



CITY OF RANCHO PALOS VERDES
CALIFORNIA



COMPREHENSIVE
ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2012

**CITY OF RANCHO PALOS VERDES,
CALIFORNIA**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2012

Prepared By:

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

INTRODUCTORY SECTION



Breakfast with Santa

CITY OF RANCHO PALOS VERDES
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Cub Scout City Hall Tour



CITY OF RANCHO PALOS VERDES

February 7, 2013

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, 2012, 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 unit 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) of the financial activity. 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 unit, the Rancho Palos Verdes 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 42,000. 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 obtaining City Council approval of Final Preserve Trails Plan for the entire Preserve, continuing several on-going habitat restoration projects, and several trail maintenance and improvement projects.
- 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 to update the City's General Plan by 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 2013. Staff also anticipates that the City Council will adopt the Updated General Plan in summer 2013.
- Continued to ensure that the various housing programs within the Housing Element are being implemented. Additionally, staff has released an RFP with the intent to secure a Housing Consultant to assist Staff in preparing the next mandatory Housing Element Update, which is due to the State Department of Housing and Community Development in October 2013.
- 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, with a) a \$500,000 grant from the California Coastal Conservancy to complete the RPV portion of the California Coastal Trail; and b) with a \$332,588 matching grant by the State Recreation and Parks Land and Water Conservation Fund for the Abalone Cove Shoreline Park Improvement project.
- Implemented the City's Trails Network Plan by improving and maintaining trails within the Palos Verdes Nature Preserve pursuant to the Council adopted Preserve Trails Plan, and obtained access easements as part of private development projects for the construction of the Bronco Trail and the Salvation Army Trail as identified in the City's Conceptual Trails Plan. Pursuant to a grant from the California Coastal Conservancy, the City has prepared plans and will begin construction on the City's segment of the California Coastal Trail. Lastly, the City will begin an extensive overhaul of the Trails Network Plan for trails outside of the Preserve in fall 2012. Public outreach will be included.
- Prepared a Draft EIR for the Zone 2 Landslide Moratorium Ordinance Revisions. The Landslide Moratorium Ordinance currently includes an exception category for the 16 Monks plaintiffs' lots, which grants them the ability to apply for Landslide Moratorium Exceptions (LMEs) to develop new homes on their lots. The Zone 2 Landslide Moratorium Ordinance Revisions will expand the exception category to allow the remaining 31 vacant, non-Monks lots in Zone 2 to also apply for LMEs.
- Took initial steps towards the creation of a Western Avenue Vision Plan by selecting a consultant, and identifying a work product that will serve as a visionary framework plan for a 2-mile stretch of Western Avenue. The Vision Plan is a multi-faceted project that will develop a corridor strategy that will help revitalize and redefine the identity of the Western Avenue corridor through aesthetic improvements, transit improvements and business incentives.

Public Works

- Awarded \$9.4M grant from California Department of Water Resources to construct the San Ramon Canyon project; which is necessary to reduce erosion in the Canyon, control the undermining of the Palos Verdes Drive East switchbacks, reduce flooding at Palos Verdes Drive South / 25th Street and protect a 200 home mobile home community against flooding.
- Completed emergency relocation of sanitary sewer collection system adjacent to San Ramon Canyon, which was necessary to alleviate risk of system failure due to the steady erosion of canyon walls in the direction of a buried

pipeline.

- Awarded \$130K grant for retrofitting storm drain catch basins to comply with water quality regulations mandating the elimination of trash deposits into Machado Lake.
- Completed construction of Via Canada Storm Drain Improvements Project which was necessary to eliminate flooding of homes on the Via Canada cul-de-sac due to undersized inlets.
- Completed design of Miraleste Plaza Storm Drain Improvements Project which is necessary to replace some of the oldest storm drains in the City with pipes designed and installed to City standards.
- Completed design of 2012 Storm Drain Lining and Rehabilitation Project which will mitigate the risk of failure of corrugated metal pipes on the city's east side due to corrosion, soil piping and subsurface erosion. This trenchless technology will extend the life of existing pipes another 25 to 30 years without expensive and disruptive street trenching.
- Completed construction of the Palos Verdes Drive South Landslide Drainage Grading Project which rehabilitated an existing storm drain line that transports drainage runoff from a section of Palos Verdes Drive South in the Portuguese Bend Landslide area to the ocean.
- Completed resurfacing of various residential roadways in Zones 4 & 8 of the City. Improvements included cape seal, slurry seal, asphalt concrete, new and modified access ramps, and roadway signing and striping.
- Established a Neighborhood Permit Parking program in the Peninsula Verde Neighborhood.
- Initiated the FY 11-12 Annual Sidewalk Repair Program.
- Initiated and completed the Crenshaw at Crestridge Traffic Signal Upgrade Project.
- Completed design and construction of ADA improvements in the Vista Grande area.
- Completed 75% design for Ryan Park Southern Entrance Improvements and Parking Lot Expansion project to comply with the American with Disabilities Act, which will increase parking on site and improve safety for park users.
- Completed design for Ryan Park Restrooms Improvements & Accessibility Compliance Project.
- RPV California Coastal Trail (CCT) project is ready for award for construction. This project is mostly funded by a Prop 84 grant.
- Completed Construction for Eastview Park Playground and Accessibility Improvements project.
- Completed Hesse Park and City Hall Community Room drop ceiling retrofit projects for earthquake safety.
- Held the City's first free document shredding events offered to RPV residents. A total of 760 vehicles brought 16.88 tons of material for shredding.

Parks and Recreation

- Coordinated numerous annual special events and recreational opportunities for the community. Annual events included the Whale of a Day Celebration, Egg Hunt Eggstravaganza, July 4th Independence Day Celebration, Shakespeare by the Sea performance, International Coastal Cleanup Day, and Breakfast with Santa fundraiser. Recreational opportunities included the Paddle Tennis Tournament, Night at the Museum, and a new co-ed Adult Softball League.
- Partnered with various organizations and agencies to offer services and programs to the community. The City partnered with:
 - Palos Verdes Peninsula Unified School District to offer a week-long Writing by the Sea program for local students;

- Palos Verdes Library District to offer monthly Little Critter Afternoon Tales story time fun for youngsters at Hesse Park;
 - City of Los Angeles to offer monthly pet adoption events;
 - County of Los Angeles and Society of California Veterinary Vaccine Care to offer low-cost pet vaccination and microchip services; and
 - Los Angeles Girl Scouts to create a new Night at the Museum Program centering on satisfying badge requirements.
- Coordinated approximately 70 onsite and offsite recreation activities for REACH, the City's therapeutic program serving young adults with developmental disabilities.
 - Coordinated public and private rentals and activities at various City facilities. These included community and private classes and parties, youth athletic league activities, film shoots, and non-profit events.
 - Extended a contract with Trump National Golf Club for private rentals at Founders Park.
 - Continued to provide oversight, support, and coordination of opportunities and programs with the Los Serenos de Point Vicente docent organization, including expanded public and private hikes and speaking engagements, and a new Fourth Grade Tour Program coordinated with the Palos Verdes Peninsula Unified School District.
 - Completed a new exhibit at the Point Vicente Interpretive Center: Serena the Gray Whale, a 22-foot articulated skeleton of a juvenile Pacific gray whale.
 - Provided enforcement and public education in the Palos Verdes Nature Preserve through a contract with the Mountains Recreation & Conservation Authority for ranger services, and provided interpretive activities including a Junior Ranger Program, Junior Ranger Summer Camp, ranger-led night hikes, and public appearances and talks.
 - Implemented a 24/7 Ranger Hotline for public reporting of misuse of the Palos Verdes Nature Preserve.
 - Pursued donations through the City's Gifts for Parks program to assist with Recreation and Parks facilities, operations, and special events; including the Fourth of July Celebration, REACH program for young adults with developmental disabilities, and Point Vicente Interpretive Center exhibits and programs.
 - Implemented a policy for the display of temporary banners promoting City-sponsored and co-sponsored events and recreational opportunities. The policy improves the uniformity and appearance of the banners displayed at City park sites.
 - Following the acquisition of the approximately five-acre Rancho Palos Verdes Beach, coordinated a program of public education, signage, and enforcement of City ordinances for appropriate use of the beach.

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, 2012, the City had received a total of \$9,899,558 in competitive grant awards.
- Conducted an Emergency Preparedness Drill in October 2011 in conjunction with the statewide "Great California Shake Out" and was successful in obtaining a \$24,000 grant to update the City's 2004 Joint Hazard Mitigation Plan.
- Supported City Council development of positions and consensus on the annual League of California Cities Conference resolutions, which were voted on by the City Council's voting delegate at the 2011 Conference in San Francisco in September 2011.
- Supported City Council development and review of City Council Rules of Procedure and City Council, Commission and Committee Protocol, which were adopted in May 2012.

- Continued to prepare and distribute the City's quarterly newsletter—mailed to individual households and posted on the City's website—to keep residents apprised of important City news, information and events.
- Continued to lead a regional response to an FAA proposal to change an airspace classification which would likely have had a negative impact on safety and the environment. Staff also continued to address issues with Torrance Airport helicopter routes, worked closely with the FAA to reduce the impact of Peninsula over-flights, and actively participated in the LAX Community Noise Roundtable to ensure protection of our residents.
- Assumed responsibility for the bi-monthly Border Issues Status Report from the Community Development Department, and continued to monitor a wide range of development proposals in surrounding cities to assess their potential effects upon Rancho Palos Verdes residents.
- Worked to quickly fill an unexpected vacancy in the City's Human Resources Manager position with an experienced contract employee in order to maintain a high level of customer service to the City's employees.
- Began negotiations leading to the development of a Memorandum of Understanding (MOU) with the Rancho Palos Verdes Employees' Association.
- The Finance and Information Technology Department completed a Request for Proposal (RFP) process for the procurement of a Citywide Enterprise Resource Planning (ERP) system. The City is currently in contract negotiations and anticipates proposing a contract to the City Council by the end of 2012.
- A reorganization of the City's website was completed during 2012 to improve accessibility and organization for both residents and businesses.
- City Staff developed analysis and design of pension reform enacted by the City Council effective September 23, 2011, which maximized employee contributions to pension costs and added a second tier of reduced benefits for new employees.
- Finance and Information Technology Staff successfully managed dissolution of the Redevelopment Agency, transition to the Successor Agency, and support of the new Oversight Board for the Successor Agency. The winding down of the former Redevelopment Agency consumes about 1/3 of a full-time employee and is expected to have a 2-3 year duration.
- Developed and substantially completed a major information technology upgrade that includes a new virtualized server and file storage network, implementation of a Microsoft enterprise-wide licensing arrangement for servers and desktops, and replacement of about 60 desktop computers.

