135%
2005	3,876,638	34,912	6,251	7,375	3,910,426	0.1135%
2006	4,190,644	36,770	4,576	7,614	4,224,376	0.1130%
2007	4,535,247	43,176	3,880	3,744	4,578,559	0.1130%
2008	4,790,155	40,470	5,049	7,269	4,828,405	0.1130%
2009	5,057,668	40,784	5,015	7,487	5,095,980	0.1130%
2010	5,159,361	44,987	5,492	7,136	5,202,704	0.1130%
2011	5,135,015	50,147	4,540	6,211	5,183,491	0.1130%
2012	5,279,303	47,759	4,732	7,560	5,324,234	0.1130%
2013	5,419,878	48,191	4,344	7,389	5,465,024	0.1130%

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

Data Source: Los Angeles County Assessor Combined Tax Rolls

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

Fiscal Year	Direct Rates				Overlapping Rates					
	City Direct Rate	LA County ERAF/Palos Verdes Library District/Palos Verdes Unified School District	Total General Levy	Palos Verdes Peninsula Unified School District	LA County Flood Control District	Metropolitan Water District	Palos Verdes Library District	Los Angeles County	Comm. College	Total Direct Overlapping Rates
2004	0.1135	0.8865	1.00000	0.0150	0.0002	0.0058	0.0085	0.0009	0.0181	1.04850
2005	0.1135	0.8865	1.00000	0.0150	0.0002	0.0058	0.0085	0.0009	0.0181	1.04850
2006	0.1130	0.8870	1.00000	0.0195	0.0001	0.0052	0.0078	0.0008	0.0143	1.04770
2007	0.1130	0.8870	1.00000	0.0141	0.0001	0.0047	0.0073	0.0006	0.0215	1.04830
2008	0.1130	0.8870	1.00000	0.0197	-	0.0045	0.0068	-	0.0088	1.03990
2009	0.1130	0.8870	1.00000	0.0201	-	0.0043	0.0068	-	0.0221	1.05330
2010	0.1130	0.8870	1.00000	0.0216	-	0.0043	0.0068	-	0.0231	1.05560
2011	0.1130	0.8870	1.00000	0.0225	-	0.0037	0.0067	-	0.0403	1.07320
2012	0.1130	0.8870	1.00000	0.0225	-	0.0037	0.0064	-	0.0353	1.06786
2013	0.1130	0.8870	1.00000	0.0241	-	0.0035	0.0064	-	0.0488	1.08279

Source: Los Angeles County Auditor Controller's Office.

CITY OF PALOS VERDES ESTATES

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Tei Fu Chen Trust	\$ 31,514,216	1	0.58%	\$ 24,612,012	1	0.68%
Masafumi Miyamoto	14,224,671	2	0.26%	12,336,187	2	0.34%
Jose A. and Brigitte Collazo Trust	14,073,974	3	0.26%	8,110,157	7	0.22%
Jackson and Julie Yang	12,702,471	4	0.23%	9,900,000	4	0.27%
Jason and Wendy Moskowitz Trust	11,689,494	5	0.21%	10,059,710	3	0.28%
Richard C. Lundquist Trust	10,903,366	6	0.20%			
Yong G. Yan Trust	9,857,739	7	0.18%			
Timothy D. Amour Trust	9,740,000	8	0.18%			
Shokeen Living Trust	9,333,000	9	0.17%			
Deepak & Nandini Chopra Trust	9,064,490	10	0.17%			
Bernadette Chao Trust				8,201,655	6	0.23%
Ta Hsiung & Chyi Chuen Kao				8,274,491	5	0.23%
Robert A. & Kathleen M. Eckert				7,672,950	8	0.21%
Toyota Motor Sales USA Inc.				7,604,841	9	0.21%
Mastumoto Dental College of America				7,226,445	10	0.20%
	<u>\$133,103,421</u>		<u>2.44%</u>	<u>\$ 103,998,448</u>		<u>2.87%</u>

Source: Los Angeles County Assessor

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

<u>Year Ended June 30</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u> (1)	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
2004	\$ 3,709,834	\$ 3,628,027	97.79%	-	\$ 3,628,027	97.79%
2005	4,045,265	3,949,536	97.63%	-	3,949,536	97.63%
2006	4,392,166	4,278,192	97.41%	-	4,278,192	97.41%
2007	4,729,479	4,549,980	96.20%	-	4,549,980	96.20%
2008	5,065,255	4,810,980	94.98%	-	4,810,980	94.98%
2009	5,332,363	5,081,257	95.29%	-	5,081,257	95.29%
2010	5,430,923	5,243,610	96.55%	-	5,243,610	96.55%
2011	5,435,360	5,304,265	97.59%	-	5,304,265	97.59%
2012	5,611,918	5,494,212	97.90%	-	5,494,212	97.90%
2013	5,793,667	5,689,018	98.19%	-	5,689,018	98.19%

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

Source: Los Angeles County Auditor Controller's Office.

