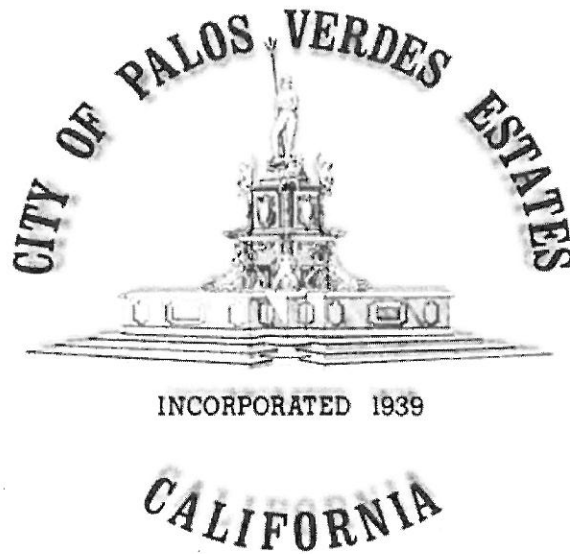


CITY OF PALOS VERDES ESTATES
Comprehensive Annual Financial Report
Year ended June 30, 2011



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

CITY OF PALOS VERDES ESTATES
PALOS VERDES, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2011

CITY OF PALOS VERDES ESTATES
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2011

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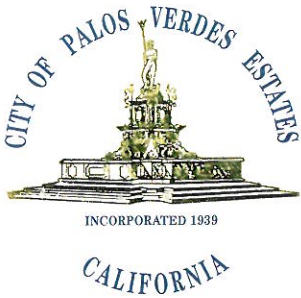
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CITY OF
Palos Verdes Estates

August 31, 2011

Honorable Mayor and Members of the City Council:

It is the policy of the City of Palos Verdes Estates to publish annually a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City of Palos Verdes Estates (“the City”) for the fiscal year ended June 30, 2011.

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, this financial report 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, 2011, were fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

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

Profile of the Government

The City of Palos Verdes Estates is dedicated to preserving and enhancing its special position on the Palos Verdes Peninsula in Los Angeles County overlooking the Pacific Ocean with views of Catalina Island and the Santa Monica Bay. The City plan, laid out by Frederick Olmsted, Jr. in 1910, includes large areas of parklands, which are maintained as permanent open space. The City was incorporated in 1939 and is the oldest of the four cities on the Palos Verdes Peninsula. The City's population is 13,480 within an area of 4.75 square miles. The City is a high-quality, residential community with almost no commercial tax base and is dependent upon property taxes, a special tax to finance contract fire services with Los Angeles County, and a sewer user fee to finance a program of sanitary sewer improvements.

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

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

Financial Policies

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

Fund Balance Policy and Practice – With this report, the City has implemented GASB Statement No. 54 regarding fund balance. The City Council by resolution formally adopted a fund balance policy, which includes a committed general fund balance of \$7.2 million for emergency contingency, which 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 balances, non-spendable, restricted, assigned and unassigned are established in conformance with adopted Council policy and GASB 54.

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

Major Initiatives and Achievements

Each fiscal year, the City Manager’ Office and operating departments establish a formal “Work Program”, which is presented to the City Council with periodic status updates. During fiscal year 2010-11, the City issued RFPs for health insurance broker and professional audit services, which results in contract award to new firms. After two one-year agreements that did not include salary increases, the City reached agreements with its two employee associations, providing modest cost-of-living adjustments each of the next three years. The City was able to cancel the scheduled March 8, 2011 General Municipal Election due to insufficient candidates resulting in the appointment of three incumbent Council members and a savings of more than \$25,000. Staff began a re-codification of the Municipal Code and updating the City’s personnel rules. The Police Department continued emergency preparedness efforts through the City’s Disaster District Plan (DDP); continued community outreach efforts through the PVE-CARES program which provides resources and assistance to the elderly and other disabled residents; and began a process to upgrade to a digital radio system at a cost of approximately \$450,000 funded by restricted public safety funds. Capital programs for street maintenance (~\$1.1 million) and sanitary sewer upgrades continued highlighted by the award of a construction contract in the amount of ~\$1.4 million for replacement of the Via Barri Sewer Pump Station.

Factors Affecting Financial Condition

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

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

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

Awards and Acknowledgments

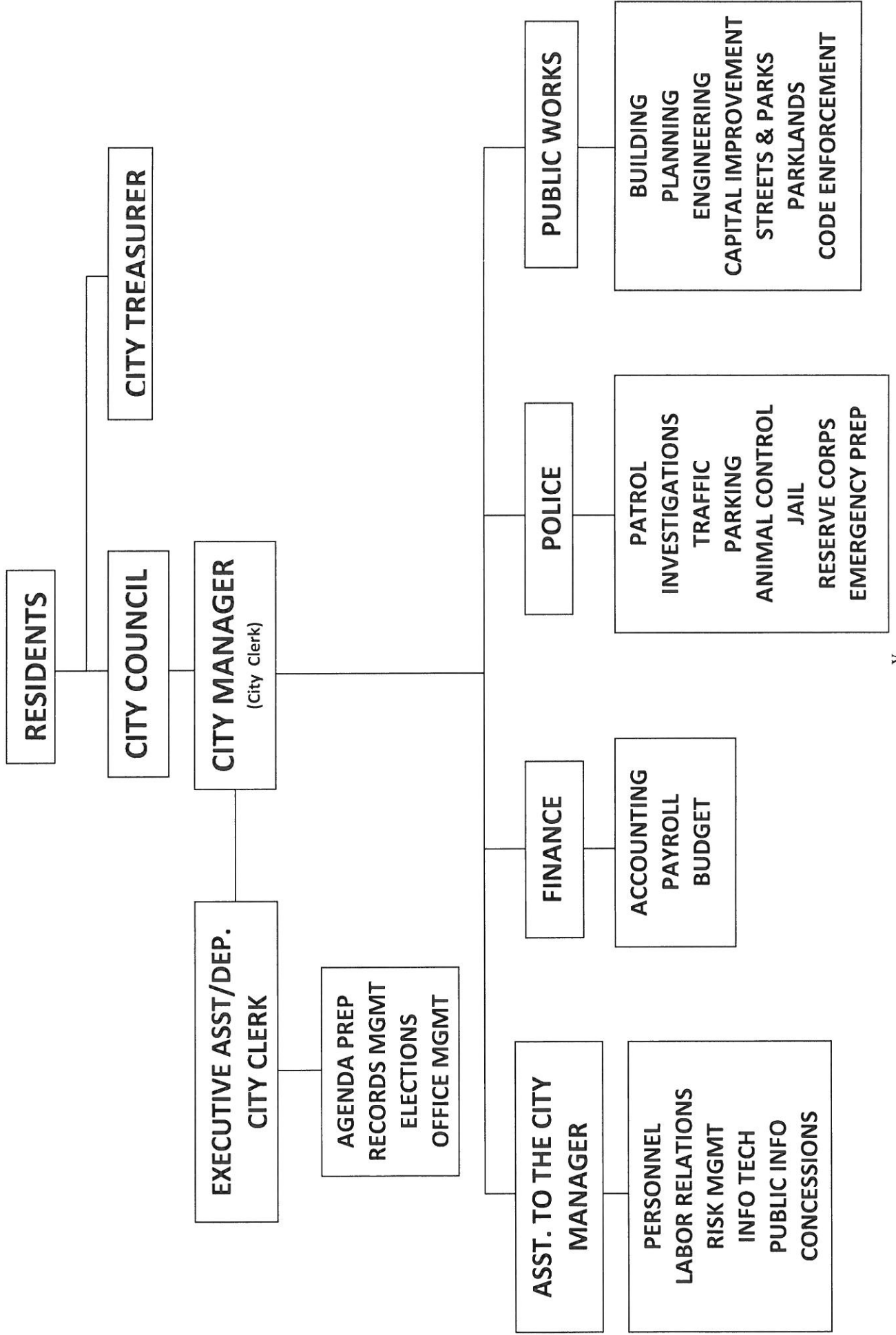
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ending June 30, 2010. In order to receive a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements.

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

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


Judy Smith
City Manager

CITY OF PALOS VERDES ESTATES ORGANIZATION CHART



CITY OF PALOS VERDES ESTATES

Officials of the City of Palos Verdes Estates

June 30, 2011

CITY COUNCIL

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

ADMINISTRATION AND DEPARTMENT HEADS

City Manager	Judy Smith
City Treasurer	Joseph C. Sherwood, Jr.
City Attorney	Christi Hogin
Police Chief	Daniel Dreiling
Director of Public Works/Planning	Allan Rigg

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Palos Verdes Estates
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



President

Executive Director

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CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, CPA
- David E. Hale, CPA, CFP
A Professional Corporation
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA

INDEPENDENT AUDITOR'S REPORT

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

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, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Palos Verdes Estates, California's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City of Palos Verdes Estates, California for the year ended June 30, 2010 and was audited by other auditors whose report thereon, dated December 1, 2010, expressed an unqualified opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Palos Verdes Estates, California, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, and the respective budgetary comparisons for the General Fund, Drug Intervention, and Special Fire Parcel Tax thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2011, on our consideration of the City of Palos Verdes Estates, California, 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* and should be considered in assessing the results of our audit.



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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Palos Verdes Estates, California's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

Lance, Soll & Loughard, LLP

Brea, California
August 31, 2011

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, 2011. It is suggested that this overview be read in conjunction with the letter of transmittal (**pages i-iv**) and the accompanying financial statements.

Financial Highlights

- The City's net assets at the end of fiscal year 2010-2011 totaled \$86,668,866; a decrease of 1% compared to the prior year. The City's investment in capital assets at June 30, 2011 totaled \$54,676,844, which represented a decrease of \$2,010,743, mostly attributable to depreciation and deletions. This decrease was partially offset by capital asset additions of \$2,290,250.
- Unrestricted net assets, which may be used to meet the government's ongoing obligations, totaled \$23,737,986. Of the unrestricted net assets, \$10,044,564 represent assets assigned for general capital project purposes; \$7,200,000 represent assets within the general fund committed for emergency contingencies; and \$957,000 represent assets within the general fund assigned for public safety pension liability.
- Net assets restricted for special purposes, including public works and public safety, totaled \$8,254,036. Of this total, \$6,283,193 represents assets restricted for sanitary sewer improvements as part of the sewer capital fund.
- During the year, the City's general governmental revenues totaled \$17,223,619, a decrease of 3.5% or \$621,704 from the prior year. The single largest change occurred within miscellaneous revenue with \$78,798 in receipts during 2011 compared to \$974,573 in 2010. The 2010 revenue included receipt of federal ARRA funds, as well as an estate donation in which the City was a named beneficiary. General governmental expenditures totaled \$17,403,826 for the fiscal year end, a decrease of \$97,819 compared to the prior year. Overall governmental expenditures exceeded revenues by \$180,207. This is due in part to the fact that the City uses some special revenue funds, such as Drug Intervention, to fund periodic capital equipment expenditures.
- As of June 30, 2011, the general fund balance was \$9,332,667, an increase of \$803,958. General fund revenues exceeded expenditures by \$226,191, with other financing sources (net transfers in / out) accounting for the remainder of the fund balance increase (+\$577,767). This result was achieved even though the 2011 expenditures included a \$1.2 million pre-payment toward the City's PERS safety pension liability. This follows a similar expenditure during FY 2009-10 when the City made a pension liability pre-payment of \$1.375 million. The City has consistently achieved general fund operating surpluses due to its stable revenue base, anchored by residential property values, and its focus on core municipal services. FY 2011 results include general fund revenue of \$10,632,711 and expenditures of \$10,406,520, including the contribution toward the pension liability previously mentioned. General fund revenues available for appropriation were \$326,741 more than budgeted while actual expenditures were \$482,225 less than budget.
- The City implemented the provisions of GASB 54 regarding fund balance for the financial statements ending June 30, 2011. As part of the City Council's formally adopted fund balance policy, \$7.2 million of the general fund balance is committed 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. Also as a result of GASB 54, restricted net assets reflect sewer capital funds of \$6,283,193, which must be used for sanitary sewer upgrades.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements reflect functions of the City of Palos Verdes Estates that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The City does not maintain or report *business-type activities*, which are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City of Palos Verdes Estates include general government, public safety, public works, parks and recreation. Capital projects are reported as governmental activities according to the nature of the project. The government-wide financial statements can be found on pages 11-13 of this report.

