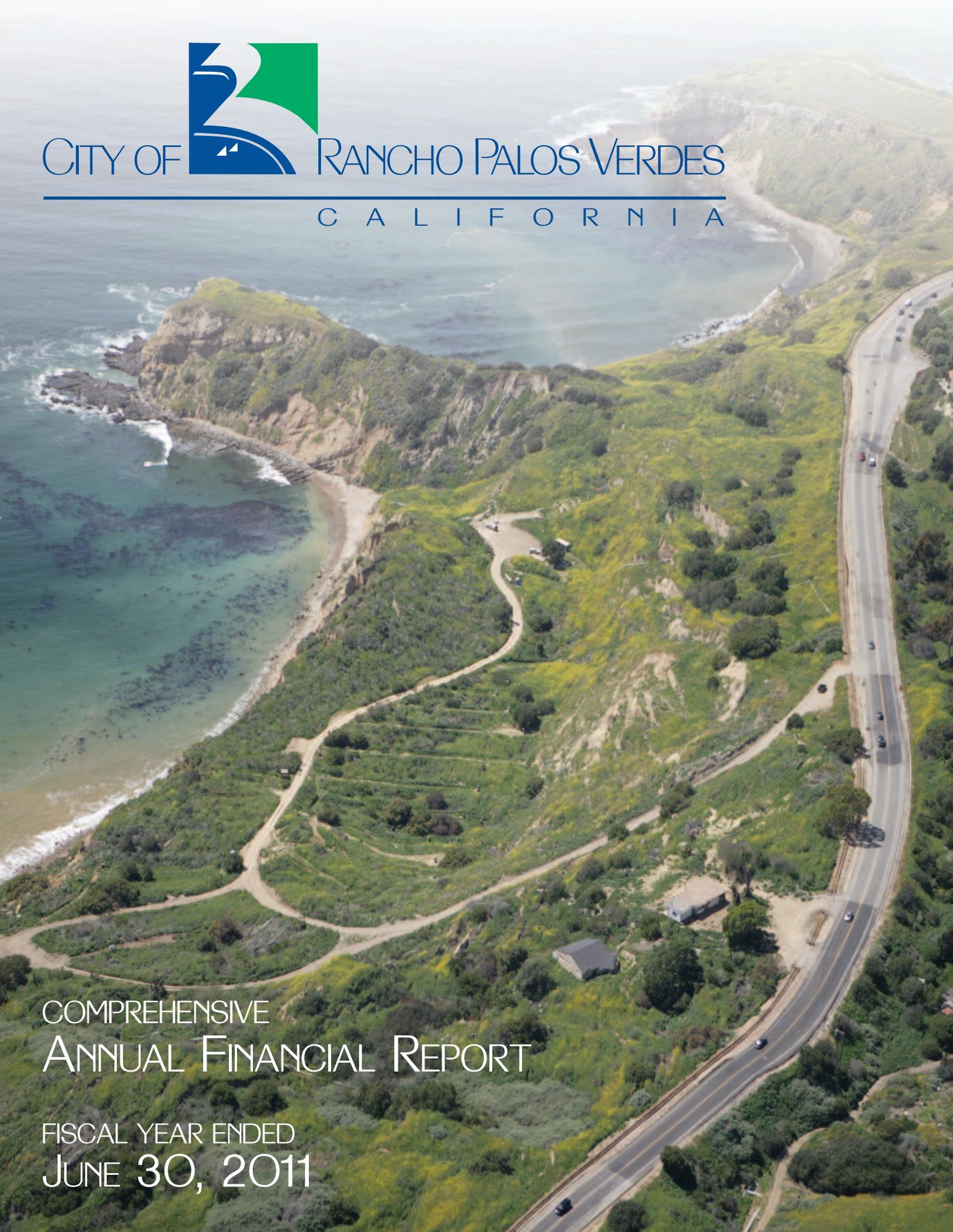




CITY OF RANCHO PALOS VERDES
CALIFORNIA



COMPREHENSIVE
ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2011

**CITY OF RANCHO PALOS VERDES,
CALIFORNIA**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2011

Prepared By:

Finance & Information Technology Department
Dennis McLean, Director
Kathryn Downs, Deputy Director

Cover photo provides an aerial view of Palos Verdes Drive South

INTRODUCTORY SECTION



Civic Leadership Academy

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

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Coastal View of Point Vicente Lighthouse



CITY OF RANCHO PALOS VERDES

December 21, 2011

Honorable Mayor and City Council
City of Rancho Palos Verdes
Rancho Palos Verdes, California

The Comprehensive Annual Financial Report (CAFR) of the City of Rancho Palos Verdes for the fiscal year ended June 30, 2011, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the City of Rancho Palos Verdes issue annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Rancho Palos Verdes. In addition, to the best of our knowledge, there are no untrue statements of material fact within the financial statements or omissions of material fact to cause the financial statements to be misleading. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The financial section of the CAFR includes management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of Rancho Palos Verdes as legally defined), as well as its component units, the Rancho Palos Verdes Redevelopment Agency and the Joint Powers Improvement Authority. A component unit is a legally separate entity for which the primary government is financially accountable. The City provides a broad range of services, including police protection, solid waste collection, construction and maintenance of streets and other infrastructure, planning and zoning activities, recreational activities, cultural events, and general administrative services. The City of Rancho Palos Verdes is a contract city, meaning that some of these services are provided by contract with other agencies (both public and private) and some services are delivered by the City's own employees.

Special districts of the County of Los Angeles provide library services, fire protection services, and sewer services. The City has excluded the County of Los Angeles, as well as the State of California and various school districts, from the financial reporting entity because they do not meet the established criteria for inclusion.

GOVERNMENTAL STRUCTURE

The City of Rancho Palos Verdes is located on a coastal peninsula overlooking the Pacific Ocean in Los Angeles County, 20 miles south of the City of Los Angeles. The City was incorporated September 7, 1973. The City currently has a land area of 13.6 square miles and a population of about 43,000. The City is primarily a "bedroom" community with relatively little commercial activity.

The City has operated under the council-manager form of government since incorporation. Policy-making and legislative authority are vested in the governing council, which consists of five council members, including the mayor and mayor pro-tem. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the city manager and the city attorney. The city manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the government's departments. The council is elected on a non-partisan, at-large basis. Council members are elected to four-year staggered terms with two or three council members elected every two years. The council designates the mayor and mayor pro-tem for a one-year term.

MAJOR INITIATIVES

The City's staff, following specific directives of the City Council and the City Manager, has been involved in a variety of projects throughout the year. These projects reflect the government's commitment to ensuring that its citizens are able to live and work in an enviable environment.

Community Development

- The City together with the Palos Verdes Peninsula Land Conservancy continued management of the City's Natural Communities Conservation Plan (NCCP) Preserve, including completion of a Draft Preserve Trails Plan for the last parcel acquired to complete the habitat preserve, the restoration of habitat in a portion of the burn area, and several trail maintenance projects.
- Continued to formally monitor development projects in surrounding jurisdictions (referred to as "border issues") to assess their potential impacts upon the City and its residents.
- Continued to approve the installation of various commercial antenna facilities for cellular telephones and personal communication systems on private property throughout the City.
- Continued to take steps in updating the City's General Plan by working with a consulting team in the preparation of various studies to support the General Plan Update, and in obtaining Planning Commission approval of the draft text for each of the General Plan Elements. Staff is currently presenting Draft General Plan Land Use Map Changes to the Planning Commission for review and approval. Staff anticipates that the Planning Commission will complete their review and recommend a draft of the General Plan Update to the City Council in early 2012. Staff also anticipates that the City Council will adopt the Updated General Plan in summer 2012.
- Continued to implement its Housing Element by working with a developer to develop the "Mirandela" 34 unit affordable housing project. The project is a multi-family rental housing project that has been made available to seniors 62 years and older that qualify under extremely-low, very-low, low and moderate incomes. The project was funded by a combination of sources, which include the City's In-lieu Affordable Housing Fund, the Redevelopment Agency's 20% Affordable Housing Fund, and 9% Tax Credits awarded by the California Tax Credit Allocation Committee. Construction of the project began in November 2009. The project was completed in December 2010 and was fully occupied in January 2011.
- Implemented the approved Vision Plan, a coordinated master plan consisting of program, design and linkage concepts for land located within the coastal region of the City, by being awarded a \$500,000 grant by the California Coastal Conservancy to complete the RPV portion of the California Coastal Trail.

Public Works

- Completed the Project Study Report for the San Ramon Canyon Storm Drain System, which was needed to manage runoff and mitigate erosion within San Ramon Canyon, to provide a basis for estimating anticipated construction costs and to be used to help secure State/Federal funding.
- Completed the Palos Verdes Drive South Landslide Road Stability Grading Project that installed approximately 40,000 cubic yards of soil buttressing the roadway.
- Completed the Early Action Stabilization Project design which may be needed to stabilize Palos Verdes Drive East in the event that erosion originating within San Ramon Canyon progresses westward affecting the roadway stability.
- Completed the Palos Verdes Drive East Implementation Plan which outlines and programs incremental safety improvements along the corridor over time and in coordination with other planned improvements.
- Completed the resurfacing of Hawthorne Blvd and Palos Verdes Drive West which was funded by American Recovery Reinvestments Act (ARRA), Proposition 1B, Proposition C and Rubberized Asphalt Concrete (RAC) grant funds. The project included a new driving surface, bus pads, access ramps and roadway striping.

- The City was awarded a \$707,000 grant from the Federal Highway Safety Program, which will used to synchronize traffic signals along Hawthorne Boulevard.
- Completed the resurfacing of various residential roadways in Zones 6 and 8 of the City. Improvements included slurry seal and asphalt concrete overlay, access ramp improvements and roadway signing and striping.
- Completed beautification to medians along Hawthorne Boulevard and Palos Verdes Drive West. Improvements include drought-tolerant plant installation, irrigation controls and rock enhancements.
- Established revised fees for the Neighborhood Permit Parking program which memorialized a one-time decal fee of \$2.50 for residents participating in the program.
- Established a Neighborhood Permit Parking program in the Rolling Hills Riviera area surrounding Dodson Middle School.
- Completed the Energy Savings Upgrades for City Facilities, including installation of energy efficient mechanical equipment and electrical fixtures at Hesse Park and double pane windows at City Hall. The project was funded with a federal grant.
- Completed the Power Generator System Installation project at Point Vicente Interpretive Center and Hesse Park to provide emergency power to these buildings, which house critical information technology infrastructure and are routinely booked for public or private events.
- Completed the Community Development Department Restrooms Americans with Disabilities Act Compliance project to make the restrooms frequently used by the public compliant with the accessibility requirements of the building code.
- Completed the City Hall Main Waterline System Replacement project to prevent further breakage of the aged and deteriorating water lines installed in the 1960's.
- Completed the Hesse Park and Ryan Park Athletic Field Improvement projects to improve athletic field quality use and create opportunities for multiple concurrent athletic uses, which included making the low area at Ryan Park's left outfield level with the playing field.
- Completed the first year of transitioning to a new residential solid waste provider, EDCO. The transition included several key changes, including:
 - Frequency of collection from twice a week to once a week;
 - Method of collection from manual collection to automated cart collection;
 - New collection days;
 - Variable automated cart sizes;
 - New alternative fuel vehicles (CNG); and
 - New volume based billing.

Parks and Recreation

- Coordinated numerous annual special events and recreational offerings for the community. Annual events included the Whale of a Day Celebration, July 4th Independence Day Celebration, Egg Hunt Eggstravaganza, Shakespeare by the Sea performances, Coastal Cleanup Day, Halloween Spooktacular, and Breakfast with Santa Fundraiser. Recreational offerings included the Junior Ranger and Junior Docent Programs, Paddle Tennis Tournament, Pitch, Hit & Run Competition, Night at the Museum, and Junior Ranger Summer Camp.
- Continued to coordinate and provide oversight of the public and private rentals and activities at the various City facilities. These included community and private classes and parties, youth athletic league activities, film shoots, and non-profit events coordinated with many organizations including Peninsula Seniors, Palos Verdes Amateur Radio Club, RPV Council of Homeowners Associations, Palos Verdes Peninsula Native Plant Society, American Cetacean Society, California Coastal National Monument, Bureau of Land

Management, Montrose Settlement, PV Women's Club, PV Art Center, Angeles Girl Scouts, LA County Life Guards, Norris Foundation and others.

- Negotiated a new contract with Trump National Golf Course for private rentals at Founders Park, providing renters at this park site with more services at a lower cost.
- Provided direction and opportunities for the volunteers and programs of Los Serenos de Point Vicente. In coordination with the City, Los Serenos continued to expand its public and private hikes, and through completion of a Strategic Plan, developed new programs including a new 4th grade tour coordinated through Palos Verdes Peninsula Unified School District, as well as several videos for the Junior Docent Nature Series that air on RPVTV. This video series offers insight into the history of the Peninsula including its natural resources, while providing Palos Verdes High School youth the opportunity to serve their community.
- Contracted with the Mountains Recreation and Conservation Authority (MRCA) Park Rangers to provide ranger services in the Palos Verdes Nature Preserve, and to offer a Junior Ranger Program and Junior Ranger Summer Camp.
- Partnered with the City of Los Angeles to offer monthly pet adoption events and the County of Los Angeles to offer biennial Low Cost Pet Vaccination, Microchip, and Licensing Clinics.
- Through the City's Gifts for Parks program, Staff continued to pursue donations for the Fourth of July Celebration and the REACH program for young adults with developmental disabilities. Department staff and Los Serenos volunteers also continued to solicit donations for PVIC museum exhibits and programs, with assistance from the City's docent organization.
- Commenced a project to evaluate sites on the Peninsula for the potential inclusion of a skate park and a dog park.
- Conducted community outreach and research to determine appropriate uses, including a potential off-leash dog beach at the City's newly acquired Rancho Palos Verdes Beach.
- Recreation and Parks Staff teamed with Public Works Staff on a project that improved the athletic fields at Ryan Park and Hesse Park to increase the quality and safety of play and to expand recreational opportunities.

Administration

- RPVTV continued to expand programming offered on the City's cable channel, RPVTV, including rebroadcasts of the City Council and Planning Commission meetings, productions of a wide variety of local interest programming and offering a Video Bulletin Board featuring local community events.
- Continued to work with a consultant to pursue promising grant opportunities for a variety of City projects, including public infrastructure and parks and open space. As of June 30, 2011, the City had received a total of \$731,000 in competitive grant awards.
- The City Council reviewed the benefits and detriments of becoming a Charter City and agreed to place the issue of adopting a charter on the March 8, 2011, ballot in September 2010.
- Conducted an Emergency Preparedness Drill in October 2010 in conjunction with the statewide "Great California Shake Out" and adopted the Standardized Emergency Management System (SEMS)/National Incident Management System (NIMS) Multi-Hazard Functional Emergency Operations Plan in November 2010.
- Hosted a Community Leaders' Breakfast in January 2011 to present information regarding the proposed adoption of a City Charter on the March 8, 2011 ballot.
- Held the inaugural session of the Rancho Palos Verdes Leadership Academy in February 2011, followed by seven (7) more monthly sessions lasting until September 2011.

- For the proposed relocation of the staging of the Palos Verdes Marathon to the Terranea Resort on May 14, 2011, the City Council approved a Special Use Permit for the event in February 2011.
- Members of the City Council and Staff participated in the grand opening of the Mirandela senior affordable apartment project in March 2011, which had been funded in part by the City's Redevelopment Agency.
- Successfully fulfilled the objectives of the City Council-initiated Performance-Based Employee Compensation Plan by producing service enhancements, new revenue and cost savings totaling more than \$550,000 by May 2011.
- The City extended its contract with a federal advocacy firm to seek federal funding for the San Ramon Canyon Stabilization Project in June 2011.
- Led a regional response to the FAA proposal to change the classification of airspace – with likely threats to safety and the environment. Staff also addressed issues with Torrance Airport helicopter routes and actively participated in the LAX Noise Roundtable to ensure protection of our residents.
- Studied and recommended the withdrawal from MAX Transit, which will save more than \$100,000 per year of Proposition A funding for more optimal transit programs.
- Initiated the re-bidding of Employee Medical Insurance, thereby securing 2-4 year rate guarantees and reducing overall costs by \$22,273 for the next two years.

FINANCIAL INFORMATION

Internal Control. The Finance and Information Technology department of the City is responsible for establishing and maintaining an appropriate internal control structure. The internal control system is designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgements by management.

Budgeting Controls. The City of Rancho Palos Verdes maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions contained in the annual appropriated budgets approved by the City Council, Redevelopment Agency Board, and Improvement Authority Commission. Activities of the General fund, Special Revenue funds, Capital Projects funds, Debt Service fund and Permanent funds are included in the annual appropriated budgets of the government units. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department/function level within each fund. Formal budgetary integration is employed as a management control device. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. These encumbrances lapse at year-end, and any unexpended balance is eligible to be carried over to the following year's budget appropriations with City Council approval.

Budget to Actual Comparison. The City experienced an overall \$2.3 million favorable budget variance in the General fund for the fiscal year ended June 30, 2011. Favorable expenditure variances, including a retroactive adjustment for general liability insurance and various maintenance savings, were the drivers of the overall favorable variance. Many of the favorable expenditure variances were permanent savings resulting from conservative budget practices and the continued careful management of resources during fiscal year 2010-11.

Significant Financial Events. As part of its development agreement, the Trump National Golf Course transferred ownership of Marilyn Ryan Sunset Park and Trump Beach to the City in May 2011. These two parcels total about 26 acres, with an estimated value of more than \$1.2 million. This transaction has been included in the Statement of Net Assets and the Statement of Activities in the Financial Section of this report. In addition, the City implemented Government Accounting Standards Board Statement No. 54, which resulted in closing 3 funds that no longer meet the definition of a Special Revenue fund and transferring fund balances totaling about \$0.3 million to the General Fund. There were no other changes to financial policies that resulted in a significant impact on the June 30, 2011 financial statements.

OTHER INFORMATION

Independent Audit. The City requires an annual audit by independent certified public accountants. The accounting firm of White Nelson Diehl Evans LLP conducted this year's audit. The auditors' report on the government-wide financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

Single Audit. As a recipient of federal, state, and county financial assistance, the City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. In years when over \$500,000 is expended on Federal financial assistance programs, the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. For the year ended June 30, 2011, \$302,296 was expended on Federal financial assistance programs; and therefore a Single Audit is not required.

GFOA Certificate of Achievement Award. The Government Finance Officer's Association of the United States and Canada (GFOA) oversees a prestigious national award program to recognize conformance with the highest standards of report preparation. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rancho Palos Verdes for its CAFR for the fiscal year ended June 30, 2010. This was the 18th consecutive year that the City of Rancho Palos Verdes has achieved this prestigious award. A copy of the GFOA Certificate of Achievement is included later in the introductory section of this year's CAFR. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. Completion of this report was the accomplishment by combined efforts of many individuals, especially Linda Gan-Vanderlinde, Senior Accountant, and Kathryn Downs, Deputy Director of Finance and Information Technology, who coordinated preparation of the report. I wish to acknowledge the assistance of our auditors, Diehl, Evans & Company, LLP and the contributions of other Finance and Information Technology Department staff: Jane Lin, Selena Wright, Gayle Vanoverbeck, Nancy Vitez, and Jayne Mahtani.

I would also like to recognize the City Council for their continued leadership directing the City to achieve a sound fiscal position over the last several years. We look forward to maintaining this success in the future under the leadership of the City Council.

Respectfully submitted,
Dennis McLean
Director of Finance & Information Technology



CITY OF RANCHO PALOS VERDES

DIRECTORY OF CITY OFFICIALS

JUNE 30, 2011

CITY COUNCIL

Thomas D. Long, Mayor

Anthony M. Misetich, Mayor Pro-Tem

Brian Campbell, Councilman

Douglas W. Stern, Councilman

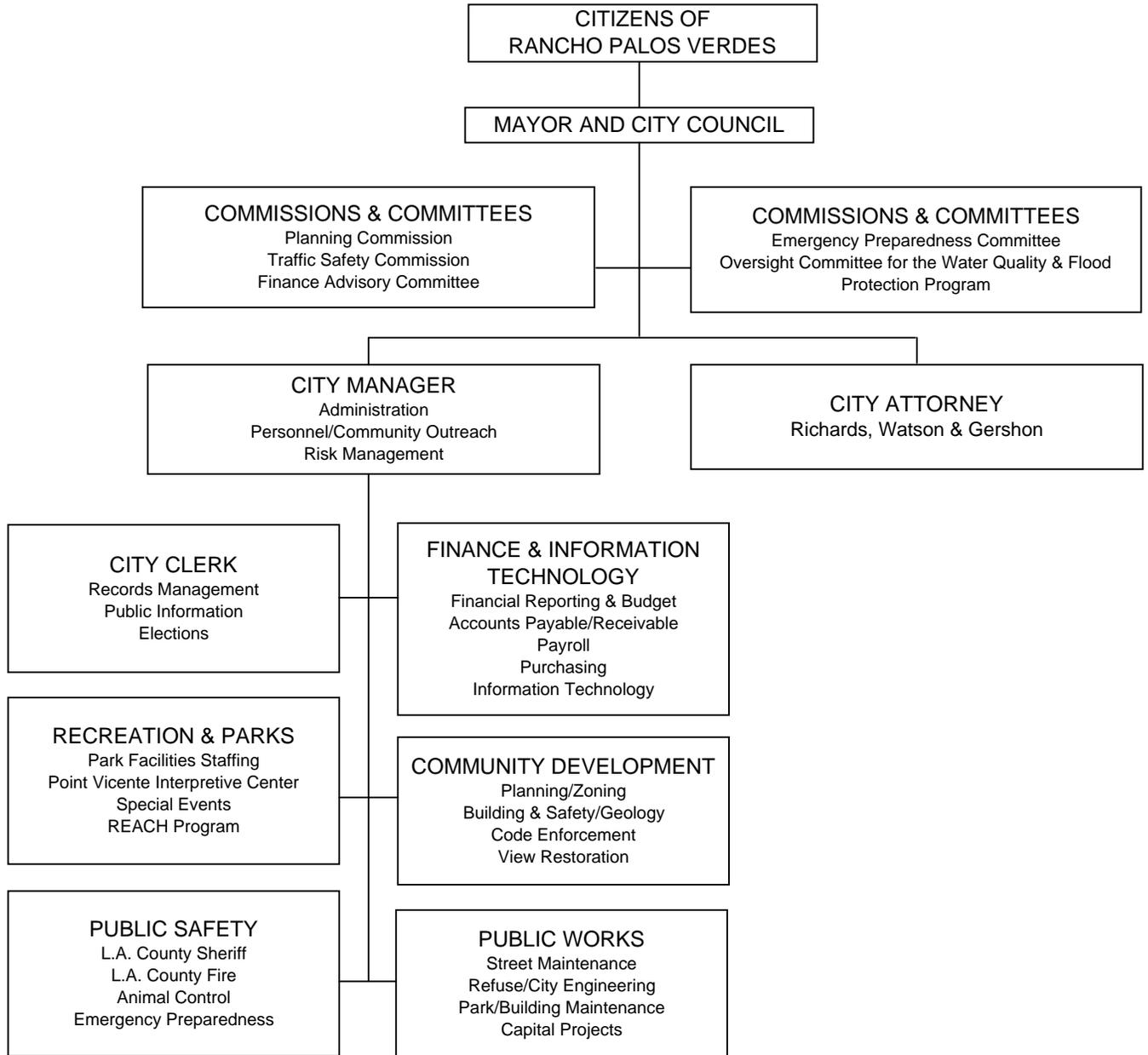
Stefan Wolowicz, Councilman

ADMINISTRATION AND DEPARTMENT HEADS

City Manager Carolyn Lehr
Deputy City Manager Carolynn Petru
City Clerk Carla Morreale
Director of Finance and Information Technology Dennis McLean
Community Development Director..... Joel Rojas
Interim Director of Public Works Ray Holland
Interim Director of Recreation and Parks Tom Odom
City AttorneyRichards, Watson & Gershon

CITY OF RANCHO PALOS VERDES

ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rancho Palos Verdes
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.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director



FINANCIAL SECTION



Gray Whale Skeleton Installation

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Rancho Palos Verdes, 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 the City of Rancho Palos Verdes's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Rancho Palos Verdes, California, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, Street Maintenance Special Revenue and Redevelopment Agency Housing Set-Aside Special Revenue major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 6, the City has implemented the provisions of Governmental Accounting and Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011.

As explained further in Note 9, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation.

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2011, on our consideration of the City of Rancho Palos Verdes's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis, as listed in the table of contents as required supplementary information, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. This information is 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 management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the City of Rancho Palos Verdes, California as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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.