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

Fiscal Year Ended June 30	Total Assessable		Real Property Square Footage			Special Tax		Total	Total Direct Tax Rate
	Parcels w/ Bldg. - Improvement	Vacant	Residential Property	Commercial Property	Total Square Footage	Residential Property	Commercial Property		
2009	5,106		15,116,737	246,593	15,363,330	3,583,877	44,419	3,628,296	\$260.93/parcel plus \$0.149446/sq.ft
2009	0	83	0	0	0	21,657	0	21,657	\$260.93/parcel
2010	5,120		15,230,913	246,593	15,477,506	3,755,995	46,285	3,802,280	\$271.89/parcel plus \$0.155723/sq.ft
2010	0	72	0	0	0	19,576	0	19,576	\$271.89/parcel
2011	5,121		15,299,417	246,890	15,546,307	3,924,997	48,276	3,973,273	\$283.30/parcel plus \$0.16226/sq.ft
2011	0	71	0	0	0	20,114	0	20,114	
2012	5,124		15,361,156	242,466	15,603,622	3,936,148	47,275	3,983,423	\$283.30/parcel plus \$0.16226/sq.ft
2012	0	68	0	0	0	19,264	0	19,264	
2013	5,125		15,376,945	242,466	15,619,411	4,076,952	48,930	4,125,882	\$293.22/parcel plus \$0.16794/sq.ft
2013	0	67	0	0	0	19,646	0	19,646	

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

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

CITY OF PALOS VERDES ESTATES

Principal Special Fire Taxpayers

June 30, 2013

Current Year and Prior Year

Property Owners	2013		
	Building Square Footage Value	Special Fire Tax Assessed	Percentage of Building Square Footage
Lunada Bay Investment Co.	36,478	\$ 6,419.40	0.23%
Chen Tei Fu Co. Trust	29,678	5,277.40	0.19%
Lunada Bay Apartments Ltd.	23,361	4,216.50	0.15%
Plaza Palos Verdes LLC	23,203	4,189.96	0.15%
41 parcels (special fire tax paid over \$2,000)	469,294	89,662.19	3.00%
705 parcels (special fire tax paid between \$1,000-\$1,999)	3,935,600	867,664.78	25.20%
4446 parcels (special fire tax paid less than \$1,000 each)	11,101,797	3,168,097.50	71.08%
Total	<u>15,619,411</u>	<u>\$ 4,145,527.73</u>	<u>100.00%</u>

CITY OF PALOS VERDES ESTATES

Principal Special Fire Taxpayers

June 30, 2012

Current Year and Prior Year

Property Owners	2012		
	Building Square Footage Value	Special Fire Tax Assessed	Percentage of Building Square Footage
Lunada Bay Investment Co.	36,478	\$ 6,202.22	0.23%
Chen Tei Fu Co. Trust	29,678	5,098.84	0.19%
Lunada Bay Apartments Ltd.	23,361	4,073.84	0.15%
Plaza Palos Verdes LLC	23,203	4,048.20	0.15%
38 parcels (special fire tax paid over \$2,000)	435,460	80,289.99	2.79%
584 parcels (special fire tax paid between \$1,000-\$1,999)	3,428,370	721,734.57	21.97%
4570 parcels (special fire tax paid less than \$1,000 each)	11,627,072	3,181,239.28	74.52%
Total	<u>15,603,622</u>	<u>\$ 4,002,686.94</u>	<u>100.00%</u>

CITY OF PALOS VERDES ESTATES

Fire Tax Rates

Direct Government

Last Five Fiscal Years

	<u>City Direct Tax Rate</u>
2009	0.23760
2010	0.24690
2011	0.25690
2012	0.25650
2013	0.26540

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

CITY OF PALOS VERDES ESTATES
Direct and Overlapping Governmental Activities Debt
June 30, 2013

2012-2013 Assessed Valuation: \$5,465,023,812

Governmental Unit	Outstanding Debt 6/30/13	Estimated Percentage Applicable	Estimated Share of
Overlapping General Fund Debt (Note 1)			
Los Angeles County General Fund Obligations	\$ 1,729,437,327	0.502%	\$ 8,681,775
Los Angeles County Superintendent of Schools COP'S	10,377,239	0.502%	52,094
Los Angeles County Sanitation District- South Bay Authorities	7,956,403	16.333%	1,299,519
Los Angeles County Sanitation District #5	46,698,184	0.544%	254,038
Direct & Overlapping Tax & Assessment Debt (Note 2)			
Los Angeles Community College District	3,712,555,000	0.917%	34,044,129
Palos Verdes Peninsula Unified School District	77,661,570	29.467%	22,884,535
Los Angeles Regional Park & Open Space Assessment District	142,870,000	0.502%	717,207
Palos Verdes Library District	4,580,000	28.051%	1,284,736
Metropolitan Water District	165,085,000	0.260%	429,221
Los Angeles County Flood District	19,770,000	0.512%	<u>101,222</u>
Subtotal, overlapping debt			69,748,476
City direct debt			(0)
Less: Los Angeles County General Fund Obligations supported by landfill revenues			<u>27,569</u>
Net Total direct and overlapping debt			<u><u>\$69,720,907</u></u>