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

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

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

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

The City of Palos Verdes Estates maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, drug intervention fund, the special fire parcel tax fund and the two capital improvement funds; general capital and sewer. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* on pages 52-55 of this report.

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

The basic governmental fund financial statements can be found on pages 14-20 of this report.

Proprietary funds. The City of Palos Verdes Estates maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Palos Verdes Estates' various governmental functions. The City of Palos Verdes Estates uses internal service funds to account for equipment replacement (vehicles, computer systems and furniture) and insurance activities. Because these services benefit governmental functions, they have been included within *governmental activities* in the government-wide financial statements. The two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 24-26 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 27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes can be found on pages 29-49 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 52-73.

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 assets may serve over time as a useful indicator of a government's financial position. The City's net assets for fiscal year 2010-2011 are shown in Table 1. In the case of the City of Palos Verdes Estates, assets exceeded liabilities by \$86,668,866 at June 30, 2011.

Table 1
City of Palos Verdes Estates Net Assets

	<u>2011</u>	<u>2010</u>	<u>Change</u> <u>(in dollars)</u>
Current and other assets	\$33,744,096	\$32,798,502	\$ 945,594
Capital assets	54,676,844	56,687,587	(2,010,743)
Total Assets	<u>88,420,940</u>	<u>89,486,089</u>	<u>(1,065,149)</u>
Long-term liabilities	(1,033,135)	(1,034,471)	1,336
Other Liabilities	(718,939)	(783,163)	64,224
Total liabilities	<u>(1,752,074)</u>	<u>(1,817,634)</u>	<u>65,560</u>
Invested in capital assets	54,676,844	56,687,587	(2,010,743)
Restricted	8,254,036	2,050,339	5,875,663
Unrestricted	<u>23,737,986</u>	<u>28,930,529</u>	<u>(4,864,509)</u>
Total net assets	<u>\$86,668,866</u>	<u>\$87,668,455</u>	<u>\$ (999,589)</u>

By far the largest portion of the City of Palos Verdes Estates' net assets (63%) reflects its 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 assets (9%) represent resources that are subject to legal restrictions on how they may be used. The remaining balance of unrestricted net assets (27%) may be used to meet the government's ongoing obligations. Included as part of the unrestricted net assets is the general capital project fund balance, which totals \$10,044,564 or 42% of the unrestricted net assets.

Governmental activities. During 2011, the City's net assets decreased \$999,589 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 Assets

	<u>2011</u>	<u>2010</u>	<u>Change</u> <u>(in dollars)</u>
Program revenues:			
Charges for services	\$6,825,645	\$6,103,995	\$721,650
Operating grants and contributions	1,021,362	1,291,521	(270,159)
Capital grants and contributions	1,376,703	2,011,801	(635,098)
General revenues:			
Property taxes	5,742,916	5,694,990	47,926
Other taxes	2,407,564	2,229,471	178,093
Other	<u>286,378</u>	<u>587,833</u>	<u>(301,455)</u>
Total revenues	<u>17,660,568</u>	<u>17,919,611</u>	<u>(259,043)</u>

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

	<u>2011</u>	<u>2010</u>	<u>Change</u> <u>(in dollars)</u>
Expenses:			
General government	\$1,699,155	\$1,591,626	\$107,529
Public safety	9,769,524	9,536,336	233,188
Public works	4,299,456	4,886,578	(587,122)
Parks and recreation	2,892,022	2,821,661	70,361
Total expenses	<u>18,660,157</u>	<u>18,836,201</u>	<u>(176,044)</u>
Increase in net assets	(999,589)	(916,590)	(82,999)
Net Assets July 1, 2010	87,668,455	88,585,045	(916,590)
Net Assets June 30, 2011	<u>\$86,668,866</u>	<u>\$87,668,455</u>	<u>(\$999,589)</u>

Figure 1 – Revenues - Governmental Activities FY 2010-2011

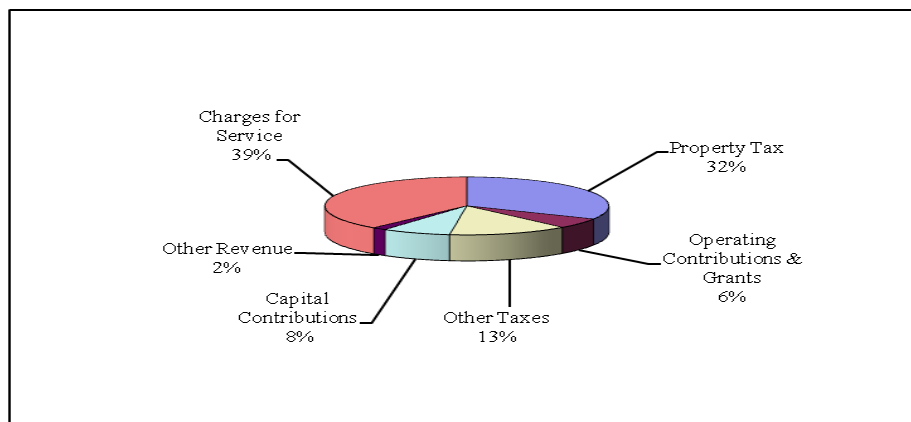
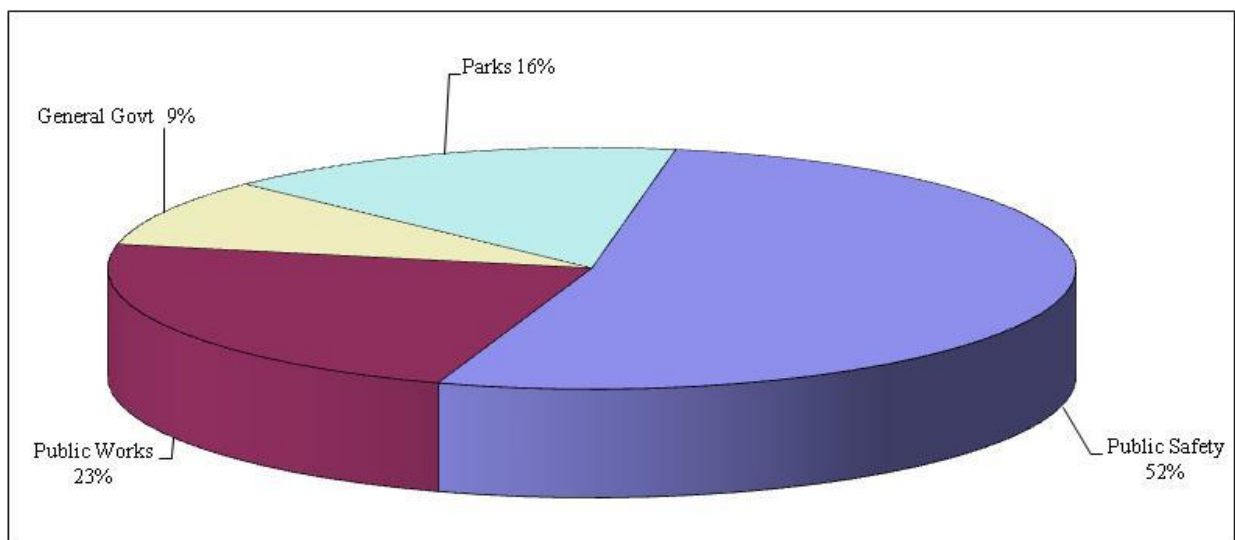


Figure 2 – Expenses – Governmental Activities FY 2010-11



Fund Financial Statements

Governmental Funds.

The City of Palos Verdes Estates' governmental funds ending fund balances totaled \$27,631,267, a decrease of \$338,317 (-1.2%) in comparison with the prior year. With the implementation of GASB 54 for the fiscal year ending June 30, 2011, the governmental funds restricted fund balances totaled \$7,923,330, including \$6,283,193 (79%) for sanitary sewer capital improvements. The committed fund balance (general fund) totaled \$7,200,000. The assigned fund balance for the governmental funds totaled \$11,001,564, including a general capital fund balance of \$10,044,564 (91%), which is the primary financing source for the City's capital improvement program, including the annual street program, which is being completed in accordance with an adopted multi-year, master pavement management plan. The unassigned fund balance of the governmental funds (general fund) totaled \$1,111,013, while the non-spendable fund balances total \$395,360, representing inventory and prepaid costs.

Five funds qualify as major funds under the GASB 34 reporting criteria: the general fund, drug intervention fund, special fire parcel tax fund and sewer fund and general capital improvements fund. The general fund is the chief operating fund of the City of Palos Verdes Estates. The general fund balance totaled \$9,332,667, an increase of \$803,958 compared to the prior year. The general fund balance is comprised of the following: non-spendable balance of \$64,654; committed balance of \$7,200,000 for emergency contingencies; assigned fund balance of \$957,000 to address PERS pension safety liability and unassigned fund balance totaling \$1,111,013. The City Council will review the amount of the unassigned fund balance at mid-year FY 2012 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 89% of FY 2011 total general fund expenditures.

The drug intervention fund accounts for receipt of federal asset seizure funds from U.S. Treasury, Department of Justice and LA Impact, as a result of past City participation in joint task forces targeting criminal activities. The City uses these monies exclusively for capital equipment purchases supporting police functions. Expenditures of \$395,321 during 2011 reflect contribution toward the police department's digital radio system upgrade. The total project cost \$430,000 and was financed by the City's internal service fund (equipment replacement). The special fire parcel tax fund balance increased \$122,833 due to slower growth in the cost of the fire services contract with Los Angeles County. Fire contract and administrative costs totaled \$3,926,672 in 2011, an increase of only \$1,931 compared to the prior year. Revenue from the special fire tax totaled \$4,039,797. Other revenues revenue totaled \$9,708.

The sewer capital projects fund balance decreased \$4,213,223 to \$6,283,193, reflecting a transfer out of \$4,989,340. The transfer represents money originally deposited to the sewer fund at its inception in 2003. These funds were proceeds from settlement of the Bluff Cove insurance litigation and were to be used only in the event there were insufficient sewer fees to finance major improvements during the initial years of the 10-year master program of sewer improvements. During FY 2011, sewer fees and other revenue totaled \$1,344,266, while expenditures totaled \$568,149. One sewer pump station remains to be constructed during FY 2012 at a cost of approximately \$2.2 million. The sewer fee expires in FY 2012-13; however, given progress on the capital plan, it is not expected the City will seek a new fee authorization.

The general capital improvement fund balance increased by \$3,150,444, mainly due to the transfer described above. Capital project expenditures totaled \$1,358,110, which were offset by revenues of \$135,979 and transfers in totaling \$4,372,575.

Proprietary funds. The only proprietary funds of the City of Palos Verdes Estates are two internal service funds for equipment replacement and insurance activities. At year-end, net assets invested in capital assets of the funds amounted to \$608,773, an increase of \$237,161 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 \$979,742 in revenues and transfers in, with transfers accounting for \$984,742 of the change. The final amended budget reflects an increase of \$1,472,415 in expenditures, including and transfers out (\$406,975) of which, \$1,200,000 represents the budget adjustment for the PERS safety pension liability prepayment. Excluding that amount, budgeted expenditures, excluding transfers out, increased \$10,440 from the original adopted general fund budget.