White Nelson Diehl Evans, LLP

December 21, 2011
Irvine, California

MANAGEMENT'S DISCUSSION & ANALYSIS



City Hall Tour

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

The Management of the City of Rancho Palos Verdes offers readers of the City of Rancho Palos Verdes' Financial Statements this narrative overview and analysis of the City's financial activities for the Fiscal Year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on pages iv-ix of this report.

Financial Highlights

- The assets of the City of Rancho Palos Verdes exceed its liabilities at the close of the Fiscal Year ended June 30, 2011, by \$168,389,428 (*Net Assets*). Of this amount, \$38,741,678 (*Unrestricted Net Assets*) may be used to meet the City's ongoing obligations to its citizens and creditors. The remaining amount is invested in capital assets or is otherwise nonexpendable, and is therefore not available to meet the City's obligations.
- The City's Total Net Assets increased by \$4,920,576. There is no trend for annual increases or decreases of Total Net Assets. Each year's change is generally related to significant one-time events such as a major capital acquisition using outside funding. The majority of the FY10-11 increase is attributable to two factors: 1) transient occupancy tax of \$2.8 million collected from Terranea Resort was added to the Reserve for Future Capital Projects instead of being spent during FY10-11; and 2) the Net Assets included amounts encumbered for capital projects (street and park improvements) that were not spent during FY10-11, but carried forward to FY11-12.
- As of June 30, 2011, the City's Governmental Funds reported combined ending Fund Balances of \$26,462,324, an increase of \$3.3 million. Once again, there is no trend for annual increases and decreases of governmental fund balances, and changes are generally attributable to significant one-time events. As a comparison, the FY09-10 change in ending fund balance was a small decrease of only about 1%. The FY10-11 increase is primarily attributable to the \$2.8 million of General Fund revenue (noted above) that was added to the Reserve for Future Capital Projects.
- As of June 30, 2011, unassigned fund balance for the General Fund was \$11,385,761 or 67% of General Fund expenditures. About \$9.4 million of this amount constitutes the City Council's General Fund Reserve (rainy day fund). Due to the City Council's reserve policy, the unassigned fund balance has historically been maintained at or above the policy threshold level of 50% of budgeted General Fund expenditures.

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

- The City's total debt decreased by \$1,105,125 (6.9%) during the current fiscal year. This includes both short-term payables and long-term liabilities. The decrease was primarily attributable to a \$422,701 principal payment of the Redevelopment Agency's debt to the County and payment of a \$310,000 retention payable held at June 30, 2010 for completion of the Mirandela senior housing project.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) Government-Wide Financial Statements; 2) Fund Financial Statements; and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the City's 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 Rancho Palos Verdes 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 the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both the Government-Wide Financial Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, planning, building and safety, and recreation. The City's business-type activities include only the Water Quality and Flood Protection program for renewal and maintenance of the City's storm drain facilities.

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

The Government-Wide Financial Statements include not only the City of Rancho Palos Verdes itself (known as the *Primary Government*), but also a legally separate Redevelopment Agency and a legally separate Improvement Authority for which the City of Rancho Palos Verdes is financially accountable. Financial information for these *Component Units* has been included as an integral part of the primary government.

The Government-Wide Financial Statements can be found on pages 23-25 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 Rancho Palos Verdes, 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 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. The Governmental Balance Sheet and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities.

The City of Rancho Palos Verdes maintained 33 individual Governmental Funds during the Fiscal Year ended June 30, 2011. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Street Maintenance Fund, the RDA Housing Set-Aside Fund, the Capital Improvements Fund and the RDA Debt-Service Fund, all of which are considered to be major funds. Data from the other 28 Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

these Other Governmental Funds is provided in the form of *combining statements* elsewhere in this report.

The City of Rancho Palos Verdes 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 28-38 of this report.

Proprietary Funds. The City of Rancho Palos Verdes maintains two types of *Proprietary Funds*. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the Government-Wide Financial Statements. The City uses an Enterprise Fund to account for its Water Quality and Flood Protection Program. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses Internal Service Funds to account for its fleet of vehicles, computer systems, furniture and equipment, Employee Benefits, and Civic Center building replacement/improvements. Because these services predominantly benefit the governmental function, they have been included within governmental activities in the Government-Wide Financial Statements.

Proprietary Fund Financial Statements provide the same type of information as the Government-Wide Financial Statements, only in more detail. These statements can be found on pages 39-41 of this report. The Proprietary Fund Financial Statements provide separate information for the Enterprise Fund and the Internal Service Funds. The Enterprise Fund is presented as a single major fund of the City, while the Internal Service Funds are combined and presented as a single, aggregated presentation in the Statement. Individual fund data for the Internal Service Funds is provided in the form of combining statements elsewhere in 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. The notes to the financial statements can be found on pages 44-75 of this report.

Other information. The combining statements referred to earlier in connection with Other Governmental Funds and Internal Service Funds are presented immediately following the Notes to the Financial Statements. Combining and individual fund statements and schedules can be found on pages 78-124 of this report.

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Rancho Palos Verdes, assets exceeded liabilities by \$168,389,428 at June 30, 2011. By far, the largest portion of the City's Net Assets (76%) reflects its investment in Capital Assets (e.g. Land, Infrastructure, Buildings, and Equipment). The City uses these Capital Assets to provide services to its citizens; consequently, these assets are not available for future spending.

City of Rancho Palos Verdes Net Assets

	Governmental Activities		Business-type Activities		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Current and other assets	\$ 51,956,043	\$ 48,704,202	\$ 3,497,659	\$ 2,942,185	\$ 55,453,702	\$ 51,646,387
Capital assets	115,145,081	115,331,309	12,752,669	12,458,305	127,897,750	127,789,614
Total assets	167,101,124	164,035,511	16,250,328	15,400,490	183,351,452	179,436,001
Long-term liabilities outstanding	6,296,201	6,680,786	-	-	6,296,201	6,680,786
Other liabilities	8,533,780	9,168,799	132,043	117,564	8,665,823	9,286,363
Total liabilities	14,829,981	15,849,585	132,043	117,564	14,962,024	15,967,149
Invested in capital assets	115,145,081	115,331,309	12,752,669	12,458,305	127,897,751	127,789,614
Restricted	1,750,000	1,000,000	-	-	1,750,000	1,000,000
Unrestricted	35,376,062	31,854,617	3,365,616	2,824,621	38,741,677	34,679,238
Total net assets	\$ 152,271,143	\$ 148,185,926	\$ 16,118,285	\$ 15,282,926	\$ 168,389,428	\$ 163,468,852

An additional portion of the City's Net Assets (\$1,750,000 or about 1%) represents a nonexpendable resource that is subject to external restrictions. The remaining balance of Unrestricted Net Assets (\$35,376,062 or about 23%) may be used to meet the government's ongoing obligations to its citizens and creditors.

Governmental Activities. Governmental Activities increased the City's Net Assets by \$4,085,215.

CITY OF RANCHO PALOS VERDES

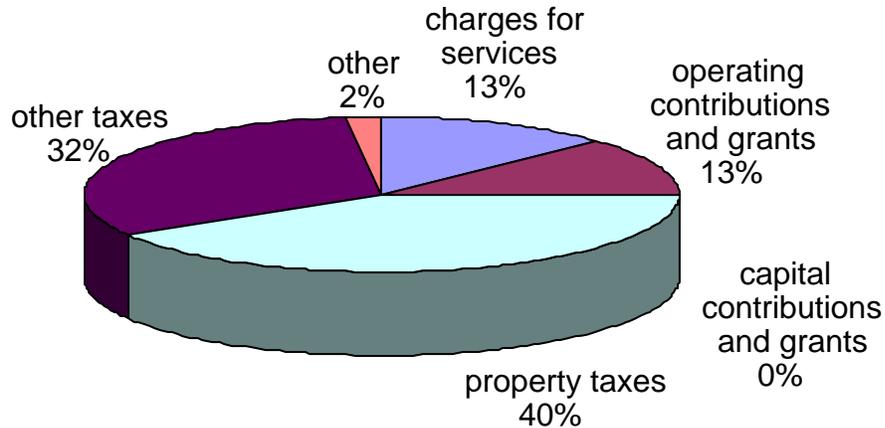
**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

City of Rancho Palos Verdes Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Program revenues:						
Charges for services	\$ 3,707,267	\$ 4,925,684	\$ -	\$ -	\$ 3,707,267	\$ 4,925,684
Operating contributions and grants	3,688,739	6,633,280	-	-	3,688,739	6,633,280
Capital contributions and grants	5,675	7,178,874	-	-	5,675	7,178,874
General revenues:						
Property taxes	11,854,171	11,431,192	-	-	11,854,171	11,431,192
Other taxes	9,234,107	8,019,118	-	-	9,234,107	8,019,118
Other	588,959	513,698	1,324,883	1,277,747	1,913,842	1,791,445
Total revenues	29,078,918	38,701,846	1,324,883	1,277,747	30,403,801	39,979,593
Expenses:						
Administration	5,996,735	7,823,738	-	-	5,996,734	7,823,738
Public safety	4,334,961	4,242,085	-	-	4,334,961	4,242,085
Public works	10,389,064	13,633,475	-	-	10,389,064	13,633,475
Parks and recreation	1,390,604	1,826,200	-	-	1,390,604	1,826,200
Community development	2,622,293	2,549,490	-	-	2,622,293	2,549,490
Non-departmental	-	320,000	-	-	-	320,000
Interest on long-term debt	260,045	264,717	-	-	260,045	264,717
Water Quality Flood Protection	-	-	489,524	579,849	489,524	579,849
Total expenses	24,993,703	30,659,705	489,524	579,849	25,483,225	31,239,554
Increase in net assets before transfers	4,085,215	8,042,141	835,359	697,898	4,920,576	8,740,039
Transfers	-	-	-	-	-	-
Increase in net assets	4,085,215	8,042,141	835,359	697,898	4,920,576	8,740,039
Net assets - beginning of fiscal year	148,185,926	140,143,785	15,282,926	14,585,028	163,468,852	154,728,813
Net assets - end of fiscal year	\$ 152,271,141	\$ 148,185,926	\$ 16,118,285	\$ 15,282,926	\$ 168,389,428	\$ 163,468,852

A key element of this increase included \$2.8 million of revenue from the operating budget that was not spent for FY10-11 programs, but set aside for future capital projects. The remainder of the increase was primarily attributable to amounts encumbered for capital projects (street improvements and park improvements) that were not spent during FY10-11, but were carried forward to FY11-12.

Revenues by Source – Governmental Activities



See independent auditors’ report.

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

Business-Type Activities. Business-type activities increased the City's net assets by \$835,359 primarily due to collection of storm drain user fees that will be utilized during FY11-12 for projects continued from FY10-11.

Financial Analysis of Governmental Funds

As of the end of the current Fiscal Year, the City's Governmental Funds reported combined ending Fund Balances of \$26,462,324, an increase of \$3.3 million in comparison with the prior year. Approximately 56% of the combined ending Fund Balances (about \$14.8 million) constitutes spendable fund balance. The combined spendable fund balance includes the RDA Debt Service negative unassigned fund deficit of \$17,950,999. The remainder of the combined ending Fund Balances is either nonspendable due to outside legal restrictions (\$1.75 million), or nonspendable in form (primarily for long-term principal advances to other funds of \$8.4 million, and prepaid items of \$1.4 million).

The General Fund is the chief operating fund of the City of Rancho Palos Verdes. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$11,385,761, while total Fund Balance reached \$18,900,262. As a measure of the General Fund's liquidity, it may be useful to compare both Unassigned Fund Balance and Total Fund Balance to total fund uses (expenditures and transfers out). Unassigned Fund Balance represents 49% of total General Fund uses, while total Fund Balance represents 81% of that same amount.

During Fiscal Year 10-11, the fund balance of the City's General Fund decreased by \$472,779. Although there were favorable budget variances totaling \$2.2 million, there were also budgeted one-time uses of the General Fund balance for improvements to Lower Hesse and Grandview Parks (\$2 million) and the ball fields at Ryan and Hesse Parks (\$0.5 million). The most notable General Fund favorable variances included: a retrospective general liability insurance adjustment in the City Manager's program; park and building maintenance program savings due to conservative budget practices; and transfers of cash to the General Fund from closing the Utility Undergrounding and Roadway Beautification Funds. The funds no longer meet the definition of a special revenue fund per Government Accounting Standards Board Statement No. 54. The remaining expenditure savings was comprised of insignificant amounts (0.5% or less) spread among a large number of the General Fund's 30 budget programs.

The Street Maintenance Fund Balance increased by \$139,127, primarily due to permanent expenditure savings. However, the Street Maintenance fund balance continues to hold about \$53,000 that will likely be transferred to the Capital Improvement Projects fund during FY11-12 for the City's contribution to the

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

Hawthorne Boulevard pedestrian improvements project primarily funded with a grant.

The Redevelopment Agency's Housing Set-Aside Fund Balance increased by \$402,707. The majority of the increase was directly related to the sale of a condominium in March 2011 that was previously held for affordable housing purposes.

The Debt Service Fund has a net negative fund balance of \$17,950,999. The Redevelopment Agency's debt to the City is recorded in the Debt Service Fund. However, because there are currently no assets to extinguish that debt, the fund carries a negative fund balance. The net decrease in the Debt Service Fund Balance during the current year was \$694,785, which primarily represents interest accrued during FY10-11 on the advance from the City to the Redevelopment Agency.

The Capital Improvement Projects (CIP) Fund had an ending fund balance of \$11,649,780. Of this amount, \$3.9 million is held for street improvement projects continued from FY10-11 to FY11-12, \$2.4 million is held for park improvement projects continued from FY10-11 to FY11-12, and the remaining \$5.3 million is held in reserve for emergency projects and future projects as directed by City Council policy.

Financial Analysis of Proprietary Funds

The City's Proprietary Funds provide the same type of information found in the Government-Wide Financial Statements, but in more detail. Unrestricted Net Assets of the Enterprise Fund at the end of the year amounted to \$3,365,616. Unrestricted Net Assets of the Internal Service Funds at the end of the year amounted to \$4,042,702. The total growth in Proprietary Fund type net assets was \$363,986 or 5% of unrestricted Net Assets.

General Fund Budgetary Highlights

The difference between original budgeted expenditures and the final amended budget was an increase of \$881,149; and is briefly summarized as follows:

- A decrease of \$629,431 was attributable to appropriations continued to FY11-12.
- An increase of \$1,462,450 was attributable to appropriations continued from FY09-10.
- Other immaterial adjustments resulted in net increases of approximately \$48,000.

See independent auditors' report.

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

Capital Asset and Debt Administration

Capital Assets. The City's investment in Capital Assets for its governmental activities as of June 30, 2011, amounts to \$115,145,081 (net of accumulated depreciation). This investment in capital assets includes land, buildings, park improvements, roadways, sewer, storm drains, vehicles, computer equipment, furniture, other equipment, and construction in progress. During the current fiscal year, the City's investment in governmental capital assets decreased by about \$186,000 or about 0.16%.

Major capital asset events during the current Fiscal Year included the following:

- Depreciation of \$3.5 million was recorded for the City's Capital Assets.
- A residential street repaving project was completed with a total cost of about \$1.5 million.
- Parkland adjacent to Trump National Golf Course was dedicated to the City with an estimated value of about \$1.2 million.

The Capital Assets (net of accumulated depreciation) for Business-type activities as of June 30, 2011 was \$12,752,669.

City of Rancho Palos Verdes Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Capital assets not being depreciated						
Land	\$ 40,048,288	\$ 38,808,553	\$ 1,408,493	\$ 1,408,493	\$ 41,456,781	\$ 40,217,046
Construction in progress	628,308	66,290	678,980	149,081	1,307,288	215,371
Total capital assets not being depreciated	40,676,596	38,874,843	2,087,473	1,557,574	42,764,069	40,432,417
Capital assets being depreciated, net						
Buildings	7,156,296	7,756,992	-	-	7,156,296	7,756,992
Vehicles	94,656	92,942	-	-	94,656	92,942
Computer equipment	35,181	62,538	-	-	35,182	62,538
Furniture, fixtures and equipment	123,861	107,867	1,181	3,543	125,042	111,410
Infrastructure						
Roadway system	46,304,199	47,063,335	-	-	46,304,199	47,063,335
Sewer system	8,447,475	8,902,584	-	-	8,447,475	8,902,584
Storm drain system	10,180,941	10,431,420	10,664,015	10,897,188	20,844,956	21,328,608
Park system	2,125,876	2,038,788	-	-	2,125,876	2,038,788
Total capital assets being depreciated, net	74,468,485	76,456,466	10,665,196	10,900,731	85,133,681	87,357,197
Capital Assets, net	\$ 115,145,081	\$ 115,331,309	\$ 12,752,669	\$ 12,458,305	\$ 127,897,751	\$ 127,789,614

Additional information on the City's Capital Assets can be found in Note # 4 on pages 56-58 of this report.

See independent auditors' report.

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

Long-term debt. At the end of the current Fiscal Year, the City of Rancho Palos Verdes had total debt outstanding of \$6,296,201. Of this amount, \$5,963,601 is a liability of the Redevelopment Agency.

City of Rancho Palos Verdes Outstanding Debt

	Governmental Activities	
	June 30, 2011	June 30, 2010
RDA Tax Increment Bond	\$ 5,165,000	\$ 5,250,000
RDA Deferred Interest Payable	798,601	1,136,303
Employee compensated absences	332,600	294,483
Total	\$ 6,296,201	\$ 6,680,786

The City's total debt decreased by \$384,585 (5.8%) during the current Fiscal Year, primarily due to partial payment of the RDA deferred interest payable.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total assessed valuation. The current debt limitation for the City of Rancho Palos Verdes is \$1,382,850,000. Additional information on the City's long-term debt can be found in Note # 5 on pages 58-61 of this report.

Economic Factors and Next Year's Budgets and Rates

- Local property values remain strong; therefore, Property Tax Revenue (approximately 43 percent of City-Wide Revenues) remains largely unaffected by the downturn in the economy. Looking forward to FY11-12, Los Angeles County saw an overall increase in property assessments of about 1.3%, while the City of Rancho Palos Verdes experienced an overall increase in property assessments of 2.7%.
- At the time of this report, there is no significant impact to the City's FY11-12 revenue as a result of the State's ongoing budget crisis. Staff continues to monitor state impacts closely, and will report to City Council if the state takes any actions that necessitate City adjustment.
- The Consumer Price Index for Los Angeles County increased by 2.9% for the 12 months ended June 2011; however, the City's FY11-12 expenditure budget was limited to an increase of about \$96,000 (or 0.5%) when compared to FY10-11. Revenue in excess of budgeted expenditures (about \$3.7 million) has been programmed for maintenance and improvement of infrastructure (primarily street improvement projects).

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

Requests for Information

This Financial Report is designed to provide a general overview of the financial position of the City of Rancho Palos Verdes for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Finance and Information Technology Department at 30940 Hawthorne Boulevard, Rancho Palos Verdes, CA 90275 or finance@rpv.com.



Palos Verdes Marathon

BASIC FINANCIAL STATEMENTS



Fourth of July Puppet Show

GOVERNMENT-WIDE STATEMENTS



Rancho Palos Verdes Coastline

CITY OF RANCHO PALOS VERDES

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	\$ 40,633,615	\$ 3,432,022	\$ 44,065,637
Receivables:			
Taxes	1,180,020	-	1,180,020
Interest	38,059	3,378	41,437
Notes	7,599,483	-	7,599,483
Other	789,947	62,259	852,206
Inventory	41,168	-	41,168
Prepaid costs	1,673,750	-	1,673,750
Capital assets, not being depreciated:			
Land	40,048,288	1,408,493	41,456,781
Construction in progress	628,308	678,980	1,307,288
Capital assets, being depreciated, net:			
Property and equipment	253,699	1,181	254,880
Buildings and improvements	7,156,296	-	7,156,296
Infrastructure	67,058,491	10,664,015	77,722,506
TOTAL ASSETS	167,101,124	16,250,328	183,351,452
LIABILITIES:			
Accounts payable and accrued liabilities	3,385,699	131,233	3,516,932
Interest payable	20,086	-	20,086
Retentions payable	194,335	810	195,145
Unearned revenue	4,047,642	-	4,047,642
Deposits payable	886,017	-	886,017
Long-term liabilities:			
Due within one year	341,878	-	341,878
Due beyond one year	5,954,324	-	5,954,324
TOTAL LIABILITIES	14,829,981	132,043	14,962,024
NET ASSETS:			
Invested in capital assets, net of related debt	115,145,082	12,752,669	127,897,751
Restricted for:			
Community development:			
Nonexpendable	1,750,000	-	1,750,000
Unrestricted	35,376,061	3,365,616	38,741,677
TOTAL NET ASSETS	\$ 152,271,143	\$ 16,118,285	\$ 168,389,428

See independent auditors' report and notes to financial statements.

CITY OF RANCHO PALOS VERDES

STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Administration	\$ 5,996,734	\$ 654,051	\$ 84,220	\$ -
Public safety	4,334,961	260,543	110,202	-
Public works	10,389,064	621,607	3,325,193	5,675
Parks and recreation	1,390,604	456,940	28,597	-
Community development	2,622,293	1,714,126	140,527	-
Non-departmental	-	-	-	-
Interest on long-term debt	260,045	-	-	-
Total governmental activities	24,993,701	3,707,267	3,688,739	5,675
Business-type Activity:				
Water Protection Flood Control	489,524	-	-	-
Total Primary Government	\$ 25,483,225	\$ 3,707,267	\$ 3,688,739	\$ 5,675

General revenues:
Taxes:
Property tax, levied for general purpose
Property tax, Redevelopment Agency tax increment
Storm Drain user fees levied for water quality and flood protection
Transient occupancy tax
Sales tax
Franchise tax
Motor vehicle in lieu tax (unrestricted)
Utility user tax
Other taxes
Investment income
Unrestricted grants, contributions and other revenues

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

See independent auditors' report and notes to financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (5,258,463)	\$ -	\$ (5,258,463)
(3,964,216)	-	(3,964,216)
(6,436,589)	-	(6,436,589)
(905,067)	-	(905,067)
(767,640)	-	(767,640)
-	-	-
(260,045)	-	(260,045)
(17,592,020)	-	(17,592,020)
-	(489,524)	(489,524)
(17,592,020)	(489,524)	(18,081,544)
10,732,334	-	10,732,334
1,121,837	-	1,121,837
-	1,312,230	1,312,230
2,640,369	-	2,640,369
1,548,007	-	1,548,007
1,824,892	-	1,824,892
220,790	-	220,790
2,406,831	-	2,406,831
593,218	-	593,218
317,693	12,653	330,346
271,266	-	271,266
21,677,237	1,324,883	23,002,120
4,085,217	835,359	4,920,576
148,185,926	15,282,926	163,468,852
\$ 152,271,143	\$ 16,118,285	\$ 168,389,428



Halloween Pumpkin Race

FUND FINANCIAL STATEMENTS

CITY OF RANCHO PALOS VERDES

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

		General	Special Revenue Street Maintenance
ASSETS		<u>General</u>	<u>Maintenance</u>
Cash and investments		\$ 13,010,103	\$ 1,057,031
Receivables:			
Taxes		1,000,398	129,668
Interest		15,168	198
Notes		-	-
Other		479,207	2,981
Due from other funds		138,658	-
Inventory		41,168	-
Prepaid items		820,474	-
Advances to other funds		18,568,186	-
TOTAL ASSETS		<u>\$ 34,073,362</u>	<u>\$ 1,189,878</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities		\$ 2,067,207	\$ 273,140
Due to other funds		-	-
Retentions payable		6,064	1,593
Deferred revenue		12,213,812	-
Advances from other funds		-	-
Deposits payable		886,017	-
TOTAL LIABILITIES		<u>15,173,100</u>	<u>274,733</u>
FUND BALANCES (DEFICIT):			
Non-Spendable			
Endowment principal		-	-
Reimbursement settlement agreemen		-	-
Prepaid items		820,474	-
Advances to other funds		6,652,859	-
Long term receivables		-	-
Habitat restoration		-	-
Inventory		41,168	-
Restricted		-	915,145
Committed		-	-
Assigned		-	-
Unassigned		11,385,761	-
TOTAL FUND BALANCES (DEFICIT)		<u>18,900,262</u>	<u>915,145</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 34,073,362</u>	<u>\$ 1,189,878</u>

See independent auditors' report and notes to financial statements

Special Revenue	Debt Service	Capital Projects	Other	Total
RDA Housing Set-Aside	Redevelopment Agency	Capital Improvements	Governmental Funds	Governmental Funds
\$ 589,736	\$ 44,646	\$ 12,390,613	\$ 9,494,691	\$ 36,586,820
14,659	-	-	35,295	1,180,020
2	-	9,552	8,626	33,546
6,640,825	-	-	703,704	7,344,529
-	-	3,281	304,478	789,947
-	-	-	-	138,658
-	-	-	-	41,168
-	573,216	-	17,976	1,411,666
-	-	-	1,823,420	20,391,606
<u>\$ 7,245,222</u>	<u>\$ 617,862</u>	<u>\$ 12,403,446</u>	<u>\$ 12,388,190</u>	<u>\$ 67,917,960</u>

\$ 611	\$ 675	\$ 565,963	207,416	\$ 3,115,012
-	-	-	138,658	138,658
-	-	186,678	-	194,335
3,593,773	-	1,025	921,398	16,730,008
1,823,420	18,568,186	-	-	20,391,606
-	-	-	-	886,017
<u>5,417,804</u>	<u>18,568,861</u>	<u>753,666</u>	<u>1,267,472</u>	<u>41,455,636</u>

-	-	-	750,000	750,000
-	-	-	1,000,000	1,000,000
-	573,216	-	17,976	1,411,666
-	-	-	1,766,367	8,419,226
2,990,000	-	-	-	2,990,000
-	-	-	43,741	43,741
-	-	-	-	41,168
-	-	-	7,669,030	8,584,175
-	-	-	-	-
-	-	11,649,780	-	11,649,780
(1,162,582)	(18,524,215)	-	(126,396)	(8,427,432)
<u>1,827,418</u>	<u>(17,950,999)</u>	<u>11,649,780</u>	<u>11,120,718</u>	<u>26,462,324</u>
<u>\$ 7,245,222</u>	<u>\$ 617,862</u>	<u>\$ 12,403,446</u>	<u>\$ 12,388,190</u>	<u>\$ 67,917,960</u>



Volunteer Docent Appreciation Lunch

CITY OF RANCHO PALOS VERDES

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

June 30, 2011

Fund balances - total governmental funds	\$ 26,462,324
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	114,891,385
Interest accrued on the advance receivable in the General Fund is not available as current resource and, therefore, is recorded as deferred revenue and added to the balance of the advance. The Statement of Net Assets reports on the full accrual basis and does not defer currently unavailable revenues.	11,915,327
Intergovernmental revenues earned, but not available, are deferred in the fund financial statements. The revenue is not deferred on the Statement of Activities.	191,969
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds.	(20,086)
Long-term notes receivable are not current available resources and, therefore, do not affect the governmental fund balance.	830,024
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(6,296,201)
Internal service funds are used by management to charge the costs of certain activities, including equipment and building replacement and employee benefits, to individual funds. The assets and liabilities of the internal service funds are included in the Statement of Net Assets.	<u>4,296,401</u>
Net assets of governmental activities	<u><u>\$ 152,271,143</u></u>

See independent auditors' report and notes to financial statements.