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 \$1.1 million favorable budget variance in the General fund for the fiscal year ended June 30, 2012. Favorable expenditure variances across most all 30 programs of the General Fund 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 2011-12.

Significant Financial Events. The former Redevelopment Agency was dissolved as of February 1, 2012, and the assets and liabilities were transferred to the Successor Agency. There were no other changes to financial policies that resulted in a significant impact on the June 30, 2012 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, 2012, \$318,798 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, 2011. This was the 19th 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, White Nelson Diehl Evans LLP and the contributions of other Finance and Information Technology Department staff: Ryan Mills, Matt Waters, Jane Lin, Selena Wright, Gayle Vanoverbeck, 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, 2012

CITY COUNCIL

Anthony M. Misetich, Mayor

Brian Campbell, Mayor Pro-Tem

Susan Brooks, Councilman

Jerry V. Duhovic, Councilman

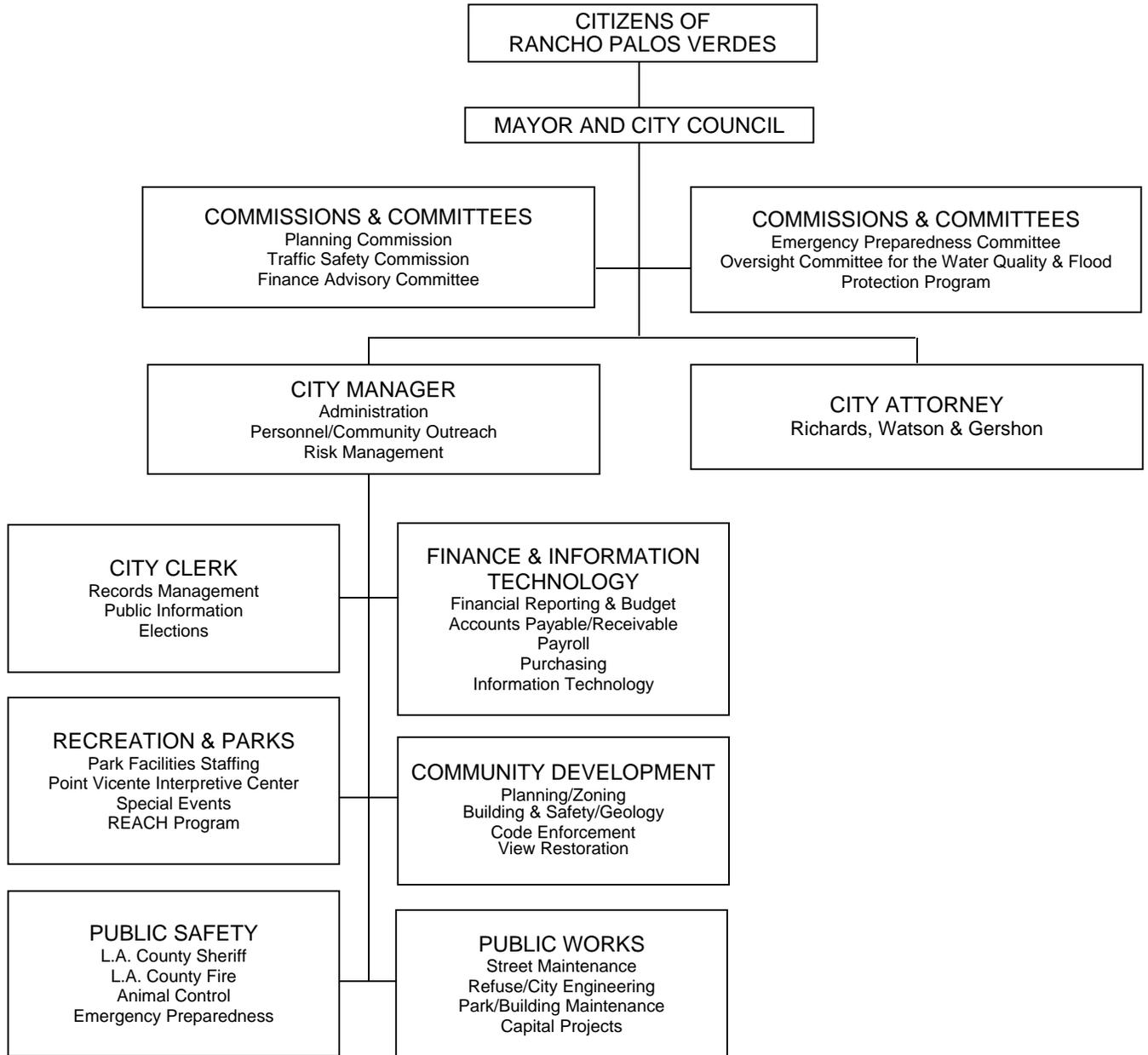
James E. Knight, Councilman

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
Director of Public Works	Tom Odom
Interim Director of Recreation and Parks	Carolynn Petru
City Attorney	Richards, 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, 2011

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. Dandson

President

Jeffrey R. Emer

Executive Director



Early Settlers

FINANCIAL SECTION



View of Coastline

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council of
the 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, (the City) as of and for the year ended June 30, 2012, 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' 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2012, 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 Affordable Housing Special Revenue major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the basic financial statements, the Rancho Palos Verdes Redevelopment Agency, a blended component unit of the City, was dissolved effective February 1, 2012 as a result of legislation enacted by the State of California.

In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2013, on our consideration of the City of Rancho Palos Verdes' 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, identified as required supplementary information in the table of contents, 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

Irvine, California
February 7, 2013

MANAGEMENT'S DISCUSSION & ANALYSIS



Junior Ranger Graduation

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

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, 2012. 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, 2012, by \$200,238,415 (*Net Assets*). Of this amount, \$70,643,725 (*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 \$28,159,346. 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. The same is true for FY11-12. The State of California enacted law to dissolve redevelopment agencies effective January 31, 2012. As a result of the Rancho Palos Verdes Redevelopment Agency (RDA) dissolution, the former RDA is no longer a component unit of the City. Therefore, the City's consolidated loan receivable of \$19.3 million from the former RDA is now reported on the Statement of Net Assets, and the former RDA debt to the County of \$5.5 million is no longer reported on the Statement of Net Assets for a combined impact of about \$24.8 million. Additional information on the City's dissolution of Redevelopment Agency can be found in Note # 14 on pages 70-77 of this report. In addition, transient occupancy tax of about \$3.2 million was added to the Reserve for Future Capital Projects instead of being spent during FY11-12.
- As of June 30, 2012, the City's Governmental Funds reported combined ending Fund Balances of \$48,485,062, an increase of \$22 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 of June 30, 2011, the Balance Sheet – Governmental Funds included funds of the former RDA and the consolidated loan payable to the City. The funds of the former RDA have been closed and that debt is no longer reflected on the Balance Sheet – Governmental Funds. And as mentioned above, the Reserve for Future Capital Projects increased by about \$3.2 million.

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

- As of June 30, 2012, unassigned fund balance for the General Fund was \$12,464,439 or 71% of General Fund expenditures. About \$11.8 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.
- As noted above, due to redevelopment dissolution, the former RDA is no longer a component unit of the City; and therefore, the City's total debt decreased by nearly \$6 million.

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

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

Protection program for renewal and maintenance of the City's storm drain facilities.

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 Improvement Authority for which the City of Rancho Palos Verdes is financially accountable. Financial information for this *Component Unit* has been included as an integral part of the primary government.

The Government-Wide Financial Statements can be found on pages 21-23 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 30 individual Governmental Funds during the Fiscal Year ended June 30, 2012. 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 Affordable Housing Fund and the Capital Improvements Fund, all of which are considered to be major funds. Data from the other 26 Governmental Funds are combined into a single,

See independent auditors' report.

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

aggregated presentation. Individual fund data for each of 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 26-36 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 37-39 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.

Fiduciary Fund. The City is a fiduciary for the Successor Agency to the Rancho Palos Verdes Redevelopment Agency (the "Successor Agency"). The City is responsible for ensuring that the assets reported in the Successor Agency's private-purpose trust fund are only: 1) used to extinguish the obligations of the former RDA; or 2) transferred to another agency pursuant to state redevelopment dissolution law. All of the fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's Government-Wide Financial Statement because the City cannot use these assets to finance its operations.

CITY OF RANCHO PALOS VERDES

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

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 44-78 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 80-126 of this report.

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 \$200,238,415 at June 30, 2012. By far, the largest portion of the City’s Net Assets (64%) 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, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Current and other assets	\$ 73,574,121	\$ 51,956,043	\$ 3,714,840	\$ 3,497,659	\$ 77,288,961	\$ 55,453,702
Capital assets	114,488,431	115,145,081	13,356,259	12,752,669	127,844,690	127,897,750
Total assets	188,062,552	167,101,124	17,071,099	16,250,328	205,133,651	183,351,452
Long-term liabilities outstanding	370,799	6,296,201	-	-	370,799	6,296,201
Other liabilities	4,341,212	4,844,139	183,225	132,043	4,524,437	4,976,182
Total liabilities	4,712,011	11,140,340	183,225	132,043	4,895,236	11,272,383
Invested in capital assets	114,488,431	115,145,081	13,356,259	12,752,669	127,844,690	127,897,750
Restricted	1,750,000	1,750,000	-	-	1,750,000	1,750,000
Unrestricted	67,112,110	39,065,703	3,531,615	3,365,616	70,643,725	42,431,319
Total net assets	\$ 183,350,541	\$ 155,960,784	\$ 16,887,874	\$ 16,118,285	\$ 200,238,415	\$ 172,079,069

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 (\$70,643,725 or about 35%) 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 \$4,041,815.