General fund expenditures were \$482,225 less than budget with most of the savings (67%) 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 \$94,300 mainly within supplies and services, and nominal savings of approximately \$62,865 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, 2011, amounts to \$54,676,844 (net of accumulated depreciation). This is a decrease of \$2,010,743 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 2011, governmental fund capital expenditures totaled \$2,321,580 including the following:

- Street improvement projects totaling ~\$1.2 million;
- Construction and associated costs related to the Via Barri sewer pump totaling ~\$568,000, and
- Replacement and upgrade of the Police radio communication system to digital technology at ~\$400,000

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

	<u>2011</u>	<u>2010</u>	<u>Change</u> (in dollars)
Land	\$4,487,892	\$4,487,892	\$ ---
Construction in progress	843,032	519,869	323,163
Building and improvements	14,354,812	15,881,480	(1,526,668)
Machinery and equipment	1,278,548	989,797	288,751
Furniture and fixtures	65,346	69,696	(4,350)
Vehicles	16,362	25,991	(9,629)
Infrastructure	<u>33,630,852</u>	<u>34,712,862</u>	<u>(1,082,010)</u>
Total	<u>\$54,676,844</u>	<u>\$56,687,587</u>	<u>(\$2,010,743)</u>

Additional information on the City's capital assets can be found in note 4 beginning on page 40 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 \$1,138,567 composed of \$848,689 for vested or accumulated employee compensated absences; \$289,878 for the special retirement income plan. Additional information on long-term debt can be found in note 6 of the noted to the basic financial statements on page 41 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 2011-12 represents the second year of the two-year budget cycle. The City Council adopted the FY 2011-2012 budget on June 28, 2011 and the following factors were considered in preparing the budget:

- Continued conservative revenue projections in light of the economic climate reflecting a projected 1.5% increase in assessed values and modest growth in development activity; as well as, limited expenditure growth;
- An assumed modest increase in salary and benefits in light of negotiations with the City three employee associations (Police, Public Service and Management), which followed two years of no salary increases, but rather lump sum stipends not attached to salary;
- No increase in the cost of the fire and paramedic services contract cost with Los Angeles County Fire totaling \$4 million and no increase in the corresponding voter approved special parcel tax rate;
- General capital improvements projects totaling \$1.276 million, including \$1.2 million in street improvement projects, including \$75,000 for curb and gutter. In addition, \$46,000 is provided for a Malaga Cove groundwater investigation/hydrology study.
- Sanitary sewer capital budget of \$2.96 million, including the reconstruction of one of the City's two sewer pump station totaling \$2.2 million.

Requests for Information

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

CITY OF PALOS VERDES ESTATES

STATEMENT OF NET ASSETS
 JUNE 30, 2011

	Governmental Activities	
	2011	2010
Assets:		
Cash and investments	\$ 29,577,380	\$ 29,865,485
Accounts receivables	518,233	103,896
Interest receivable	71,586	76,513
Prepaid items	3,280,564	2,200,186
Due from other governments	294,381	546,882
Inventories	1,952	5,540
Capital assets not being depreciated	5,330,924	5,007,761
Capital assets, net of depreciation	49,345,920	51,679,826
	88,420,940	89,486,089
Liabilities:		
Accounts payable	442,510	372,145
Accrued salaries and benefits	170,164	174,669
Deposits payable	833	87,955
Noncurrent liabilities:		
Due within one year	105,432	148,394
Due in more than one year	1,033,135	1,034,471
	1,752,074	1,817,634
Net Assets:		
Invested in capital assets	54,676,844	56,687,587
Restricted for:		
Public safety	508,902	739,673
Public works	7,745,134	1,310,666
Unrestricted	23,737,986	28,930,529
	\$ 86,668,866	\$ 87,668,455

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CITY OF PALOS VERDES ESTATES

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net Governmental Activities		
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	2011	2010
Functions/Programs						
Primary Government:						
Governmental Activities:						
General government	\$ 1,699,155	\$ 65,784	\$ 14,934	\$ -	\$ (1,618,437)	\$ (1,446,225)
Public safety	9,769,524	4,290,929	133,967	16,086	(5,328,542)	(5,068,427)
Parks and recreation	2,892,022	991,975	39,605	-	(1,860,442)	(1,120,174)
Public works	4,299,456	1,476,957	832,856	1,360,617	(629,026)	(1,794,058)
Total Governmental Activities	\$ 18,660,157	\$ 6,825,645	\$ 1,021,362	\$ 1,376,703	(9,436,447)	(9,428,884)
General Revenues:						
Taxes:						
Property taxes					5,742,916	5,694,990
Sales and use taxes					319,346	309,252
Franchise taxes					573,203	439,546
Business licenses taxes					199,139	209,352
Other taxes					189,306	164,188
Motor vehicle in lieu - unrestricted					1,126,570	1,107,133
Use of money and property					207,580	97,079
Miscellaneous					78,798	490,754
Total General Revenues					8,436,858	8,512,294
Change in Net Assets					(999,589)	(916,590)
Net Assets at Beginning of Year					87,668,455	88,585,045
Net Assets at End of Year					\$ 86,668,866	\$ 87,668,455

CITY OF PALOS VERDES ESTATES

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds			Capital Projects Funds	
	General	Drug Intervention	Special Fire Parcel Tax	General Capital Improvements	Sewer
Assets:					
Cash and investments	\$ 9,049,249	\$ 121,763	\$ 211	\$ 9,989,027	\$ 6,325,422
Accounts receivable	518,227	-	-	-	-
Interest receivable	21,909	117	216	20,720	21,163
Prepaid items	62,702	-	328,034	-	-
Due from other governments	-	-	111,761	84,878	37,035
Due from other funds	26,005	-	-	-	-
Inventory - materials	1,952	-	-	-	-
Total Assets	\$ 9,680,044	\$ 121,880	\$ 440,222	\$ 10,094,625	\$ 6,383,620
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 182,045	\$ 60,441	\$ -	\$ 41,573	\$ 100,427
Accrued salaries and benefits	164,499	-	-	-	-
Deferred revenues	-	-	-	8,488	-
Deposits payable	833	-	-	-	-
Due to other funds	-	-	26,005	-	-
Total Liabilities	347,377	60,441	26,005	50,061	100,427
Fund Balances:					
Nonspendable:					
Inventory	1,952	-	-	-	-
Prepaid costs	62,702	-	328,034	-	-
Restricted for:					
Public safety	-	61,439	86,183	-	-
Public works	-	-	-	-	6,283,193
Committed to:					
Committed for emergency contingencies	7,200,000	-	-	-	-
Assigned to:					
Public safety	957,000	-	-	-	-
Capital Projects	-	-	-	10,044,564	-
Unassigned	1,111,013	-	-	-	-
Total Fund Balances	9,332,667	61,439	414,217	10,044,564	6,283,193
Total Liabilities and Fund Balances	\$ 9,680,044	\$ 121,880	\$ 440,222	\$ 10,094,625	\$ 6,383,620

CITY OF PALOS VERDES ESTATES

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Other Governmental Funds	Totals	
		2011	2010
Assets:			
Cash and investments	\$ 1,445,719	\$ 26,931,391	\$ 27,480,669
Accounts receivable	-	518,227	103,809
Interest receivable	1,263	65,388	70,258
Prepaid items	2,672	393,408	385,817
Due from other governments	60,707	294,381	546,882
Due from other funds	-	26,005	130,436
Inventory - materials	-	1,952	5,540
Total Assets	\$ 1,510,361	\$ 28,230,752	\$ 28,723,411
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 9,509	\$ 393,995	\$ 345,985
Accrued salaries and benefits	5,665	170,164	174,669
Deferred revenues	-	8,488	14,782
Deposits payable	-	833	87,955
Due to other funds	-	26,005	130,436
Total Liabilities	15,174	599,485	753,827
Fund Balances:			
Nonspendable:			
Inventory	-	1,952	5,540
Prepaid costs	2,672	393,408	385,817
Restricted for:			
Public safety	33,246	180,868	-
Public works	1,459,269	7,742,462	-
Committed to:			
Committed for emergency contingencies	-	7,200,000	-
Assigned to:			
Public safety	-	957,000	-
Capital Projects	-	10,044,564	-
Unassigned	-	1,111,013	27,578,227
Total Fund Balances	1,495,187	27,631,267	27,969,584
Total Liabilities and Fund Balances	\$ 1,510,361	\$ 28,230,752	\$ 28,723,411

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CITY OF PALOS VERDES ESTATES

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Fund balances of governmental funds.	\$ 27,631,267
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	
Capital Assets	102,912,956
Less accumulated depreciation	(48,844,885)
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Special Retirement Income Plan	(289,878)
Compensated Absences	(848,689)
Governmental funds report all pension contributions as expenditures, however in the Statement of Net Assets any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.	2,449,012
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	8,488
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 assets.	3,650,595
Net assets of governmental activities	\$ 86,668,866

CITY OF PALOS VERDES ESTATES

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue Funds			Capital Projects Funds	
	General	Drug Intervention	Special Fire Parcel Tax	General Capital Improvements	Sewer
Revenues:					
Property taxes	\$ 5,742,916	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	4,039,797	-	1,276,552
Other taxes	1,280,994	-	-	-	-
Licenses and permits	625,147	-	-	-	-
Revenues from other agencies	1,148,781	21,040	9,281	90,359	-
Charges for services	501,153	-	-	-	-
Use of money and property	1,045,074	2,407	427	45,620	67,714
Fines and forfeitures	209,848	-	-	-	-
Miscellaneous	78,798	-	-	-	-
Total Revenues	10,632,711	23,447	4,049,505	135,979	1,344,266
Expenditures:					
Current:					
General government	1,589,535	-	-	-	-
Public safety	6,395,354	395,321	3,926,672	-	-
Parks and recreation	1,090,781	-	-	-	-
Public works	1,330,850	-	-	1,358,110	568,149
Total Expenditures	10,406,520	395,321	3,926,672	1,358,110	568,149
Excess (Deficiency) of Revenues Over (Under) Expenditures	226,191	(371,874)	122,833	(1,222,131)	776,117
Other Financing Sources (Uses):					
Transfers in	984,742	-	-	4,372,575	-
Transfers out	(406,975)	-	-	-	(4,989,340)
Total Other Financing Sources (Uses)	577,767	-	-	4,372,575	(4,989,340)
Net Change in Fund Balances	803,958	(371,874)	122,833	3,150,444	(4,213,223)
Fund Balances, Beginning of Year	8,528,709	433,313	291,384	6,894,120	10,496,416
Fund Balances, End of Year	\$ 9,332,667	\$ 61,439	\$ 414,217	\$ 10,044,564	\$ 6,283,193

CITY OF PALOS VERDES ESTATES

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Other Governmental Funds	Totals	
		2011	2010
Revenues:			
Property taxes	\$ -	\$ 5,742,916	\$ 5,694,990
Special assessments	-	5,316,349	5,097,561
Other taxes	-	1,280,994	1,378,209
Licenses and permits	-	625,147	514,148
Revenues from other agencies	1,024,484	2,293,945	2,155,419
Charges for services	-	501,153	548,985
Use of money and property	13,227	1,174,469	1,300,496
Fines and forfeitures	-	209,848	180,942
Miscellaneous	-	78,798	974,573
Total Revenues	1,037,711	17,223,619	17,845,323
Expenditures:			
Current:			
General government	5,310	1,594,845	1,536,133
Public safety	87,566	10,804,913	10,876,864
Parks and recreation	-	1,090,781	1,073,896
Public works	656,178	3,913,287	4,014,752
Total Expenditures	749,054	17,403,826	17,501,645
Excess (Deficiency) of Revenues Over (Under) Expenditures	288,657	(180,207)	343,678
Other Financing Sources (Uses):			
Transfers in	-	5,357,317	563,146
Transfers out	(119,112)	(5,515,427)	(563,146)
Total Other Financing Sources (Uses)	(119,112)	(158,110)	-
Net Change in Fund Balances	169,545	(338,317)	343,678
Fund Balances, Beginning of Year	1,325,642	27,969,584	27,625,906
Fund Balances, End of Year	\$ 1,495,187	\$ 27,631,267	\$ 27,969,584

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, 2011**

Net change in fund balances - total governmental funds. \$ (338,317)

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.