CITY OF RANCHO PALOS VERDES

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the year ended June 30, 2011

	General	Special Revenue Street Maintenance
REVENUES:		
Taxes	\$ 19,487,539	\$ -
Licenses and permits	1,932,844	-
Fines and forfeitures	209,778	-
Use of money and property	840,535	19,456
Charges for services	73,119	-
Revenue from other agencies	226,803	1,141,891
Other revenues	151,200	-
TOTAL REVENUES	22,921,818	1,161,347
EXPENDITURES:		
Current:		
Administration	5,220,551	-
Public safety	4,309,456	-
Public works	3,705,579	1,954,934
Parks and recreation	1,237,396	-
Community development	2,608,288	-
Non-departmental	-	-
Capital outlay	-	-
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
TOTAL EXPENDITURES	17,081,270	1,954,934
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,840,548	(793,587)
OTHER FINANCING SOURCES (USES):		
Sale of capital assets	-	-
Transfers in	651,020	937,133
Transfers out	(6,964,348)	(4,419)
TOTAL OTHER FINANCING SOURCES (USES)	(6,313,328)	932,714
NET CHANGE IN FUND BALANCES	(472,779)	139,127
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	19,373,042	776,018
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 18,900,263</u>	<u>\$ 915,145</u>

See independent auditors' report and notes to financial statements.

Special Revenue RDA Housing Set-Aside	Debt Service Redevelopment Agency	Capital Projects Capital Improvements	Other Governmental Funds	Total Governmental Funds
\$ 224,367	\$ 897,470	\$ -	\$ 809,535	\$ 21,418,911
-	-	-	-	1,932,844
-	-	-	-	209,778
1,151	-	32,483	666,449	1,560,074
-	-	-	-	73,119
-	-	5,675	1,787,703	3,162,072
-	-	-	78,569	229,769
<u>225,518</u>	<u>897,470</u>	<u>38,158</u>	<u>3,342,256</u>	<u>28,586,567</u>
-	282,150	-	-	5,502,701
-	-	-	25,505	4,334,961
-	-	-	2,215,012	7,875,525
-	-	-	20,000	1,257,396
172,811	-	-	2,889	2,783,988
-	-	-	-	-
-	-	2,385,306	171,483	2,556,789
-	422,701	-	-	422,701
-	887,404	-	-	887,404
<u>172,811</u>	<u>1,592,255</u>	<u>2,385,306</u>	<u>2,434,889</u>	<u>25,621,465</u>
<u>52,707</u>	<u>(694,785)</u>	<u>(2,347,148)</u>	<u>907,367</u>	<u>2,965,102</u>
350,000	-	-	-	350,000
-	-	6,915,331	350,570	8,854,054
-	-	-	(1,885,288)	(8,854,055)
<u>350,000</u>	<u>-</u>	<u>6,915,331</u>	<u>(1,534,718)</u>	<u>349,999</u>
402,707	(694,785)	4,568,183	(627,351)	3,315,101
<u>1,424,711</u>	<u>(17,256,214)</u>	<u>7,081,597</u>	<u>11,748,068</u>	<u>23,147,222</u>
<u>\$ 1,827,418</u>	<u>\$ (17,950,999)</u>	<u>\$ 11,649,780</u>	<u>\$ 11,120,717</u>	<u>\$ 26,462,323</u>

CITY OF RANCHO PALOS VERDES

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

Net change in fund balances - total governmental funds	\$ 3,315,101
Amounts reported for governmental activities in the Statement of Activities are different because	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense, or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. Asset disposals are also not recognized in the governmental funds. This activity reconciled as follows:	
Cost of assets capitalized	3,214,840
Depreciation expense	(3,391,417)
Unpaid accrued interest income is deferred in the governmental funds since it is not available. This income is accrued in the Statement of Activities.	627,028
Intergovernmental revenues earned, but not available are deferred in the fund financial statements	29,716
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds. This amount represents the net change in interest payable	331
Increases in long-term notes receivable use current financial resources and are included in the expenditure of governmental funds. Repayments of long-term notes receivables provide current financial resource and are included in the revenues of governmental funds. These changes in notes receivable are not reflected in the revenues or expenses of the Statement of Activities. This amount represents the net change in the long-term notes receivable	91,691
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	(38,117)
Principal payments on debt are recorded as expenditures in the funds. The expenditure is not recognized in the Statement of Activities since it reduces the liability reported on the Statement of Net Assets. Principal payments consisted of the following:	
Redevelopment Agency tax increment bonds	85,000
Redevelopment Agency deferred interest payable	337,701
Internal service funds are used by management to charge the costs of certain activities, including equipment and building replacement and employee benefits, to individual funds. The net revenues/(expenses) of the internal service funds (excluding transfers and interest income) are reported with governmental activities	<u>(186,658)</u>
Change in net assets of governmental activities	<u>\$ 4,085,216</u>

See independent auditors' report and notes to financial statements

CITY OF RANCHO PALOS VERDES

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 18,481,517	\$ 19,609,517	\$ 19,487,539	\$ (121,978)
Licenses and permits	2,014,500	2,014,500	1,932,844	(81,656)
Fines and forfeitures	217,000	154,000	209,778	55,778
Use of money and property	611,320	611,320	840,535	229,215
Charges for services	59,100	59,100	73,119	14,019
Revenue from other agencies	215,000	155,000	226,803	71,803
Other revenues	152,200	152,200	151,200	(1,000)
TOTAL REVENUES	21,750,637	22,755,637	22,921,818	166,181
EXPENDITURES:				
Administration				
City council	95,935	106,135	100,548	5,587
City manager	1,530,867	1,688,767	1,446,586	242,181
City attorney	1,065,000	1,036,685	948,605	88,080
Community outreach	169,832	180,832	180,358	474
City clerk	279,549	470,549	468,323	2,226
Personnel	207,469	275,784	270,852	4,932
Finance	1,283,570	1,310,882	1,245,015	65,867
Information technology - Data	628,067	508,747	488,257	20,490
Information technology - Voice	92,970	92,970	72,007	20,963
Total Administration	5,353,259	5,671,351	5,220,551	450,800
Public safety				
Sheriff	3,994,087	3,994,087	3,989,703	4,384
Special programs	212,545	222,545	139,867	82,678
Animal control	125,250	130,250	64,753	65,497
Emergency preparedness	99,645	134,595	115,133	19,462
Total Public Safety	4,431,527	4,481,477	4,309,456	172,021
Public Works				
Public works administration	1,896,910	1,890,152	1,865,667	24,485
Traffic management	277,400	238,400	167,316	71,084
Storm water quality	149,600	174,600	115,661	58,939
Building maintenance	599,000	630,000	453,168	176,832
Park/Trail/Open Space maintenance	1,316,249	1,640,229	1,066,587	573,642
Sewer maintenance	61,300	64,925	37,180	27,745
Total Public Works	4,300,459	4,638,306	3,705,579	932,727

CITY OF RANCHO PALOS VERDES

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)

GENERAL FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks and Recreation				
Recreation administration	371,220	403,220	400,375	2,845
Recreation facilities	441,538	461,538	449,066	12,472
Special events	40,980	40,980	27,776	13,204
PVIC	328,291	328,291	322,890	5,401
REACH	73,790	53,790	37,289	16,501
Total Parks and Recreation	<u>1,255,819</u>	<u>1,287,819</u>	<u>1,237,396</u>	<u>50,423</u>
Community Development				
Planning services	1,275,844	1,412,127	1,409,575	2,552
Building & safety	591,509	596,509	569,318	27,191
Code enforcement	191,594	191,594	178,005	13,589
View restoration/preservation	319,276	331,276	329,553	1,723
NCCP	-	1,477	1,477	-
Geology	200,000	200,000	120,360	79,640
Total Community Development	<u>2,578,223</u>	<u>2,732,983</u>	<u>2,608,288</u>	<u>124,695</u>
Non-Departmental	-	-	-	-
TOTAL EXPENDITURES	<u>17,919,287</u>	<u>18,811,936</u>	<u>17,081,270</u>	<u>1,730,666</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,831,350</u>	<u>3,943,701</u>	<u>5,840,548</u>	<u>1,896,847</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	289,848	272,641	651,020	378,379
Transfers out	<u>(4,208,947)</u>	<u>(7,029,099)</u>	<u>(6,964,348)</u>	<u>64,751</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,919,099)</u>	<u>(6,756,458)</u>	<u>(6,313,328)</u>	<u>443,130</u>
NET CHANGE IN FUND BALANCE	(87,749)	(2,812,757)	(472,780)	2,339,977
FUND BALANCE - BEGINNING OF YEAR	<u>19,373,042</u>	<u>19,373,042</u>	<u>19,373,042</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 19,285,293</u>	<u>\$ 16,560,285</u>	<u>\$ 18,900,262</u>	<u>\$ 2,339,977</u>

See independent auditors' report and notes to financial statements

CITY OF RANCHO PALOS VERDES

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

STREET MAINTENANCE SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 7,420	\$ 7,420	\$ 19,456	\$ 12,036
Charges for services	14,000	14,000	-	(14,000)
Revenue from other agencies	1,117,550	1,117,550	1,141,891	24,341
TOTAL REVENUES	1,138,970	1,138,970	1,161,347	22,377
EXPENDITURES:				
Public Works				
Street landscape maintenance	1,554,274	1,458,614	1,370,724	87,890
Traffic signal maintenance	104,100	104,100	65,596	38,504
Portuguese Bend road maintenance	500,300	520,300	518,614	1,686
TOTAL EXPENDITURES	2,158,674	2,083,014	1,954,934	128,079
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,019,704)	(944,044)	(793,587)	150,456
OTHER FINANCING SOURCES:				
Transfers in	973,600	973,600	937,133	(36,467)
Transfers out	-	(57,080)	(4,419)	52,661
TOTAL OTHER FINANCING SOURCES (USES)	973,600	916,520	932,714	16,194
NET CHANGE IN FUND BALANCE	(46,104)	(27,524)	139,127	166,650
FUND BALANCE - BEGINNING OF YEAR	776,018	776,018	776,018	-
FUND BALANCE - END OF YEAR	\$ 729,914	\$ 748,494	\$ 915,145	\$ 166,650

See independent auditors' report and notes to financial statements.

CITY OF RANCHO PALOS VERDES

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

REDEVELOPMENT AGENCY HOUSING SET-ASIDE SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 222,300	\$ 222,300	\$ 224,367	\$ 2,067
Use of money and property	3,600	3,600	1,151	(2,449)
TOTAL REVENUES	225,900	225,900	225,518	(381)
EXPENDITURES:				
Community Development				
Redevelopment	12,500	12,500	172,811	(160,311)
Capital outlay	266,457	714,896	-	714,896
TOTAL EXPENDITURES	278,957	727,396	172,811	554,585
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(53,057)	(501,496)	52,707	554,204
OTHER FINANCING SOURCES:				
Sale of capital assets	-	-	350,000	350,000
NET CHANGE IN FUND BALANCE	(53,057)	(501,496)	402,707	904,204
FUND BALANCE - BEGINNING OF YEAR	1,424,711	1,424,711	1,424,711	-
FUND BALANCE - END OF YEAR	\$ 1,371,654	\$ 923,215	\$ 1,827,418	\$ 904,204

See independent auditors' report and notes to financial statements.

CITY OF RANCHO PALOS VERDES

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2011

	Business-type Activity- Water Quality Flood Protection Enterprise Fund	Governmental Activities- Internal Service Funds
ASSETS		
CURRENT ASSETS:		
Cash and investments	\$ 3,432,022	\$ 4,046,795
Receivables:		
Interest	3,378	4,511
Other	62,259	-
Prepaid items	-	262,084
	<u>3,497,659</u>	<u>4,313,390</u>
TOTAL CURRENT ASSETS		
NONCURRENT ASSETS:		
Capital assets, not being depreciated:		
Land	1,408,493	-
Construction in progress	678,980	-
Capital assets, being depreciated:		
Property and equipment	11,813	1,468,875
Infrastructure	11,338,573	-
Accumulated depreciation	(685,190)	(1,215,176)
	<u>12,752,669</u>	<u>253,699</u>
TOTAL NONCURRENT ASSETS		
	<u>16,250,328</u>	<u>4,567,089</u>
TOTAL ASSETS		
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	131,233	270,688
Retentions payable	810	-
	<u>132,043</u>	<u>270,688</u>
TOTAL CURRENT LIABILITIES		
NET ASSETS		
Invested in capital assets	12,752,669	253,699
Unrestricted	3,365,616	4,042,702
	<u>16,118,285</u>	<u>4,296,401</u>
TOTAL NET ASSETS		
	<u>\$ 16,118,285</u>	<u>\$ 4,296,401</u>

See independent auditors' report and notes to financial statements.

CITY OF RANCHO PALOS VERDES

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS

For the year ended June 30, 2011

	Business-type Activity- Water Quality Flood Protection Enterprise Fund	Governmental Activities- Internal Service Funds
OPERATING REVENUES:		
Charges for services	-	\$ 1,854,448
OPERATING EXPENSES:		
Personnel services	139,557	1,704,755
Materials and supplies	72,964	128,908
Maintenance	41,468	268,191
Depreciation	235,535	121,887
TOTAL OPERATING EXPENSES	489,524	2,223,741
OPERATING LOSS	(489,524)	(369,293)
NONOPERATING REVENUES:		
Other revenues	-	166,194
Interest income	12,653	16,441
Storm drain user fees	1,312,230	-
TOTAL NONOPERATING REVENUES	1,324,883	182,635
CHANGE IN NET ASSETS	835,359	(186,658)
TOTAL NET ASSETS - BEGINNING OF YEAR	15,282,926	4,483,059
TOTAL NET ASSETS - END OF YEAR	\$ 16,118,285	\$ 4,296,401

See independent auditors' report and notes to financial statements.

CITY OF RANCHO PALOS VERDES

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the year ended June 30, 2011

	Business-type Activity- Water Quality Flood Protection Enterprise Fund	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from interfund services provided	\$ -	\$ 1,854,448
Payments to suppliers	(114,432)	(485,508)
Payments to employees	(139,557)	(1,656,215)
	<u>(253,989)</u>	<u>(287,275)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(515,419)	(112,239)
	<u>(515,419)</u>	<u>(112,239)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Receipts from storm drain user fees	1,280,284	-
Grant received	-	156,094
NET CASH PROVIDED FROM NON-CAPITAL FINANCING ACTIVITIES	<u>1,280,284</u>	<u>156,094</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	12,480	26,637
	<u>12,480</u>	<u>26,637</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	523,356	(216,784)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,908,666</u>	<u>4,263,578</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,432,022</u>	<u>\$ 4,046,794</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (489,524)	\$ (369,293)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	235,535	121,887
Changes in operating assets and liabilities:		
Decrease in prepaid items	-	(140,217)
Increase in accrued liabilities	-	100,348
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (253,989)</u>	<u>\$ (287,275)</u>

See independent auditors' report and notes to financial statements.



Emergency Preparedness – Great Shakeout Drill

NOTES TO FINANCIAL STATEMENTS

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE #1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Rancho Palos Verdes (the City) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the significant policies.

A. Reporting Entity

The reporting entity, "City of Rancho Palos Verdes", includes the accounts of the City, the Rancho Palos Verdes Redevelopment Agency (the RDA), and the Joint Powers Improvement Authority (the Authority).

The City was incorporated on September 7, 1973, as a General Law City and operates under a Council/Manager form of government.

The RDA was formed in 1984 pursuant to the State of California Health and Safety Code Section 33000 entitled "Community Redevelopment Law". Its purpose is to finance long-term capital improvements designed to eliminate physical and economic blight in a project area through stabilization of hazardous landslides.

The Authority was formed on September 4, 1990, in accordance with the provisions of the Reimbursement and Settlement Agreement, dated October 27, 1987, entered into by the City, the RDA, and the County of Los Angeles (the County) in connection with the Horan Lawsuit. The Agreement requires funds to be set aside and expended by the Authority to maintain landslide abatement improvements installed and constructed by the RDA.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement 14. The City of Rancho Palos Verdes is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's Board, or because the component unit will provide a financial benefit or impose a financial burden on the City. The City has accounted for both the RDA and the Authority as "blended" component units. Despite being legally separate entities, the RDA and the Authority are so intertwined with the City, they are, in substance, part of the City's operations.

Accordingly, the balances and transactions of the RDA are reported as separate Special Revenue, Debt Service, and Capital Projects Funds. The balances and transactions of the Authority are reported as separate Permanent and Special Revenue Funds. The following specific criteria were used in determining that the RDA and the Authority are "blended" component units:

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1) The members of the City Council also act as the governing body of both the RDA and the Authority.

2) The City, the RDA and the Authority are financially interdependent. The City subsidizes maintenance operations performed by the Authority. The City makes loans to the RDA for use on redevelopment projects. Available property tax revenues of the RDA will be used to repay the loans from the City. It is not anticipated that tax increment revenues may become available to begin repayment of the loans as early as December 2013.

3) Employees of the City manage both the RDA and the Authority.

Separately issued financial statements for both the RDA and the Authority may be obtained at the City's administrative offices.

Participation in Public Entity Joint Powers Authority

The City is a member of the Palos Verdes Peninsula Transit Joint Powers Authority (the Transit Authority). The Transit Authority is comprised of three member cities and is organized under a Joint Powers Agreement pursuant to the California Government Code. 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. Periodic deposits are paid by member Cities and are adjusted retrospectively to cover costs. Costs are prorated among all participating Cities based on population.

The City does not have an equity interest in the Transit Authority; therefore, no amount has been reported in the Statement of Net Assets. However, the City does have an ongoing financial interest, because the City is able to influence the operations of the Authority so that the Authority uses its resources on behalf of the City. Also, an ongoing financial responsibility exists because the Authority is dependent on continued funding from the City. The condensed financial information of the Authority has not been reproduced in this report, but is available upon request from the Authority by emailing pvtransit@palosverdes.com or mailing a request to P.O. Box 2656, Palos Verdes Peninsula, CA 90274.

B. Accounting and Reporting Policies

The City has conformed to the pronouncements of the Governmental Accounting Standards Board (GASB), which are the primary authoritative statements of accounting principles generally accepted in the United States of America applicable to State and Local governments.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

C. Description of Funds

The accounts of the City are organized on the basis of funds, each of which is considered 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. The following are types of funds used:

Governmental Fund Types

- *General Fund* – Used to account for all financial resources except those that are required to be accounted for in another fund.
- *Special Revenue Funds* – Used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for specified purposes.
- *Debt Service Fund* – The debt service fund of the RDA is used to account for property tax increment revenue and related interest income. Disbursements from this fund consist mainly of principal and interest on RDA indebtedness.
- *Capital Projects Funds* – Used to account for financial resources used for the construction of specific capital projects.
- *Permanent Funds* – Used to account for resources legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Proprietary Fund Types

- *Enterprise Fund* – Used to finance and account for the acquisition, operation, and maintenance of the City's facilities and services; which are supported primarily by user charges.
- *Internal Service Funds* – Used to account for employee benefits costs and purchases and maintenance of equipment on behalf of all City departments, as well as the accumulation of funds for replacement of certain buildings on behalf of the City.

D. Basis of Accounting/Measurement Focus

Government – Wide Financial Statements

The City's Government-Wide Financial Statements include a "Statement of Net Assets" and a "Statement of Activities". These two statements present summaries of Governmental Activities for the City.

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These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, infrastructure, and long-term debt, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue transactions for the City are reported in three categories: 1) Charges for Services, 2) Operating Grants and Contributions, and 3) Capital Grants and Contributions. Charges for Services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Operating Grants and Contributions include revenues restricted to meeting the requirements of a particular operating function and may include state shared revenues and grants. Capital Grants and Contributions include revenues restricted to meeting the requirements of a particular capital function and may include grants and developer fees. Taxes and other items not properly included among program revenues are reported instead as general revenues. As a general rule, the effect of interfund activity has been eliminated from the Government-Wide Financial Statements.

Governmental Fund Financial Statements

Governmental fund financial statements include a “Balance Sheet – Governmental Funds” and “Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds” for all major and other governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the Net Assets presented in the Government-Wide Financial Statements. The City has presented all major funds that met qualifications of GASB Statement No. 34. In addition, the City has presented the Street Maintenance Special Revenue Fund as a major fund because the City believes the financial position and activities of this fund are significant to the City as a whole.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. “Measurable” means that the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough

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thereafter to be used to pay liabilities of the current period. Accrued revenues include property taxes received within 60 days after year-end, taxpayer-assessed taxes such as sales taxes, and earnings on investments. Grant funds earned but not received are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as deferred revenues. Expenditures are recorded when the fund liability is incurred, if measurable, except for immature interest on general long-term debt, which is recognized when due.

The City reports the following major governmental funds

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those that are required to be accounted for in another fund.

The Street Maintenance Special Revenue Fund is used to account for state-shared highway users tax used for street maintenance, right-of-way acquisition and street construction.

The Redevelopment Agency Housing Set-Aside Special Revenue Fund is used to account for the portion of Redevelopment tax increment monies which is a requirement under California Redevelopment Law, Section 33334, to be set-aside for the development of low and moderate income housing.

The RDA Debt Service Fund is used to account for the accumulation of resources and for the payment of principal and interest on the Redevelopment Agency's debt.

The Capital Improvement Capital Projects Fund is used to account for funds used for the City's capital improvement projects.

Proprietary Fund Financial Statements

Proprietary fund types are accounted for using the "economic resources" measurement focus and accrual basis of accounting. This means that all assets and liabilities (whether current or non-current) associated with the activity are included on the balance sheet. Fund equity is presented as total net assets. The operating statement of proprietary funds presents increases (revenues) and decreases (expenses) in total net assets. Revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for services. Operating expenses

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for the enterprise and internal service funds include the costs of services, employee benefits, maintenance of capital assets, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City uses the internal service funds to finance and account for goods and services provided by one City department to other City departments, including the purchase and maintenance of equipment, replacement of buildings and payment of employee benefits. The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (administration, public safety, public works, etc.).