CITY OF RANCHO PALOS VERDES

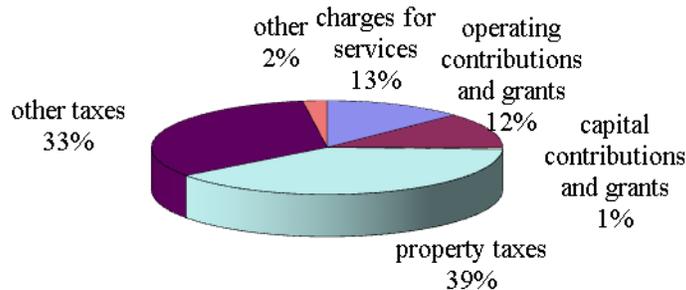
**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

City of Rancho Palos Verdes Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Program revenues:						
Charges for services	\$ 3,770,567	\$ 3,707,267	\$ 1,330,074	\$ 1,324,883	\$ 5,100,641	\$ 5,032,150
Operating contributions and grants	3,627,662	3,719,283	-	-	3,627,662	3,719,283
Capital contributions and grants	139,339	5,675	-	-	139,339	5,675
General revenues:						
Property taxes	11,480,461	11,854,171	-	-	11,480,461	11,854,171
Other taxes	9,686,419	9,234,107	-	-	9,686,419	9,234,107
Other	655,329	588,959	-	-	655,329	588,959
Total revenues	29,359,777	29,109,462	1,330,074	1,324,883	30,689,851	30,434,345
Expenses:						
Administration	5,906,436	5,996,735	-	-	5,906,436	5,996,735
Public safety	4,177,926	4,334,961	-	-	4,177,926	4,334,961
Public works	11,202,446	10,389,064	-	-	11,202,446	10,389,064
Parks and recreation	1,489,940	1,390,604	-	-	1,489,940	1,390,604
Community development	2,432,175	2,622,293	-	-	2,432,175	2,622,293
Non-departmental	-	-	-	-	-	-
Interest on long-term debt	109,039	260,045	-	-	109,039	260,045
Water Quality Flood Protection	-	-	560,485	489,524	560,485	489,524
Total expenses	25,317,962	24,993,702	560,485	489,524	25,878,447	25,483,226
Increase in net assets	4,041,815	4,115,760	769,589	835,359	4,811,404	4,951,119
Extraordinary gain	23,347,942	-	-	-	23,347,942	-
Increase in net assets	27,389,757	4,115,760	769,589	835,359	28,159,345	4,951,119
Net assets - beginning of fiscal year	155,960,784	151,845,024	16,118,285	15,282,926	172,079,069	167,127,950
Net assets - end of fiscal year	\$ 183,350,541	\$ 155,960,784	\$ 16,887,874	\$ 16,118,285	\$ 200,238,414	\$ 172,079,069

As noted previously, the primary driver behind the increase was dissolution of the former RDA. As the former RDA is no longer a component unit of the City, its debt to the City of \$19.3 million and its debt to the County of \$5.5 million were removed from the City’s Government-Wide Financial Statements. In addition, about \$3.2 million of FY11-12 transient occupancy tax revenue was not spent, but added to a Reserve for Future Capital Projects.

Revenues by Source – Governmental Activities



CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

Business-Type Activities. Business-type activities increased the City's net assets by \$769,589 primarily due to collection of storm drain user fees that will be utilized during FY12-13 for projects continued from FY11-12.

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 \$48,485,062, an increase of \$22 million in comparison with the prior year. Approximately 75% of the combined ending Fund Balances (about \$36.2 million) constitutes spendable fund balance. The combined spendable fund balance includes the CDBG and Measure A special revenue negative unassigned fund deficit of \$108,132. The remainder of the combined ending Fund Balances is either nonspendable due to outside legal restrictions (\$1.82 million), or nonspendable in form (primarily for long-term principal advances to other funds of \$9.7 million, and prepaid items of \$0.7 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 \$12,464,439, while total Fund Balance reached \$19,957,249. 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 55% of total General Fund uses, while total Fund Balance represents 88% of that same amount.

During Fiscal Year 11-12, the fund balance of the City's General Fund increased by \$1,056,987. This was primarily related to the favorable expenditure variances totaling \$1.2 million. The most notable of these favorable variances was attributable to park and building maintenance savings of \$0.2 million. The remaining expenditure savings included about \$60,000 for general liability insurance in the City Manager's budget program, about \$54,000 for miscellaneous inspection services in the Public Works Administration program, and other insignificant amounts (less than \$75,000 or 0.4% of the General Fund expenditure budget) spread among a large number of the General Fund's 30 budget programs.

The Street Maintenance Fund Balance increased by \$141,751, primarily due to permanent expenditure savings.

The Affordable Housing Fund Balance increased by \$1,720,670, primarily due to the transfer of housing assets from the former RDA as part of redevelopment dissolution.

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

The Capital Improvement Projects (CIP) Fund had an ending fund balance of \$15,406,941. Of this amount, \$4.0 million is held for street improvement projects continued from FY11-12 to FY12-13, \$1.2 million is held for park improvement projects continued from FY11-12 to FY12-13, and the remaining \$10.2 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 \$3,531,615. Unrestricted Net Assets of the Internal Service Funds at the end of the year amounted to \$3,617,838. The total growth in Proprietary Fund type net assets was \$345,877 or about 5% of unrestricted Net Assets.

General Fund Budgetary Highlights

The General Fund revenue budget was increased about \$424,000 with the Midyear Financial review primarily due to a revised estimate of transient occupancy tax.

The difference between original budgeted expenditures and the final amended budget was a decrease of \$164,271; and is briefly summarized as follows:

- A decrease of \$688,502 was attributable to appropriations continued to FY12-13.
- An increase of \$623,096 was attributable to appropriations continued from FY10-11.
- Other immaterial adjustments resulted in net decreases of approximately \$99,000.

The City Council authorized additional General Fund transfers of \$312,588 to fund improvements to Abalone Cove Shoreline Park and \$396,000 to fund the Reserve for Future Capital Projects resulting from the revised estimate of transient occupancy tax revenue.

Capital Asset and Debt Administration

Capital Assets. The City's investment in Capital Assets for its governmental activities as of June 30, 2012, amounts to \$114,488,431 (net of accumulated depreciation). This investment in capital assets includes land, buildings, park improvements, roadways, sewer, storm drains, vehicles, computer equipment,

See independent auditors' report.

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

furniture, other equipment, and construction in progress. During the current fiscal year, the City's investment in governmental capital assets decreased by about \$656,650 or about 0.57%.

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.
- An arterial street repaving project was completed with a total cost of about \$2.4 million.
- The Ryan Park Ball Field improvements of about \$275,000 were completed.
- Sewer line relocation adjacent to the Palos Verdes Drive East switchbacks was completed for a cost of about \$210,000.

The Capital Assets (net of accumulated depreciation) for Business-type activities as of June 30, 2012 was \$13,356,259.

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

	Governmental Activities		Business-type Activities		Total	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Capital assets not being depreciated						
Land	\$ 39,881,986	\$ 40,048,288	\$ 1,408,493	\$ 1,408,493	\$ 41,290,479	\$ 41,456,781
Construction in progress	430,058	628,308	1,516,924	678,980	1,946,982	1,307,288
Total capital assets not being depreciated	40,312,044	40,676,596	2,925,417	2,087,473	43,237,461	42,764,069
Capital assets being depreciated, net						
Buildings	6,953,126	7,156,296	-	-	6,953,126	7,156,296
Vehicles	58,405	94,656	-	-	58,405	94,656
Computer equipment	117,773	35,181	-	-	117,773	35,181
Furniture, fixtures and equipment	78,677	123,861	-	1,181	78,677	125,042
Infrastructure						
Roadway system	46,448,299	46,304,199	-	-	46,448,299	46,304,199
Sewer system	8,198,687	8,447,475	-	-	8,198,687	8,447,475
Storm drain system	9,930,462	10,180,941	10,430,842	10,664,015	20,361,304	20,844,956
Park system	2,390,958	2,125,876	-	-	2,390,958	2,125,876
Total capital assets being depreciated, net	74,176,387	74,468,485	10,430,842	10,665,196	84,607,229	85,133,681
Capital Assets, net	\$ 114,488,431	\$ 115,145,081	\$ 13,356,259	\$ 12,752,669	\$ 127,844,690	\$ 127,897,750

Additional information on the City's Capital Assets can be found in Note # 4 on pages 56-57 of this report.

Long-term debt. At the end of the current Fiscal Year, the City of Rancho Palos Verdes had total debt outstanding of \$370,798 for Employee Compensated Absences.

See independent auditors' report.

CITY OF RANCHO PALOS VERDES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2012

City of Rancho Palos Verdes Outstanding Debt

	Governmental Activities	
	June 30, 2012	June 30, 2011
Employee compensated absences	370,798	332,600
Total	\$ 370,798	\$ 332,600

The City's total debt increased by \$38,198 (11.5%) during the current Fiscal Year, due to additional accrued time off not taken by employees.

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 \$1,420,256,000. Additional information on the City's long-term debt can be found in Note # 6 on pages 58-59 of this report.

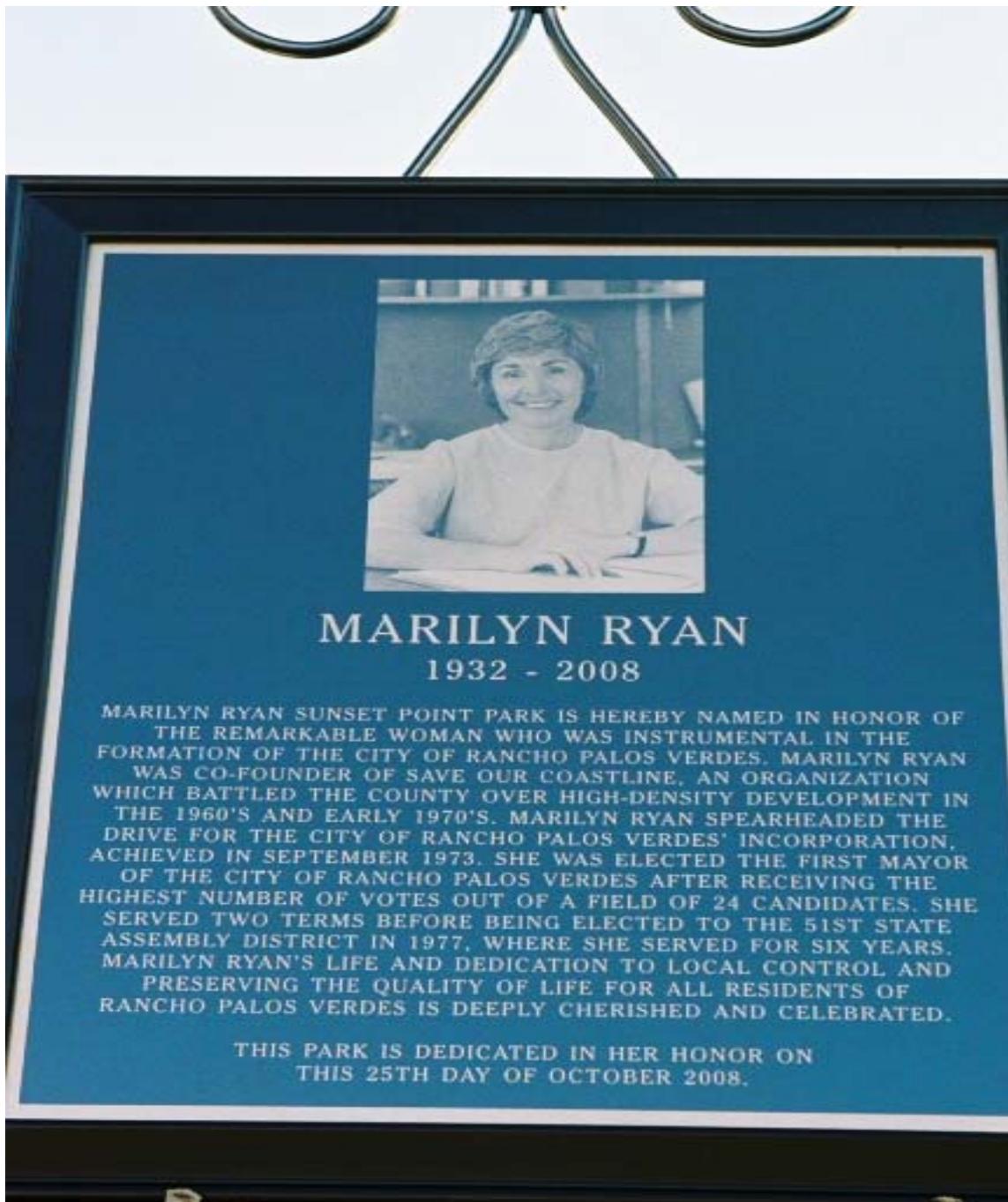
Economic Factors and Next Year's Budgets and Rates