Depreciation	(3,981,948)
Capital outlay	2,157,276

Governmental funds report all contributions in relation to the annual required contribution (ARC) for pension as expenditures, however in the Statement of Activities only the ARC is an expense. 1,074,012

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. 31,028

To record as an expense the net change in pension obligation. (16,730)

Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity. (6,294)

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 assets of the internal service funds	504,616
Less: Capital contributions	(423,232)

Change in net assets of governmental activities \$ (999,589)

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 8,528,709	\$ 8,528,709	\$ 8,528,709	\$ -
Resources (Inflows):				
Property taxes	5,544,100	5,544,100	5,742,916	198,816
Other taxes	1,170,000	1,245,000	1,280,994	35,994
Licenses and permits	556,000	556,000	625,147	69,147
Intergovernmental	1,125,400	1,125,400	1,148,781	23,381
Charges for services	550,900	550,900	501,153	(49,747)
Use of money and property	1,118,220	1,038,220	1,045,074	6,854
Fines and forfeitures	175,000	175,000	209,848	34,848
Miscellaneous	71,350	71,350	78,798	7,448
Transfers in	-	984,742	984,742	-
Amounts Available for Appropriation	18,839,679	19,819,421	20,146,162	326,741
Charges to Appropriation (Outflow):				
General government	1,613,835	1,683,835	1,589,535	94,300
Public safety	5,579,975	6,720,415	6,395,354	325,061
Parks and recreation	1,094,060	1,094,060	1,090,781	3,279
Public works	1,390,435	1,390,435	1,330,850	59,585
Transfers out	145,000	406,975	406,975	-
Total Charges to Appropriations	9,823,305	11,295,720	10,813,495	482,225
Budgetary Fund Balance, June 30	\$ 9,016,374	\$ 8,523,701	\$ 9,332,667	\$ 808,966

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON STATEMENT
DRUG INTERVENTION
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 433,313	\$ 433,313	\$ 433,313	\$ -
Resources (Inflows):				
Revenues from other agencies	10,000	23,000	21,040	(1,960)
Use of money and property	2,000	2,000	2,407	407
Amounts Available for Appropriation	445,313	458,313	456,760	(1,553)
Charges to Appropriation (Outflow):				
Public safety	352,000	401,000	395,321	5,679
Total Charges to Appropriations	352,000	401,000	395,321	5,679
Budgetary Fund Balance, June 30	\$ 93,313	\$ 57,313	\$ 61,439	\$ 4,126

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON STATEMENT
SPECIAL FIRE PARCEL TAX
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 291,384	\$ 291,384	\$ 291,384	\$ -
Resources (Inflows):				
Special assessments	3,982,500	3,982,500	4,039,797	57,297
Revenues from other agencies	9,000	9,000	9,281	281
Use of money and property	-	-	427	427
Amounts Available for Appropriation	4,282,884	4,282,884	4,340,889	58,005
Charges to Appropriation (Outflow):				
Public safety	4,076,665	4,076,665	3,926,672	149,993
Total Charges to Appropriations	4,076,665	4,076,665	3,926,672	149,993
Budgetary Fund Balance, June 30	\$ 206,219	\$ 206,219	\$ 414,217	\$ 207,998

CITY OF PALOS VERDES ESTATES

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2011

	Governmental Activities - Internal Service Funds Totals	
	<u>2011</u>	<u>2010</u>
Assets:		
Current assets:		
Cash and investments	\$ 2,645,989	\$ 2,384,816
Accounts receivable	6	87
Interest receivable	6,198	6,255
Prepaid items	438,144	439,369
Total Current Assets	<u>3,090,337</u>	<u>2,830,527</u>
Capital assets:		
Machinery and equipment	2,910,758	2,411,271
Furniture and fixtures	189,163	189,163
Vehicles	836,141	835,130
Less accumulated depreciation	(3,327,289)	(3,063,952)
Net Capital Assets	<u>608,773</u>	<u>371,612</u>
Total Assets	<u>\$ 3,699,110</u>	<u>\$ 3,202,139</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 48,515	\$ 26,160
Accrued claims and judgments	-	30,000
Total Current Liabilities	<u>48,515</u>	<u>56,160</u>
Total Liabilities	<u>48,515</u>	<u>56,160</u>
Net Assets:		
Invested in capital assets, net of related debt	608,773	371,612
Unrestricted	3,041,822	2,774,367
Total Net Assets	<u>3,650,595</u>	<u>3,145,979</u>
Total Liabilities and Net Assets	<u>\$ 3,699,110</u>	<u>\$ 3,202,139</u>

CITY OF PALOS VERDES ESTATES

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Governmental Activities - Internal Service Funds Totals	
	2011	2010
Operating revenues:		
Charges for services	\$ 685,155	\$ 687,120
Other	43,446	18,502
Total operating revenues	728,601	705,622
Operating expenses:		
Materials and supplies	11,753	12,281
General liability insurance	483,527	308,826
Property and vehicle insurance	15,898	17,566
Provision for claims and losses	-	(89,186)
Depreciation	319,042	280,702
Total operating expenses	830,220	530,189
Operating Income (Loss)	(101,619)	175,433
Nonoperating revenues (expenses):		
Interest revenue	20,011	27,902
Contributions	423,232	32,000
Gain (loss) on disposal of capital assets	4,882	5,672
Total Nonoperating Revenues (Expenses)	448,125	65,574
Net income (loss) before transfers contributions	346,506	241,007
Transfers in	158,110	-
Change in net assets	504,616	241,007
Net Assets:		
Beginning of Year	3,145,979	2,904,972
End of Fiscal Year	\$ 3,650,595	\$ 3,145,979

CITY OF PALOS VERDES ESTATES

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Governmental Activities - Internal Service Funds Totals	
	2011	2010
Cash Flows from Operating Activities:		
Cash received from user departments	\$ 698,682	\$ 711,207
Cash paid to suppliers for goods or services	(487,598)	(362,198)
Net Cash Provided (Used) by Operating Activities	211,084	349,009
Cash Flows from Non-Capital Financing Activities:		
Cash transfers in	158,110	-
Net Cash Provided (Used) by Non-Capital Financing Activities	158,110	-
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(132,971)	(72,879)
Proceeds from sales of capital assets	4,882	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(128,089)	(72,879)
Cash Flows from Investing Activities:		
Interest received	20,068	31,530
Net Cash Provided (Used) by Investing Activities	20,068	31,530
Net Increase (Decrease) in Cash and Cash Equivalents	261,173	307,660
Cash and Cash Equivalents at Beginning of Year	2,384,816	2,077,156
Cash and Cash Equivalents at End of Year	\$ 2,645,989	\$ 2,384,816
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (101,619)	\$ 181,104
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:		
Depreciation	319,042	280,702
(Increase) decrease in accounts receivable	81	(87)
(Increase) decrease in prepaid expense	1,225	(21,361)
Increase (decrease) in accounts payable	22,355	(1,349)
Increase (decrease) in claims and judgments	(30,000)	(90,000)
Total Adjustments	312,703	167,905
Net Cash Provided (Used) by Operating Activities	\$ 211,084	\$ 349,009
Non-Cash Capital Activity:		
Equipment acquisitions funded by governmental funds	\$ 423,232	\$ 32,000

CITY OF PALOS VERDES ESTATES

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>2011</u>	<u>2010</u>
Assets:		
Cash and investments	\$ 156,091	\$ 128,620
Total Assets	<u>\$ 156,091</u>	<u>\$ 128,620</u>
Liabilities:		
Accounts payable	\$ -	\$ 8,360
Deposits	156,091	120,260
Total Liabilities	<u>\$ 156,091</u>	<u>\$ 128,620</u>
Total Liabilities and Net Assets	<u>\$ 156,091</u>	<u>\$ 128,620</u>

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CITY OF PALOS VERDES ESTATES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 1: Summary of Significant Accounting Policies

a. Reporting Entity

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

Joint Ventures

Palos Verdes Peninsula Transit Joint Powers Authority

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

The Palos Verdes Peninsula Transit Authority's fiscal year ends on June 30. As of June 30, 2010 (the most recent information available), audited financial statements indicated the following:

Total assets	\$	2,363,286
Total liabilities		272,865
Total equity (Net Assets)		2,090,421
Revenues		2,419,735
Expenditures		2,247,399
Net increase in fund balance		172,336

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), as well as its discretely presented component units. The City of Palos Verdes Estates has no business-type activities. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by function to which they were allocated). However, general governmental expenses have not been allocated as indirect expenses to the various functions of the City.

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

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.

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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 assets.

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

Fiduciary Funds

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

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

The City reports the following major governmental funds:

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

The Drug Intervention Fund is used 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.

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

g. Property Taxes

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

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 a.m. on the first day of January 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, 2011

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, 2011, 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, 2011, the total property taxes receivable is \$363,673.

h. Capital Assets

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

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

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. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

j. Fund Equity

The City Council adopted resolution R11-09 in conformity with Governmental Accounting Auditing Standards Board (GASB) Statement 54. The City Council adopted and amends committed fund balance amounts through this resolution. The City Manager authorizes assigned amounts for specific purposes pursuant to the policy-making powers granted in this resolution. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted amounts to be used first, then unrestricted. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, they are considered to be spent in the order as follows: committed, assigned and then unassigned.

k. Prior Year Data

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

l. Use of Estimates

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

m. Other Post-employment Benefits

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

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 2: Stewardship, Compliance and Accountability

a. 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.

b. Excess of expenditures over appropriations in individual funds at the department level are as follows:

There were no funds with excess expenditures over appropriations at the department level at June 30, 2011.

c. The following funds contained deficit fund balances or net assets:

There were no funds with deficit fund balance or net assets at June 30, 2011.

Note 3: Cash Investments

Cash investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 29,577,380
Fiduciary funds:	
Cash and investments	<u>156,091</u>
Total cash and investments	<u>\$ 29,733,471</u>

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 1,500
Deposits with financial institutions	471,921
Investments	<u>29,260,050</u>
Total cash and investment	<u>\$ 29,733,471</u>

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 3: Cash Investments (Continued)

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

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

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.

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 3: Cash Investments (Continued)

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

Investment Type	Total	Remaining Maturity (in months)		
		12 Months Or Less	13 to 24 Months	25 to 60 Months
Federal Home Loan Bank	\$ 1,996,980	\$ -	\$ -	1,996,980
Federal Home Loan Mortgage Corp.	2,004,630	-	-	2,004,630
Federal National Mortgage Association	1,001,280	-	-	1,001,280
Federal Farm Credit Bank LAIF	986,630	-	-	986,630
	23,270,530	23,270,530	-	-
Total	\$ 29,260,050	\$ 23,270,530	\$ -	\$ 5,989,520

Disclosures Relating to Credit Risk

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

On August 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA. As a result, on August 8, 2011, Standard & Poor's Ratings Services lowered its issuer credit ratings and related issue ratings on various Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac to AA+ from AAA. The City also invests in LAIF which invests in various underlying securities, including the federal agency securities listed above. While LAIF is not rated, the federal agency securities are, and these have been affected by this rating change as well.