The City reports the following major enterprise fund

The Water Quality Flood Protection Fund is used to account for voter approved storm drain user fees used to repair and replace the City's storm drain facilities.

E. Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year-end. Budget control is maintained over all accounts, and expenditures are not allowed to exceed appropriations at the program level. Throughout the year, the City Council made several supplementing budgetary adjustments to the General fund, Special Revenue funds, Capital Projects funds, Proprietary funds and Permanent funds. These adjustments resulted in a net appropriation decrease in the amount of \$864,127. This decrease was primarily a result of appropriations continued to FY11-12 with City Council approval.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2011, based on calculations by City Management, proceeds of taxes did not exceed related appropriations.

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F. Advances to Other Funds

Long-term inter-fund advances are recorded as a receivable in the advancing governmental fund and as a liability in the fund receiving the advance. Accrued unpaid interest, for which there is no immediately available resources to pay, is deferred in the advancing governmental fund and the principal portion of the advance is reported as a reservation of fund balance.

G. Capital Assets

Capital assets include land, machinery and equipment (vehicles, computers, etc.), buildings and improvements, and infrastructure assets (street systems, storm drains, sewer systems, etc.); and are reported in Governmental Activities column of the Government-Wide Financial Statements. Capital assets are defined by the City as all land and buildings, vehicles, computers and equipment with an initial individual cost of more than \$5,000; and improvements and infrastructure assets with costs of more than \$100,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is recorded in the Government-Wide Financial Statements on a straight-line basis over the useful life of the assets as follows:

Buildings and Improvements	25 to 50 years
Vehicles, Computers, and Equipment	3 to 10 years
Infrastructure Assets	
Roadway Network	10 to 100 years
Sewer Network	25 to 50 years
Storm Drain Network	30 to 100 years
Parks and Recreation Network	25 years

H. Employee Compensated Absences

City employees may receive from 10 to 20 days vacation time each year, depending upon length of service. An employee may accumulate earned vacation time up to a maximum of two years' worth of accrued vacation leave. Upon termination, employees are paid the full value of their unused vacation time at their existing salary. The General Fund will primarily be used to liquidate the liability for compensated absences in future years. Any liability for compensated absences is

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only carried in the General Fund if there is unused/unpaid leave outstanding following an employee's separation.

I. Investments

Investments are stated at fair value (quoted market price of the best available estimate, thereof), except for the City's investments in U.S. Treasury Securities which are reported at cost since they have short-term maturities and the City intends to hold them to maturity.

J. Cash and Cash Equivalents

The Water Quality Flood Protection Enterprise Fund and the Internal Service Funds participate in the pooling of City-wide cash and investments. Amounts from the pool are available to these funds on demand. Therefore the cash and investments reported in these funds are considered to be cash and cash equivalents for purpose of the statement of cash flows. The City has no non-cash investing, capital, or financing activities to be reported on the statement of cash flows.

K. Claims and Judgments

When it is probable that a claim liability has been incurred, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. Small claims and judgments are recorded as expenditures when paid.

The City's self-insurance program is administered through the California Joint Powers Authority (the CJPIA), which is described at Note #8. The CJPIA is a public entity risk pool, which is accounted for under the provisions of GASB Statement 10. Claim losses recorded in the CJPIA include both current claims and "Incurred but Not Reported" (IBNR) claims. The City records amounts deposited with CJPIA as insurance expenditures in the General Fund when paid. These deposits are subject to retrospective adjustment. Favorable claims experience result in a refund of deposits from the CJPIA and such refunds, if any, are recorded as a reduction of insurance expenditures in the year received. Adverse claims experience result in the payment of additional deposits and such deposits, if any, are recorded as insurance expenditures when paid.

L. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method. In governmental funds, the prepaid assets recorded do not reflect current

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appropriable resources and thus, an equivalent portion of fund balance is reported as nonspendable. The City had a total of \$1,673,750 (\$1,411,666 in governmental funds and \$262,084 in internal service funds) of prepaid items as of June 30, 2011.

M. Estimates

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

N. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first. When unrestricted resources (committed, assigned or unassigned) are available for use, it is the City's policy to use committed resources first, assigned resources second and finally unassigned resources.

NOTE #2 – CASH AND INVESTMENTS

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

	Government- Wide Statement of Net Assets
Total cash and investments	<u>\$ 44,065,637</u>

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

Petty Cash	\$ 2,500
Deposits with Financial Institutions	2,978,122
Investments	<u>41,088,015</u>
Total cash and investments	<u>\$ 44,065,637</u>

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Investments Authorized by the California Government Code and the City of Rancho Palos Verdes' Investment Policy

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Amount or Percent of Portfolio</u>	<u>Maximum in One Issuer</u>
U.S. Treasury Obligations	3 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	7 days	15%	None
Money Market Mutual Funds	N/A	15%	15%
Local Agency Investment Fund (LAIF)	N/A	None	None
Money Market Savings/Demand Deposits	N/A	\$5 million	15%

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, there is a greater sensitivity of its fair value to changes in market interest rates. The City manages its exposure to interest rate risk by purchasing a combination of U.S. Treasury securities and investing with the Local Agency Investment Fund (LAIF) such that the portfolio provides cash flows and liquidity need for operations. The City's investment is represented by shares in the pool, which can be withdrawn in one business day. The average maturity of the pool is less than one year.

<u>Investment Type</u>	<u>Remaining Maturity 12 Months or Less</u>
Local Agency Investment Fund (LAIF)	\$ 36,412,335
U.S. Treasury Securities	4,675,680
	<u>\$ 41,088,015</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a

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rating by a nationally recognized statistical rating organization. The City's LAIF investment is not rated; and U.S. Treasury Securities are exempt from disclosure.

Concentration of Credit Risk

The investment policy of the City of Rancho Palos Verdes contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2011, the City's investments in LAIF and U.S. Treasury Securities were exempt from concentration of credit risk disclosure.

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 of Rancho Palos Verdes' 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 percent 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 percent of the secured public deposits.

The City's deposits with financial institutions are non-interest bearing bank accounts that are fully insured by the Federal Deposit Insurance Corporation (FDIC).

Investment in Local Agency Investment Fund

The City of Rancho Palos Verdes is a voluntary participant in LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City of Rancho Palos Verdes' investment in this pool is based upon the City of Rancho Palos Verdes' pro-rata share of the fair value provided by LAIF for the entire pool portfolio (in relation to the amortized cost of that portfolio). The balance available for

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withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

LAIF is a governmental investment pool managed and directed by the Treasurer of the State of California and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various other participants provides oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The City is a voluntary participant in the investment pool.

NOTE #3 – INTERFUND TRANSACTIONS

Inter-fund balances consisted of the following at June 30, 2011:

		Due To
		General Fund
Due From	Other Governmental Funds	\$ 138,658
Total:		\$ 138,658

General fund cash was used to cover grant expenditures in the other Governmental Funds until reimbursement is received from the grant agencies.

Inter-fund Advances

The General Fund and Affordable Housing Capital Projects Fund have advanced the Redevelopment Agency amounts as described below:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Advances to the Redevelopment Agency	\$ 19,368,878	\$ 1,022,728	\$ -	\$ 20,391,606

The City has entered into an agreement to provide the RDA operating funds and staff assistance, supplies, technical and other services and facilities of the City as the RDA requires in carrying out its function under the community redevelopment law. The RDA will repay the resulting indebtedness, plus interest, from incremental property tax revenues arising from the project area, as such revenue becomes available. As of June 30, 2011, no revenue was available to the RDA to repay the advances due to the City, nor is sufficient revenue expected to be available to

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repay advances in the immediate future. Variable interest was accrued at a rate of 3.495 percent during the fiscal year ended June 30, 2011. Of the \$18,568,186 advance, \$14,035,489 relates to the Portuguese Bend portion of the RDA, while \$4,532,697 relates to the Abalone Cove portion. During the year ended June 30, 2011, accrued interest of \$473,964 was added to the balance of the advance to the Portuguese Bend Fund, while principal of \$346,483 and accrued interest of \$153,064 was advanced to the Abalone Cove Fund. No interest has ever been paid by the RDA on these advances; therefore, the interest component of the advance has been recorded as deferred revenue in the General Fund of the City.

In connection with the development of the senior affordable housing project, the City agreed to advance funds to the Redevelopment Agency for use in providing financial assistance to the developer in the form of a construction loan. The balance of these advances at June 30, 2011 was \$1,823,420, which includes \$57,035 of interest accrued at a rate of 3 percent.

Inter-fund Transfers

Inter-fund transfers for the year ended June 30, 2011, consisted of the following:

		Transfer From			Totals
		General Fund	Street Maintenance Fund	Other Governmental Funds	
Transfer To	General Fund	\$ -	\$ -	\$ 651,020	\$ 651,020
	Street Maintenance	-	-	937,133	937,133
	Capital Improvement Projects	6,613,778	4,419	297,134	6,915,331
	Other Governmental Funds	350,570	-	-	350,570
	Totals:	<u>\$ 6,964,348</u>	<u>\$ 4,419</u>	<u>\$ 1,885,287</u>	<u>\$ 8,854,054</u>

Transfers are used to: 1) move revenues from the fund that statute or budget requires for collection to the fund that statute or budget requires for expenditure; and 2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations or grant matching requirements.

NOTE #4 – CAPITAL ASSETS AND DEPRECIATION

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the basic reporting approach as defined by GASB Statement No. 34 for all infrastructures, whereby depreciation expense and accumulated depreciation has been recorded. The following tables present the capital assets activity for the year ended June 30, 2011.

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Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$38,808,553	\$1,239,735	0	\$40,048,288
Construction in progress	66,290	2,042,136	(\$1,480,118)	628,308
Total capital assets not being depreciated	<u>38,874,843</u>	<u>3,281,871</u>	<u>(1,480,118)</u>	<u>40,676,596</u>
Capital assets being depreciated:				
Building and improvements	9,811,633	0	(432,094)	9,379,539
Vehicles	289,454	50,896	(44,732)	295,618
Computer equipment	599,397	0	0	599,397
Furniture, fixtures and equipment	512,517	61,343	0	573,860
Infrastructure	0			0
Roadway system	86,550,235	1,590,315	0	88,140,550
Sewer system	25,755,463	0	0	25,755,463
Storm drain system	13,148,416	0	0	13,148,416
Parks system	6,482,028	220,296	0	6,702,324
Total capital assets being depreciated	<u>143,149,143</u>	<u>1,922,850</u>	<u>(476,826)</u>	<u>144,595,167</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,054,641)	(203,170)	34,568	(2,223,243)
Vehicles	(196,512)	(49,182)	44,732	(200,962)
Computer equipment	(536,859)	(27,356)	0	(564,215)
Furniture, fixtures and equipment	(404,650)	(45,349)	0	(449,999)
Infrastructure	0			0
Roadway system	(39,486,900)	(2,349,451)	0	(41,836,351)
Sewer system	(16,852,879)	(455,109)	0	(17,307,988)
Storm drain system	(2,716,996)	(250,479)	0	(2,967,475)
Parks system	(4,443,240)	(133,208)	0	(4,576,448)
Total accumulated depreciation	<u>(66,692,677)</u>	<u>(3,513,304)</u>	<u>79,300</u>	<u>(70,126,681)</u>
Total capital assets being depreciated, net	<u>76,456,466</u>	<u>(1,590,454)</u>	<u>(397,526)</u>	<u>74,468,486</u>
Governmental activities capital assets, net	<u>\$115,331,309</u>	<u>\$1,691,417</u>	<u>(\$1,877,644)</u>	<u>\$115,145,082</u>

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

Administration (depreciation of buildings)	\$ 203,170
Public Works (depreciation of roadways, sewers, and storm drains)	3,055,039
Recreation Services (depreciation of parks system)	133,208
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>121,887</u>
Total Depreciation Expense – Governmental Activities	<u>\$3,513,304</u>

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Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$1,408,493	0	0	\$1,408,493
Construction in progress	149,081	\$529,899	0	678,980
Total capital assets not being depreciated	<u>1,557,574</u>	<u>529,899</u>	<u>0</u>	<u>2,087,473</u>
Capital assets being depreciated:				
Equipment	11,813	0	0	11,813
Storm drain system	11,338,573	0	0	11,338,573
Total capital assets being depreciated	<u>11,350,386</u>	<u>0</u>	<u>0</u>	<u>11,350,386</u>
Less accumulated depreciation for:				
Equipment	(8,270)	(2,362)	0	(10,632)
Storm drain system	(441,385)	(233,173)	0	(674,558)
Total accumulated depreciation	<u>(449,655)</u>	<u>(235,535)</u>	<u>0</u>	<u>(685,190)</u>
Total capital assets being depreciated, net	<u>10,900,731</u>	<u>(235,535)</u>	<u>0</u>	<u>10,665,196</u>
Business-type activities capital assets, net	<u>\$12,458,305</u>	<u>\$294,364</u>	<u>0</u>	<u>\$12,752,669</u>

Depreciation expense of \$235,535 is included in the Water Quality Flood Protection enterprise fund.

NOTE #5 – LONG-TERM DEBT

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Amount Due in One Year
RDA Tax Increment Bond	\$ 5,250,000		\$ (85,000)	\$ 5,165,000	\$ 100,000
RDA Deferred Interest Payable	1,136,303		(337,701)	798,601	-
Employee Compensated Absences	294,483	252,275	(214,158)	332,600	241,878
Totals	<u>\$ 6,680,786</u>	<u>\$ 252,275</u>	<u>\$ (636,859)</u>	<u>\$ 6,296,201</u>	<u>\$ 341,878</u>

A. RDA Tax Increment Bond and Deferred Interest Payable

In July 1991, the RDA received \$10,000,000 in loan proceeds (the Loan) from the County of Los Angeles (the County) upon the County's issue of Abalone Cove Improvement Bonds 2651-M pursuant to a Reimbursement and Settlement Agreement (the Agreement), dated October 27, 1987 in connection with the Horan Lawsuit. The Loan was made for the purpose of abating the Abalone Cove landslide. The settlement Loan was secured by property assessment liens in the Abalone Cove project area.

As stipulated by the parties to the Agreement, a portion of the Loan proceeds was used to repay a tax allocation and revenue anticipation promissory note issued to the County in the principal amount of \$1,450,000, plus accrued interest equal to \$179,244. A second portion of the proceeds was used to repay expenses

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

advanced by the County in the amount of \$135,614. A third portion was used to repay certain loans from the City to the RDA in the amount of \$787,340.

Per the terms of the Agreement, \$1,000,000 of the proceeds was deposited in the Abalone Cove Permanent Fund of the Joint Powers Improvement Authority. The remainder of the proceeds was accounted for in the RDA's Abalone Cove Fund. Concurrent with the execution of the Agreement, the County deeded its title in the Abalone Cove Beach Park to the RDA.

As part of the Agreement, the RDA is required to transfer 17 percent of tax increment revenue to the Consolidated Fire Protection District of the County and 50.9 percent of tax increment revenue for debt repayment to the County. In accordance with the Agreement, the RDA was to pay the Loan principal plus interest at 7.7654 percent over a 30-year period that began in 1992. However, these debt payments were to be deferred 10 years until the fiscal year ended June 30, 2002.

As part of the deferral arrangement, the accrued interest from the inception of the Loan through June 30, 2002, in the amount of \$7,314,944, was scheduled for payment over a 20-year period beginning in the fiscal year ended June 30, 2002 with no additional interest. The remaining balance of \$10,274,119 was scheduled for payment to the County over a 20-year period beginning in the fiscal year ended June 30, 2002, with interest at 7.7654 percent.

On November 1, 1997, the City, the RDA and the County of Los Angeles entered into a Memorandum of Understanding (MOU) agreeing to restructure the repayment schedule of the debt owed to the County by the RDA. In accordance with the terms of the MOU, the \$10,000,000 loan principal owed to the County was cancelled. As consideration for the loan cancellation, the RDA made a lump sum payment to the County in the amount of \$4,545,000 and issued a \$5,455,000 tax increment bond to the County (the RDA bond). Of the \$4,545,000 lump sum payment, \$2,000,000 was paid from tax increment revenue and interest earnings accumulated in the Debt Service Fund. The remaining \$2,545,000 was funded by a combination of a loan from the General Fund of the City to the Agency for \$1,545,000 and a net operating transfer from the Agency's Abalone Cove Capital Projects Fund to the Debt Service Fund of \$1,000,000. The private property liens resulting from the formation of the bond assessment district in connection with the Reimbursement and Settlement Agreement in 1987 were discharged in accordance with the terms of the MOU.

The RDA bond was issued as a conduit through the Improvement Authority to the County. No issuance costs were incurred. One hundred percent of net future tax increment revenue will fund the payment of the RDA bond debt and the deferred interest from the original Loan until paid in full. In December 1997, the County

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began withholding payment of the Agency's net tax increment revenue (net of the 17 percent payment to the County Fire Protection District and the 20 percent housing set-aside amount) to offset the annual principal and interest charges. The principal of the RDA bond began maturing in installments each December 2nd, commencing December 2, 2004. Interest accrues at a rate of 5 percent per annum and is payable in arrears each June 2nd and December 2nd.

Additionally, both the accrued interest and deferred interest on the \$10,000,000 Loan previously owed the County was retroactively recalculated from the Loan origination date at a rate of approximately 5 percent compared to 7.7654 percent per the original Agreement. The recalculated deferred interest was \$3,111,400. In accordance with the MOU, the recalculated deferred interest does not accrue additional interest. As of June 30, 2011, a total of \$2,312,798 in accumulated tax increment has been applied against this balance, including \$337,701 applied during fiscal year 2010-11. The remaining balance at June 30, 2011, was \$798,602. The accumulated amount of tax increment withheld over the scheduled principal and interest payment made during the life of the RDA bond is recorded in the Debt Service Fund as a prepaid item at June 30, 2011.

After payment of the deferred interest, the RDA may elect to further defer payment to the County of the 50.9 percent of tax increment revenue in order to extinguish any other indebtedness of the RDA. This deferral would allow the tax increment to be available for the repayment of loans made to the RDA by the City (Note #3). In the event the deferral is elected, and the debt owed the City is fully extinguished and no other RDA indebtedness exists, the RDA will transfer all subsequent tax increment revenue to the County to fund prior deferrals of, and current payments of, the 50.9 percent of tax increment revenue required to be paid per the Settlement Agreement.

The debt service schedule below summarizes all fixed principal and interest payments for the term of the RDA bond. Because the payback period for the deferred interest amount will fluctuate depending on the availability of excess tax increment revenue, no amounts have been included in the following schedule for repayment of the deferred interest.

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<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	100,000	255,750	355,750
2013	120,000	250,250	370,250
2014	135,000	243,875	378,875
2015	155,000	236,625	391,625
2016	180,000	228,250	408,250
2017-2021	1,275,000	972,875	2,247,875
2022-2026	2,085,000	557,875	2,642,875
2027-2028	1,115,000	56,875	1,171,875
Totals	<u>\$ 5,165,000</u>	<u>\$ 2,802,375</u>	<u>\$ 7,967,375</u>

B. Employee Compensated Absences

There is no fixed payment schedule for employee compensated absences. Based on historical trends, \$241,878 estimated to be the amount that will be used and/or paid out during fiscal year 2011-12.

NOTE #6 – CLASSIFICATIONS OF NET ASSETS AND FUND BALANCE

Government-Wide Financial Statements

In the Government-Wide financial statements net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt

This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation on these assets reduces this category as does any outstanding balance on debt incurred in acquiring or constructing the capital assets.

Restricted Net Assets

This category presents external restrictions imposed by creditors, grantors, contributions or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

This category represents the net assets of the City that are not externally restricted for any project or other purpose.

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Fund Financial Statements

The City has implemented Governmental Accounting Standards Board Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" for the year ended June 30, 2011. As part of implementation, three funds no longer met the more narrow definition of a Special Revenue fund type. The Utility Undergrounding Fund, Roadway Beautification Fund, and RPV TV Fund were closed and all remaining cash was transferred to the General Fund. In addition, the Bikeways Fund, Environmental Excise Tax Fund, Quimby Fund, and the City's Affordable Housing Fund were re-classified from Capital Projects fund types to Special Revenue fund types.

The fund balances reported on the fund statements now consist of the following categories:

Nonspendable – Amounts that are not in a spendable form (such as inventory and prepaid expenditures) or are legally required to be maintained intact (such as the corpus of an endowment fund).

Restricted – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed – Amounts constrained to specific purposes by the City Council via a City Council resolution. To be reported as Committed, amounts cannot be used for any other purpose unless the City Council adopts another resolution to remove or change the constraint. The City Council has not committed fund balances as of June 30, 2011.

Assigned – Amounts the City Council *intends* to use for a specific purpose, which is expressed by the City Council via minute order. The City Council has assigned the entire fund balance of the Capital Improvement Projects fund for the future design and construction of infrastructure improvement projects.

Unassigned – Amounts that are available for any purpose; these amounts are reported only in the General Fund. However, if there is a deficit fund balance to be reported in any fund, it is classified as Unassigned.

The City's governmental fund balances were classified as follows at June 30, 2011:

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	General Fund	Street Maintenance Fund	RDA Housing Set-Aside Fund	RDA Debt Service Fund	Capital Improvement Fund	Other Governmental Funds
Nonspendable:						
In Form (e.g. inventory, prepaid amounts)	\$ 7,514,501	\$ -	\$ 2,990,000	\$ 573,216	\$ -	\$ 1,784,343
Legally (e.g. endowments)	-	-	-	-	-	1,793,741
Restricted	-	915,145	-	-	-	7,669,030
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	11,649,780	-
Unassigned:						
Rainy Day Fund	10,762,665	-	-	-	-	-
Continued Appropriations	623,096	-	-	-	-	-
Deficit Fund Balance	-	-	(1,162,582)	(18,524,215)	-	(126,396)
Governmental Fund Balance Totals	<u>\$ 18,900,262</u>	<u>\$ 915,145</u>	<u>\$ 1,827,418</u>	<u>\$(17,950,999)</u>	<u>\$ 11,649,780</u>	<u>\$ 11,120,718</u>

Minimum Fund Balance Policies

The City Council has adopted a policy, via resolution, to maintain the following minimum fund balances:

- Rainy Day Fund – At least fifty percent of annual operating expenditures in the General Fund;
- Capital Improvement Fund – A minimum of \$3 million for infrastructure improvement projects;
- Street Maintenance Fund – A minimum of one year’s appropriations for road maintenance on Palos Verdes Drive South in the landslide area; and
- Habitat Restoration Fund – A minimum of \$50,000 for emergency use for habitat restoration purposes.

Special Revenue Funds

Fund balances are restricted in the special revenue funds for the following purposes:

Fund	Purpose	Revenue Source	Amount
Street Maintenance	Maintain the City's right of way, which includes both pavement and roadside maintenance	Highway Users' Tax and other transfers of other restricted funding (e.g. Landscaping & Lighting District Assessments)	\$ 915,145
Air Quality Management	vehicles	AB2766 fees	\$ 48,607
Community Development Block Grant	Provide home improvement loans to low and moderate income property owners, and construct City owned facilities compliant with the	Federal grant	\$ -
El Prado	Maintain the common area of the El Prado neighborhood	Property assessments	\$ 14,781
Proposition A	Public transportation	Special sales tax	\$ 125,603
Proposition C	Public transit and related services	Special sales tax	\$ 1,570,675

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

Continued:			
Fund	Purpose	Revenue Source	Amount
Measure R	Transportation needs, including maintenance of arterial streets, traffic control, bikeway and pedestrian improvements, and public transit	Special sales tax	\$ 630,132
Beautification	Right of way beautification, neighborhood beautification grants and promote recycling	Recycling fees and grants	\$ 916,782
Waste Reduction	State mandated waste reduction and recycling plans and programs	AB939 fees from waste haulers	\$ 308,433
Public Safety Grants	Law enforcement and public safety equipment	Federal and state grants and shared revenues	\$ 19,932
1972 Act Landscaping & Lighting District	Maintain right of way landscaping and lighting	Property assessments	\$ 94,037
1911 Act Lighting District	Maintain right of way lighting and traffic signals	Property assessments	\$ 1,652,646
Improvement Authority Portuguese Bend	Maintain landslide abatement improvements in the Portuguese Bend project area	General fund transfers pursuant to the provisions of a reimbursement and settlement agreement with the County of Los Angeles	\$ 302,330
Habitat Restoration	Restore habitat on City owned property	Developer fees	Non-Spendable \$43,741 Restricted \$219,317
Measure A	Acquire, improve and maintain open space and park facilities	Voter-approved county bond proceeds	\$ -
Abalone Cove Sewer District	Maintain and operate the Abalone Cove sewer system	Property assessments	\$ 96,678
Dr. Allen and Charlotte Ginsburg Cultural Arts Building	Construction of a building to be used for dancing or other cultural activities, or for the purchase of open space for habitat conservation and passive recreational purposes	Private donation	\$ 182,947
Donor Restricted Contributions	Acquire or construct recreational facilities	Private donations	\$ 405,519
Bikeways	Design and construction of bicycle and pedestrian facilities on roadways, including disable access ramps	Transportation Development Act Article 3	\$ 51

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**NOTES TO FINANCIAL STATEMENTS
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Continued:			
Fund	Purpose	Revenue Source	Amount
Environmental Excise Tax	Purchase land, construct facilities, or purchase equipment to develop, improve and expand parks, services, utilities and public safety	Local tax on new construction	\$ 415,398
Quimby	Develop or rehabilitate park and recreational facilities	Developer fees	\$ 29,328
Affordable Housing	Implement goals, policies and programs outlined in the Housing Element of the City's General Plan	Developer fees	\$ 4,152

The RPV TV Special Revenue Fund does not receive restricted revenues and was closed during FY10-11.