- Property tax revenue accounts for about 38 percent of Government-Wide revenues. Local property values remain strong, and the City's property assessments grew by 2.3% for FY12-13.
- The Consumer Price Index for Los Angeles County increased by 1.6% for the 12 months ended June 2012. The City's FY12-13 expenditure budget increased by 2.0% when compared to FY11-12. Revenue in excess of budgeted expenditures (about \$4.9 million) has been programmed for capital improvement projects.

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.

BASIC FINANCIAL STATEMENTS



Marilyn Ryan Sunset Park Dedication

GOVERNMENT-WIDE STATEMENTS



Story Time with Santa

CITY OF RANCHO PALOS VERDES

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	\$ 43,767,067	\$ 3,640,715	\$ 47,407,782
Receivables:			
Taxes	1,391,347	-	1,391,347
Interest	30,933	2,663	33,596
Notes	7,308,481	-	7,308,481
Other	745,230	71,462	816,692
Inventory	34,058	-	34,058
Prepaid costs	1,007,946	-	1,007,946
Receivable from Successor Agency	19,289,059	-	19,289,059
Capital assets, not being depreciated:			
Land	39,881,992	1,408,493	41,290,485
Construction in progress	430,056	1,516,924	1,946,980
Capital assets, being depreciated, net:			
Property and equipment	254,851	-	254,851
Buildings and improvements	6,953,126	-	6,953,126
Infrastructure	66,968,406	10,430,842	77,399,248
TOTAL ASSETS	188,062,552	17,071,099	205,133,651
LIABILITIES:			
Accounts payable and accrued liabilities	3,279,855	176,451	3,456,306
Retentions payable	212,362	6,774	219,136
Unearned revenue	100,830	-	100,830
Deposits payable	748,166	-	748,166
Long-term liabilities:			
Due within one year	260,434	-	260,434
Due beyond one year	110,365	-	110,365
TOTAL LIABILITIES	4,712,011	183,225	4,895,237
NET ASSETS:			
Invested in capital assets	114,488,431	13,356,259	127,844,690
Restricted for:			
Community development:			
Nonexpendable	1,750,000	-	1,750,000
Unrestricted	67,112,110	3,531,615	70,643,725
TOTAL NET ASSETS	\$ 183,350,541	\$ 16,887,874	\$ 200,238,415

See independent auditors' report and notes to financial statements.

CITY OF RANCHO PALOS VERDES

STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Administration	\$ 5,906,436	\$ 746,672	\$ 48,135	\$ -
Public safety	4,177,926	193,568	100,000	-
Public works	11,202,446	683,643	3,272,927	139,339
Parks and recreation	1,489,940	502,586	32,316	-
Community development	2,432,175	1,644,098	174,284	-
Interest on long-term debt	109,039	-	-	-
Total governmental activities	<u>25,317,962</u>	<u>3,770,567</u>	<u>3,627,662</u>	<u>139,339</u>
Business-type Activity:				
Water Protection Flood Control	<u>(758,624)</u>	<u>1,319,109</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 24,559,338</u>	<u>\$ 5,089,676</u>	<u>\$ 3,627,662</u>	<u>\$ 139,339</u>

General revenues:
 Taxes:
 Property taxes
 Transient occupancy tax
 Sales tax
 Franchise tax
 Utility user tax
 Other taxes
 Investment income
 Unrestricted grants, contributions and other revenues

Total general revenues and transfers

Extraordinary item:
 Gain on dissolution of Redevelopment Agency (Note 14)

Change in net assets

Net assets - beginning of year, as restated

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
\$ (5,111,629)	\$ -	\$ (5,111,629)
(3,884,358)	-	(3,884,358)
(7,106,537)	-	(7,106,537)
(955,038)	-	(955,038)
(613,793)	-	(613,793)
(109,039)	-	(109,039)
(17,780,394)	-	(17,780,394)
-	758,624	758,624
(17,780,394)	758,624	(17,021,770)
11,480,461	-	11,480,461
3,349,015	-	3,349,015
1,448,508	-	1,448,508
1,881,163	-	1,881,163
2,333,440	-	2,333,440
674,293	-	674,293
603,776	10,965	614,741
51,553	-	51,553
21,822,209	10,965	21,833,174
23,347,942	-	23,347,942
27,389,757	769,589	28,159,346
155,960,784	16,118,285	172,079,069
\$ 183,350,541	\$ 16,887,874	\$ 200,238,415



City Hall

FUND FINANCIAL STATEMENTS

CITY OF RANCHO PALOS VERDES

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

		General	Special Revenue Street Maintenance
ASSETS		<u>General</u>	<u>Maintenance</u>
Cash and investments		\$ 13,548,910	\$ 1,487,816
Receivables:			
Taxes		1,214,207	122,665
Interest		12,141	573
Notes		-	-
Other		429,147	3,590
Due from other funds		270,179	-
Inventory		34,058	-
Prepaid items		715,974	-
Receivable from Successor Agency		19,289,059	-
TOTAL ASSETS		<u>\$ 35,513,676</u>	<u>\$ 1,614,644</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities		\$ 2,066,837	\$ 551,475
Due to other funds		-	-
Retentions payable		13,272	5,622
Deferred revenue		12,728,151	651
Deposits payable		748,166	-
TOTAL LIABILITIES		<u>15,556,426</u>	<u>557,748</u>
FUND BALANCES (DEFICIT):			
Non-Spendable			
Endowment principal		-	-
Reimbursement settlement agreemen		-	-
Prepaid items		715,974	-
Receivable from Successor Agency		6,742,778	-
Long term receivables		-	-
Habitat restoration		-	-
Inventory		34,058	-
Restricted		-	1,056,896
Assigned		-	-
Unassigned		12,464,439	-
TOTAL FUND BALANCES (DEFICIT)		<u>19,957,249</u>	<u>1,056,896</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 35,513,675</u>	<u>\$ 1,614,644</u>

See independent auditors' report and notes to financial statements

Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
Affordable Housing	Capital Improvements		
\$ 500,826	\$ 15,950,665	\$ 8,750,890	\$ 40,239,107
-	-	54,475	1,391,347
365	8,726	6,560	28,365
6,829,457	-	479,024	7,308,481
-	29,204	282,208	744,149
-	-	-	270,179
-	-	-	34,058
899	-	-	716,873
-	-	-	19,289,059
<u>\$ 7,331,547</u>	<u>\$ 15,988,595</u>	<u>\$ 9,573,157</u>	<u>\$ 70,021,618</u>

\$ 901	\$ 357,957	216,355	\$ 3,193,525
-	-	151,665	151,665
-	193,468	-	212,362
3,839,457	30,229	632,350	17,230,838
-	-	-	748,166
<u>3,840,358</u>	<u>581,654</u>	<u>1,000,370</u>	<u>21,536,556</u>

-	-	750,000	750,000
-	-	1,000,000	1,000,000
899	-	-	716,873
-	-	-	6,742,778
2,990,000	-	-	2,990,000
-	-	74,696	74,696
-	-	-	34,058
500,290	-	6,856,223	8,413,409
-	15,406,941	-	15,406,941
-	-	(108,132)	12,356,307
<u>3,491,189</u>	<u>15,406,941</u>	<u>8,572,787</u>	<u>48,485,062</u>
<u>\$ 7,331,547</u>	<u>\$ 15,988,595</u>	<u>\$ 9,573,157</u>	<u>\$ 70,021,618</u>



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CITY OF RANCHO PALOS VERDES

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

June 30, 2012

Fund balances - total governmental funds	\$ 48,485,062
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.	114,233,580
Interest accrued on the receivable from Successor Agency 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.	12,546,284
Intergovernmental revenues earned, but not available, are deferred in the fund financial statements. The revenue is not deferred on the Statement of Activities.	265,244
Long-term notes receivable are not current available resources and, therefore, do not affect the governmental fund balance.	4,318,481
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(370,799)
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>3,872,689</u>
Net assets of governmental activities	<u><u>\$ 183,350,541</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, 2012

	General	Special Revenue Street Maintenance
REVENUES:		
Taxes	\$ 20,606,160	\$ -
Licenses and permits	1,806,147	-
Fines and forfeitures	159,488	-
Use of money and property	754,473	15,862
Charges for services	145,924	2,900
Revenue from other agencies	6,365	1,206,626
Other revenues	192,300	-
TOTAL REVENUES	23,670,857	1,225,388
EXPENDITURES:		
Current:		
Administration	5,624,776	-
Public safety	4,177,926	-
Public works	3,723,884	1,976,064
Parks and recreation	1,454,414	-
Community development	2,479,898	-
Capital outlay	-	-
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
TOTAL EXPENDITURES	17,460,898	1,976,064
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,209,959	(750,676)
OTHER FINANCING SOURCES (USES):		
Transfers in	540,000	945,088
Transfers out	(5,692,972)	(52,661)
TOTAL OTHER FINANCING SOURCES (USES)	(5,152,972)	892,427
EXTRAORDINARY ITEM:		
Gain on dissolution of Redevelopment Agency (Note 14)	-	-
NET CHANGE IN FUND BALANCES	1,056,987	141,751
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	18,900,262	915,145
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 19,957,249	\$ 1,056,896