Investment Type	Total	Minimum Legal Rating	Rating as of Year End	
			AAA	Not Rated
Federal Home Loan Bank	\$ 1,996,980	N/A	\$ 1,996,980	\$ -
Federal Home Loan Mortgage Corp.	2,004,630	N/A	2,004,630	-
Federal National Mortgage Association	1,001,280	N/A	1,001,280	-
Federal Farm Credit Bank	986,630	N/A	986,630	-
LAIF	23,270,530	N/A	-	23,270,530
Total	\$ 29,260,050		\$ 5,989,520	\$ 23,270,530

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 3: Cash Investments (Continued)

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Amount Invested</u>
Federal Home Loan Bank	\$ 1,996,980
Federal Home Loan Mortgage Corporation	2,004,630

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to Custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2011, \$221,921 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Investment in State Investment Pool

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

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, 2011

Note 4: Capital Assets

A summary of changes in capital asset activity for the year ended June 30, 2011 is as follows:

	Balance at July 1, 2010	Transfers	Additions	Deletions	Balance at June 30, 2011
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 4,487,892	\$ -	\$ -	\$ -	\$ 4,487,892
Construction in progress	519,869	(822,847)	1,322,217	176,207	843,032
Total assets not being depreciated	<u>5,007,761</u>	<u>(822,847)</u>	<u>1,322,217</u>	<u>176,207</u>	<u>5,330,924</u>
Capital assets being depreciated:					
Building and improvements	27,162,051	-	181,697	46,885	27,296,863
Machinery	3,423,198	-	711,383	220,223	3,914,358
Furniture and fixtures	494,443	-	14,388	-	508,831
Vehicles	835,134	-	56,712	55,705	836,141
Infrastructure	68,135,204	822,847	3,853	-	68,961,904
Total assets being depreciated	<u>100,050,030</u>	<u>822,847</u>	<u>968,033</u>	<u>322,813</u>	<u>101,518,097</u>
Less accumulated depreciation for:					
Buildings and improvements	11,280,571	-	1,708,365	46,885	12,942,051
Machinery	2,433,401	-	422,632	220,223	2,635,810
Furniture and fixtures	424,747	-	18,738	-	443,485
Vehicles	809,143	-	66,341	55,705	819,779
Infrastructure	33,422,342	-	1,908,710	-	35,331,052
Total accumulated depreciation	<u>48,370,204</u>	<u>-</u>	<u>4,124,786</u>	<u>322,813</u>	<u>52,172,177</u>
Net capital assets being depreciated	<u>51,679,826</u>	<u>822,847</u>	<u>(3,156,753)</u>	<u>-</u>	<u>49,345,920</u>
Total capital assets	<u>\$ 56,687,587</u>	<u>\$ -</u>	<u>\$ (1,834,536)</u>	<u>\$ 176,207</u>	<u>\$ 54,676,844</u>

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

Governmental activities:	
General government	\$ 97,878
Public safety	1,851
Public works	1,909,193
Parks and recreation	1,796,822
Internal service funds	<u>319,042</u>
Total depreciation expense-governmental activities	<u>\$ 4,124,786</u>

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 5: Interfund and Transfers

The following summarizes the total transfers in and out as of June 30, 2011:

	Transfers Out			
	General Fund	Sewer Fund	Other Governmental Funds	Total
Transfers In				
General Fund	\$ -	\$ 957,000	\$ 27,742	\$ 984,742
General Capital Improvements Fund	248,865	4,032,340	91,370	4,372,575
Internal Service Funds	158,110	-	-	158,110
	<u>\$ 406,975</u>	<u>\$ 4,989,340</u>	<u>\$ 119,112</u>	<u>\$ 5,515,427</u>

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

Current interfund receivables and payables as of June 30, 2011 are as follows:

	<u>Due To Other Funds</u>
	Special Fire Parcel Tax - Special Revenue Fund
Due From Other Funds:	
General Fund	<u>\$ 26,005</u>

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

Note 6: Long-Term Liabilities

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2011 is as follows:

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011	Due Within One Year	Due Beyond One Year
Governmental activities:						
Compensated absences	\$ 879,717	\$ 655,497	\$ 686,525	\$ 848,689	\$ 105,432	\$ 743,257
Plan benefits (note 9)	273,148	29,030	12,300	289,878	-	289,878
Total	<u>\$ 1,152,865</u>	<u>\$ 684,527</u>	<u>\$ 698,825</u>	<u>\$ 1,138,567</u>	<u>\$ 105,432</u>	<u>\$ 1,033,135</u>

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

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 121 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 Liability

A revised cost allocation methodology was introduced in 2010-11, however it retains many elements of the previous cost allocation methodology. 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.

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 2010-11 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.

Note 7: Claims Payable/Self-Insurance (Continued)

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 \$4 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$4 million to \$10 million are pooled among members.

c. Purchased Insurance

Pollution Legal Liability Insurance

The City of Palos Verdes Estates participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Palos Verdes Estates. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2008 through July 1, 2011. 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 \$42,044,160. 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.

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7: Claims Payable/Self-Insurance (Continued)

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 2010-11.

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.

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 2.537% 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.

Annual Pension Cost

For the year ended June 30, 2011, the City's annual pension cost of \$45,004 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008, 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 3.25% to 14.45% for miscellaneous employees and 3.25% to 14.45% for safety employees depending on age, service, and type of employment. Both (a) and (b) included 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 fifteen years.

THREE-YEAR TREND INFORMATION FOR PERS – Miscellaneous Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/2009	\$ 37,152	100%	\$ -
6/30/2010	34,443	100%	-
6/30/2011	45,004	100%	-

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 8: Defined Benefits Pension Plan (Continued)

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.

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 33.725% for safety employees for the fiscal year. In April 2010, the City contributed \$1,375,000 to CalPERS to pay off the side fund for the Past Service Cost. This amount will be amortized over the next ten years. In February 2011, the City contributed \$1,200,000 to CalPERS to pay off the side fund for the Past Service Cost. This amount will be amortized over the next nine years. The contribution requirements of the plan members and the City are established and may be amended by PERS.

Annual Pension Cost and Net Pension Obligation

For 2011, the City's annual pension cost and change in Net Pension Obligation for the year ending June 30, 2011 were as follows:

Annual required contribution	\$ 506,855
Interest on net pension obligation	(65,313)
Adjustment to annual required contribution	<u>191,301</u>
Annual pension cost	632,843
Contributions made	<u>1,706,855</u>
Increase (decrease) in net pension obligation	(1,074,012)
Net pension obligation (asset) beginning of the year	<u>(1,375,000)</u>
Net pension obligation (asset) end of the year	<u>\$ (2,449,012)</u>

THREE-YEAR TREND INFORMATION FOR PERS – Public Safety Plan

<u>Fiscal Year</u>	<u>Required contributions</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/2009	\$ 873,469	100%	\$ -
6/30/2010	490,901	380%	(1,375,000)
6/30/2011	506,855	337%	(2,449,012)

CITY OF PALOS VERDES ESTATES

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Note 8: Defined Benefits Pension Plan (Continued)

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

The following summarizes the primary characteristics of the benefit:

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

The plan is included in the City's comprehensive annual financial report that includes financial statements and other required supplemental information. 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.

CITY OF PALOS VERDES ESTATES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 9: Special Retirement Income Plan (Continued)

Annual Plan Cost and Net Plan Obligation

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

Annual required contribution	\$	36,071
Interest on net plan obligation		5,463
Adjustment to annual required contribution		<u>(12,504)</u>
Annual plan cost		29,030
Contributions/benefits paid		<u>12,300</u>
Increase (decrease) in net plan obligation		16,730
Net plan obligation beginning of year		<u>273,148</u>
Net plan obligation end of year	\$	<u><u>289,878</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 5% interest. (Thirty years is the longest amortization period allowable under GASB 25 and 27).

The required contributions for the plan were determined as part of the June 30, 2009 actuarial valuation. The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, termination rates, vesting rates, retirement rates and discount rate. Projections of benefits for financial reporting purposes are based on the MOU, (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitations. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. Amounts determined for the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The significant actuarial assumptions used in the valuation of the plan are as follows:

1. Investment return of 5% per annum.
2. Average hire age for eligible employees is 30.
3. Average retirement age is 57.
4. Inflation rate of 3% per annum.

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.

CITY OF PALOS VERDES ESTATES

NOTES TO REQUIRED SUPPLEMENTRY INFORMATION
 JUNE 30, 2011

Note 9: Special Retirement Income Plan (Continued).

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.

Actuarial Accrued Liability as of July 1, 2010

	Total	General Employees	Management	Police
Active: Pre-65	\$ 240,331	\$ 37,370	\$ 73,472	\$ 129,489
Post-65	-	-	-	-
Subtotal	240,331	37,370	73,472	129,489
Retiree: Pre-65	102,859	-	-	102,859
Post-65	-	-	-	-
Subtotal	102,859	-	-	102,859
Subtotal Pre-65	343,190	37,370	73,472	232,348
Subtotal Post-65	-	-	-	-
Grand Total	343,190	37,370	73,472	232,348
Funded at July 1, 2010	-	-	-	-
Unfunded AAL	<u>\$ 343,190</u>	<u>\$ 37,370</u>	<u>\$ 73,472</u>	<u>\$ 232,348</u>
1st Year UAAL Amortization at 5.0% 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
2009	\$ 32,756	\$ 15,693	48%	\$ 254,067
2010	32,756	13,675	42%	273,148
2011	29,030	12,300	34%	289,878

Three years of trend information is available at this time

CITY OF PALOS VERDES ESTATES

**NOTES TO REQUIRED SUPPLEMENTRY INFORMATION
JUNE 30, 2011**

Note 9: Special Retirement Income Plan (Continued).

Funded Status

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

<u>Actuarial Valuation Date June 30,</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as % of covered Payroll</u>
2008	\$ -	\$ 314,187	\$ 314,187	\$ -	\$ 3,439,138	9.14%
2009	-	332,922	332,922	-	3,767,444	8.84%
2010	-	343,190	343,190	-	3,721,290	9.22%

Three years of funded status information is available at this time

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.

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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.

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

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

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

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, 2011

	Special Revenue Funds				
	Gas Tax	CLEEP	SLESF	Special Projects	Corrections
Assets:					
Cash and investments	\$ 74,174	\$ 617	\$ 17,969	\$ 566,526	\$ 2,390
Interest receivable	32	-	32	525	-
Prepaid items	2,672	-	-	-	-
Due from other governments	43,639	-	12,706	4,362	-
Total Assets	\$ 120,517	\$ 617	\$ 30,707	\$ 571,413	\$ 2,390
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 7,652	\$ -	\$ 468	\$ 1,389	\$ -
Accrued salaries and benefits	5,665	-	-	-	-
Total Liabilities	13,317	-	468	1,389	-
Fund Balances:					
Nonspendable:					
Prepaid costs	2,672	-	-	-	-
Restricted for:					
Public safety	-	617	30,239	-	2,390
Public works	104,528	-	-	570,024	-
Total Fund Balances	107,200	617	30,239	570,024	2,390
Total Liabilities and Fund Balances	\$ 120,517	\$ 617	\$ 30,707	\$ 571,413	\$ 2,390

CITY OF PALOS VERDES ESTATES

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds			Total Governmental Funds
	Proposition A	Measure R	Proposition C	
Assets:				
Cash and investments	\$ 489,789	\$ 208,331	\$ 85,923	\$ 1,445,719
Interest receivable	434	178	62	1,263
Prepaid items	-	-	-	2,672
Due from other governments	-	-	-	60,707
Total Assets	\$ 490,223	\$ 208,509	\$ 85,985	\$ 1,510,361
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 9,509
Accrued salaries and benefits	-	-	-	5,665
Total Liabilities	-	-	-	15,174
Fund Balances:				
Nonspendable:				
Prepaid costs	-	-	-	2,672
Restricted for:				
Public safety	-	-	-	33,246
Public works	490,223	208,509	85,985	1,459,269
Total Fund Balances	490,223	208,509	85,985	1,495,187
Total Liabilities and Fund Balances	\$ 490,223	\$ 208,509	\$ 85,985	\$ 1,510,361

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue Funds				
	Gas Tax	CLEEP	SLESF	Special Projects	Corrections
Revenues:					
Revenues from other agencies	\$ 367,151	\$ -	\$ 100,000	\$ 85,978	\$ 5,650
Use of money and property	1,078	5	181	6,619	-
Other taxes	-	-	-	-	-
Total Revenues	368,229	5	100,181	92,597	5,650
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	84,152	-	3,414
Public works	355,070	-	-	20,558	-
Total Expenditures	355,070	-	84,152	20,558	3,414
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,159	5	16,029	72,039	2,236
Other Financing Sources (Uses):					
Transfers out	(83,256)	-	-	(35,856)	-
Total Other Financing Sources (Uses)	(83,256)	-	-	(35,856)	-
Net Change in Fund Balances	(70,097)	5	16,029	36,183	2,236
Fund Balances, Beginning of Year	177,297	612	14,210	533,841	154
Fund Balances, End of Year	\$ 107,200	\$ 617	\$ 30,239	\$ 570,024	\$ 2,390