Capital Project Funds

Fund balances are restricted or assigned for the following:

Fund	Purpose	Amount
Capital Improvement Projects	Assigned for design, construction & inspection of City infrastructure projects, including roadways, storm drains, and park facilities	\$ 11,649,780
Redevelopment Agency Abalone Cove	Restricted for landslide mitigation projects in the Abalone Cove area of the Redevelopment Agency's Project Area	\$ 6,216
Redevelopment Agency Portuguese Bend	Restricted for landslide mitigation projects in the Portuguese Bend area of the Redevelopment Agency's Project Area	\$ 306,682

The Utility Undergrounding Fund and Roadway Beautification Fund were closed during FY10-11. The remaining fund balances were transferred to the General Fund.

Permanent Funds

Fund balances are considered non-spendable or restricted for the following:

Fund	Purpose	Amount
Subregion One Maintenance	The interest earned on this fund balance is used to maintain trails and open space dedicated to the City by the developer of the Oceanfront Estates tract of homes. The Non-Spendable portion of this fund balance must be maintained per the development agreement with the City.	Non-Spendable \$750,000 Restricted \$26,007

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

Continued		
Fund	Purpose	Amount
Improvement Authority Abalone Cove	The interest earned on this fund balance is used to maintain infrastructure constructed by the Redevelopment Agency in the Abalone Cove area of the Redevelopment Agency's Project Area. The Non-Spendable portion of the fund balance must be maintained pursuant to a Reimbursement & Settlement Agreement.	Non-Spendable \$1,000,000 Restricted \$292,777

NOTE #7 – PENSION AND RETIREMENT HEALTH SAVINGS PLANS

Pension Plan Description

The City provides a defined benefit pension plan that includes retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Miscellaneous 2.5% at 55 Risk Pool of the California Public Employee's Retirement System (CalPERS), a cost-sharing, multi-employer public employee defined benefit pension plan administered by CalPERS. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. State statutes, within the Public Employees' Retirement Law, establish benefit provisions and other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California 95814 or downloaded from their website at www.calpers.gov.

Pension Plan Funding Policy

The contribution requirements of plan members are established by State statute and the employer contribution rate is established and amended by CalPERS.

Active City employees are required to contribute 8% of their annual covered salary. For fiscal year 2010-11, the City paid 6.5% of the contribution for all the full-time positions, and 1% of the contribution for part-time employees. However, beginning in September 2011, City employees will pay the entire 8% contribution. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The fiscal year 2010-11 rate was 10.263% of covered payroll.

As a result of having less than 100 active members as of June 30, 2003, the City was required to participate in a risk pool. The City's pooled employer contribution rate is the same as the stand-alone employer contribution rate. At the time of

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

joining the mandatory pooled plan, CalPERS established an employer side fund to account for the difference between the funded status of the pooled plan and the funded status of the City's plan. The City paid off its side fund liability in fiscal year 2009-2010. The funded status of the risk pool at June 30, 2010 was 63.9%. The risk pool's unfunded actuarial accrued liability at June 30, 2010 was \$238,141,415. The City's share of the risk pool's liability is estimated to be \$3,118,353. The estimate is based on the City's 1.3% proportionate share of the risk pool's total projected payroll for fiscal year 2011-12. However, the risk pool's liability is not a reportable liability of the City.

The City's contributions to CalPERS for the most recent three years follow.

<u>Year Ended</u>	<u>City Contribution</u>	<u>Pay-off Side Fund Liability</u>	<u>Total City Cost</u>
June 30, 2011	\$ 770,540	\$ -	\$ 770,540
June 30, 2010	814,205	1,661,376	2,475,581
June 30, 2009	808,304	700,000	1,508,304

Retirement Health Savings Plan

On November 17, 2009, the City approved the establishment of a defined contribution Retirement Health Savings Plan (the "Plan") for its full-time employees. The Plan is a Health Reimbursement Arrangement ("HRA") within Sections 105 and 106 of the Internal Revenue Code. The Plan assets are managed in a non-taxable trust as described in Section 501(c)(9) of the Internal Revenue Code. The City is the Plan Administrator, and utilizes the services of a contracted financial services provider for day-to-day administration of contributions and disbursements. The City has the authority to amend the Plan's provisions and contribution requirements.

The City has no obligation to make contributions to the Plan, but as part of the annual budget process the City may elect to make contributions to the Plan. Employees are required to contribute 1% of their gross wages to their account, which is owned by the employee. During fiscal year 2010-11, the City contributed a total of \$73,465 to employee accounts. During the same time, employees contributed a total of \$45,503 to their own accounts.

The Plan assets are not an asset of the City. Therefore, only the City's expense to make contributions to the Plan has been recorded in the Employee Benefits internal service fund in the City's financial statements.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

NOTE #8 – LIABILITY, INSURED PROGRAMS AND WORKERS' COMPENSATION PROTECTION

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 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.

Self-Insurance Programs of the CJPIA

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.

General 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

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\$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.

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.

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Purchased Insurance

Pollution Legal Liability Insurance

The City 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. 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 participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Authority. City property currently has all-risk property insurance protection in the amount of \$14,481,933. 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.

Earthquake and Flood Insurance

The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City property currently has earthquake protection in the amount of \$14,386,720. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance

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

Special Event Tenant User Liability Insurance

The City further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

and is paid to the City according to a schedule. The City then pays for the insurance. The insurance is arranged by the Authority.

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 #9 – CONTINGENCIES AND COMMITMENTS

Litigation

In the normal course of operations, the City has been named as a defendant in various claims and legal actions. Generally, unfavorable results of these claims and legal actions are funded through the City's participation in California Joint Powers Insurance Authority (CJPIA, see Note #8) and, as such, the City believes that the ultimate liability for these legal actions and claims will not have a material adverse effect on the City's financial statements. The City is also a defendant in legal actions for which the potential losses would not be covered through participation in CJPIA. The likelihood of an unfavorable outcome or the amount of potential losses cannot be reasonably estimated by the City for these claims at this time. In the event of an unfavorable outcome the losses would likely be material to the City's financial statements.

Storm Drain Failures

During the winter storms of fiscal year 2004-05 citywide emergency repairs were required, including those to repair sinkholes along Western Avenue. The City received reimbursement from the Federal Emergency Management Agency in the amount of approximately \$1.2 million. Of that amount, \$274,430 is included in the fund balance of the Capital Improvement Projects Fund.

Based on an audit by the Department of Homeland Security's Office of Inspector General, the City may be liable to return over \$900,000 to FEMA. The City strongly disagrees with the auditor's conclusions and intends to file all appropriate appeals in support of its claim that it should be allowed to retain the FEMA funds.

Building Moratorium

There is longstanding building moratorium in the landslide area of the City. Several landowners with parcels in this area filed a lawsuit claiming an unconstitutional taking of their property due to the building moratorium and the

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

City's adoption in 2002 of a safety standard that must be satisfied before development could occur in this area. The landowners claim that the City has made it impossible for them to satisfy the exception to the moratorium that would allow development of the parcels.

Judgment was entered for the City after a three-month trial in the Superior Court. However, the California Court of Appeal reversed the trial court's decision. The landowners were seeking a trial on the issue of damages, which they assert exceed \$32 million. The parties negotiated a settlement, but the plaintiffs refused to sign it, and subsequently rescinded their approval of the settlement. On October 21, 2011, the Superior Court entered judgment in favor of the City on all causes of action. The plaintiffs filed an appeal from the judgment on November 4, 2011. As of June 30, 2010, the City had accrued a liability for the potential settlement. The City will continue its vigorous defense of this case.

AT&T Utility Users' Tax

AT&T and a group of plaintiffs from a national class action lawsuit against AT&T have sued the City and 150 other California local government entities for a refund of utility users' tax (UUT) alleged to have been erroneously paid to the City. The City executed a settlement agreement on November 15, 2011. AT&T will deduct a total of \$38,980 from future UUT payments owed to the City.

Recent Changes in Legislation Affecting California Redevelopment Agencies

AB X1 26, which was signed by the Governor of California on June, 29, 2011, added Parts 1.8 and 1.85 to the Community Redevelopment Law. Part 1.8 immediately suspended most redevelopment agency activities and, among other things, prohibited redevelopment agencies from incurring indebtedness or entering into or modifying contracts. Part 1.85 provided that on October 1, 2011, all existing redevelopment agencies and redevelopment agency components of community development agencies were dissolved, and successor agencies are designated as successor entities to the former redevelopment agencies. Part 1.85 imposed numerous requirements on the successor agencies and subjected successor agency actions to the review of oversight boards established under Part 1.85.

AB X1 27 was signed by the Governor concurrently with AB X1 26 and added Part 1.9 to the Community Redevelopment Law. Part 1.9 established a Voluntary Alternative Redevelopment Program (VARP) whereby a redevelopment agency will, notwithstanding Parts 1.8 and 1.85, be authorized to continue to exist and carry out the provisions of the Community Redevelopment Law. Failure to make these payments would require the redevelopment agency to be terminated under AB X1 26.

See independent auditors' report.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

On July 18, 2011, the League of California Cities and the California Redevelopment Association filed a lawsuit on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn AB X1 26 and AB X1 27. On August 11, 2011, the Supreme Court of California decided to hear the case and set a briefing schedule designed to allow the Court to decide the case before January 15, 2012, which is the date the first half of the FY11-12 VARP payment is due (the second half is due May 15, 2012). On August 11, 2011, the Court also issued a stay order, which was subsequently modified on August 17, 2011. Pursuant to the modified stay order, the Supreme Court granted a stay of all of AB X1 27 (Part 1.9), except for Health and Safety Code Section 34194(b)(2) (relating to the determination of cities' FY11-12 remittance amounts), and a partial stay of AB X1 26. With respect to AB X1 26, Part 1.85 was stayed in its entirety, but Part 1.8 was not stayed.

The granting of the stay means that all agencies are subject to the prohibitions in Part 1.8, including the prohibition against entering into new contracts, during the time the stay is in effect. The Supreme Court will consider adjusting the dates and deadlines in AB X1 26 and AB X1 27 if the Supreme Court ultimately upholds those statutes to take into account the period of time the stay was in effect, but the Supreme Court's decision is not likely to occur until January of 2012.

On August 16, 2011, the City adopted Ordinance No. 524 to participate in the VARP, thereby agreeing to make specified annual payments to the County Auditor-Controller for allocation to special districts and educational entities and authorizing its redevelopment agency (Agency) to continue to exist pursuant to Part 1.9.

The remittance amount to be paid by the City in FY11-12 is the Agency's proportionate share of \$1.7 billion, as determined by the State Department of Finance pursuant to a formula specified in AB X1 27. The Department of Finance notified the City that its FY11-12 remittance amount is \$91,320. The City appealed its FY11-12 amount on August 10, 2011 on the basis that AB X1 26 and AB X1 27 are unconstitutional.

This payment obligation under AB X1 27 is an ongoing obligation of the City in subsequent years. Commencing in FY12-13, the City's remittance amount is expected to be based on the Agency's proportionate share of \$400 million (with adjustments based on growth or decline in tax increment revenues); however, the amount has not yet been determined by the state legislature.

In addition, AB X1 27 provided that agencies will pay additional pass through payments to school entities ("Additional Pass-Through") on account of any "new debt." New debt is indebtedness that is listed on a statement of indebtedness ("SOI") filed after the SOI that was required to be filed on October 1, 2011, and that was not displayed on that SOI.

See independent auditors' report.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

On August 24, 2011, the Agency adopted an Enforceable Obligations Payment Schedule (EOPS) as required by AB X1 26. Enforceable obligations include bonds, loans and payments required by the federal or state government; as well as legally binding and enforceable agreements or contracts. The Agency prepared the initial Recognized Obligation Payment Schedule (ROPS) that was presented to City Council on September 6, 2011, when the City adopted Resolution 2011-66 making an election to serve as the successor agency pursuant to Part 1.85.

Pursuant to AB X1 27 (specifically, Health and Safety Code Section 34194.2) a city and agency can enter into a transfer agreement to provide for the agency to transfer to the city each year a portion of the agency's tax increment. Amounts transferred must be used for the purpose of financing activities in the redevelopment area that are related to accomplishing the redevelopment agency project goals. For FY11-12 only, the tax increment may be transferred from the Agency's 20% tax increment set aside for affordable housing. The amount of the annual transfer under this type of agreement cannot exceed the amounts of a city's annual remittances under the VARP. On September 20, 2011, the City and the Agency entered into such a transfer agreement. The transfer agreement presented to the Agency Board and City Council provides that it will only become effective on the date that the Supreme Court lifts or modifies the stay in connection with AB X1 26 and AB X1 27 in a manner such that the prohibitions in Part 1.8 do not apply to the Agency.

In the event that AB X1 26 is upheld and becomes applicable to the City, the interagency receivables recognized by the General Fund and the Affordable Housing Fund of the City that had previously advanced money to the Agency may become uncollectable resulting in a loss recognized by the City funds.

NOTE #10 – PROPERTY TAXES

Under California law, property taxes are assessed and collected by the counties up to one percent 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. Accordingly, the City accrues only those taxes, which are received from the county within sixty days after year-end.

Lien date	January 1
Levy date	June 30
Due date	November 1 and February 1
Collection dates	December 10 and April 10

See independent auditors' report.

CITY OF RANCHO PALOS VERDES

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

NOTE #11 – DEFERRED REVENUES

The deferred revenues in the fund financial statements of the City of Rancho Palos Verdes as of June 30, 2011 consisted of the following:

General Fund:	
Accrued interest from long-term advance to the RDA	\$ 11,915,329
Advance on federal grant	102,021
Revenue earned but not available	196,462
Other Governmental Funds:	
Long-term note receivable from AMCAL	3,467,453
Other long-term note receivable	126,320
Accrued interest from long-term advance to RDA	57,053
Long-term notes receivable offset (loans expended when made)	703,704
Revenue received, but not yet earned	1,025
Revenue earned, but not yet received	<u>160,641</u>
Total Deferred Revenues	<u>\$ 16,730,008</u>

NOTE #12 – OTHER REQUIRED FUND DISCLOSURES

The following fund had deficit fund balance as of June 30, 2011:

Major Fund:	
RDA Debt Service Fund	\$17,950,999
Other Governmental Funds:	
Measure A Special Revenue Fund	\$126,396

The City plans to finance the fund deficits through future revenues and transfers from other funds.



Whale of a Day Annual Event

SUPPLEMENTARY INFORMATION

CITY OF RANCHO PALOS VERDES

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

REDEVELOPMENT AGENCY DEBT SERVICE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 889,200	\$ 889,200	\$ 897,470	\$ 8,270
EXPENDITURES:				
Current:				
Administration	17,000	84,967	89,918	(4,951)
Pass through to other agencies	189,000	189,000	192,232	(3,232)
Debt service:				
Principal	456,560	456,560	422,701	33,859
Interest and fiscal charges	881,055	881,055	887,404	(6,349)
TOTAL EXPENDITURES	1,543,615	1,611,582	1,592,255	19,327
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(654,415)	(722,382)	(694,785)	(11,058)
FUND DEFICIT - BEGINNING OF YEAR	(17,256,214)	(17,256,214)	(17,256,214)	-
FUND DEFICIT - END OF YEAR	\$ (17,910,629)	\$ (17,978,596)	\$ (17,950,999)	\$ (11,058)

See independent auditors' report.

CITY OF RANCHO PALOS VERDES

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 913,280	\$ 2,236,000	\$ 5,675	\$ (2,230,325)
Use of money and property	17,400	17,400	32,483	15,083
TOTAL REVENUES	930,680	2,253,400	38,158	(2,215,243)
EXPENDITURES:				
Capital Outlay				
Infrastructure administration	17,600	107,821	66,546	41,275
Street improvements	2,961,600	1,946,741	1,669,283	277,458
Parks/Trails/Open Space improvements	2,524,095	555,782	552,927	2,855
Sewer improvements	-	96,550	96,550	-
TOTAL EXPENDITURES	5,503,295	2,706,894	2,385,306	321,589
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,572,615)	(453,494)	(2,347,146)	(1,893,654)
OTHER FINANCING SOURCES:				
Transfers in	4,117,370	8,030,152	6,915,331	(1,114,821)
NET CHANGE IN FUND BALANCE	(455,245)	7,576,658	4,568,183	(3,008,475)
FUND BALANCE - BEGINNING OF YEAR	7,081,597	7,081,597	7,081,597	-
FUND BALANCE - END OF YEAR	\$ 6,626,352	\$ 14,658,255	\$ 11,649,780	\$ (3,008,475)

See independent auditors' report.



Beach Clean Up Day

CITY OF RANCHO PALOS VERDES

JUNE 30, 2011

NONMAJOR GOVERNMENTAL FUNDS

Special Revenues Fund Descriptions

Special Revenue Funds are used to account for taxes and other revenues set aside in accordance with law or administrative regulation for a specific purpose.

Air Quality Management – to account for AB2766 fees received to fund programs to reduce air pollution from motor vehicles.

Community Development Block Grant (CDBG) – to account for Federal Grants received from the Department of Housing and Urban Development (HUD).

El Prado – to account for taxes collected to maintain and service existing and proposed improvements to the common area of the El Prado neighborhood.

Proposition A – to account for the City share of an additional one-half percent sales tax designated to fund certain public transportation orientated projects.

Proposition C – to account for sales taxes received from the County and used to support public transit and related services.

Measure R – to account for the half-cent sales tax approved by the Los Angeles County voters in November 2008 to meet transportation needs, including maintenance and improvement of arterial streets, traffic control, bikeway and pedestrian improvements, and public transit.

Beautification – to account for monies received for the City's recycling program used for community improvement, grants and promotion of recycling.

Waste Reduction – to account for AB939 fees received for state mandated waste reduction and recycling plans and programs.

Public Safety Grants – to account for federal grant funds for local law enforcement supplemental services, AB3229 funds used for additional law enforcement services and public safety technology equipment.

1972 Act Landscaping and Lighting District (1972 Act) – to account for revenues and costs associated with the City's landscaping and lighting district.

1911 Act Lighting District (1911 Act) – to account for revenue and costs associated with a lighting district transferred to the "city-side" landscape and lighting district from the County in 1995.

CITY OF RANCHO PALOS VERDES

JUNE 30, 2011

NONMAJOR GOVERNMENTAL FUNDS

Special Revenues Fund Descriptions (continued)

Joint Powers Improvement Authority - Portuguese Bend – to account for maintenance and repairs of landslide abatement improvements in the Portuguese Bend Project area.

Habitat Restoration – to account for fees paid by developers for conservation easements to be used exclusively for habitat restoration efforts on City owned property.

Measure A – to account for the voter approved 1992 and 1996 Measure A funds and other state and county grants used for the acquisition of open space and park improvements.

Abalone Cove Sewer Assessment District – to account for property assessments used to partially pay for operation and maintenance of the Abalone Cove sewer system.

Dr. Allen and Charlotte Ginsburg Cultural Arts Building (Ginsburg Cultural Art Bldg) – to account for a private donation to be used for either construction of a building at the Upper Point Vicente Civic Center to be used for dancing and other cultural activities, or for the purchase of open space within the City for habitat conservation and passive recreational purposes.

Donor Restricted Contributions – to account for donations received to construct or acquire recreational facilities within the City.

Bikeways – to account for state funds that are used for the construction of bikeways and pedestrian facilities.

Environmental Excise Tax – to account for taxes received in connection with new construction within the City.

Quimby – to account for developer paid fees or the dedication of land for park and recreation purposes.

Affordable Housing – to account for developer paid in-lieu fees for the City to construct low and moderate income housing.

CITY OF RANCHO PALOS VERDES

JUNE 30, 2011

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Fund Descriptions

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

Redevelopment Agency - Abalone Cove – to account for monies used for landslide abatement in the Abalone Cove area of the Redevelopment Agency Project Area.

Redevelopment Agency - Portuguese Bend – to account for monies used for landslide abatement in the Portuguese Bend area of the Redevelopment Agency Project Area.

Permanent Fund Descriptions

Permanent Funds are used to account for resources legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

Subregion One Maintenance – to account for monies used to maintain public improvements and habitat areas dedicated to the City upon completion of the Subregion One residential development project also known as Oceanfront Estates. As part of the development agreement, the City received a \$750,000 non-expendable deposit. The interest earnings contribute to the maintenance of the public open space.

Joint Powers Improvement Authority - Abalone Cove – to account for monies received as part of a July 1991 Reimbursement and Settlement Agreement with the County of Los Angeles. As a part of this Agreement, the Authority received a \$1,000,000 non-expendable deposit. The interest earnings are used to pay for maintenance and repair of Abalone Cove landslide abatement improvements.

CITY OF RANCHO PALOS VERDES

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2011

	Special Revenue Funds				
	Air Quality Management	CDBG	El Prado	Proposition A	Proposition C
ASSETS					
Cash and investments	\$ 38,319	\$ -	\$ 14,680	\$ 138,676	\$ 1,568,545
Receivables:					
Taxes	-	-	87	-	-
Interest	26	-	14	53	2,130
Notes	-	448,750	-	-	-
Other	10,262	73,688	-	-	-
Prepaid items	-	-	-	-	-
Advance to other funds	-	-	-	-	-
TOTAL ASSETS	\$ 48,607	\$ 522,438	\$ 14,781	\$ 138,729	\$ 1,570,675
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ -	\$ 73,360	\$ -	\$ 13,126	\$ -
Due to other funds	-	328	-	-	-
Deferred revenue	-	448,750	-	-	-
TOTAL LIABILITIES	-	522,438	-	13,126	-
FUND BALANCES:					
Non-Spendable					
Endowment principal	-	-	-	-	-
Reimbursement settlement agreement	-	-	-	-	-
Prepaid items	-	-	-	-	-
Long term advances	-	-	-	-	-
Habitat restoration	-	-	-	-	-
Restricted	48,607	-	14,781	125,603	1,570,675
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	48,607	-	14,781	125,603	1,570,675
TOTAL LIABILITIES AND FUND BALANCES	\$ 48,607	\$ 522,438	\$ 14,781	\$ 138,729	\$ 1,570,675

See independent auditors' report.

Special Revenue Funds (Continued)

Measure R	Beautification	Waste Reduction	Public Safety Grants	1972 Act	1911 Act
\$ 629,548	\$ 911,769	\$ 291,220	\$ -	\$ 82,334	\$ 1,685,239
-	-	-	-	12,270	22,390
584	1,013	247	85	261	1,812
-	-	-	-	-	-
-	4,000	31,544	22,908	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 630,132</u>	<u>\$ 916,782</u>	<u>\$ 323,011</u>	<u>\$ 22,993</u>	<u>\$ 94,865</u>	<u>\$ 1,709,441</u>
\$ -	\$ -	\$ 14,578	\$ -	\$ 828	\$ 56,795
-	-	-	3,061	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>14,578</u>	<u>3,061</u>	<u>828</u>	<u>56,795</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
630,132	916,782	308,433	19,932	94,037	1,652,646
-	-	-	-	-	-
-	-	-	-	-	-
<u>630,132</u>	<u>916,782</u>	<u>308,433</u>	<u>19,932</u>	<u>94,037</u>	<u>1,652,646</u>
<u>\$ 630,132</u>	<u>\$ 916,782</u>	<u>\$ 323,011</u>	<u>\$ 22,993</u>	<u>\$ 94,865</u>	<u>\$ 1,709,441</u>

(Continued)

CITY OF RANCHO PALOS VERDES

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2011

	Special Revenue Funds (Continued)				
	Joint Powers Improvement Authority Portuguese Bend	Habitat Restoration	Measure A	Abalone Cove Sewer Assessment District	Rancho Palos Verdes TV Channel
ASSETS					
Cash and investments	\$ 308,524	\$ 262,770	\$ 7,440	\$ 100,793	\$ -
Receivables:					
Taxes	-	-	-	548	-
Interest	-	288	26	77	-
Notes	-	-	-	-	-
Other	-	-	160,641	-	-
Prepaid items	-	-	-	-	-
Advance to other funds	-	-	-	-	-
TOTAL ASSETS	\$ 308,524	\$ 263,058	\$ 168,107	\$ 101,418	\$ -
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 6,194	\$ -	\$ -	\$ 4,740	\$ -
Due to other funds	-	-	133,862	-	-
Deferred revenue	-	-	160,641	-	-
TOTAL LIABILITIES	6,194	-	294,503	4,740	-
FUND BALANCES:					
Non-Spendable					
Endowment principal	-	-	-	-	-
Reimbursement settlement agreement	-	-	-	-	-
Prepaid items	-	-	-	-	-
Long term advances	-	-	-	-	-
Habitat restoration	-	43,741	-	-	-
Restricted	302,330	219,317	-	96,678	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	(126,396)	-	-
TOTAL FUND BALANCES	302,330	263,058	(126,396)	96,678	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 308,524	\$ 263,058	\$ 168,107	\$ 101,418	\$ -

See independent auditors' report.