See independent auditors' report and notes to financial statements

Special Revenue	Capital Projects	Other	Total
Affordable Housing	Capital Improvements	Governmental Funds	Governmental Funds
\$ -	\$ -	\$ 1,260,876	\$ 21,867,036
-	-	-	1,806,147
-	-	-	159,488
697	36,780	542,083	1,349,895
-	-	-	148,824
-	139,340	2,069,026	3,421,357
-	-	66,341	258,641
697	176,120	3,938,326	29,011,389
-	-	100,940	5,725,716
-	-	-	4,177,926
-	-	1,915,836	7,615,784
-	-	25,000	1,479,414
3,659	-	288	2,483,845
-	2,939,431	215,539	3,154,970
-	-	463,698	463,698
-	-	497,934	497,934
3,659	2,939,431	3,219,235	25,599,287
(2,962)	(2,763,311)	719,092	3,412,103
-	6,520,472	220,700	8,226,260
-	-	(2,110,110)	(7,855,743)
-	6,520,472	(1,889,410)	370,517
1,723,632	-	16,516,488	18,240,119
1,720,670	3,757,161	15,346,170	22,022,739
1,770,519	11,649,780	(6,773,383)	26,462,323
\$ 3,491,189	\$ 15,406,941	\$ 8,572,787	\$ 48,485,062

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, 2012

Net change in fund balances - total governmental funds \$ 22,022,739

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	2,864,926
Depreciation expense	(3,356,433)
Unpaid accrued interest income is deferred in the governmental funds since it is not available. This income is accrued in the Statement of Activities.	819,586
Intergovernmental revenues earned, but not available are deferred in the fund financial statements.	(91,861)
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.	20,086
Increases in long-term notes receivable use current financial resources and are included in the expenditures of governmental funds. Repayments of long-term notes receivables provide current financial resources 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.	1,104
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.	(38,199)
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 bond	100,000
Redevelopment Agency deferred interest payable	363,698
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.	(423,712)
The Rancho Palos Verdes Redevelopment Agency was dissolved as of February 1, 2012 pursuant to Assembly Bills 1x 26 and 1484. Capital assets and long-term liabilities of the dissolved Agency were transferred to the Successor Agency Private-Purpose Trust Fund:	
Transfer of land	(166,296)
Transfer of note receivable	(225,785)
Transfer of tax increment bonds	5,065,000
Transfer of deferred interest payable	434,904

Change in net assets of governmental activities	\$ 27,389,757
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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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 20,058,800	\$ 20,550,800	\$ 20,606,160	\$ 55,360
Licenses and permits	2,043,600	2,043,600	1,806,147	(237,453)
Fines and forfeitures	154,900	223,900	159,488	(64,412)
Use of money and property	567,900	567,900	754,473	186,573
Charges for services	66,800	66,800	145,924	79,124
Revenue from other agencies	151,900	15,000	6,365	(8,635)
Other revenues	154,300	154,300	192,300	38,000
TOTAL REVENUES	23,198,200	23,622,300	23,670,857	48,557
EXPENDITURES:				
Administration				
City council	136,500	136,500	133,698	2,802
City manager	1,671,300	1,767,195	1,656,174	111,021
City attorney	1,065,000	1,065,000	1,057,102	7,898
Community outreach	208,800	217,300	212,156	5,144
City clerk	492,550	524,750	503,877	20,873
Personnel	251,350	293,450	294,298	(848)
Finance	1,375,300	1,351,388	1,341,972	9,416
Information technology - Data	599,200	411,500	356,281	55,219
Information technology - Voice	93,800	93,800	69,218	24,582
Total Administration	5,893,800	5,860,883	5,624,776	236,107
Public safety				
Sheriff	4,015,000	4,015,000	3,957,051	57,949
Special programs	71,500	89,500	24,513	64,987
Animal control	120,250	130,250	55,862	74,388
Emergency preparedness	148,300	141,948	140,500	1,448
Total Public Safety	4,355,050	4,376,698	4,177,926	198,772
Public Works				
Public works administration	2,055,000	2,095,408	1,974,634	120,774
Traffic management	154,000	169,700	139,712	29,988
Storm water quality	180,300	180,300	92,945	87,355
Building maintenance	620,800	608,800	491,226	117,574
Park/Trail/Open Space maintenance	1,130,250	1,167,270	1,012,060	155,210
Sewer maintenance	63,000	63,375	13,307	50,068
Total Public Works	4,203,350	4,284,853	3,723,884	560,969

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks and Recreation				
Recreation administration	779,300	593,700	555,664	38,036
Recreation facilities	441,190	454,490	448,980	5,510
Special events	52,200	52,539	45,025	7,514
PVIC	383,375	382,275	356,709	25,566
REACH	53,800	53,700	48,036	5,664
Total Parks and Recreation	<u>1,709,865</u>	<u>1,536,704</u>	<u>1,454,414</u>	<u>82,290</u>
Community Development				
Planning services	1,296,800	1,303,070	1,302,440	630
Building & safety	653,200	586,806	574,613	12,193
Code enforcement	208,500	207,000	187,237	19,763
View restoration/preservation	339,500	337,400	324,520	12,880
NCCP	-	2,380	2,380	-
Geology	150,000	150,000	88,708	61,292
Total Community Development	<u>2,648,000</u>	<u>2,586,656</u>	<u>2,479,898</u>	<u>106,758</u>
TOTAL EXPENDITURES	<u>18,810,065</u>	<u>18,645,794</u>	<u>17,460,898</u>	<u>1,184,897</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,388,135</u>	<u>4,976,506</u>	<u>6,209,959</u>	<u>1,233,453</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	452,000	552,000	540,000	(12,000)
Transfers out	<u>(4,839,253)</u>	<u>(5,572,241)</u>	<u>(5,692,972)</u>	<u>(120,731)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,387,253)</u>	<u>(5,020,241)</u>	<u>(5,152,972)</u>	<u>(132,731)</u>
NET CHANGE IN FUND BALANCE	882	(43,735)	1,056,987	1,100,722
FUND BALANCE - BEGINNING OF YEAR	<u>18,900,262</u>	<u>18,900,262</u>	<u>18,900,262</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 18,901,144</u>	<u>\$ 18,856,527</u>	<u>\$ 19,957,249</u>	<u>\$ 1,100,722</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 17,010	\$ 17,010	\$ 15,862	\$ (1,148)
Charges for services	14,000	14,000	2,900	(11,100)
Revenue from other agencies	1,129,800	1,129,800	1,206,626	76,826
TOTAL REVENUES	1,160,810	1,160,810	1,225,388	64,578
EXPENDITURES:				
Public Works				
Street landscape maintenance	1,602,279	1,675,299	1,376,572	298,727
Traffic signal maintenance	202,000	112,000	73,767	38,233
Portuguese Bend road maintenance	516,400	566,400	525,725	40,675
TOTAL EXPENDITURES	2,320,679	2,353,699	1,976,064	377,635
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,159,869)	(1,192,889)	(750,676)	442,213
OTHER FINANCING SOURCES:				
Transfers in	1,074,400	1,074,400	945,088	(129,312)
Transfers out	-	(52,661)	(52,661)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,074,400	1,021,739	892,427	(129,312)
NET CHANGE IN FUND BALANCE	(85,469)	(171,150)	141,751	312,901
FUND BALANCE - BEGINNING OF YEAR	915,145	915,145	915,145	-
FUND BALANCE - END OF YEAR	\$ 829,676	\$ 743,995	\$ 1,056,896	\$ 312,901

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

AFFORDABLE HOUSING SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other revenues	\$ 330,000	\$ 330,000	\$ -	\$ (330,000)
Use of money and property	10	10	697	687
TOTAL REVENUES	330,010	330,010	697	(329,313)
EXPENDITURES:				
Community development	2,000	4,000	3,659	341
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	328,010	326,010	(2,962)	(328,972)
EXTRAORDINARY GAIN (LOSS)	-	-	1,723,632	1,723,632
NET CHANGE IN FUND BALANCE	328,010	326,010	1,720,670	1,394,660
FUND BALANCE - BEGINNING OF YEAR	1,770,519	1,770,519	1,770,519	-
FUND BALANCE - END OF YEAR	\$ 2,098,529	\$ 2,096,529	\$ 3,491,189	\$ 1,394,660

See independent auditors' report and notes to financial statements

CITY OF RANCHO PALOS VERDES

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

June 30, 2012

	Business-type Activity- Water Quality Flood Protection Enterprise Fund	Governmental Activities- Internal Service Funds
ASSETS		
CURRENT ASSETS:		
Cash and investments	\$ 3,640,715	\$ 3,527,960
Receivables:		
Interest	2,663	2,568
Other	71,462	1,081
Prepaid items	-	291,073
	3,714,840	3,822,682
TOTAL CURRENT ASSETS		
NONCURRENT ASSETS:		
Capital assets, not being depreciated:		
Land	1,408,493	-
Construction in progress	1,516,924	-
Capital assets, being depreciated:		
Property and equipment	11,813	1,603,512
Infrastructure	11,338,573	-
Accumulated depreciation	(919,544)	(1,348,661)
	13,356,259	254,851
TOTAL NONCURRENT ASSETS		
	17,071,099	4,077,533
TOTAL ASSETS		
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	176,451	86,330
Retentions payable	6,774	-
Due to other fund	-	118,514
	183,225	204,844
TOTAL CURRENT LIABILITIES		
NET ASSETS		
Invested in capital assets	13,356,259	254,851
Unrestricted	3,531,615	3,617,838
	16,887,874	3,872,689
TOTAL NET ASSETS		

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, 2012

	Business-type Activity- Water Quality Flood Protection Enterprise Fund	Governmental Activities- Internal Service Funds
OPERATING REVENUES:		
Charges for services	1,319,109	\$ 2,301,500
OPERATING EXPENSES:		
Personnel services	141,320	1,869,945
Materials and supplies	98,452	154,354
Maintenance	86,359	236,948
Depreciation	234,354	133,485
TOTAL OPERATING EXPENSES	560,485	2,394,732
OPERATING LOSS	758,624	(93,232)
NONOPERATING REVENUES:		
Other revenues	-	28,618
Interest income	10,965	11,419
TOTAL NONOPERATING REVENUES	10,965	40,037
INCOME (LOSS) BEFORE TRANSFERS	769,589	(53,195)
TRANSFER OUT	-	(370,517)
CHANGE IN NET ASSETS	769,589	(423,712)
TOTAL NET ASSETS - BEGINNING OF YEAR	16,118,285	4,296,401
TOTAL NET ASSETS - END OF YEAR	\$ 16,887,874	\$ 3,872,689

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, 2012

	Business-type Activity- Water Quality Flood Protection Enterprise Fund	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from interfund services provided	\$ -	\$ 2,420,014
Receipts from storm drain user fees	1,309,906	-
Payments to suppliers	(184,811)	(434,978)
Payments to employees	(141,320)	(2,039,616)
	<u>983,775</u>	<u>(54,580)</u>
NET CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(786,761)	(134,637)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Receipts from other revenues	-	27,537
Transfer to other funds	-	(370,517)
NET CASH PROVIDED FROM NON-CAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(342,980)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	11,680	13,362
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	208,694	(518,835)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,432,022</u>	<u>4,046,795</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,640,715</u>	<u>\$ 3,527,960</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 758,624	\$ (93,232)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	234,354	133,485
Changes in operating assets and liabilities:		
Increase in other receivable	(9,203)	-
Increase in prepaid items	-	(28,989)
Decrease in accrued liabilities	-	(184,358)
Increase in due to other fund	-	118,514
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ 983,775</u>	<u>\$ (54,580)</u>

See independent auditors' report and notes to financial statements.