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue Funds			Total Governmental Funds
	Proposition A	Measure R	Proposition C	
Revenues:				
Revenues from other agencies	\$ 189,969	\$ 117,782	\$ 157,954	\$ 1,024,484
Use of money and property	3,647	1,244	453	13,227
Other taxes	-	-	-	-
Total Revenues	193,616	119,026	158,407	1,037,711
Expenditures:				
Current:				
General government	5,310	-	-	5,310
Public safety	-	-	-	87,566
Public works	100,000	-	180,550	656,178
Total Expenditures	105,310	-	180,550	749,054
Excess (Deficiency) of Revenues Over (Under) Expenditures	88,306	119,026	(22,143)	288,657
Other Financing Sources (Uses):				
Transfers out	-	-	-	(119,112)
Total Other Financing Sources (Uses)	-	-	-	(119,112)
Net Change in Fund Balances	88,306	119,026	(22,143)	169,545
Fund Balances, Beginning of Year	401,917	89,483	108,128	1,325,642
Fund Balances, End of Year	\$ 490,223	\$ 208,509	\$ 85,985	\$ 1,495,187

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 GAS TAX
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 177,297	\$ 177,297	\$ 177,297	\$ -
Resources (Inflows):				
Revenues from other agencies	369,090	369,090	367,151	(1,939)
Use of money and property	2,500	2,500	1,078	(1,422)
Amounts Available for Appropriation	548,887	548,887	545,526	(3,361)
Charges to Appropriation (Outflow):				
Public works	367,930	377,930	355,070	22,860
Transfers out	100,000	83,256	83,256	-
Total Charges to Appropriations	467,930	461,186	438,326	22,860
Budgetary Fund Balance, June 30	\$ 80,957	\$ 87,701	\$ 107,200	\$ 19,499

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 CLEEP
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 612	\$ 612	\$ 612	\$ -
Resources (Inflows):				
Use of money and property	-	-	5	5
Amounts Available for Appropriation	612	612	617	5
Budgetary Fund Balance, June 30	\$ 612	\$ 612	\$ 617	\$ 5

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 SLESF
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 14,210	\$ 14,210	\$ 14,210	\$ -
Resources (Inflows):				
Revenues from other agencies	100,000	100,000	100,000	-
Use of money and property	-	-	181	181
Amounts Available for Appropriation	114,210	114,210	114,391	181
Charges to Appropriation (Outflow):				
Public safety	53,070	84,570	84,152	418
Total Charges to Appropriations	53,070	84,570	84,152	418
Budgetary Fund Balance, June 30	\$ 61,140	\$ 29,640	\$ 30,239	\$ 599

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 SPECIAL PROJECTS
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 533,841	\$ 533,841	\$ 533,841	\$ -
Resources (Inflows):				
Revenues from other agencies	92,500	92,500	85,978	(6,522)
Use of money and property	3,000	3,000	6,619	3,619
Amounts Available for Appropriation	629,341	629,341	626,438	(2,903)
Charges to Appropriation (Outflow):				
Public works	28,720	28,720	20,558	8,162
Transfers out	20,000	35,856	35,856	-
Total Charges to Appropriations	48,720	64,576	56,414	8,162
Budgetary Fund Balance, June 30	\$ 580,621	\$ 564,765	\$ 570,024	\$ 5,259

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
CORRECTIONS
YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 154	\$ 154	\$ 154	\$ -
Resources (Inflows):				
Revenues from other agencies	3,500	7,000	5,650	(1,350)
Amounts Available for Appropriation	3,654	7,154	5,804	(1,350)
Charges to Appropriation (Outflow):				
Public safety	3,605	7,105	3,414	3,691
Total Charges to Appropriations	3,605	7,105	3,414	3,691
Budgetary Fund Balance, June 30	\$ 49	\$ 49	\$ 2,390	\$ 2,341

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION A
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 401,917	\$ 401,917	\$ 401,917	\$ -
Resources (Inflows):				
Revenues from other agencies	189,300	189,300	189,969	669
Use of money and property	3,000	3,000	3,647	647
Amounts Available for Appropriation	594,217	594,217	595,533	1,316
Charges to Appropriation (Outflow):				
General government	5,310	5,310	5,310	-
Public works	100,000	100,000	100,000	-
Total Charges to Appropriations	105,310	105,310	105,310	-
Budgetary Fund Balance, June 30	\$ 488,907	\$ 488,907	\$ 490,223	\$ 1,316

CITY OF PALOS VERDES ESTATES

**BUDGETARY COMPARISON SCHEDULE
MEASURE R
YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 89,483	\$ 89,483	\$ 89,483	\$ -
Resources (Inflows):				
Revenues from other agencies	117,770	117,770	117,782	12
Use of money and property	500	500	1,244	744
Amounts Available for Appropriation	207,753	207,753	208,509	756
Budgetary Fund Balance, June 30	\$ 207,753	\$ 207,753	\$ 208,509	\$ 756

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 PROPOSITION C
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 108,128	\$ 108,128	\$ 108,128	\$ -
Resources (Inflows):				
Revenues from other agencies	157,025	157,025	157,954	929
Use of money and property	400	400	453	53
Amounts Available for Appropriation	265,553	265,553	266,535	982
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	\$ 85,003	\$ 85,003	\$ 85,985	\$ 982

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
 GENERAL CAPITAL IMPROVEMENTS
 YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 6,894,120	\$ 6,894,120	\$ 6,894,120	\$ -
Resources (Inflows):				
Intergovernmental	165,000	95,315	90,359	(4,956)
Use of money and property	65,000	20,000	45,620	25,620
Transfers in	100,000	4,289,319	4,372,575	83,256
Amounts Available for Appropriation	7,224,120	11,298,754	11,402,674	103,920
Charges to Appropriation (Outflow):				
Public works	1,363,950	1,467,550	1,358,110	109,440
Total Charges to Appropriations	1,363,950	1,467,550	1,358,110	109,440
Budgetary Fund Balance, June 30	\$ 5,860,170	\$ 9,831,204	\$ 10,044,564	\$ 213,360

CITY OF PALOS VERDES ESTATES

BUDGETARY COMPARISON SCHEDULE
SEWER
YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 10,496,416	\$ 10,496,416	\$ 10,496,416	\$ -
Resources (Inflows):				
Special assessments	1,250,000	1,250,000	1,276,552	26,552
Use of money and property	100,000	45,000	67,714	22,714
Amounts Available for Appropriation	11,846,416	11,791,416	11,840,682	49,266
Charges to Appropriation (Outflow):				
Public works	2,360,000	2,360,000	568,149	1,791,851
Transfers out	-	4,989,340	4,989,340	-
Total Charges to Appropriations	2,360,000	7,349,340	5,557,489	1,791,851
Budgetary Fund Balance, June 30	\$ 9,486,416	\$ 4,442,076	\$ 6,283,193	\$ 1,841,117

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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 ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2011

	<u>Governmental Activities - Internal Service Funds</u>		
	<u>Equipment Replacement</u>	<u>Insurance</u>	<u>Totals</u>
Assets:			
Current assets:			
Cash and investments	\$ 2,426,190	\$ 219,799	\$ 2,645,989
Accounts receivable	6	-	6
Interest receivable	5,876	322	6,198
Prepaid items	-	438,144	438,144
Total current assets	2,432,072	658,265	3,090,337
Capital assets			
Machinery and equipment	2,910,758	-	2,910,758
Furniture and fixtures	189,163	-	189,163
Vehicles	836,141	-	836,141
Less accumulated depreciation	(3,327,289)	-	(3,327,289)
Net capital assets	608,773	-	608,773
Total assets	\$ 3,040,845	\$ 658,265	\$ 3,699,110
Liabilities:			
Current liabilities:			
Accounts payable	\$ 48,515	\$ -	\$ 48,515
Total current liabilities	48,515	-	48,515
Total liabilities	48,515	-	48,515
Net assets:			
Invested in capital assets, net of related debt	608,773	-	608,773
Unrestricted	2,383,557	658,265	3,041,822
Total net assets	2,992,330	658,265	3,650,595
Total liabilities and net assets	\$ 3,040,845	\$ 658,265	\$ 3,699,110

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Governmental Activities - Internal Service Funds</u>		
	<u>Equipment Replacement</u>	<u>Insurance</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 305,155	\$ 380,000	\$ 685,155
Other	-	43,446	43,446
Total Operating Revenues	305,155	423,446	728,601
Operating Expenses:			
Materials and supplies	11,753	-	11,753
General liability insurance	-	483,527	483,527
Property and vehicle insurance	-	15,898	15,898
Depreciation	319,042	-	319,042
Total Operating Expenses	330,795	499,425	830,220
Operating Income (Loss)	(25,640)	(75,979)	(101,619)
Nonoperating revenues (expenses):			
Interest revenue	16,850	3,161	20,011
Capital contributions from other funds	423,232	-	423,232
Gain (loss) on disposal of capital assets	4,882	-	4,882
Total Nonoperating Revenues (Expenses)	444,964	3,161	448,125
Net income before transfers	419,324	(72,818)	346,506
Transfers in	-	158,110	158,110
Change in net assets	419,324	85,292	504,616
Net Assets:			
Beginning of Year	2,573,006	572,973	3,145,979
End of Fiscal Year	\$ 2,992,330	\$ 658,265	\$ 3,650,595

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	Governmental Activities - Internal Service Funds		
	Equipment Replacement	Insurance	Totals
Cash Flows from Operating Activities:			
Cash received from user departments	\$ 305,236	\$ 393,446	\$ 698,682
Cash paid to suppliers for goods and services	10,602	(498,200)	(487,598)
Net Cash Provided (Used) by Operating Activities	315,838	(104,754)	211,084
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	-	158,110	158,110
Net Cash Provided (Used) by Non-Capital Financing Activities	-	158,110	158,110
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(132,971)	-	(132,971)
Proceeds from sales of capital assets	4,882	-	4,882
Net Cash Provided (Used) by Capital and Related Financing Activities	(128,089)	-	(128,089)
Cash Flows from Investing Activities:			
Interest received	16,753	3,315	20,068
Net Cash Provided (Used) by Investing Activities	16,753	3,315	20,068
Net Increase (Decrease) in Cash and Cash Equivalents	204,502	56,671	261,173
Cash and Cash Equivalents at Beginning of Year	2,221,688	163,128	2,384,816
Cash and Cash Equivalents at End of Year	\$ 2,426,190	\$ 219,799	\$ 2,645,989
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (25,640)	\$ (75,979)	\$ (101,619)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	319,042	-	319,042
(Increase) decrease in accounts receivable	81	-	81
(Increase) decrease in prepaid expense	-	1,225	1,225
Increase (decrease) in accounts payable	22,355	-	22,355
Increase (decrease) in claims and judgments	-	(30,000)	(30,000)
Total Adjustments	341,478	(28,775)	312,703
Net Cash Provided (Used) by Operating Activities	\$ 315,838	\$ (104,754)	\$ 211,084
Non-Cash Capital Activity:			
Equipment acquisitions funded by governmental funds	\$ 423,232	\$ -	\$ 423,232

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 BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2011

	<u>Special Deposits</u>	<u>Police Property Evidence</u>	<u>Totals</u>
Assets:			
Cash and investments	\$ 145,093	\$ 10,998	\$ 156,091
Total Assets	<u>\$ 145,093</u>	<u>\$ 10,998</u>	<u>\$ 156,091</u>
Liabilities:			
Deposit	\$ 145,093	\$ 10,998	\$ 156,091
Total Liabilities	<u>\$ 145,093</u>	<u>\$ 10,998</u>	<u>\$ 156,091</u>