Special Revenue Funds (Continued)

Dr. Allen and Charlotte Ginsburg Cultural Arts Building	Donor Restricted Contributions	Bikeways	Environmental Excise Tax	Quimby	Affordable Housing	Total Special Revenue Funds
\$ 182,764	\$ 405,113	\$ -	\$ 442,062	\$ 29,298	\$ 4,147	\$ 7,103,241
-	-	-	-	-	-	35,295
183	406	23	573	30	5	7,836
-	-	-	-	-	-	448,750
-	-	1,435	-	-	-	304,478
-	-	-	-	-	-	-
-	-	-	-	-	1,823,420	1,823,420
<u>\$ 182,947</u>	<u>\$ 405,519</u>	<u>\$ 1,458</u>	<u>\$ 442,635</u>	<u>\$ 29,328</u>	<u>\$ 1,827,572</u>	<u>\$ 9,723,020</u>
\$ -	\$ -	\$ -	\$ 27,237	\$ -	\$ -	\$ 196,858
-	-	1,407	-	-	-	138,658
-	-	-	-	-	57,053	666,444
-	-	1,407	27,237	-	57,053	1,001,960
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,766,367	1,766,367
-	-	-	-	-	-	43,741
182,947	405,519	51	415,398	29,328	4,152	7,037,348
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(126,396)
<u>182,947</u>	<u>405,519</u>	<u>51</u>	<u>415,398</u>	<u>29,328</u>	<u>1,770,519</u>	<u>8,721,060</u>
<u>\$ 182,947</u>	<u>\$ 405,519</u>	<u>\$ 1,458</u>	<u>\$ 442,635</u>	<u>\$ 29,328</u>	<u>\$ 1,827,572</u>	<u>\$ 9,723,020</u>

(Continued)

CITY OF RANCHO PALOS VERDES

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2011

	Capital Projects Funds				
	Redevelopment Agency Abalone Cove	Redevelopment Agency Portuguese Bend	Utility Undergrounding	Roadway Beautification	Total Capital Projects Funds
ASSETS					
Cash and investments	\$ 6,216	\$ 309,127	\$ -	\$ -	\$ 315,343
Receivables:					
Taxes	-	-	-	-	-
Interest	-	-	-	-	-
Notes	-	254,954	-	-	254,954
Other	-	-	-	-	-
Prepaid items	-	17,976	-	-	17,976
Advance to other funds	-	-	-	-	-
TOTAL ASSETS	\$ 6,216	\$ 582,057	\$ -	\$ -	\$ 588,273
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ -	\$ 2,445	\$ -	\$ -	\$ 2,445
Due to other funds	-	-	-	-	-
Deferred revenue	-	254,954	-	-	254,954
TOTAL LIABILITIES	-	257,399	-	-	257,399
FUND BALANCES:					
Non-Spendable					
Endowment principal	-	-	-	-	-
Reimbursement settlement agreement	-	-	-	-	-
Prepaid items	-	17,976	-	-	17,976
Long term advances	-	-	-	-	-
Habitat restoration	-	-	-	-	-
Restricted	6,216	306,682	-	-	312,898
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	6,216	324,658	-	-	330,874
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,216	\$ 582,057	\$ -	\$ -	\$ 588,273

See independent auditors' report.

Permanent Funds

Subregion One Maintenance	Joint Powers Improvement Authority Abalone Cove	Total Permanent Funds	Total Other Governmental Funds
\$ 779,895	\$ 1,296,212	\$ 2,076,107	\$ 9,494,691
-	-	-	35,295
790	-	790	8,626
-	-	-	703,704
-	-	-	304,478
-	-	-	17,976
-	-	-	1,823,420
<u>\$ 780,685</u>	<u>\$ 1,296,212</u>	<u>\$ 2,076,897</u>	<u>\$ 12,388,190</u>
\$ 4,678	\$ 3,435	\$ 8,112	\$ 207,416
-	-	-	138,658
-	-	-	921,398
<u>4,678</u>	<u>3,435</u>	<u>8,112</u>	<u>1,267,472</u>
750,000	-	750,000	750,000
-	1,000,000	1,000,000	1,000,000
-	-	-	17,976
-	-	-	1,766,367
-	-	-	43,741
26,007	292,777	318,784	7,669,030
-	-	-	-
-	-	-	-
-	-	-	(126,396)
<u>776,007</u>	<u>1,292,777</u>	<u>2,068,784</u>	<u>11,120,718</u>
<u>\$ 780,685</u>	<u>\$ 1,296,212</u>	<u>\$ 2,076,897</u>	<u>\$ 12,388,190</u>

CITY OF RANCHO PALOS VERDES

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2011

	Special Revenue Funds				
	Air Quality Management	CDBG	El Prado	Proposition A	Proposition C
REVENUES:					
Taxes	\$ -	\$ -	\$ 1,906	\$ -	\$ -
Revenue from other agencies	47,067	134,513	-	578,859	481,539
Use of money and property	131	-	55	65,340	26,871
Other revenues	-	-	-	-	-
TOTAL REVENUES	47,198	134,513	1,961	644,199	508,410
EXPENDITURES:					
Current:					
Administration	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	50,000	-	30	618,860	-
Community development	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	171,483	-	-	-
TOTAL EXPENDITURES	50,000	171,483	30	618,860	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,802)	(36,970)	1,931	25,339	508,410
OTHER FINANCING SOURCES (USES):					
Transfers in	-	36,970	-	-	-
Transfers out	-	-	-	-	(633,293)
TOTAL OTHER FINANCING SOURCES (USES)	-	36,970	-	-	(633,293)
NET CHANGE IN FUND BALANCES	(2,802)	-	1,931	25,339	(124,883)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	51,409	-	12,850	100,264	1,695,558
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 48,607</u>	<u>\$ -</u>	<u>\$ 14,781</u>	<u>\$ 125,603</u>	<u>\$ 1,570,675</u>

See independent auditors' report.

Special Revenue Funds (Continued)

Measure R	Beautification	Waste Reduction	Public Safety Grants	1972 Act	1911 Act
\$ -	\$ -	\$ -	\$ -	\$ 260,454	\$ 497,743
358,897	-	69,605	100,000	-	-
7,887	300,256	220,932	10,517	698	7,113
-	-	-	-	-	-
<u>366,784</u>	<u>300,256</u>	<u>290,537</u>	<u>110,517</u>	<u>261,152</u>	<u>504,856</u>
-	-	-	-	-	-
-	-	-	25,505	-	-
-	76,376	159,599	-	13,860	423,695
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>76,376</u>	<u>159,599</u>	<u>25,505</u>	<u>13,860</u>	<u>423,695</u>
<u>366,784</u>	<u>223,880</u>	<u>130,938</u>	<u>85,012</u>	<u>247,292</u>	<u>81,161</u>
-	-	-	-	-	-
<u>(9,868)</u>	<u>(165,200)</u>	<u>(53,000)</u>	<u>(100,000)</u>	<u>(204,000)</u>	<u>(67,633)</u>
<u>(9,868)</u>	<u>(165,200)</u>	<u>(53,000)</u>	<u>(100,000)</u>	<u>(204,000)</u>	<u>(67,633)</u>
356,916	58,680	77,938	(14,988)	43,292	13,528
<u>273,216</u>	<u>858,102</u>	<u>230,495</u>	<u>34,920</u>	<u>50,745</u>	<u>1,639,118</u>
<u>\$ 630,132</u>	<u>\$ 916,782</u>	<u>\$ 308,433</u>	<u>\$ 19,932</u>	<u>\$ 94,037</u>	<u>\$ 1,652,646</u>

(Continued)

CITY OF RANCHO PALOS VERDES

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2011

	Special Revenue Funds				
	Joint Powers Improvement Authority Portuguese Bend	Habitat Restoration	Measure A	Abalone Cove Sewer Assessment District	Rancho Palos Verdes TV Channel
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ 49,432	\$ -
Revenue from other agencies	-	-	-	-	-
Use of money and property	473	3,991	83	262	-
Other revenues	-	-	-	1,181	-
TOTAL REVENUES	473	3,991	83	50,875	-
EXPENDITURES:					
Current:					
Administration	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	82,464	126,026	-	45,240	-
Community development	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	82,464	126,026	-	45,240	-
EXCESS OF REVENUES OVER					
(UNDER) EXPENDITURES	(81,991)	(122,035)	83	5,635	-
OTHER FINANCING SOURCES (USES):					
Transfers in	101,000	109,900	-	32,700	-
Transfers out	-	-	(160,641)	-	(1,152)
TOTAL OTHER FINANCING SOURCES (USES)	101,000	109,900	(160,641)	32,700	(1,152)
NET CHANGE IN FUND BALANCES	19,009	(12,135)	(160,558)	38,335	(1,152)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	283,321	275,193	34,162	58,343	1,152
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 302,330	\$ 263,058	\$ (126,396)	\$ 96,678	\$ -

See independent auditors' report.

Special Revenue Funds (Continued)

Dr. Allen and Charlotte Ginsburg Cultural Arts Building	Donor Restricted Contributions	Bikeways	Environmental Excise Tax	Quimby	Affordable Housing	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 809,535
-	-	17,223	-	-	-	1,787,703
791	1,681	9,801	2,745	123	15	659,765
-	-	-	27,384	-	-	28,565
<u>791</u>	<u>1,681</u>	<u>27,024</u>	<u>30,129</u>	<u>123</u>	<u>15</u>	<u>3,285,568</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	25,505
-	-	-	212,682	-	-	1,808,832
-	-	-	-	-	2,889	2,889
20,000	-	-	-	-	-	20,000
-	-	-	-	-	-	171,483
<u>20,000</u>	<u>-</u>	<u>-</u>	<u>212,682</u>	<u>-</u>	<u>2,889</u>	<u>2,028,709</u>
(19,209)	1,681	27,024	(182,553)	123	(2,874)	1,256,859
-	-	-	-	-	-	280,570
-	-	(26,973)	(86,300)	-	-	(1,508,060)
-	-	(26,973)	(86,300)	-	-	(1,227,490)
(19,209)	1,681	51	(268,853)	123	(2,874)	29,369
<u>202,156</u>	<u>403,838</u>	<u>-</u>	<u>684,251</u>	<u>29,205</u>	<u>1,773,393</u>	<u>8,691,691</u>
<u>\$ 182,947</u>	<u>\$ 405,519</u>	<u>\$ 51</u>	<u>\$ 415,398</u>	<u>\$ 29,328</u>	<u>\$ 1,770,519</u>	<u>\$ 8,721,060</u>

(Continued)

CITY OF RANCHO PALOS VERDES

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
(CONTINUED)

For the year ended June 30, 2011

	Capital Projects Funds				
	Redevelopment Agency Abalone Cove	Redevelopment Agency Portuguese Bend	Utility Undergrounding	Roadway Beautification	Total Capital Projects Funds
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue from other agencies	-	-	-	-	-
Use of money and property	13	896	-	-	909
Other revenues	-	50,004	-	-	50,004
TOTAL REVENUES	13	50,900	-	-	50,913
EXPENDITURES:					
Current:					
Administration	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	292,046	-	-	292,046
Community development	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	-	292,046	-	-	292,046
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13	(241,146)	-	-	(241,133)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(275,159)	(102,068)	(377,227)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(275,159)	(102,068)	(377,227)
NET CHANGE IN FUND BALANCES	13	(241,146)	(275,159)	(102,068)	(618,360)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	6,203	565,804	275,159	102,068	949,234
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 6,216	\$ 324,658	\$ -	\$ -	\$ 330,874

See independent auditors' report.

Permanent Funds			
Subregion One Maintenance	Joint Powers Improvement Authority Abalone Cove	Total Permanent Funds	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ 809,535
-	-	-	1,787,703
3,197	2,578	5,775	666,447
-	-	-	78,569
<u>3,197</u>	<u>2,578</u>	<u>5,775</u>	<u>3,342,256</u>
-	-	-	-
-	-	-	25,505
71,110	43,024	114,134	2,215,012
-	-	-	2,889
-	-	-	20,000
-	-	-	171,483
<u>71,110</u>	<u>43,024</u>	<u>114,134</u>	<u>2,434,889</u>
(67,913)	(40,446)	(108,359)	907,367
70,000	-	70,000	350,570
-	-	-	(1,885,287)
<u>70,000</u>	<u>-</u>	<u>70,000</u>	<u>(1,534,717)</u>
2,087	(40,446)	(38,359)	(627,350)
<u>773,920</u>	<u>1,333,223</u>	<u>2,107,143</u>	<u>11,748,068</u>
<u>\$ 776,007</u>	<u>\$ 1,292,777</u>	<u>\$ 2,068,784</u>	<u>\$ 11,120,718</u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

AIR QUALITY MANAGEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 49,800	\$ 49,800	\$ 47,067	\$ (2,733)
Use of money and property	270	270	131	(139)
TOTAL REVENUES	50,070	50,070	47,198	(2,872)
EXPENDITURES:				
Public works	50,000	50,000	50,000	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	70	70	(2,802)	(2,872)
FUND BALANCE - BEGINNING OF YEAR	51,409	51,409	51,409	-
FUND BALANCE - END OF YEAR	\$ 51,479	\$ 51,479	\$ 48,607	\$ (2,872)

See independent auditors' report.

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 244,994	\$ 244,994	\$ 134,513	\$ (110,481)
EXPENDITURES:				
Capital outlay	262,146	262,146	171,483	90,663
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(17,152)	(17,152)	(36,970)	(19,818)
OTHER FINANCING USES:				
Transfers in	-	44,000	36,970	(7,030)
Transfers out	(26,848)	-	-	-
NET CHANGE IN FUND BALANCE	(44,000)	26,848	-	(26,848)
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ (44,000)</u>	<u>\$ 26,848</u>	<u>\$ -</u>	<u>\$ (26,848)</u>

See independent auditors' report.

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

EL PRADO SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,910	\$ 1,910	\$ 1,906	\$ (4)
Use of money and property	10	10	55	45
TOTAL REVENUES	1,920	1,920	1,961	42
EXPENDITURES:				
Public works	1,000	1,000	30	970
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	920	920	1,931	1,012
FUND BALANCE - BEGINNING OF YEAR	12,850	12,850	12,850	-
FUND BALANCE - END OF YEAR	\$ 13,770	\$ 13,770	\$ 14,781	\$ 1,012

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

PROPOSITION A SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 576,854	\$ 576,854	\$ 578,859	\$ 2,005
Use of money and property	360	65,360	65,340	(20)
TOTAL REVENUES	577,214	642,214	644,199	1,985
EXPENDITURES:				
Public works	706,000	686,508	618,860	67,648
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(128,786)	(44,294)	25,339	69,633
OTHER FINANCING USES:				
Transfers in	60,000	60,000	-	(60,000)
NET CHANGE IN FUND BALANCE	(68,786)	15,706	25,339	9,633
FUND BALANCE - BEGINNING OF YEAR	100,264	100,264	100,264	-
FUND BALANCE - END OF YEAR	\$ 31,478	\$ 115,970	\$ 125,603	\$ 9,633

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

PROPOSITION C SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 478,485	\$ 478,485	\$ 481,539	\$ 3,054
Use of money and property	6,520	24,520	26,871	2,351
TOTAL REVENUES	485,005	503,005	508,410	5,405
OTHER FINANCING USES:				
Transfers out	(500,300)	(633,293)	(633,293)	-
NET CHANGE IN FUND BALANCE	(15,295)	(130,288)	(124,883)	5,405
FUND BALANCE - BEGINNING OF YEAR	1,695,558	1,695,558	1,695,558	-
FUND BALANCE - END OF YEAR	<u>\$ 1,680,263</u>	<u>\$ 1,565,270</u>	<u>\$ 1,570,675</u>	<u>\$ 5,405</u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

MEASURE R SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 358,865	\$ 358,865	\$ 358,897	\$ 32
Use of money and property	-	6,000	7,887	1,887
TOTAL REVENUES	358,865	364,865	366,784	1,920
OTHER FINANCING USES:				
Transfers out	-	(638,080)	(9,868)	628,212
NET CHANGE IN FUND BALANCE	358,865	(273,215)	356,916	630,132
FUND BALANCE - BEGINNING OF YEAR	273,216	273,216	273,216	-
FUND BALANCE - END OF YEAR	<u>\$ 632,081</u>	<u>\$ 1</u>	<u>\$ 630,132</u>	<u>\$ 630,132</u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

BEAUTIFICATION SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other revenues	\$ -	\$ -	\$ -	\$ -
Use of money and property	299,110	299,110	300,256	1,146
TOTAL REVENUES	299,110	299,110	300,256	1,146
EXPENDITURES:				
Public works	96,814	96,814	76,376	20,438
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	202,296	202,296	223,880	21,584
OTHER FINANCING USES:				
Transfers out	(415,200)	(665,700)	(165,200)	500,500
NET CHANGE IN FUND BALANCE	(212,904)	(463,404)	58,680	522,084
FUND BALANCE - BEGINNING OF YEAR	858,102	858,102	858,102	-
FUND BALANCE - END OF YEAR	<u>\$ 645,198</u>	<u>\$ 394,698</u>	<u>\$ 916,782</u>	<u>\$ 522,084</u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

WASTE REDUCTION SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 25,000	\$ 47,500	\$ 69,605	\$ 22,105
Use of money and property	155,620	155,620	220,932	65,312
TOTAL REVENUES	180,620	203,120	290,537	87,417
EXPENDITURES:				
Public works	163,939	186,439	159,599	26,840
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,681	16,681	130,938	114,257
OTHER FINANCING USES:				
Transfers out	(12,000)	(53,000)	(53,000)	-
NET CHANGE IN FUND BALANCE	4,681	(36,319)	77,938	114,257
FUND BALANCE - BEGINNING OF YEAR	230,495	230,495	230,495	-
FUND BALANCE - END OF YEAR	<u>\$ 235,176</u>	<u>\$ 194,176</u>	<u>\$ 308,433</u>	<u>\$ 114,257</u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

PUBLIC SAFETY GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Use of money and property	-	-	10,517	10,517
TOTAL REVENUES	100,000	100,000	110,517	10,517
EXPENDITURES:				
Public safety	-	25,505	25,505	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	100,000	74,495	85,012	10,518
OTHER FINANCING USES:				
Transfers out	(100,000)	(100,000)	(100,000)	-
NET CHANGE IN FUND BALANCE	-	(25,505)	(14,988)	10,518
FUND BALANCE - BEGINNING OF YEAR	34,920	34,920	34,920	-
FUND BALANCE - END OF YEAR	\$ 34,920	\$ 9,415	\$ 19,932	\$ 10,518

CITY OF RANCHO PALOS VERDES

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

1972 ACT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 258,687	\$ 258,687	\$ 260,454	\$ 1,767
Use of money and property	240	240	698	458
TOTAL REVENUES	258,927	258,927	261,152	2,224
EXPENDITURES:				
Public works	70,300	70,300	13,860	56,440
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	188,627	188,627	247,292	58,665
OTHER FINANCING USES:				
Transfers out	(204,000)	(204,000)	(204,000)	-
NET CHANGE IN FUND BALANCE	(15,373)	(15,373)	43,292	58,665
FUND BALANCE - BEGINNING OF YEAR	50,745	50,745	50,745	-
FUND BALANCE - END OF YEAR	\$ 35,372	\$ 35,372	\$ 94,037	\$ 58,665

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

1911 ACT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 492,800	\$ 492,800	\$ 497,743	\$ 4,943
Use of money and property	7,800	7,800	7,113	(687)
TOTAL REVENUES	500,600	500,600	504,856	4,256
EXPENDITURES:				
Public works	506,900	506,900	423,695	83,205
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,300)	(6,300)	81,161	87,462
OTHER FINANCING USES:				
Transfers out	(104,100)	(104,100)	(67,633)	36,467
NET CHANGE IN FUND BALANCE	(110,400)	(110,400)	13,528	123,929
FUND BALANCE - BEGINNING OF YEAR	1,639,118	1,639,118	1,639,118	-
FUND BALANCE - END OF YEAR	<u>\$ 1,528,718</u>	<u>\$ 1,528,718</u>	<u>\$ 1,652,646</u>	<u>\$ 123,929</u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

JOINT POWERS IMPROVEMENT AUTHORITY PORTUGUSE BEND SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,030	\$ 1,030	\$ 473	\$ (557)
EXPENDITURES:				
Public works	141,700	141,700	82,464	59,236
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(140,670)	(140,670)	(81,991)	58,679
OTHER FINANCING SOURCES:				
Transfers in	101,000	101,000	101,000	-
NET CHANGE IN FUND BALANCE	(39,670)	(39,670)	19,009	58,679
FUND BALANCE - BEGINNING OF YEAR	283,321	283,321	283,321	-
FUND BALANCE - END OF YEAR	<u>\$ 243,651</u>	<u>\$ 243,651</u>	<u>\$ 302,330</u>	<u>\$ 58,679</u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

HABITAT RESTORATION SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,010	\$ 1,010	\$ 3,991	\$ 2,981
EXPENDITURES:				
Public works	126,411	126,411	126,026	385
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(125,401)	(125,401)	(122,035)	2,596
OTHER FINANCING SOURCES:				
Transfers in	109,900	109,900	109,900	-
NET CHANGE IN FUND BALANCE	(15,501)	(15,501)	(12,135)	2,596
FUND BALANCE - BEGINNING OF YEAR	275,193	275,193	275,193	-
FUND BALANCE - END OF YEAR	<u>\$ 259,692</u>	<u>\$ 259,692</u>	<u>\$ 263,058</u>	<u>\$ 2,596</u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

MEASURE A SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 151,000	\$ 160,641	\$ -	\$ (160,641)
Use of money and property	170	170	83	(87)
TOTAL REVENUES	151,170	160,811	83	(160,728)
OTHER FINANCING USES:				
Transfers out	(151,000)	(160,641)	(160,641)	-
NET CHANGE IN FUND BALANCE	170	170	(160,558)	(160,728)
FUND BALANCE - BEGINNING OF YEAR	34,162	34,162	34,162	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ 34,332	\$ 34,332	\$ (126,396)	\$ (160,728)

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

ABALONE COVE SEWER ASSESSMENT DISTRICT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 46,560	\$ 46,560	\$ 49,432	\$ 2,872
Other revenues	-	-	1,181	1,181
Use of money and property	280	280	262	(18)
TOTAL REVENUES	46,840	46,840	50,875	4,035
EXPENDITURES:				
Public works	63,206	63,206	45,240	17,966
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,366)	(16,366)	5,635	(13,931)
OTHER FINANCING SOURCES:				
Transfers in	10,700	32,700	32,700	-
NET CHANGE IN FUND BALANCE	(5,666)	16,334	38,335	(13,931)
FUND BALANCE - BEGINNING OF YEAR	58,343	58,343	58,343	-
FUND BALANCE - END OF YEAR	\$ 52,677	\$ 74,677	\$ 96,678	\$ (13,931)

CITY OF RANCHO PALOS VERDES

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DR. ALLEN AND CHARLOTTE GINSBURG CULTURAL ARTS BUILDING SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,040	\$ 1,040	\$ 791	\$ (249)
TOTAL REVENUES	1,040	1,040	791	(249)
EXPENDITURES:				
Park and recreation	-	20,000	20,000	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,040	(18,960)	(19,209)	(249)
FUND BALANCE - BEGINNING OF YEAR	202,156	202,156	202,156	-
FUND BALANCE - END OF YEAR	\$ 203,196	\$ 183,196	\$ 182,947	\$ (249)