CITY OF RANCHO PALOS VERDES

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

June 30, 2012

	ASSETS	Successor Agency to the Rancho Palos Verdes Redevelopment Agency Private-Purpose Trust Fund
Cash and investments		\$ 625,260
Receivables:		
Interest		10
Notes		204,950
Prepaid items		182,195
Land		<u>166,296</u>
TOTAL ASSETS		<u>\$ 1,178,711</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable and accrued liabilities		\$ 57,772
Long-term liabilities:		
Due within one year		120,000
Due beyond one year		<u>24,668,963</u>
TOTAL LIABILITIES		<u>24,846,735</u>
NET DEFICIT HELD IN TRUST		<u>\$ (23,668,024)</u>

See independent auditors' report and notes to financial statements

CITY OF RANCHO PALOS VERDES

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

For the Five Months Ended June 30, 2012

	Successor Agency to the Rancho Palos Verdes Redevelopment Agency Private-Purpose Trust Fund
ADDITIONS:	
Taxes	\$ 118,818
Use of money and property	10
	<hr/>
TOTAL ADDITIONS	118,828
	<hr/>
DEDUCTIONS:	
Administration	50,139
Interest and fiscal charges	388,771
	<hr/>
TOTAL DEDUCTIONS	438,910
	<hr/>
EXTRAORDINARY LOSS ON DISSOLUTION OF REDEVELOPMENT AGENCY	(23,347,942)
	<hr/>
CHANGE IN NET ASSETS	(23,668,024)
	<hr/>
NET ASSETS - FEBRUARY 1, 2012	-
	<hr/>
NET ASSETS - END OF YEAR	\$ (23,668,024)
	<hr/> <hr/>

See independent auditors' report and notes to financial statements



CITY OF RANCHO PALOS VERDES

OFFICIAL NEWSLETTER • 30940 HAWTHORNE BOULEVARD, RANCHO PALOS VERDES, CA 90275 • WEBSITE: WWW.PALOSVERDES.COM/RPV • (310) 377-0360

LADERA LINDA COMMUNITY CENTER MASTER PLANNING PROJECT

One glance at its architecture and you can tell that the Ladera Linda Community Center began its life as an elementary school. If the flat roofed, low-slung bungalows clustered around a central courtyard don't give it away, it's certainly the banks of large windows fronting each former classroom and the drinking fountains that are just a

bit too low for an adult to use comfortably. In fact, the facility, which was built in 1967, served in that capacity for 15 years. The City has been using it as a community center since 1982 and purchased the property from the Palos Verdes Peninsula Unified School District in 1986.

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LOCAL ELECTION SCHEDULED FOR TUESDAY, NOVEMBER 8, 2011

NOMINATION PERIOD FOR CITY COUNCIL CANDIDATES

The City of Rancho Palos Verdes will hold its General Municipal Election on November 8, 2011 for three City Council Member seats. The nomination period for candidates for City Council began on Monday, July 18, 2011 and closed on Friday, August 12, 2011. A total of 8 candidates have qualified to run for 3 open seats.



VOTE BY MAIL

Voters who wish to vote by mail must submit a written request to the Los Angeles County Registrar-Recorder/County Clerk for a ballot no later than 7 days prior to the Election Day. Your written request must identify the election for which a ballot is being requested, and must contain the voter's name and signature, registered address, and the address to which the ballot should be mailed. The signature of each person requesting a vote by mail ballot is required in order

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LAST DAY TO REGISTER

Monday, October 24, 2011 is the last day to register to vote in the November 8, 2011 Election. You will need to re-register if you have just moved into the City, if you have a new address, changed your name, or changed your political party affiliation. Voter Registration Forms are available at City Hall, the Post Office, and the library.

AIRSPACE SAFETY AND NOISE CONCERNS ~ WHO TO CALL!

The City of Rancho Palos Verdes is dedicated to improved aviation safety and noise reduction in the airspace above us. While the City of Rancho Palos Verdes has no direct authority over airspace, the City takes aircraft safety and noise impacts on our residents very seriously.

Resident feedback is appreciated in the ongoing effort to mitigate noise levels. Knowing the type of aircraft is important in determining which airport hotline to contact. Aviation activity over or near the Peninsula is typically divided into two categories: General Aviation Aircraft and Scheduled Air Transport.

- **General Aviation** refers to all private and commercial flights, other than military and scheduled airline and cargo flights. General aviation aircraft flying over or near the Palos Verdes Peninsula is typically departing from Torrance Airport and is usually small fixed-wing aircraft or helicopters.
- **Scheduled Air Transport** includes a wide range of jet airplanes and turbo-prop aircraft operating on regularly scheduled routes. Scheduled aircraft flying over or near the Palos Verdes Peninsula is typically departing from LAX.

FILING A NOISE COMPLAINT:

PLEASE NOTE:

The LAX Noise Complaint area code has changed from (310) to (424).

LAX

Go to <http://lax.webtrak-lochard.com/webtrak/lax4> to file an LAX WebTrak noise complaint or call the noise complaint hotline at (424) 646-6473.

Torrance

Go to <http://www.torranceca.gov/Airport/2254.htm> to contact the Torrance Noise Abatement website, or call Torrance Noise Abatement at (310) 784-7950.

Long Beach

Go to <http://webtrak.bksv.com/lgb> to file a Long Beach Airport Webtrak noise complaint or call the Long Beach noise complaint hotline at (562) 570-2665.

Contacting Rancho Palos Verdes Staff

The public is encouraged to let the City know their thoughts and concerns regarding Peninsula airspace issues. Email staff at faaaairspace@rpv.com or call (310) 544-5218.

BEWARE OF LEAD-BASED PAINT

- Is your home being renovated, repaired, or painted?
- Was your home or building built before 1978?

If the answer to these questions is YES, there are a few important things you need to know about lead-based paint. Federal law requires contractors that disturb painted surfaces in homes, child care facilities and schools built before 1978 to be certified and follow specific work practices to prevent lead contamination.

DUST IS THE MAIN PROBLEM

The most common way to get lead in the body is from dust. Lead dust comes from deteriorating lead-based paint and lead-contaminated soil that gets tracked into your home. This dust may accumulate to unsafe levels. Then, normal hand-to-mouth activities, like playing and eating (especially in young children), move that dust from surfaces like floors and window sills into the body.

HOME RENOVATION CREATES DUST

Common renovation activities like sanding, cutting, and demolition can create hazardous lead dust and chips.

PROPER WORK PRACTICES PROTECT YOU FROM THE DUST

The key to protecting yourself and your family during a renovation, repair or painting job is to use lead-safe work practices such as containing dust inside the work area, using dust-minimizing work methods, and conducting a careful cleanup.

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NOTES TO FINANCIAL STATEMENTS

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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 Agency), 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 Redevelopment Agency was formed in 1984 pursuant to the State of California Health and Safety Code Section 33000 entitled "Community Redevelopment Law" with a purpose to finance long-term capital improvements designed to eliminate physical and economic blight in a project area through stabilization of hazardous landslides. Effective February 1, 2012, pursuant to state law, the Redevelopment Agency was dissolved and its assets were transferred to the Successor Agency for the purpose of winding down the business of the former Redevelopment Agency (see Note # 13).

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 former Redevelopment Agency, 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 former Redevelopment Agency.

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 the former Redevelopment Agency and the Authority as "blended" component units. Despite being legally separate entities, the former Redevelopment Agency and the Authority are so intertwined with the City, they are, in substance, part of the City's operations.

See independent auditors' report.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Accordingly, the balances and transactions of the former Redevelopment Agency for the seven month period from July 1, 2011 through January 31, 2012 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 Successor Agency and the Authority are “blended” component units:

- 1) The members of the City Council also act as the governing bodies of the component units.
- 2) The City, the former Redevelopment Agency, and the Authority are financially interdependent. The City subsidizes maintenance operations performed by the Authority. The City made loans to the former Redevelopment Agency for use on redevelopment projects.
- 3) Employees of the City manage both the City and the component units.

Separately issued financial statements for 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.

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CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

B. 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 former Redevelopment Agency is used to account for property tax increment revenue and related interest income. Disbursements from this fund consist mainly of principal and interest on 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.

Fiduciary Fund Type

- *Private-Purpose Trust Fund* – Used to account for property tax revenue allocated to the Successor Agency and payments of the obligations of the former Redevelopment Agency.

See independent auditors' report.

CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

C. 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.

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.

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CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Under the “current financial resources” measurement focus, generally only current assets and current liabilities are reported on the balance sheets. 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 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 City’s Affordable Housing Fund is used to account for developer fees in lieu of providing affordable housing with new development, as well as affordable housing assets that were transferred from the former Redevelopment Agency to the City as a result of the City’s election to retain the housing assets and function of the former Redevelopment Agency pursuant to state law related to redevelopment dissolution.

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

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CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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 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.

Fiduciary Fund Financial Statements

The fiduciary private-purpose trust fund type is accounted for using the economic resources measurement focus and accrual basis of accounting similar to the proprietary funds.

The City reports the following fiduciary fund

The assets and liabilities of the former Redevelopment Agency were transferred to the Successor Agency as part of the business of redevelopment dissolution. The Successor Agency private-purpose trust fund will account for the changes in the former Redevelopment Agency's assets and liabilities until they are disposed of through dissolution. This fund also accounts for the administrative costs associated with dissolution.

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CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

D. 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 increase in the amount of \$1,062,220. This increase was primarily a result of appropriations continued from 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, 2012, based on calculations by City Management, proceeds of taxes did not exceed related appropriations.