CITY OF PALOS VERDES ESTATES

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2011

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
<u>Special Deposits</u>				
Assets:				
Cash and investments	\$ 117,721	\$ 58,706	\$ 31,334	\$ 145,093
Total Assets	<u>\$ 117,721</u>	<u>\$ 58,706</u>	<u>\$ 31,334</u>	<u>\$ 145,093</u>
Liabilities:				
Accounts payable	\$ 8,360	\$ 22,974	\$ 31,334	\$ -
Deposits	109,361	56,832	21,100	145,093
Total Liabilities	<u>\$ 117,721</u>	<u>\$ 79,806</u>	<u>\$ 52,434</u>	<u>\$ 145,093</u>
<u>Police Property Evidence</u>				
Assets:				
Cash and investments	\$ 10,899	\$ 99	\$ -	\$ 10,998
Total Assets	<u>\$ 10,899</u>	<u>\$ 99</u>	<u>\$ -</u>	<u>\$ 10,998</u>
Liabilities:				
Deposits	\$ 10,899	\$ 99	\$ -	\$ 10,998
Total Liabilities	<u>\$ 10,899</u>	<u>\$ 99</u>	<u>\$ -</u>	<u>\$ 10,998</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 128,620	\$ 58,805	\$ 31,334	\$ 156,091
Total Assets	<u>\$ 128,620</u>	<u>\$ 58,805</u>	<u>\$ 31,334</u>	<u>\$ 156,091</u>
Liabilities:				
Accounts payable	\$ 8,360	\$ 22,974	\$ 31,334	\$ -
Deposits	120,260	56,931	21,100	156,091
Total Liabilities	<u>\$ 128,620</u>	<u>\$ 79,905</u>	<u>\$ 52,434</u>	<u>\$ 156,091</u>

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STATISTICAL SECTION

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

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	76-79
Revenue Capacity	
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	80-88
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.	89-90
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	91-92
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.	93-95

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

CITY OF PALOS VERDES ESTATES

Net Assets by Component

Last Nine Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	\$47,896	\$47,431	\$50,376	\$55,508	\$61,847	\$60,831	\$59,719	\$56,687	\$54,677
Restricted	2,912	2,067	1,959	1,979	1,593	1,324	1,720	2,050	8,254
Unrestricted	<u>22,335</u>	<u>23,898</u>	<u>23,315</u>	<u>23,794</u>	<u>24,773</u>	<u>26,189</u>	<u>27,067</u>	<u>28,931</u>	<u>23,738</u>
Total governmental activities net assets	<u>\$73,143</u>	<u>\$73,396</u>	<u>\$75,650</u>	<u>\$81,281</u>	<u>\$88,213</u>	<u>\$88,344</u>	<u>\$88,506</u>	<u>\$87,668</u>	<u>\$86,669</u>
Primary government									
Invested in capital assets, net of related debt	\$47,896	\$47,431	\$50,376	\$55,508	\$61,847	\$60,831	\$59,719	\$56,687	\$54,677
Restricted	2,912	2,067	1,959	1,979	1,593	1,324	1,720	2,050	8,254
Unrestricted	<u>22,335</u>	<u>23,898</u>	<u>23,315</u>	<u>23,794</u>	<u>24,773</u>	<u>26,189</u>	<u>27,067</u>	<u>28,931</u>	<u>23,738</u>
Total primary government net asset	<u>\$73,143</u>	<u>\$73,396</u>	<u>\$75,650</u>	<u>\$81,281</u>	<u>\$88,213</u>	<u>\$88,344</u>	<u>\$88,506</u>	<u>\$87,668</u>	<u>\$86,669</u>

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

CITY OF PALOS VERDES ESTATES

Changes in Net Assets

Last Nine Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:									
Governmental activities:									
General government	\$ 1,619	\$ 1,485	\$ 1,361	\$ 1,385	\$ 1,458	\$ 1,504	\$ 1,693	\$ 1,592	\$ 1,699
Public safety	6,499	7,182	7,488	8,284	8,443	8,899	9,554	9,536	9,770
Public works	3,717	4,511	3,199	4,846	5,851	4,588	4,327	4,887	4,299
Parks and recreation	1,449	1,287	1,091	1,336	1,370	2,721	2,808	2,821	2,892
Total governmental activities expenses	<u>\$ 13,284</u>	<u>\$14,465</u>	<u>\$13,139</u>	<u>\$15,851</u>	<u>\$ 17,122</u>	<u>\$17,712</u>	<u>\$18,382</u>	<u>\$ 18,836</u>	<u>\$18,660</u>
Program revenues:									
Governmental activities:									
Charges for services:									
General government	\$ 65	\$ 55	\$ 57	\$ 54	\$ 68	\$ 56	\$ 63	\$ 68	\$ 66
Public safety	3,031	3,114	3,290	3,403	3,565	3,714	3,902	4,071	4,291
Public works	1,315	1,387	1,188	1,242	1,539	1,265	852	978	1,477
Parks and recreation	769	803	776	727	833	989	1,008	987	992
Operating grants and contributions	838	834	927	1,053	1,188	907	1,113	1,291	1,021
Capital grants and contributions	689	1,824	2,167	7,571	8,703	2,522	3,656	2,012	1,377
Total governmental activities program revenues	<u>6,707</u>	<u>8,017</u>	<u>8,405</u>	<u>14,050</u>	<u>15,896</u>	<u>9,453</u>	<u>10,594</u>	<u>9,407</u>	<u>9,224</u>
Net (expense)/revenue	<u>\$ (6,577)</u>	<u>\$ (6,448)</u>	<u>\$ (4,734)</u>	<u>\$ (1,801)</u>	<u>\$ (1,226)</u>	<u>\$ (8,259)</u>	<u>\$ (7,788)</u>	<u>\$ (9,429)</u>	<u>\$ (9,436)</u>
General revenues and other changes in net assets:									
Governmental activities:									
Taxes:									
Property taxes	\$ 3,715	\$ 4,066	\$ 4,287	\$ 4,715	\$ 5,157	\$ 5,390	\$ 5,661	\$ 5,695	\$ 5,743
Utility users tax	2,879	18	2	-	-	-	-	-	-
Sales and use taxes	328	364	369	389	428	406	340	309	319
Franchise taxes and other taxes	772	839	828	850	891	886	850	813	961
Motor vehicle in lieu tax (unrestricted)	795	638	1,080	1,006	1,020	1,052	1,092	1,107	1,127
Investment income	192	63	191	335	544	456	241	97	208
Miscellaneous	116	149	230	136	118	200	80	491	79
Contribution from other entities	441	564	-	-	-	-	-	-	-
Extraordinary item- settlement of insurance litigation	4,989 *	-	-	-	-	-	-	-	-
Total General Revenue and Extraordinary Item	<u>14,227</u>	<u>6,701</u>	<u>6,987</u>	<u>7,431</u>	<u>8,158</u>	<u>8,390</u>	<u>8,264</u>	<u>8,512</u>	<u>8,437</u>
Change in Net Assets	<u>\$ 7,650</u>	<u>\$ 253</u>	<u>\$ 2,253</u>	<u>\$ 5,630</u>	<u>\$ 6,932</u>	<u>\$ 131</u>	<u>\$ 476</u>	<u>\$ (917)</u>	<u>\$ (999)</u>

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

Information prior to the implementation of GASB 34 is not available.

Additional years will be provided as such information becomes available.

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

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011*
General fund:									
Reserved	\$ 15	\$ 5	\$ 35	\$ 19	\$ 6	\$ 37	\$ 4	\$ 57	
Unreserved	5,884	6,667	6,595	7,012	7,256	7,468	8,472	8,472	
Total general fund	<u>\$ 5,899</u>	<u>\$ 6,672</u>	<u>\$ 6,630</u>	<u>\$ 7,031</u>	<u>\$ 7,262</u>	<u>\$ 7,505</u>	<u>\$ 8,476</u>	<u>\$ 8,529</u>	
All other governmental funds:									
Reserved	\$ 301	\$ 405	\$ 144	\$ 53	\$ 332	\$ 330	\$ 328	\$ 335	
Unreserved, reported in:									
Designated for capital projects	6,181	5,904	3,963	3,640	2,371	2,709	1,857	291	
Special revenue funds	2,611	2,172	2,337	2,493	1,717	1,436	2,064	1,716	
Capital projects funds	15,517	16,097	15,409	15,189	16,008	14,190	14,901	17,099	
Total all other governmental funds	<u>\$ 24,610</u>	<u>\$ 24,578</u>	<u>\$ 21,853</u>	<u>\$ 21,375</u>	<u>\$ 20,428</u>	<u>\$ 18,665</u>	<u>\$ 19,150</u>	<u>\$ 19,441</u>	
General fund:									
Nonspendable									\$ 65
Restricted									-
Committed									7,200
Assigned									957
Unassigned									1,111
Total general fund									<u>\$ 9,333</u>
All other governmental funds:									
Nonspendable									\$ 331
Restricted									7,861
Committed									-
Assigned									-
Unassigned									10,106
Total all other governmental funds									<u>\$ 18,298</u>

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

* GASB 54 has been implemented in fiscal year 2011

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:									
Property Tax	\$ 3,715	\$ 4,066	\$ 4,288	\$ 4,715	\$ 5,157	\$ 5,390	\$ 5,661	\$ 5,695	\$ 5,693
Special assessment	2,799	4,223	4,390	4,617	4,594	4,924	5,140	5,098	5,316
Utility user tax	2,880	18	2	-	-	-	-	-	-
Other taxes	1,321	1,433	1,383	1,474	1,532	1,479	1,385	1,378	1,574
Licenses and permits	658	726	583	574	784	654	545	514	625
Fines and forfeitures	182	201	169	181	177	191	190	181	210
Use of money and agencies	1,219	1,099	1,310	1,588	2,093	2,058	1,639	1,300	1,175
Revenues from other agencies	1,781	1,519	1,882	1,895	2,027	1,771	3,088	2,155	2,051
Charges for services	765	734	708	756	860	678	410	549	501
Miscellaneous	124	173	254	383	135	323	89	975	79
Total revenues	<u>15,444</u>	<u>14,192</u>	<u>14,969</u>	<u>16,183</u>	<u>17,359</u>	<u>17,468</u>	<u>18,147</u>	<u>17,845</u>	<u>17,224</u>
Expenditures									
General government	1,388	1,377	1,307	1,317	1,475	1,437	1,561	1,536	1,595
Public safety	6,638	7,408	7,479	8,285	8,813	8,893	9,504	10,877	10,805
Public works	3,449	3,658	6,122	5,395	5,557	5,164	4,514	4,014	3,913
Parks and recreation	1,130	925	886	940	952	1,123	1,113	1,074	1,091
Total expenditures	<u>12,605</u>	<u>13,368</u>	<u>15,794</u>	<u>15,937</u>	<u>16,797</u>	<u>16,617</u>	<u>16,692</u>	<u>17,501</u>	<u>17,404</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,839</u>	<u>824</u>	<u>(825)</u>	<u>246</u>	<u>562</u>	<u>851</u>	<u>1,455</u>	<u>344</u>	<u>(180)</u>
Other financing sources (uses):									
Transfers in	8,521	824	1,762	891	2,326	1,709	541	563	5,357
Transfers out	(8,521)	(824)	(1,762)	(891)	(2,335)	(1,709)	(541)	(563)	(5,515)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(158)</u>
Extraordinary item- settlement in insurance litigation	4,989	-	-	-	-	-	-	-	-
Net change in fund balances	<u>\$ 7,828</u>	<u>\$ 824</u>	<u>\$ (825)</u>	<u>\$ 246</u>	<u>\$ 553</u>	<u>\$ 851</u>	<u>\$ 1,455</u>	<u>\$ 344</u>	<u>\$ (338)</u>

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

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

Fiscal Year	Property Tax	Utility Users Tax	Sales and Use Tax	Franchise and Other Taxes	Motor Vehicle in Lieu Tax	Total
2002	\$ 3,433,933	\$ 2,608,640	\$ 238,646	\$ 355,790	\$ 759,724	\$ 7,396,733
2003	3,714,562	2,879,526	328,119	771,668	794,616	8,488,491
2004	4,066,440	17,885	363,931	838,457	638,145	5,924,858
2005	4,287,637	1,703	369,132	828,572	1,080,711	6,567,755
2006	4,715,003	-	388,514	850,227	1,005,877	6,959,621
2007	5,157,262	-	428,381	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

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			
2002	\$3,114,644	\$ 34,917	\$ 5,991	\$ 5,189	\$ 3,150,363	0.1135%
2003	3,327,768	35,366	5,068	4,557	3,363,645	0.1135%
2004	3,597,540	35,340	5,040	7,425	3,630,495	0.1135%
2005	3,876,638	34,912	6,251	7,375	3,910,426	0.1135%
2006	4,190,644	36,770	4,576	7,614	4,224,376	0.1130%
2007	4,535,247	43,176	3,880	3,744	4,578,559	0.1130%
2008	4,790,155	40,470	5,049	7,269	4,828,405	0.1130%
2009	5,057,668	40,784	5,015	7,487	5,095,981	0.1130%
2010	5,159,361	44,987	5,492	7,136	5,202,704	0.1130%
2011	5,135,015	50,147	4,540	6,211	5,183,491	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					Total Direct 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	
2002	0.1135	0.8865	1.00000	0.0155	0.0011	0.0077	0.0096	0.0011	0.0160	1.05100
2003	0.1135	0.8865	1.00000	0.0155	0.0009	0.0067	0.0097	0.0001	0.0146	1.04800
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

Source: Los Angeles County Auditor Controller's Office.