Source: California Municipal Statistics

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

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

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

CITY OF PALOS VERDES ESTATES

Legal Debt Margin Information

June 30, 2013

(dollars in thousands)

Assessed value before homeowners exemption	<u>\$ 5,465,023</u>
Debt limit- 15% of assessed value	\$ 819,753
Amount of debt applicable to debt limit	<u>-</u>
Legal debt margin	<u>\$ 819,753</u>

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt Limit	\$544,574	\$586,564	\$ 633,657	\$686,784	\$724,261	\$764,297	\$780,406	\$777,524	\$798,635	\$819,753
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 544,574</u>	<u>\$ 586,564</u>	<u>\$ 633,657</u>	<u>\$ 686,784</u>	<u>\$ 724,261</u>	<u>\$ 764,297</u>	<u>\$ 780,406</u>	<u>\$ 777,524</u>	<u>\$ 798,635</u>	<u>\$ 819,753</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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).

Note:

Source: City Finance Department

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

Calendar Year	City Population	LA County Population (thousands) (2)	Personal Income (millions of dollars) (2)	Per Capital Personal Income (2)	Unemployment Rate (3)
2004	14,086	12,899	453,901	35,188	1.3
2005	14,208	12,933	475,262	36,746	1
2006	14,041	12,867	505,197	39,011	0.9
2007	14,085	12,785	540,510	42,278	1
2008	14,046	12,768	555,450	42,916	1.5
2009	14,046 (1)	12,874	550,832	39,878	1.6
2010	14,085 (1)	12,844	561,141	43,688	2.6
2011	13,480 (1)	12,944	575,045	44,423	3.1
2012	13,516 (1)	*	*	*	2.7
2013	13,589 (1)	*	*	*	2.3

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

CITY OF PALOS VERDES ESTATES

Principal Employers

Current Year

<u>Type of Business (1)</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Unified School District	534	1	60.48%
Concession Clubs			
Palos Verdes Golf Club	100	2	11.32%
Palos Verdes Beach & Athletic Club	16		
Palos Verdes Tennis Club	6		
City Government			
City of Palos Verdes Estates	56.01	3	6.34%
Real Estate and Escrow Companies	27	4	3.06%
Restaurants	<u>19</u>	5	<u>2.15%</u>
Total	<u>758.01</u>		<u>83.35%</u>

Source: City Finance Department

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

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

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

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government:										
Management services	8.88	8.88	8.88	9	9	9	9	9	8.5	9.0
Finance	2	2	2	2	2	2	2	2	2	2
Building and Planning	3	3	2.3	2.5	2.5	2.5	2.5	2.5	2	2
Other	4.78	4.77	4.77	4.57	4.64	4.64	4.09	5.27	4.52	4.51
Police:										
Sworn officers (2)	22	22	22	22	22	22	22	22	22	22
Service officers (3)	11	11	11	11	11	11	11	11	11	11
Street and Parks	5	5	5	5	5	5	5.5	5.5	5.5	5.5
Total	55.66	55.65	55.95	56.07	56.14	56.14	56.09	57.27	55.52	56.01

Source: City Finance Department

Notes:

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

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

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police:										
Physical arrests	608	825	681	899	797	594	419	237	503	590
Parking violations	2,405	1,958	2,768	2,898	2,901	3,010	3,002	3,029	2,917	2,705
Moving violations	1,875	1,386	943	758	958	553	798	1,102	1,191	1,552
Building & Planning:										
Building permits issues	1,681	1,744	2,052	2,458	2,197	1,614	1,650	1,843	1,994	2,045
Total number of inspections	4,845	4,170	4,068	4,072	3,898	2,763	220	2,507	2,565	2,442
Grading applications	37	27	24	27	23	20	17	17.5	11.5	18.0
Neighborhood compatibility applications	58	71	64	57	49	35	32.5	33	23	27
Miscellaneous applications	20	22	23	30	34	44	53	38.50	57.00	50.00
Public Works:										
Public works permits	212	237	294	241	272	322	200	178	227	190
Street resurfacing (miles)	10.4	1.3	1.3	8.7	8.7	9.9	3.55	3.28	3.35	3.62

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	4	4	4	4	4	4	4	4	4	4
Streets (miles)	78	78	78	78	78	78	78	78	78	78
Sanitary sewers (miles)	76	76	76	76	76	76	76	76	76	76
Storm drains (miles)	26	27	28.5	28.5	28.8	28.5	28.5	28.5	28.5	28.5
Recreation facilities: (2)										
Golf	1	1	1	1	1	1	1	1	1	1
Stables	1	1	1	1	1	1	1	1	1	1
Tennis club	1	1	1	1	1	1	1	1	1	1
Beach club	1	1	1	1	1	1	1	1	1	1

Source: City Departments

Notes

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

THIS PAGE INTENTIONALLY LEFT BLANK