E. 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.). 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

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Parks and Recreation Network

25 years

F. 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.

City employees accrue 96 hours of sick leave each year with a maximum accrual of 720 hours. However, unused sick leave is never paid out to the employee; and therefore, the City does not accrue a liability.

The General Fund will primarily be used to liquidate the liability for compensated absences in future years. Any liability for compensated absences is only carried in the General Fund if there is unused/unpaid leave outstanding following an employee's separation.

G. Investments

Investments are stated at fair value (quoted market price of the best available estimate, thereof).

H. 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.

I. 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

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CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
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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. Adverse claims experience result in the payment of additional deposits and such deposits, if any, are recorded as insurance expenditures when paid.

J. 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 appropriable resources and thus, an equivalent portion of fund balance is reported as nonspendable. The City had a total of \$1,007,946 (\$716,873 in governmental funds and \$291,073 in internal service funds) of prepaid items as of June 30, 2012.

K. 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 affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. 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, 2012, are classified in the accompanying financial statements as follows:

	Government-Wide Statement of Net Assets	Fiduciary Fund Statement of Fiduciary Net Assets	Total
Total cash and investments	\$ 47,407,782	\$ 625,260	\$ 48,033,042

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Cash and investments as of June 30, 2012 consist of the following:

Petty Cash	\$ 2,500
Deposits with Financial Institution	4,778,629
Local Agency Investment Fund (LAIF)	<u>43,251,913</u>
Total cash and investments	<u>\$ 48,033,042</u>

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 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)	<u>\$ 43,251,913</u>

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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 rating by a nationally recognized statistical rating organization. The City's LAIF investment is not rated.

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, 2012, the City's investments in LAIF 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 institution are non-interest bearing bank accounts that are fully insured by the Federal Deposit Insurance Corporation (FDIC).

Investment in Local Agency Investment Fund (LAIF)

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'

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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 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, 2012:

		Due To
		General Fund
Due From	Other Governmental Funds	\$ 151,665
	Internal Service Funds	118,514
	Total:	<u>\$ 270,179</u>

General fund cash was used to cover grant expenditures in the other Governmental Funds until reimbursement is received from the grant agencies. General fund cash was also used to cover July 2012 payments for employee benefits made in June 2012.

Inter-fund Transfers

Inter-fund transfers for the year ended June 30, 2012, consisted of the following:

		Transfer From				
		General Fund	Street Maintenance Fund	Other Governmental Funds	Internal Service Funds	Totals
Transfer To	General Fund	\$ -	\$ -	\$ 200,000	\$ 340,000	\$ 540,000
	Street Maintenance	-	-	945,088	-	945,088
	Capital Improvement Projects	5,472,272	52,661	965,022	30,517	6,520,472
	Other Governmental Funds	220,700	-	-	-	220,700
	Totals:	<u>\$ 5,692,972</u>	<u>\$ 52,661</u>	<u>\$ 2,110,110</u>	<u>\$ 370,517</u>	<u>\$ 8,226,260</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; 2)

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CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
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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; 3) return money that was originally transferred from the General Fund to another fund, yet not used.

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, 2012.

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	40,048,288	-	(166,296)	39,881,992
Construction in progress	628,308	2,864,926	(3,063,178)	430,056
Total capital assets not being depreciated	40,676,596	2,864,926	(3,229,474)	40,312,048
Capital assets being depreciated:				
Building and improvements	9,379,539	-	-	9,379,539
Vehicles	295,618	6,301	-	301,919
Computer equipment	599,397	128,336	-	727,733
Furniture, fixtures and equipment	573,860	-	-	573,860
Infrastructure	-	-	-	-
Roadway system	88,140,550	2,577,038	-	90,717,588
Sewer system	25,755,463	210,532	-	25,965,995
Storm drain system	13,148,416	-	-	13,148,416
Parks system	6,702,324	275,608	-	6,977,932
Total capital assets being depreciated	144,595,167	3,197,815	-	147,792,982
Less accumulated depreciation for:				
Buildings and improvements	(2,223,243)	(203,170)	-	(2,426,413)
Vehicles	(200,962)	(42,552)	-	(243,514)
Computer equipment	(564,215)	(45,749)	-	(609,964)
Furniture, fixtures and equipment	(449,999)	(45,184)	-	(495,183)
Infrastructure	-	-	-	-
Roadway system	(41,836,351)	(2,432,938)	-	(44,269,289)
Sewer system	(17,307,988)	(459,320)	-	(17,767,308)
Storm drain system	(2,967,475)	(250,479)	-	(3,217,954)
Parks system	(4,576,448)	(10,526)	-	(4,586,974)
Total accumulated depreciation	(70,126,681)	(3,489,918)	-	(73,616,599)
Total capital assets being depreciated, net	74,468,486	(292,103)	-	74,176,383
Governmental activities capital assets, net	115,145,082	2,572,823	(3,229,474)	114,488,431

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Land carried at \$166,296 was transferred to the Successor Agency upon dissolution of the Redevelopment Agency on January 31, 2012 (see Note #14). 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)	3,142,737
Recreation Services (depreciation of parks system)	10,526
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>133,485</u>
Total Depreciation Expense – Governmental Activities	<u>\$3,489,918</u>

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	1,408,493	-	-	1,408,493
Construction in progress	678,980	837,944	-	1,516,924
Total capital assets not being depreciated	<u>2,087,473</u>	<u>837,944</u>	<u>-</u>	<u>2,925,417</u>
Capital assets being depreciated:				
Equipment	11,813			11,813
Storm drain system	11,338,573	-	-	11,338,573
Total capital assets being depreciated	<u>11,350,386</u>	<u>-</u>	<u>-</u>	<u>11,350,386</u>
Less accumulated depreciation for:				
Equipment	(10,632)	(1,181)		(11,813)
Storm drain system	(674,558)	(233,173)	-	(907,731)
Total accumulated depreciation	<u>(685,190)</u>	<u>(234,354)</u>	<u>-</u>	<u>(919,544)</u>
Total capital assets being depreciated, net	<u>10,665,196</u>	<u>(234,354)</u>	<u>-</u>	<u>10,430,842</u>
Business-type activities capital assets, net	<u>12,752,669</u>	<u>603,590</u>	<u>-</u>	<u>13,356,259</u>

Depreciation expense of \$234,354 is included in the Water Quality Flood Protection enterprise fund.

NOTE #5 – LONG-TERM NOTES RECEIVABLE

Special Revenue Funds:	<u>Total Long-Term Notes Receivable</u>
Affordable Housing	\$ 6,829,457
Community Development Block Grant	\$ 479,024
	<u>\$ 7,308,481</u>

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CITY OF RANCHO PALOS VERDES

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Affordable Housing

In March 2009, the former Redevelopment Agency (RDA) entered into a Disposition and Development Agreement (DDA) with AMCAL Mirandela Fund LP (AMCAL). Under the DDA, the former RDA provided financial assistance to AMCAL in an amount up to \$6,790,000 to develop a thirty-four unit senior housing project. The loan accrues simple interest at a rate of 3% per annum on the amounts disbursed. The balance of notes receivable from AMCAL including accrued unpaid interest of \$432,593 at June 30, 2012 was \$6,703,137.

In March 2011, the former RDA sold an affordable housing condominium to an individual for \$350,000 in connection with the sale the former RDA took back a secured promissory note from the buyer in the amount of \$126,320. The note bears no interest and principal is payable upon default by the owner (or any successors' owner) under a regulatory agreement that requires the condominium to be occupied by person or families of moderate income. If no such default has occurred by February 22, 2056, the principal will be forgiven. As a result of the nature of these terms, the balance of this note has been offset by deferred revenue in the governmental fund financial statements.

As part of redevelopment dissolution, these two long-term notes receivable were transferred to the City, which elected to retain the housing assets and function of the former Redevelopment Agency (see Note #14).

Community Development Block Grant (CDBG)

As part of the City's CDBG program, the City extends loans to property owners meeting low and moderate income requirements to make repairs and improvements to their homes. These notes receivable bear no interest, and repayment is required when the title to the property is transferred or the property is re-financed. The maximum loan amount per property is \$13,000. Amounts repaid are returned to the CDBG program. The total of these loans outstanding at June 30, 2012 is \$479,024.

NOTE #6 – LONG-TERM DEBT

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Amount Due in One Year
RDA Tax Increment Bond	\$5,165,000		\$ (5,165,000)	\$ -	\$ -
RDA Deferred Interest Payable	798,601		(798,601)	-	-
Employee Compensated Absences	332,600	271,804	(233,605)	370,799	260,435
Totals	<u>\$ 6,296,201</u>	<u>\$ 271,804</u>	<u>\$ (6,197,206)</u>	<u>\$ 370,799</u>	<u>\$ 260,435</u>

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CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Employee Compensated Absences

There is no fixed payment schedule for employee compensated absences. Based on historical trends, \$260,434 estimated to be the amount that will be used and/or paid out during fiscal year 2012-13.

RDA Tax Increment Bond and Deferred Interest Payable

Upon dissolution of the Redevelopment Agency on January 31, 2012, the debt of the former RDA was transferred to the Successor Agency (see Note #14). The transferred debt included a Tax Increment Bond in the amount of \$5,065,000 and Deferred Interest Payable in the amount of \$434,904 at January 31, 2012.

NOTE #7 – 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. As of June 30, 2012, the City had no debt related to 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.

Fund Financial Statements

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

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**NOTES TO FINANCIAL STATEMENTS
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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, 2012.