CITY OF PALOS VERDES ESTATES

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2011			2002		
	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	\$ 30,665,382	1	0.59%	\$ 20,675,401	1	0.65%
Jose A. and Brigitte Collazo Trust	15,045,048	2	0.29%	7,795,232	7	0.24%
Masafumi Miyamoto	13,841,534	3	0.27%	11,857,162	3	0.37%
Jason and Wendy Moskowitz Trust	11,374,640	4	0.22%	8,707,380	4	0.27%
Jackson and Julie Yang	11,232,119	5	0.22%			
Richard C. Lundquist Trust	10,609,686	6	0.20%			
Hussain M. Shaikh	9,600,000	7	0.19%			
Yong G. Yan Trust	9,592,226	8	0.19%			
Timothy D. Armour Trust Del Mar Trust	9,300,000	9	0.18%			
Bernadette Chao Trust Mirabel Trust	9,202,476	10	0.18%	7,883,178	6	0.25%
Mashallah E. & Firouzeh E. Esfahani				13,815,188	2	0.43%
Ta Hsiung & Chyi Chuen Kao				7,953,184	5	0.25%
Robert A. & Kathleen M. Eckert				7,375,000	8	0.23%
Toyota Motor Sales USA Inc.				7,142,164	9	0.22%
Mastumoto Dental College of America				6,917,576	10	0.22%
	<u>\$130,463,111</u>		<u>2.53%</u>	<u>\$ 100,121,465</u>		<u>3.13%</u>

Source: Los Angeles County Assessor

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

<u>Year Ended June 30</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years (1)</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
2002	\$ 3,163,498	\$3,082,388	97.44%	\$ 74,732	\$ 3,157,120	99.80%
2003	3,436,256	3,347,066	97.40%	79,585	3,426,651	99.72%
2004	3,709,834	3,628,027	97.79%	90,992	3,719,019	100.25%
2005	4,045,265	3,949,536	97.63%	78,642	4,028,178	99.58%
2006	4,392,166	4,278,192	97.41%	85,888	4,364,080	99.36%
2007	4,729,479	4,549,980	96.20%	91,585	4,641,565	98.14%
2008	5,065,255	4,810,980	94.98%	130,813	4,941,793	97.56%
2009	5,332,363	5,081,257	95.29%	223,255	5,304,512	99.48%
2010	5,430,923	5,243,610	96.55%	224,553	5,468,163	100.69%
2011	5,435,360	5,304,265	97.59%	186,381	5,490,647	101.02%

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

Source: Los Angeles County Auditor Controller's Office.

CITY OF PALOS VERDES ESTATES

Taxable Property Subject to Fire Tax

Last Five Fiscal Years

Fiscal Year Ended June 30	Total Assessable		Real Property Square Footage			Special Tax		Total	Total Direct Tax Rate
	Parcels w/ Bldg. - Improvement	Vacant	Residential Property	Commercial Property	Total Square Footage	Residential Property	Commercial Property		
2007	5,089		14,901,919	246,593	15,148,512	\$ 3,267,135	\$ 40,911	\$ 3,308,046	\$240.32/parcel plus \$0.137641/sq.ft
2007	0	96	0	0	0	23,071	0	23,071	\$240.32/parcel
2008	5,097		15,027,563	246,593	15,274,156	3,424,361	42,629	3,466,990	\$250.41/parcel plus \$0.143422/sq.ft
2008	0	89	0	0	0	22,286	0	22,286	\$250.41/parcel
2009	5,106		15,116,737	246,593	15,363,330	3,583,877	44,419	3,628,296	\$260.93/parcel plus \$0.149446/sq.ft
2009	0	83	0	0	0	21,657	0	21,657	\$260.93/parcel
2010	5,120		15,230,913	246,593	15,477,506	3,755,995	46,285	3,802,280	\$271.89/parcel plus \$0.155723/sq.ft
2010	0	72	0	0	0	19,576	0	19,576	\$271.89/parcel
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	

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

Fire Tax Rates

Direct Government

Last Five Fiscal Years

	<u>City Direct Tax Rate</u>
2007	\$ 0.21990
2008	0.22840
2009	0.23760
2010	0.24690
2011	0.25690

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

CITY OF PALOS VERDES ESTATES

Principal Special Fire Taxpayers

June 30, 2011

Current Year and Prior Year

Property Owners	2011		
	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)	432,352	69,020.28	2.78%
575 parcels (special fire tax paid between \$1,000-\$1,999)	3,373,810	547,434.41	21.70%
4579 parcels (special fire tax paid less than \$1,000 each)	11,627,425	1,886,665.98	74.79%
Total	<u>15,546,307</u>	<u>\$ 2,522,543.77</u>	<u>100.00%</u>

CITY OF PALOS VERDES ESTATES

Principal Special Fire Taxpayers

June 30, 2011

Current Year and Prior Year

Property Owners	2010		
	Building Square Footage Value	Special Fire Tax Assessed	Percentage of Building Square Footage
Lunada Bay Investment Co.	36,478	\$ 5,952.35	0.24%
Chen Tei Fu Co. Trust	26,650	4,421.91	0.17%
Lunada Bay Apartments Ltd.	23,361	3,909.74	0.15%
Plaza Palos Verdes LLC	23,203	3,885.13	0.15%
33 parcels (special fire tax paid over \$2,000)	382,024	58,402.36	2.47%
461 parcels (special fire tax paid between \$1,000-\$1,999)	2,874,465	447,620.34	18.57%
4698 parcels (special fire tax paid less than \$1,000 each)	12,111,325	1,886,011.83	79.25%
Total	15,477,506	\$ 2,410,203.66	100.00%

CITY OF PALOS VERDES ESTATES
Direct and Overlapping Governmental Activities Debt
June 30, 2011

2010-2011 Assessed Valuation: \$5,183,491,169

Governmental Unit	Outstanding Debt 6/30/11	Estimated Percentage Applicable	Estimated Share of
Overlapping General Fund Debt (Note 1)			
Los Angeles County General Fund Obligations	\$ 1,496,977,775	0.567%	\$ 8,487,864
Los Angeles County Superindendant of Schools COP'S	12,204,890	0.567%	69,202
Los Angeles County Sanitation District- South Bay Authorities	9,201,462	16.617%	1,529,007
Los Angeles County Sanitation District #5	54,005,754	0.566%	305,673
Direct & Overlapping Tax & Assessment Debt (Note 2)			
Los Angeles Community College District	3,536,745,000	1.002%	35,438,185
Palos Verdes Peninsula Unified School District	80,877,350	29.733%	24,047,262
Los Angeles Regional Park & Open Space Assessment District	197,285,000	0.567%	1,118,606
Palos Verdes Library District	6,520,000	28.275%	1,843,530
Metropolitan Water District	227,670,000	0.291%	662,520
Los Angeles County Flood District	53,795,000	0.579%	<u>310,935</u>
Subtotal, overlapping debt			73,812,784
City direct debt			-
Less: Los Angeles County General Fund Obligations supported by landfill revenues			<u>100,957</u>
Net Total direct and overlapping debt			<u><u>\$73,711,827</u></u>

Source: Callifornia Municipal Statistics

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

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

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

CITY OF PALOS VERDES ESTATES

Legal Debt Margin Information

June 30, 2011

(dollars in thousands)

Assessed value before homeowners exemption	<u>\$ 5,183,401</u>
Debt limit- 15% of assessed value	\$ 777,524
Amount of debt applicable to debt limit	<u>-</u>
Legal debt margin	<u>\$ 777,524</u>

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Limit	\$472,404	\$504,546	\$544,574	\$586,564	\$ 633,657	\$686,784	\$724,261	\$764,297	\$780,406	\$777,524
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>\$ 472,404</u>	<u>\$ 504,546</u>	<u>\$ 544,574</u>	<u>\$ 586,564</u>	<u>\$ 633,657</u>	<u>\$ 686,784</u>	<u>\$ 724,261</u>	<u>\$ 764,297</u>	<u>\$ 780,406</u>	<u>\$ 777,524</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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

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)
2002	13,757	12,691	412,753	32,522	1.3
2003	13,928	12,817	427,041	33,318	1.4
2004	14,086	12,899	453,901	35,188	1.3
2005	14,208	12,933	475,262	36,746	1
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)	*	*	*	2.6
2011	13,480 (1)	*	*	*	3.1

- 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	597	1	62.38%
Concession Clubs			
Palos Verdes Golf Club	101	2	12.85%
Palos Verdes Beach & Athletic Club	16		
Palos Verdes Tennis Club	6		
City Government			
City of Palos Verdes Estates	57	3	5.96%
Real Estate and Escrow Companies	30	4	3.13%
Restaurants	<u>22</u>	5	<u>2.30%</u>
Total	<u>829</u>		<u>86.62%</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	Full-time Equivalent Employees as of June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government:										
Management services	8.88	8.88	8.88	8.88	8.88	9	9	9	9	9
Finance	2	2	2	2	2	2	2	2	2	2
Building and Planning	1.8	2	3	3	2.3	2.5	2.5	2.5	2.5	2.5
Other	4.28	4.78	4.78	4.77	4.77	4.57	4.64	4.64	4.09	5.27
Police:										
Sworn officers (2)	21	21	22	22	22	22	22	22	22	22
Service officers (3)	11	11	11	11	11	11	11	11	11	11
Street and Parks	6	6	5	5	5	5	5	5	5.5	5.5
Total	54.96	55.66	55.66	55.65	54.90	56.07	56.14	56.14	56.09	57.28

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police:										
Physical arrests	788	685	608	825	681	899	797	594	419	237
Parking violations	2,071	2,135	2,405	1,958	2,768	2,898	2,901	3,010	3,002	3,029
Moving violations	2,465	2,200	1,875	1,386	943	758	958	553	798	1,102
Building & Planning:										
Building permits issues	1,301	1,419	1,681	1,744	2,052	2,458	2,197	1,614	1,650	1,843
Total number of inspections	3,981	3,845	4,845	4,170	4,068	4,072	3,898	2,763	220	2,507
Grading applications	24	25	37	27	24	27	23	20	17	17.5
Neighborhood compatibility applications	59	79	58	71	64	57	49	35	32.5	33
Miscellaneous applications	15	30	20	22	23	30	34	44	53	38.50
Public Works:										
Public works permits	215	221	212	237	294	241	272	322	200	178
Street resurfacing (miles)	10.7	10.5	10.4	1.3	1.3	8.7	8.7	9.9	3.55	3.28

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	4	4	4	4	4	4	4	4	4	4
Streets (miles)	78	78	78	78	78	78	78	78	78	78
Sanitary sewers (miles)	76	76	76	76	76	76	76	76	76	76
Storm drains (miles)	26	26	26	27	28.5	28.5	28.8	28.5	28.5	28.5
Recreation facilities: (2)										
Golf	1	1	1	1	1	1	1	1	1	1
Stables	1	1	1	1	1	1	1	1	1	1
Tennis club	1	1	1	1	1	1	1	1	1	1
Beach club	1	1	1	1	1	1	1	1	1	1

Source: City Departments

Notes

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

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