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

DONOR RESTRICTED CONTRIBUTIONS SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 10	\$ 10	\$ 1,681	\$ 1,671
FUND BALANCE - BEGINNING OF YEAR	403,838	403,838	403,838	-
FUND BALANCE - END OF YEAR	\$ 403,848	\$ 403,848	\$ 405,519	\$ 1,671

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

BIKEWAYS SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 17,223	\$ 17,223	\$ 17,223	\$ -
Use of money and property	-	9,750	9,801	51
TOTAL REVENUES	17,223	26,973	27,024	51
OTHER FINANCING USES:				
Transfers out	(17,223)	(26,973)	(26,973)	-
NET CHANGE IN FUND BALANCE	-	-	51	51
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 51	\$ 51

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

ENVIRONMENTAL EXCISE TAX SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other revenues	\$ 38,600	\$ 38,600	\$ 27,384	\$ (11,216)
Use of money and property	200	200	2,745	2,545
TOTAL REVENUES	38,800	38,800	30,129	(8,671)
EXPENDITURES:				
Public works	-	554,675	212,682	341,993
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	38,800	(515,875)	(182,553)	333,322
OTHER FINANCING USES:				
Transfers out	(40,000)	(86,300)	(86,300)	-
NET CHANGE IN FUND BALANCE	(1,200)	(602,175)	(268,853)	333,322
FUND BALANCE - BEGINNING OF YEAR	684,251	684,251	684,251	-
FUND BALANCE - END OF YEAR	<u>\$ 683,051</u>	<u>\$ 82,076</u>	<u>\$ 415,398</u>	<u>\$ 333,322</u>

CITY OF RANCHO PALOS VERDES

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

QUIMBY SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other revenues	\$ -	\$ -	\$ -	\$ -
Use of money and property	130	130	123	(7)
TOTAL REVENUES	130	130	123	(7)
FUND BALANCE - BEGINNING OF YEAR	29,205	29,205	29,205	-
FUND BALANCE - END OF YEAR	\$ 29,335	\$ 29,335	\$ 29,328	\$ (7)

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

AFFORDABLE HOUSING SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 40	\$ 40	\$ 15	\$ (25)
EXPENDITURES:				
Community development	-	5,000	2,889	2,111
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	40	(4,960)	(2,874)	2,086
FUND BALANCE - BEGINNING OF YEAR	1,773,393	1,773,393	1,773,393	-
FUND BALANCE - END OF YEAR	<u>\$ 1,773,433</u>	<u>\$ 1,768,433</u>	<u>\$ 1,770,519</u>	<u>\$ 2,086</u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

REDEVELOPMENT AGENCY ABALONE COVE CAPITAL PROJECTS FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 30	\$ 30	\$ 13	\$ (17)
FUND BALANCE - BEGINNING OF YEAR	6,203	6,203	6,203	-
FUND BALANCE - END OF YEAR	<u>\$ 6,233</u>	<u>\$ 6,233</u>	<u>\$ 6,216</u>	<u>\$ (17)</u>

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

REDEVELOPMENT AGENCY PORTUGUESE BEND CAPITAL PROJECTS FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other revenues	-	-	50,004	50,004
Use of money and property	\$ 1,520	\$ 1,520	\$ 896	\$ (624)
TOTAL REVENUES	1,520	1,520	50,900	49,380
EXPENDITURES:				
Public works	31,366	296,213	292,046	4,167
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(29,846)	(294,693)	(241,146)	53,547
FUND BALANCE - BEGINNING OF YEAR	565,804	565,804	565,804	-
FUND BALANCE - END OF YEAR	\$ 535,958	\$ 271,111	\$ 324,658	\$ 53,547

CITY OF RANCHO PALOS VERDES

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

SUBREGION ONE MAINTENANCE PERMANENT FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 3,800	\$ 3,800	\$ 3,197	\$ (603)
EXPENDITURES:				
Public works	79,000	79,000	71,110	7,890
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(75,200)	(75,200)	(67,913)	7,287
OTHER FINANCING SOURCES:				
Transfers in	70,000	70,000	70,000	-
NET CHANGE IN FUND BALANCE	(5,200)	(5,200)	2,087	7,287
FUND BALANCE - BEGINNING OF YEAR	773,920	773,920	773,920	-
FUND BALANCE - END OF YEAR	<u>\$ 768,720</u>	<u>\$ 768,720</u>	<u>\$ 776,007</u>	<u>\$ 7,287</u>

CITY OF RANCHO PALOS VERDES

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

JOINT POWERS IMPROVEMENT AUTHORITY ABALONE COVE PERMANENT FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 6,500	\$ 6,500	\$ 2,578	\$ (3,922)
EXPENDITURES:				
Public works	109,490	109,490	43,024	66,466
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(102,990)	(102,990)	(40,446)	62,544
FUND BALANCE - BEGINNING OF YEAR	1,333,223	1,333,223	1,333,223	-
FUND BALANCE - END OF YEAR	<u>\$ 1,230,233</u>	<u>\$ 1,230,233</u>	<u>\$ 1,292,777</u>	<u>\$ 62,544</u>

CITY OF RANCHO PALOS VERDES

JUNE 30, 2011

INTERNAL SERVICE FUNDS DESCRIPTIONS

The Internal Service Funds are used to finance and account for goods and services provided by one City department to other City departments on a cost-reimbursement basis, including depreciation.

Equipment Replacement – to account for purchases, replacement and maintenance of certain equipment items on behalf of all City departments.

Building Replacement – to account for the accumulation of funds transferred from the General Fund for replacement of certain buildings on behalf of the City.

Employee Benefits – to account for employee benefit costs for all employees charged to various City departments.

CITY OF RANCHO PALOS VERDES

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS**

June 30, 2011

ASSETS	<u>Equipment Replacement</u>	<u>Building Replacement</u>	<u>Employee Benefits</u>	<u>Totals</u>
CURRENT ASSETS:				
Cash and investments	\$ 2,640,080	\$ 995,626	\$ 411,089	\$ 4,046,795
Receivables:				
Interest	2,696	1,015	800	4,511
Prepaid items	-	-	262,084	262,084
	<u>2,642,776</u>	<u>996,641</u>	<u>673,973</u>	<u>4,313,390</u>
TOTAL CURRENT ASSETS				
NONCURRENT ASSETS:				
Capital assets:				
Property and equipment	1,468,875	-	-	1,468,875
Accumulated depreciation	(1,215,176)	-	-	(1,215,176)
	<u>253,699</u>	<u>-</u>	<u>-</u>	<u>253,699</u>
TOTAL NONCURRENT ASSETS				
TOTAL ASSETS				
	<u>2,896,475</u>	<u>996,641</u>	<u>673,973</u>	<u>4,567,089</u>
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	<u>41,748</u>	<u>5,318</u>	<u>223,622</u>	<u>270,688</u>
NET ASSETS				
Invested in capital assets	253,699	-	-	253,699
Unrestricted	<u>2,601,028</u>	<u>991,323</u>	<u>450,351</u>	<u>4,042,702</u>
TOTAL NET ASSETS				
	<u>\$ 2,854,727</u>	<u>\$ 991,323</u>	<u>\$ 450,351</u>	<u>\$ 4,296,401</u>

See independent auditors' report.

CITY OF RANCHO PALOS VERDES

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS**

For the year ended June 30, 2011

	Equipment Replacement	Building Replacement	Employee Benefits	Totals
OPERATING REVENUES:				
Charges for services	\$ 59,100	\$ -	\$ 1,795,348	\$ 1,854,448
OPERATING EXPENSES:				
Personnel services	-	-	1,704,755	1,704,755
Materials and supplies	128,908	-	-	128,908
Maintenance	56,876	211,315	-	268,191
Depreciation	121,887	-	-	121,887
TOTAL OPERATING EXPENSES	307,671	211,315	1,704,755	2,223,741
OPERATING INCOME / (LOSS)	(248,571)	(211,315)	90,593	(369,293)
NONOPERATING REVENUES:				
Other revenues	10,100	156,094	-	166,194
Investment income	11,404	4,226	812	16,441
TOTAL NONOPERATING REVENUES	21,504	160,320	812	182,635
CHANGE IN NET ASSETS	(227,067)	(50,995)	91,404	(186,658)
TOTAL NET ASSETS - BEGINNING OF YEAR	3,081,794	1,042,318	358,947	4,483,059
TOTAL NET ASSETS - END OF YEAR	\$ 2,854,727	\$ 991,323	\$ 450,351	\$ 4,296,401

See independent auditors' report.

CITY OF RANCHO PALOS VERDES

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

For the year ended June 30, 2011

	Equipment Replacement	Building Replacement	Employee Benefits	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from interfund services provided	\$ 59,100	\$ -	\$ 1,795,348	\$ 1,854,448
Payments to suppliers	(186,700)	(298,808)		(485,508)
Payments to employees	-	-	(1,656,215)	(1,656,215)
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES				
	(127,600)	(298,808)	139,133	(287,275)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(112,239)	-	-	(112,239)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grants received	-	156,094	-	156,094
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and dividends	21,995	4,476	166	26,637
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(217,844)	(138,238)	139,299	(216,784)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR				
	2,857,924	1,133,864	271,790	4,263,578
CASH AND CASH EQUIVALENTS - END OF YEAR				
	<u>\$ 2,640,080</u>	<u>\$ 995,626</u>	<u>\$ 411,089</u>	<u>\$ 4,046,794</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:				
Operating income / (loss)	\$ (248,571)	\$ (211,315)	\$ 90,593	\$ (369,293)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	121,887	-	-	121,887
Changes in operating assets and liabilities:				
decrease in prepaid items	-	-	(140,217)	(140,217)
Increase (decrease) in accrued liabilities	(916)	(87,493)	188,757	100,348
NET CASH USED BY OPERATING ACTIVITIES				
	<u>\$ (127,600)</u>	<u>\$ (298,808)</u>	<u>\$ 139,133</u>	<u>\$ (287,275)</u>

See independent auditors' report.

STATISTICAL SECTION



Pitch Hit & Run

STATISTICAL SECTION

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	128
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i>	136
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the city's ability to issue additional debt in the future. The City does not have general bond indebtedness or debt issued with pledged revenue.</i>	140
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	143
Operating Information <i>These schedules contain services and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	146

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

City of Rancho Palos Verdes
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	<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>
Governmental activities										
Invested in capital assets, net of related debt	\$ 93,636	\$ 94,895	\$ 92,499	\$ 94,023	\$ 109,991	\$ 109,746	\$ 109,376	\$ 107,867	\$ 115,331	\$ 115,145
Restricted	10,327	10,661	11,586	12,075	12,417	12,163	1,000	1,000	1,000	1,750
Unrestricted	13,666	13,004	14,271	15,659	16,024	17,823	30,471	31,277	31,855	35,376
Total governmental activities net assets	<u>\$ 117,629</u>	<u>\$ 118,560</u>	<u>\$ 118,356</u>	<u>\$ 121,757</u>	<u>\$ 138,432</u>	<u>\$ 139,732</u>	<u>\$ 140,847</u>	<u>\$ 140,144</u>	<u>\$ 148,186</u>	<u>\$ 152,271</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ 1,311	\$ 2,158	\$ 5,599	\$ 12,477	\$ 12,458	\$ 12,753
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	2,000	2,799	5,258	7,740	2,108	2,825	3,365
Total business-type activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 4,110</u>	<u>\$ 7,416</u>	<u>\$ 13,339</u>	<u>\$ 14,585</u>	<u>\$ 15,283</u>	<u>\$ 16,118</u>
Primary government										
Invested in capital assets, net of related debt	\$ 93,636	\$ 94,895	\$ 92,499	\$ 94,023	\$ 111,302	\$ 111,904	\$ 114,975	\$ 120,344	\$ 127,789	\$ 127,898
Restricted	10,327	10,661	11,586	12,075	12,417	12,163	1,000	1,000	1,000	1,750
Unrestricted	13,666	13,004	14,271	17,659	18,823	23,081	38,211	33,385	34,680	38,741
Total primary government net assets	<u>\$ 117,629</u>	<u>\$ 118,560</u>	<u>\$ 118,356</u>	<u>\$ 123,757</u>	<u>\$ 142,542</u>	<u>\$ 147,148</u>	<u>\$ 154,186</u>	<u>\$ 154,729</u>	<u>\$ 163,469</u>	<u>\$ 168,389</u>

City of Rancho Palos Verdes
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	<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>
Expenses										
Governmental activities:										
Administration	\$ 3,069	\$ 3,294	\$ 3,499	\$ 4,055	\$ 4,350	\$ 4,953	\$ 4,724	\$ 6,357	\$ 7,824	\$ 5,997
Public safety	2,898	3,094	3,024	3,079	3,437	3,751	4,044	4,233	4,242	4,335
Public works	7,283	7,954	7,462	9,488	9,290	9,969	9,026	10,555	13,633	10,389
Parks and recreation	687	809	948	1,065	1,659	1,439	1,396	1,605	1,826	1,391
Community development	1,916	2,170	2,296	2,223	2,060	2,631	2,441	2,697	2,550	2,622
Non-departmental	-	-	-	-	-	-	-	-	320	-
Interest on long-term debt	273	273	273	272	270	271	270	268	265	260
Total governmental activities expenses	<u>16,126</u>	<u>17,594</u>	<u>17,502</u>	<u>20,182</u>	<u>21,066</u>	<u>23,014</u>	<u>21,901</u>	<u>25,715</u>	<u>30,660</u>	<u>24,994</u>
Business-type activities:										
Water Quality Flood Protection	-	-	-	-	47	271	301	437	580	489
Total primary government expenses	<u>\$ 16,126</u>	<u>\$ 17,594</u>	<u>\$ 17,502</u>	<u>\$ 20,182</u>	<u>\$ 21,113</u>	<u>\$ 23,285</u>	<u>\$ 22,202</u>	<u>\$ 26,152</u>	<u>\$ 31,240</u>	<u>\$ 25,483</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Administration	\$ 157	\$ 87	\$ 69	\$ 62	\$ 35	\$ 29	\$ 538	\$ 555	\$ 681	\$ 654
Public safety	433	235	165	163	224	332	316	267	229	261
Public works	78	252	217	131	37	185	1,002	422	1,356	622
Parks and recreation	10	8	6	41	45	51	483	483	896	457
Community development	979	1,202	1,363	1,188	1,319	1,599	1,760	1,643	1,764	1,714
Operating grants and contributions	6,877	2,971	2,836	2,728	3,894	4,200	3,570	2,963	6,633	3,689
Capital grants and contributions	706	131	37	4,524	17,299	317	1,472	642	7,179	5
Total governmental activities program revenues	<u>9,240</u>	<u>4,886</u>	<u>4,693</u>	<u>8,837</u>	<u>22,853</u>	<u>6,713</u>	<u>9,141</u>	<u>6,975</u>	<u>18,738</u>	<u>7,402</u>
Business-type activities:										
Charges for services:										
Water Quality Flood Protection	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government program revenues	<u>\$ 9,240</u>	<u>\$ 4,886</u>	<u>\$ 4,693</u>	<u>\$ 8,837</u>	<u>\$ 22,853</u>	<u>\$ 6,713</u>	<u>\$ 9,141</u>	<u>\$ 6,975</u>	<u>\$ 18,738</u>	<u>\$ 7,402</u>
Net (expense)/revenue										
Governmental activities	\$ (6,886)	\$ (12,708)	\$ (12,809)	\$ (11,345)	\$ 1,787	\$ (16,301)	\$ (12,760)	\$ (18,740)	\$ (11,922)	\$ (17,592)
Business-type activities	-	-	-	-	(47)	(271)	(301)	(437)	(580)	(489)
Total primary government net expense	<u>\$ (6,886)</u>	<u>\$ (12,708)</u>	<u>\$ (12,809)</u>	<u>\$ (11,345)</u>	<u>\$ 1,740</u>	<u>\$ (16,572)</u>	<u>\$ (13,061)</u>	<u>\$ (19,177)</u>	<u>\$ (12,502)</u>	<u>\$ (18,081)</u>

City of Rancho Palos Verdes
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 5,253	\$ 5,335	\$ 5,706	\$ 5,840	\$ 9,621	\$ 10,235	\$ 10,935	\$ 11,462	\$ 11,431	\$ 11,854
Franchise taxes	1,139	1,087	1,275	1,307	1,454	1,512	1,599	1,709	1,711	1,825
Sales taxes	1,093	1,003	1,205	1,276	1,214	1,381	1,056	1,053	1,246	1,548
Utility user taxes	1,812	1,832	1,851	1,901	2,191	2,271	2,329	2,267	2,395	2,407
Other taxes	2,744	3,495	2,867	4,545	727	363	820	690	2,667	3,454
Investment income	814	371	331	594	997	1,615	1,555	631	207	318
Other	(67)	517	2,481	1,283	793	2,101	300	225	307	271
Transfers	-	-	-	(2,000)	(2,109)	(2,017)	(4,719)	-	-	-
Total governmental activities	<u>12,788</u>	<u>13,640</u>	<u>15,716</u>	<u>14,746</u>	<u>14,888</u>	<u>17,461</u>	<u>13,875</u>	<u>18,037</u>	<u>19,964</u>	<u>21,677</u>
Business-type activities:										
Investment income	-	-	-	-	48	51	283	105	14	13
User Fees	-	-	-	-	-	1,188	1,222	1,578	1,264	1,312
Other	-	-	-	-	-	320	-	-	-	-
Transfers	-	-	-	2,000	2,109	2,017	4,719	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,157</u>	<u>3,576</u>	<u>6,224</u>	<u>1,683</u>	<u>1,278</u>	<u>1,325</u>
Total primary government	<u>\$ 12,788</u>	<u>\$ 13,640</u>	<u>\$ 15,716</u>	<u>\$ 16,746</u>	<u>\$ 17,045</u>	<u>\$ 21,037</u>	<u>\$ 20,099</u>	<u>\$ 19,720</u>	<u>\$ 21,242</u>	<u>\$ 23,002</u>
Change in Net Assets										
Governmental activities	\$ 5,902	\$ 932	\$ 2,907	\$ 3,401	\$ 16,675	\$ 1,160	\$ 1,115	\$ (703)	\$ 8,042	\$ 4,085
Business-type activities	-	-	-	2,000	2,110	3,305	5,923	1,246	698	836
Total primary government net expense	<u>\$ 5,902</u>	<u>\$ 932</u>	<u>\$ 2,907</u>	<u>\$ 5,401</u>	<u>\$ 18,785</u>	<u>\$ 4,465</u>	<u>\$ 7,038</u>	<u>\$ 543</u>	<u>\$ 8,740</u>	<u>\$ 4,921</u>

City of Rancho Palos Verdes
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Franchise Tax	Sales Tax	Utility Users Tax	Other Taxes	Total
2002	\$ 5,253	\$ 1,139	\$ 1,093	\$ 1,812	\$ 2,744	\$ 12,041
2003	5,335	1,087	1,003	1,832	3,495	12,752
2004	5,706	1,275	1,205	1,851	2,867	12,904
2005	5,840	1,307	1,276	1,901	4,545	14,869
2006	9,621 ¹	1,454	1,214	2,191	727 ¹	15,207
2007	10,235	1,512	1,381	2,271	363	15,762
2008	10,935	1,599	1,056	2,329	820	16,739
2009	11,462	1,709	1,053	2,267	690	17,181
2010	11,431	1,711	1,246	2,395	2,667	19,450
2011	11,854	1,825	1,548	2,407	3,454	21,088

1: Most of the Motor Vehicle In Lieu Tax is received as Property Tax beginning in 2006.

City of Rancho Palos Verdes
Fund Balances of Governmental Funds
Last Nine Fiscal Years - Before GASB 54
(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund									
Reserved	\$ 6,571	\$ 6,854	\$ 6,639	\$ 6,021	\$ 6,165	\$ 6,586	\$ 6,645	\$ 6,314	\$ 7,166
Designated	-	-	-	675	876	786	1,278	1,333	1,462
Unreserved, Undesignated	7,234	9,607	14,066	14,209	13,649	14,376	12,171	10,440	10,745
Total General Fund	<u>\$ 13,805</u>	<u>\$ 16,461</u>	<u>\$ 20,705</u>	<u>\$ 20,905</u>	<u>\$ 20,690</u>	<u>\$ 21,748</u>	<u>\$ 20,094</u>	<u>\$ 18,087</u>	<u>\$ 19,373</u>
All other Governmental Funds									
Reserved	\$ 11,256	\$ 7,584	\$ 7,229	\$ 3,147	\$ 3,315	\$ 2,396	\$ 2,724	\$ 3,672	\$ 6,361
Designated									
Special Revenue Funds	-	-	-	615	744	1,849	1,896	411	85
Capital Projects Funds	-	-	-	2,416	2,799	3,158	4,347	6,442	7,494
Permanent Fund	-	-	-	-	75	65	-	-	-
Debt Service Fund	-	-	-	-	-	-	-	-	-
Unreserved, Undesignated, reported in:									
Special Revenue Funds	4,753	5,012	5,040	5,902	6,615	6,426	7,494	7,910	6,058
Capital Projects Funds	332	534	2,430	3,320	2,077	1,869	1,908	3,373	1,240
Permanent Fund	443	460	418	426	329	325	371	362	333
Debt Service Fund	(10,477)	(10,915)	(12,070)	(12,793)	(13,741)	(14,873)	(15,990)	(16,823)	(17,797)
Total all other Governmental Funds	<u>\$ 6,307</u>	<u>\$ 2,675</u>	<u>\$ 3,047</u>	<u>\$ 3,033</u>	<u>\$ 2,213</u>	<u>\$ 1,215</u>	<u>\$ 2,750</u>	<u>\$ 5,347</u>	<u>\$ 3,774</u>

City of Rancho Palos Verdes
Fund Balances of Governmental Funds
Current One Fiscal Years - After GASB 54
(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>2011</u>
General Fund	
Non-Spendable	\$ 7,515
Restricted	-
Committed	-
Assigned	-
Unassigned	11,385
Total General Fund	<u>\$ 18,900</u>
All other Governmental Funds	
Non-Spendable	
Special Revenue Funds	\$ 4,818
Debt Service Fund	573
Capital Projects Funds	-
Permanent Fund	1,750
Restricted	
Special Revenue Funds	7,952
Debt Service Fund	-
Capital Projects Funds	313
Permanent Fund	319
Committed	
Special Revenue Funds	-
Debt Service Fund	-
Capital Projects Funds	-
Permanent Fund	-
Assigned	
Special Revenue Funds	-
Debt Service Fund	-
Capital Projects Funds	11,650
Permanent Fund	-
Unassigned	
Special Revenue Funds	(126)
Debt Service Fund	(19,687)
Capital Projects Funds	-
Permanent Fund	-
Total all other Governmental Funds	<u>\$ 7,562</u>

City of Rancho Palos Verdes
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual basis of Accounting)
(Amounts expressed in thousands)

	<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>
Revenues										
Taxes	\$ 10,677	\$ 11,046	\$ 12,081	\$ 13,573	\$ 15,238	\$ 16,453	\$ 17,062	\$ 17,573	\$ 19,844	\$ 21,419
Licenses and permits	1,245	1,463	1,310	1,326	1,440	1,763	1,914	1,755	1,954	1,933
Fines and forfeitures	117	115	102	108	171	237	260	214	179	210
Use of money and property	1,153	804	733	1,306	7,038	3,480	2,108	1,240	1,601	1,560
Charges for services	217	205	379	152	49	61	60	163	81	73
Revenues from other agencies	8,170	4,318	3,453	7,848	15,511	4,118	4,647	3,575	10,180	3,162
Other Revenues	563	554	2,363	1,038	155	201	1,563	467	4,806	229
Total Revenues	<u>22,142</u>	<u>18,505</u>	<u>20,421</u>	<u>25,351</u>	<u>39,602</u>	<u>26,313</u>	<u>27,614</u>	<u>24,987</u>	<u>38,645</u>	<u>28,586</u>
Expenditures										
Administration	2,915	3,092	3,328	3,852	4,041	4,607	4,411	4,915	5,720	5,503
Public Safety	2,898	3,094	3,039	3,092	3,438	3,751	4,044	4,233	4,242	4,335
Public Works	7,449	5,292	4,801	6,302	5,277	6,864	5,768	7,075	6,896	7,875
Parks and Recreation	669	786	946	965	1,593	1,319	1,281	1,354	1,702	1,257
Community Development	1,950	2,194	2,362	2,302	2,361	2,681	2,496	2,723	2,604	2,784
Non-Departmental	-	-	-	-	-	-	-	-	320	-
Pass Through to other agencies	102	137	156	188	200	152	169	187	-	-
Capital Outlay	8,246	3,893	368	4,912	20,202	3,124	3,112	2,459	14,567	2,557
Debt Service										
Principal	-	-	-	184	200	248	316	350	419	423
Interest	930	836	805	905	1,150	1,390	1,370	1,101	886	887
Total Expenditures	<u>25,159</u>	<u>19,324</u>	<u>15,805</u>	<u>22,702</u>	<u>38,462</u>	<u>24,136</u>	<u>22,967</u>	<u>24,397</u>	<u>37,356</u>	<u>25,621</u>
Excess of Revenues over (under) Expenditures	(3,017)	(819)	4,616	2,649	1,140	2,177	4,647	590	1,289	2,965
Other Financing Sources (uses)										
Sales of capital assets	-	-	-	-	-	-	-	-	-	350
Transfers in	4,294	1,676	1,844	6,180	4,989	4,489	3,158	5,815	4,616	8,944
Transfers out	(4,877)	(1,833)	(1,844)	(8,180)	(7,247)	(6,606)	(7,924)	(5,815)	(6,192)	(8,944)
Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Advances to the Redevelopment Agency	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (uses)	<u>(583)</u>	<u>(157)</u>	<u>-</u>	<u>(2,000)</u>	<u>(2,258)</u>	<u>(2,117)</u>	<u>(4,766)</u>	<u>-</u>	<u>(1,576)</u>	<u>350</u>
Net change in Fund Balances	<u>\$ (3,600)</u>	<u>\$ (976)</u>	<u>\$ 4,616</u>	<u>\$ 649</u>	<u>\$ (1,118)</u>	<u>\$ 60</u>	<u>\$ (119)</u>	<u>\$ 590</u>	<u>\$ (287)</u>	<u>\$ 3,315</u>
Cost of Assets Capitalized	¹ 11,047	4,184	379	4,623	19,465	2,800	2,764	1,895	10,866	3,180
Debt Services as a percentage of Non-Capital Expenditures	¹ 6.6%	5.5%	5.2%	6.0%	7.1%	7.7%	8.3%	6.4%	4.9%	5.8%

City of Rancho Palos Verdes
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Amounts expressed in thousands)

Fiscal Year	Property Tax	Franchise Tax	Sales Tax	Utility Users Tax	Other Taxes	Total
2002	4,972	1,139	1,093	1,812	1,661	10,677
2003	5,335	1,087	1,003	1,832	1,789	11,046
2004	5,706	1,275	1,205	1,851	2,044	12,081
2005	8,494 ¹	1,307	1,009	1,901	862	13,573
2006	9,576	1,299	995	2,191	1,177	15,238
2007	10,385	1,511	1,020	2,272	1,265	16,453
2008	10,898	1,599	1,077	2,329	1,159	17,062
2009	11,462	1,709	1,060	2,267	1,075	17,573
2010	11,431	1,711	1,158	2,395	3,149	19,844
2011	11,854	1,825	1,518	2,407	3,815	21,419

Source: City General Ledger

1: Most of the Motor Vehicle In Lieu Fees are received as property tax beginning in 2006.

City of Rancho Palos Verdes
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(In thousands of dollars)

Fiscal Year End	Residential Property	Commercial Property	Industrial Property	Other Property	Unsecured Property	Less Tax-Exempt Property	Taxable Assessed Value	Total Direct Tax Rate (1)	Estimated Actual Taxable Value (2)	Factor of Taxable Assessed Value (3)	Assessed Value as a Percentage of Actual Value
2002	\$ 5,410,470	\$ 73,923	\$ -	\$ 197,904	\$ 19,641	\$ 71,660	\$ 5,701,938	0.07869	\$ 7,588,424	1.33085	75.14%
2003	5,730,464	70,475	-	191,541	21,741	73,768	6,014,221	0.07317	8,004,026	1.33085	75.14%
2004	6,137,760	74,753	1,660	179,867	22,889	73,701	6,416,930	0.07897	8,539,971	1.33085	75.14%
2005 *	6,530,448	76,445	1,691	317,463	22,222	218,193	6,730,076	0.06400	8,956,722	1.33085	75.14%
2006 *	7,034,406	88,691	3,086	365,175	21,561	218,916	7,294,003	0.06400	9,707,224	1.33085	75.14%
2007	7,548,956	111,338	3,148	513,876	20,378	226,598	7,971,098	0.06370	10,608,336	1.33085	75.14%
2008	7,919,953	170,149	3,211	453,446	26,546	151,225	8,422,080	0.07930	11,208,525	1.33085	75.14%
2009	8,235,780	270,956	3,275	491,235	46,858	154,969	8,893,135	0.07960	11,835,429	1.33085	75.14%
2010	8,333,042	263,157	3,341	598,539	49,628	236,925	9,010,782	0.06370	9,515,593	1.05602	94.69%
2011	8,362,052	396,195	3,333	570,551	45,258	158,388	9,219,001	0.06370	9,067,313	0.98355	101.67%

Source: 2010-11 County Assessor data, MuniServices, LLC

*Assessed values have been revised from prior CAFR publications to comply with GASB No. 44 standards and on-going consistency in reporting methodologies.

(1) Total Direct Tax Rate is represented by TRA 001-224. This percentage is City's shared portion within 1% of County's general levy.

(2) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices.

Based on these calculations a factor was extrapolated and applied to current assessed values.

(3) The Factor used to calculate Estimated Actual Value was calculated for 2006-07 and applied to prior years for historical purposes.

City of Rancho Palos Verdes
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Basic City and County Levy										
CITY DIRECT RATE	0.07869	0.07317	0.07897	0.06400	0.06400	0.06370	0.07930	0.07960	0.06370	0.06370
COUNTY DIRECT RATE	0.92131	0.92683	0.92103	0.93600	0.93600	0.93630	0.92070	0.92040	0.93630	0.93630
TOTAL	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Override Assessments										
COUNTY	0.001130	0.001030	0.000990	0.000920	0.000800	0.000600	0.000000	0.000000	0.000000	0.000000
UNIFIED SCHOOLS	0.063610	0.052060	0.091910	0.103820	0.103840	0.106800	0.143100	0.145000	0.151809	0.186954
COMMNTY COLLEGE	0.016000	0.014600	0.019860	0.018100	0.014300	0.021400	0.008780	0.022120	0.023112	0.040310
PALOS VERDES LIB	0.009590	0.009700	0.008960	0.008520	0.007810	0.007300	0.013700	0.006800	0.006618	0.006719
FLOOD CONTROL	0.001070	0.000880	0.000470	0.000240	0.000050	0.000000	0.000000	0.000000	0.000000	0.000000
METRO WATER DIST	0.007700	0.006700	0.006100	0.005800	0.005200	0.004700	0.004500	0.004300	0.004300	0.003700
TOTAL	0.099100	0.084970	0.128290	0.137400	0.132000	0.140800	0.170080	0.178220	0.185839	0.237683
TOTAL TAX RATE	1.099100	1.084970	1.128290	1.137400	1.132000	1.140800	1.170080	1.178220	1.185839	1.237683

Source: 2009-10 & 2006-07 County Auditor/Controller data, MuniServices, LLC

Los Angeles County Auditor/Controller TRA 001-224

1. City has no separate debt service rate, direct rate is 100% operating.

2. In 1978, California voters passed Proposition 13 which set the property tax at a 1.00% fixed amount. This 1.00% is shared by all the taxing agencies for which the subject property resides within. In addition to 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

**City of Rancho Palos Verdes
Principal Property Tax Payers
Last Fiscal Year and Nine Years Ago**

Taxpayer	2010-11			2001-02		
	Taxable Value (\$)	Rank	Percentage of Total City Taxable Value (%)	Taxable Value (\$)	Rank	Percentage of Total City Taxable Value (%)
Long Point Development LLC	\$ 329,854,761	1	3.58%			
VHPS LLC	\$ 65,196,557	2	0.71%			
PPC Villas RPV LLC	63,710,973	3	0.69%			
PV Victoria Apartments LLC	46,703,821	4	0.51%			
Terraces Rancho Palos Verdes LLC	35,148,602	5	0.38%			
Western Riviera Investors	28,468,344	6	0.31%			
PPC Palos Verdes LLC	25,972,775	7	0.28%			
Golden Cove LLC	25,948,345	8	0.28%			
COX Communication Inc. Orange	23,912,452	9	0.26%			
Belmont Village PRV LP	22,232,551	10	0.24%			
Johnson Eric C	18,233,759	11	0.20%			
Tridiamond LLC	13,311,514	12	0.14%			
York Point View Properties LLC	9,577,246	13	0.10%			
Kariger Brian P	8,330,210	14	0.09%			
Victoria Apartments	7,763,471	15	0.08%			
Palos Verdes Terrace Ltd	7,605,139	16	0.08%			
Ruffin Phillip G	7,575,000	17	0.08%			
Saitta Christopher L	6,557,865	18	0.07%			
Amdan Investment LLC Lessee	6,550,000	19	0.07%			
Gerts Igor & Anna	6,458,000	20	0.07%			
Labarba James G	6,087,262	21	0.07%			
Imbach Scott A & Diane Y	5,977,923	22	0.06%			
Clow Leland E Ilene F	5,836,697	23	0.06%			
HSU Tong H	5,822,885	24	0.06%			
500 Silver Spur Rd LLC	5,590,000	25	0.06%			
Ocean Trails LP				57,333,287	1	1.02%
P V Victoria Apartments LLC				40,015,225	2	0.71%
Connecticut General Life				27,538,295	3	0.49%
RPV Associates LLC				25,690,073	4	0.46%
Western Riviera Investors				24,367,914	5	0.44%
York Long Point Associates				21,578,933	6	0.39%
P V Terraces Inc.				16,595,400	7	0.30%
Gardner Theodore II				13,438,441	8	0.24%
Salvation Army				11,314,664	9	0.20%
MVI Corp				8,070,240	10	0.14%
Braun William				6,720,000	11	0.12%
Victoria Apartments				6,653,137	12	0.12%
Donahue Schriber Realty Group				5,826,240	13	0.10%
LA Barba James G Co TR				5,214,572	14	0.09%
Foster Robert D & Gina D				4,723,236	15	0.08%
Briles Richard & Keanna				4,590,000	16	0.08%
Bradford Edward T & Paultee G				4,447,436	17	0.08%
Moshfeghi Mehran				4,268,000	18	0.08%
Levine Irving				4,073,397	19	0.07%
Archdiocese of L A EDUC				3,998,204	20	0.07%
Marino Joseph C & Kimberly				3,860,000	21	0.07%
Hill John W Elizabeth d TRS				3,758,891	22	0.07%
Pemba Properties INC				3,751,407	23	0.07%
Michigami Michael M & Sharon W				3,665,000	24	0.07%
Palos Verdes Office Partners L				3,621,000	25	0.06%
Totals	<u>\$ 788,426,152</u>		<u>8.55%</u>	<u>\$ 315,112,992</u>		<u>5.63%</u>
Total Taxable Value	<u>\$ 9,219,001,000</u>		100.00%	<u>\$ 5,596,637,882</u>		100.00%

Source: Los Angeles County Assessor data, MuniServices, LLC

City of Rancho Palos Verdes
Property Tax Levies and Collections
Last Six Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 4,284	\$ 4,001	93.40%	\$ 144	\$ 4,145	96.76%
2006	4,643	4,506	97.06%	36	4,542	97.83%
2007	5,078	4,799	94.51%	10	4,809	94.70%
2008	5,351	5,316	99.35%	10	5,327	99.55%
2009	6,116	5,734	93.76%	8	5,742	93.88%
2010*	5,447	4,917	90.27%	8	4,925	90.42%
2011*	5,597	5,462	97.59%	8	5,470	97.73%

Source: County Assessor Data and City General Ledger

* Includes 1% secured apportionment only

The detailed information presented in this table was not obtained by the City for fiscal years prior to 2005, and is therefore unavailable.

City of Rancho Palos Verdes
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities		Total Primary Government	Debt Per Capita	Ratio of Debt to Property Value	Ratio of Debt to Personal Total Income
	RDA Tax Increment Bond	RDA Deferred Interest Payable				
2002	5,455	3,111	8,566	203.94	0.11%	0.0004405%
2003	5,455	3,111	8,566	202.40	0.11%	0.0004372%
2004	5,455	3,111	8,566	200.09	0.10%	0.0004322%
2005	5,450	2,469	7,919	181.94	0.09%	0.0003567%
2006	5,435	2,284	7,719	179.55	0.08%	0.0003520%
2007	5,410	2,061	7,471	173.37	0.07%	0.0003399%
2008	5,370	1,786	7,156	166.56	0.06%	-
2009	5,315	1,491	6,806	159.32	0.06%	0.0003008%
2010	5,250	1,136	6,386	149.76	0.07%	0.0002838%
2011	5,165	798	5,963	142.77	0.07%	0.0002458%

Source: City Financial Records

**City of Rancho Palos Verdes
Direct and Overlapping Governmental Activities Debt
Current Year**

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2011	% Applicable (1)	City's Share of Debt 6/30/11
Los Angeles County Flood Control District	\$53,795,000	1.030%	\$554,089
Metropolitan Water District	227,670,000	0.515%	1,172,501
Los Angeles Community College District	3,536,745,000	1.775%	62,777,224
Los Angeles Unified School District	11,596,250,000	0.213%	24,700,013
Palos Verdes Unified School District	80,877,350	47.510%	38,424,829
City of Rancho Palos Verdes	-	0.000%	-
Palos Verdes Library District	6,520,000	50.084%	3,265,477
Los Angeles County Regional Park and Open Space Assessment District	197,285,000	1.005%	1,982,714
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			132,876,847
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
Los Angeles County General Fund Obligations	\$1,496,977,755	1.005%	\$15,044,626
Los Angeles County Superintendent of Schools Certificates of Participation	12,204,890	1.005%	122,659
Los Angeles County Sanitation District No. 5 Authority	54,005,754	11.038%	5,961,155
Los Angeles County South Bay Cities Sanitation District Authority	9,201,462	4.486%	412,778
Los Angeles Unified School District Certificates of Participation	492,042,567	0.213%	1,048,051
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT			\$22,589,269
Less: Los Angeles County General Fund Obligations supported by landfill revenues			178,944
Los Angeles Unified School District QZABs supported by investment fund			70,192
TOTAL NET OVERLAPPING GENERAL FUND DEBT			22,340,133
	GROSS COMBINED TOTAL DEBT		\$155,466,116 (2)
	NET COMBINED TOTAL DEBT		\$155,216,980

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

2010-11 Assessed Valuation:	9,296,593,686
Redevelopment Incremental Valuation:	114,791,856
Adjusted Assessed Valuation:	\$9,181,801,830

Ratios to 2010-11 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	1.43%

Ratios to Adjusted Assessed Valuation:

Gross Combined Total Debt	1.69%
Net Combined Total Debt	1.69%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0

Source: 2010-11 California Municipal Statistical Co.

**City of Rancho Palos Verdes
Legal Debt Margin Information
Last Ten Fiscal Years
(Amounts expressed in thousands)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Fiscal Year 2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Limit	\$ 855,291	\$ 902,133	\$ 962,539	\$ 1,021,177	\$ 1,105,647	\$ 1,195,665	\$ 1,274,916	\$ 1,345,594	\$ 1,351,617	\$1,382,850
Total Net Debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<u>\$ 855,291</u>	<u>\$ 902,133</u>	<u>\$ 962,539</u>	<u>\$ 1,021,177</u>	<u>\$ 1,105,647</u>	<u>\$ 1,195,665</u>	<u>\$ 1,274,916</u>	<u>\$ 1,345,594</u>	<u>\$ 1,351,617</u>	<u>\$1,382,850</u>
Total Net Debt applicable to the limit as a percentage of Debt Limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Total Taxable Value (see page 133) \$9,219,001

Debt Limit (15% of total taxable value) 1,382,850

Debt applicable to limit -

Legal Debt Margin \$1,382,850

**City of Rancho Palos Verdes
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Median Age (4)	**Public School Enrollment	County Unemployment Rate (%) (3)	City Unemployment Rate (%) (3)	County Population (1)	City Population (% of County)
2001-02	42,002	1,944,440,588	46.294	44.7	-	-	-	-	-
2002-03	42,322	1,959,254,668	46.294	44.7	-	-	-	-	-
2003-04	42,810	1,981,846,140	46.294	44.7	-	-	-	-	-
2004-05	43,525	2,219,905,575	51.003	43.4	-	-	1.50%	-	-
2005-06	42,991	2,192,669,973	51.003	43.4	-	-	1.50%	-	-
2006-07	43,092	2,197,821,276	51.003	43.4	-	-	1.50%	-	-
2007-08	42,964	-	-	-	-	-	-	-	-
2008-09	42,720	2,262,493,920	52.961	43.4	12,033	7.50%	2.50%	10,301,658	0.41%
2009-10	42,642	2,250,346,266	52.773	44.9	11,900	11.60%	4.00%	10,355,053	0.41%
2010-11	41,766	2,425,936,344	58.084	44.3	11,928	11.90%	4.10%	9,858,989	0.42%

Source: 2010-11 MuniServices, LLC

- 1.) Population Projections are provided by the California Department of Finance Projections.
- 2.) Income Data is provided by the US Census Bureau.
- 3.) Unemployment Data is provided by the EDD's Bureau of Labor Statistics Department.

**Student Enrollment reflects the total number of students enrolled in the Palos Verdes Unified School District. Other school districts within the City are not included.

The California Department of Finance demographics estimates now incorporate 2010 Census counts as the benchmark. Therefore, the estimates for 2010 and 2011 published in this report might be noticeably different from the previous year estimates

**City of Rancho Palos Verdes
Principal Sales Tax Payers
Last Fiscal Year and Nine Years Ago**

2010-11		2001-02	
Taxpayer	Business Type	Taxpayer	Business Type
7-Eleven Food Stores	Food Markets	Admiral Risty Restaurant	Restaurants
Admiral Risty Restaurant	Restaurants	Albertson's Food Centers	Food Markets
America's Tire	Auto Parts/Repair	America's Tire	Auto Parts/Repair
Asaka Japanese Cuisine	Restaurants	California Do It Center	Bldg.Matls-Retail
Carl's Jr. Restaurant	Restaurants	Carls Jr Restaurant	Restaurant
Centinela Feed & Pet Supplies Inc	Miscellaneous Retail	Chevron Service Stations	Service Stations
Chevron Service Stations	Service Stations	Cocos Restaurants Inc	Restaurants
Coco's Restaurants, Inc.	Restaurants	Discount Tire	Auto Parts/Repair
Daniel J Jeldum	Miscellaneous Retail	El Pollo Loco Inc	Restaurant
Denny's Restaurant	Restaurants	Fedex Office	Miscellaneous Retail
El Pollo Loco Inc.	Restaurants	Golden Cove Unocal 76 Svc Stn	Service Stations
Good Night Mattress	Furniture/Appliance	Golden Lotus Restaurant	Restaurants
Green Hills Memorial Park,Inc.	Miscellaneous Other	Green Hills Memorial Park Inc	Miscellaneous Other
Green Hills Mrtury-Memrl.Chapel	Miscellaneous Other	Green Hills Mrtury-Memrl.Chapel	Miscellaneous Other
Hughes Markets	Food Markets	Hughes Markets	Food Markets
Kragen Auto Parts# 1649	Auto Parts/Repair	Jack In The Box	Restaurant
Los Verdes Country Club	Restaurants	Kragen Auto Parts	Auto Parts/Repair
Marshalls #1026	Apparel Stores	Los Verdes Country Club	Restaurants
Mobil Service Stations	Service Stations	Marie Callender Restaurant	Restaurants
Rolling Hills Plastics, Inc	Light Industry	Mobil Service Stations	Service Stations
Smart & Final # 306	Food Markets	New York Food & Catering	Restaurants
Swank Audio Visuals	Office Equipment	Ocean Trails Golf Club	Restaurants
Terranea Resort	Restaurants	Salvation Army	Furniture/Appliance
Trader Joe's	Food Markets	The Brixey Corporation	Office Equipment
VH Property Corp.	Miscellaneous Retail	Trader Joe's	Food Markets

Source: SBOE data, MuniServices, LLC
Top Sales Tax Producers listed in alphabetical order.

**City of Rancho Palos Verdes
Principal Employers
Current Year and Three Years Ago**

Employer	2011			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Palos Verdes Peninsula Unified School District (1)	1,970	1	9.75%			
Terranea Resort Hotel	730	2	3.61%			
Trump National	300	3	1.49%			
Marymount College	195	4	0.97%			
Ralphs	115	5	0.57%			
Keller Williams Realty	112	6	0.55%			
Belmontcorp Ltd	94	7	0.47%			
Green Hills Memorial Park	85	8	0.42%			
American Golf Corp	70	9	0.35%			
Trader Joe's	54	10	0.27%			
Palos Verdes Peninsula Unified School District (1)				1970	1	9.00%
Trump National				300	2	1.37%
Marymount College				195	3	0.89%
Ralphs				115	4	0.53%
Keller Williams Realty				112	5	0.51%
Belmontcorp Ltd				94	6	0.43%
Green Hills Memorial Park				85	7	0.39%
American Golf Corp				70	8	0.32%
St. John Fishers				50	9	0.23%
Bally Total Fitness Corp				50	10	0.23%
Subtotal of Principal Employers	3,725		18.44%	3,041		13.89%
Total City Employment (2)	20,200			21,900		

Source: Direct Contact with Local Businesses.

1: The number shown represents the total employee count for the entire District. The District does not track employees by location.

2: Total City Employment provided by EDD Labor Force Data.

Note: There is currently no agency or service that monitors employees by business located within City limits. All available information is for the greater Los Angeles area. The City is primarily a bedroom community with very little commercial activity. Data was obtained by making inquiries with the Community Development Department and the City Manager's office to determine the entities that are likely the largest employers. Then those likely employers were contacted directly to determine the number of employees. This data is not available prior to 2007.

City of Rancho Palos Verdes
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	<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>
General Government	42	45	45	45	47	50	55	58	53	54
Recreation Part-Time	10	10	10	10	10	10	10	11	19	18
Total	52	55	55	55	57	60	65	69	72	72

Source: City Budget documents and Payroll records

**City of Rancho Palos Verdes
Operating Indicators by Function
Last Ten Fiscal Years**

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Administration										
Employee Resignations	4	-	5	4	4	4	8	4	9	5
Workers Compensation Claims	3	2	2	3	4	2	4	2	5	3
Liability Claims	14	14	14	18	31	14	16	13	13	14
Budget Adjustments	35	30	27	36	48	32	26	18	21	17
Business Licenses Issued	1,600	1,961	2,102	1,909	1,801	1,837	1,709	1,819	1,629	1,891
Web Site Page Views	88,888	119,104	133,481	224,777	1.3 mil	1.6 mil	701,004	3.8 mil	2.9 mil	2.8mil
Public Safety										
Part I Crime Rates (per 10,000 population)	138	122	122	101	120	139	123	102	110	110
Public Works										
Solid Waste Diversion Rates (1)	51%	57%	61%	59%	55%	56%	4.7lbs/person/day	4.1lbs/person/day	4.2lbs/person/day	4.2lbs/person/day
Pavement Rating	80	80	89	89	82	82	DNA	84.5	84.5	84.5
Parks and Recreation										
Park Events	1,022	915	825	780	937	770	692	825	690	580
Class Meetings at Parks	1,774	2,134	2,935	2,893	2,856	2,647	2,772	2,708	2,398	2,313
Docent Led Nature Hikes	54	45	80	65	62	98	91	105	103	105
Community Development										
Building Permits Processed	1,264	1,327	1,399	1,233	1,382	1,244	1,692	1,404	1,243	1,432
Plan Checks	121	150	186	208	163	164	247	226	154	161
Municipal Code Violations Closed	138	203	214	180	159	162	216	339	138	371

Source: City Departments

DNA: Data Not Available

(1): A new system of measuring AB939 compliance was implemented in 2008 with the passage of SB1016. This changed the previous diversion calculation method to the new disposal-based indicator - the per capita disposal rate. The per capita disposal target is based on the average of 50 percent of generation in 2003 through 2006, expressed in terms of per capital disposal.

**City of Rancho Palos Verdes
Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Administration										
Computer Workstations	DNA	DNA	DNA	81	81	85	91	92	101	92
Public Safety (1)										
Public Works										
Street Miles	143	143	143	143	143	143	143	143	143	143
Traffic Signals	14	15	15	15	15	15	16	16	16	16
Parks and Recreation										
Parks	15	15	15	15	16	16	16	16	15	15
Community Development										
Vehicles Used for Inspections	3	3	3	3	3	3	5	5	5	5

Source: City Capital Asset Records

DNA: Data Not Available

(1): Public safety services are contracted with other agencies. The City does not own any public safety capital assets.