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, 2012:

	General Fund	Street Maintenance Fund	Affordable Housing Fund	Capital Improvement Fund	Other Governmental Funds
Nonspendable:					
In Form (e.g. inventory, prepaid amounts)	\$ 7,492,810	\$ -	\$ 2,990,899	\$ -	\$ -
Legally (e.g. endowments)	-	-	-	-	1,824,696
Restricted	-	1,056,896	500,290	-	6,856,223
Committed	-	-	-	-	-
Assigned	-	-	-	15,406,941	-
Unassigned:					
Rainy Day Fund	11,775,937	-	-	-	-
Continued Appropriations	688,502	-	-	-	-
Deficit Fund Balance	-	-	-	-	(108,132)
Governmental Fund Balance Totals	<u>\$ 19,957,249</u>	<u>\$ 1,056,896</u>	<u>\$ 3,491,189</u>	<u>\$ 15,406,941</u>	<u>\$ 8,572,787</u>

Minimum Fund Balance Policies

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

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**NOTES TO FINANCIAL STATEMENTS
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- 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 non-spendable or 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)	\$ 1,056,896
Affordable Housing	Implement goals, policies and programs outlined in the Housing Element of the City's General Plan	Developer fees	Non-Spendable \$2,990,899 Restricted \$500,290
Air Quality Management	vehicles	AB2766 fees	\$ 101,187
El Prado	Maintain the common area of the El Prado neighborhood	Property assessments	\$ 16,774
Proposition A	Public transportation	Special sales tax	\$ 170,421
Proposition C	Public transit and related services	Special sales tax	\$ 1,341,811
Measure R	Transportation needs, including maintenance of arterial streets, traffic control, bikeway and pedestrian improvements, and public transit	Special sales tax	\$ 391,926
Beautification	Right of way beautification, neighborhood beautification grants, and promote recycling	Recycling fees and grants	\$ 1,065,483
Waste Reduction	State mandated waste reduction and recycling plans and programs	AB939 fees from waste haulers	\$ 268,961
Public Safety Grants	Law enforcement and public safety equipment	Federal and state grants and shared	\$ 20,188
1972 Act Landscaping & Lighting District	Maintain right of way landscaping and lighting	Property assessments	\$ 78,079
1911 Act Lighting District	Maintain right of way lighting and traffic signals	Property assessments	\$ 1,670,384

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Continued:			
Fund	Purpose	Revenue Source	Amount
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	\$ 309,724
Habitat Restoration	Restore habitat on City owned property	Developer fees	Non-Spendable \$74,696 Restricted \$146,345
Abalone Cove Sewer District	Maintain and operate the Abalone Cove sewer system	Property assessments	\$ 39,271
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	\$ 158,480
Donor Restricted Contributions	Acquire or construct recreational facilities	Private donations	\$ 406,809
Bikeways	Design and construction of bicycle and pedestrian facilities on roadways, including disable access ramps	Transportation Development Act Article 3	\$ 61
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	\$ 414,525
Quimby	Develop or rehabilitate park and recreational facilities	Developer fees	\$ 29,421

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	\$ 15,406,941

Permanent Funds

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

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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 \$23,559
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 \$202,814

NOTE #8 – 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 contracts with 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.

Pursuant to City Council action on October 2, 2012 to reduce pension benefits for future employees and the California Public Employees' Pension Reform Act of 2012, the City will have 3 tiers of defined pension benefits. For employees hired prior to October 2, 2012, the City participates in a Miscellaneous 2.5% at 55 Risk Pool (1st Tier). For employees hired after October 2, 2012 but before January 1, 2013 and employees hired after January 1, 2013 that have participated in a reciprocating California public employee pension plan within six months of being hired by the City, the City participates in a Miscellaneous 2% at 60 Risk Pool (2nd Tier). For all other employees hired after January 1, 2013, the City will participate in a Miscellaneous 2% at 62 Risk Pool (3rd Tier).

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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.

During fiscal year 2011-12, the City's employees participated in only the 1st Tier of benefits as described above. Active City employees were required to contribute 8% of their annual covered salary beginning in September 2011. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The fiscal year 2011-12 rate for the City's contribution was 13.353% 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 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 2009-10. The funded status of the 1st Tier Risk Pool at June 30, 2011 was 72.3%. The risk pool's unfunded actuarial accrued liability at June 30, 2011 was \$293,320,030. The City's share of the risk pool's unfunded actuarial accrued liability, as reported by CalPERS, is \$3,714,970. Currently, the City's share of the Risk Pool's liability is not a reportable liability of the City. However, with implementation of GASB Statement No. 68 expected with the June 30, 2015 financial statements, the City's share of the Risk Pool's liability will be a reportable liability of the City.

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

	City	Pay-off	Total
<u>Year Ended</u>	<u>Contribution</u>	<u>Side Fund Liability</u>	<u>City Cost</u>
June 30, 2012	\$ 658,481	\$ -	\$ 658,481
June 30, 2011	\$ 461,416	\$ -	\$ 461,416
June 30, 2010	\$ 521,408	\$ 1,661,376	\$ 2,182,784

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

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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 2011-12, the City contributed a total of \$72,052 to employee accounts. During the same time, employees contributed a total of \$48,769 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.

NOTE #9 – 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 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

Self-Insurance Programs of the CJPIA

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

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(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 \$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 2011-12 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

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costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

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

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, 2011 through July 1, 2014. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance

The City 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 \$14,505,855. 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 \$14,406,823. 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.

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CITY OF RANCHO PALOS VERDES

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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 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 2011-12.

NOTE #10 – 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 (FEMA) in the amount of approximately \$1.2 million.

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An audit by the Department of Homeland Security's Office of Inspector General (OIG) indicated that the City may be compelled to return over \$900,000 to FEMA. However, in April 2012, FEMA rejected the OIG audit recommendations on the grounds that the storm drains had functioned properly until the disastrous rain events of 2004-05. The OIG has until June 22, 2015 to challenge FEMA's rejection of the audit. The City's FEMA consultant has advised City Staff that the OIG has never before challenged a FEMA rejection. Therefore, no liability to return the FEMA funds has been accrued.

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 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 and the City awaits a hearing date from the Court of Appeal; however, as the City has been processing development applications for the plaintiffs' lots as ordered by the trial court, there is no expectation that the plaintiffs' appeal will be successful. Therefore, no liability has been accrued.

NOTE #11 – 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

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NOTE #12 – DEFERRED REVENUES

The deferred revenues in the fund financial statements of the City of Rancho Palos Verdes as of June 30, 2012 consisted of the following:

General Fund:

Accrued Interest from Long-Term Advance to the former Redevelopment Agency	12,546,283
Advance on Federal Grant	100,830
Revenue Earned but Not Available (beyond 60 days)	81,038

Other Governmental Funds:

Long-Term Note Receivable from AMCAL	3,633,706
Other Long-Term Note Receivable	126,320
Accrued Interest from AMCAL Loan	79,431
Long-Term Note Receivable Offset (loans expended when made)	479,024
Revenue Earned but Not Available (beyond 60 days)	184,206
Total Deferred Revenues:	<u>17,230,838</u>

NOTE #13 – OTHER REQUIRED FUND DISCLOSURES

The following funds had deficit fund balances as of June 30, 2012:
Other Governmental Funds:

Community Development Block Grant Fund	\$ 42,447
Measure A Special Revenue Fund	\$ 65,685

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

NOTE #14 – SUCCESSOR AGENCY

On June 29, 2011, Assembly Bills 1x 26 (the "Dissolution Act") and 1x 27 were enacted as part of the FY 2011-12 state budget package. The Dissolution Act required each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for impending dissolution. Assembly Bill 1x 27 provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn the Dissolution Act and Assembly Bill 1x 27 on the grounds that these bills violate the California Constitution.

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CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

On December 29, 2011, the California Supreme Court upheld the Dissolution Act and struck down Assembly Bill 1x 27.

On June 27, 2012, as part of the FY 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each a "Dissolved RDA") was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On September 6, 2011, the City elected to serve as the Successor Agency of the Rancho Palos Verdes Redevelopment Agency.

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards is to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community does not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets will be transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The City elected on February 21, 2012 to serve as the Housing Successor Agency.

Prior to February 1, 2012, the final seven months of activity of the Dissolved RDA are reported in the governmental funds of the City. After the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a special revenue fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the Dissolved RDA as of February 1, 2012 (except for certain assets of the former Low and Moderate Income Housing Fund, which were transferred to the Affordable Housing Special Revenue

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Fund (effectively the same date as January 31, 2012) from the governmental funds of the City to the fiduciary fund was reported in the governmental funds as an extraordinary gain in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was also reported in the fiduciary fund as an extraordinary loss.

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the fiduciary private-purpose trust fund (economic resources measurement focus), the extraordinary gain recognized in the governmental funds was not the same amount as the extraordinary loss that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary gain recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary gain reported in governmental funds - increase to net assets of the Successor Agency Trust Fund	<u>\$ (18,240,119)</u>
Capital assets recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	166,296
Notes receivable reported in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	225,785
Long term debt reported in the government-wide financial statement - decrease to net assets of the Successor Agency Trust Fund	<u>(5,499,904)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u><u>\$ (23,347,942)</u></u>

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller, the California Department of Finance (the "DOF") and the California State Controller's office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTTF") for each Successor Agency and depositing into the RPTTF for each six-month period the amount of property taxes that would

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CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposit in the RPTTF fund is to be used to pay to the Successor Agency the amounts due on the Successor Agency's enforceable obligations for the upcoming six-month period.

The Successor Agency is required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF fund based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due over the next six months. The Successor Agency received \$118,818 from the County Auditor-Controller on June 1, 2012 for the ROPS for the period July 1, 2012 to December 31, 2012.

The process of making RPTTF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

The State Controller of the State of California has been directed to review the propriety of any transfers of assets between Dissolved RDA and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency. The Dissolved RDA made only two transfers after January 1, 2011. One transfer was the return of \$500,000 in excess loan proceeds to the City that was not needed to fund an affordable housing project. The other transfer involved notes receivable totaling \$6,751,633 that was given to the City in its capacity as the successor housing agency to the Dissolved RDA.

Management believes, in consultation with legal counsel, that the obligations of the Dissolved RDA due to the City are valid enforceable obligations payable by the Successor Agency under the requirements of the Dissolution Act and AB 1484. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

Non-Liquid Assets

The following non-liquid assets are included in the records of the Successor Agency:

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CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note receivable from	
Portuguese Bend Club Homeowners Association	\$204,950
Prepaid item	182,195
Land	<u>166,296</u>
Total Non-Liquid Assets	<u>\$553,441</u>

In 1999, the former Redevelopment Agency extended a \$750,000 construction loan to the Portuguese Bend Club Homeowners Association. The note is non-interest bearing, and is to be repaid in 180 equal installments beginning in July 2001. The Association is scheduled to continue making monthly payments of \$4,167 through August 2016, and the balance of the note receivable at June 30, 2012 is \$204,950.

Prior to redevelopment dissolution, the County of Los Angeles pursuant to a Memorandum of Understanding dated November 1, 1997 (discussed below) impounded property tax increment allocated to the former redevelopment agency for payment of debt owed to the County. The balance of the impounded tax increment which had not yet been applied to debt at June 30, 2012 is \$182,195.

The former Redevelopment Agency owned a number of parcels in the landslide area of the City. Parcels totaling approximately 177 acres which are identified as Abalone Cove Shoreline Park and adjacent open space were transferred from the County of Los Angeles at no cost. The remaining parcels which provide right-of-way access into the landslide area were originally purchased at a total cost of \$166,296.

Debt Summary

	Balance February 1, 2012	Transfers from RDA	Additions	Balance June 30, 2012	Amounts Due in One Year
Due to City:					
Consolidated Loan	\$ -	\$ 19,026,913	\$ 262,146	\$ 19,289,059	\$ -
Due to County:					
Tax Increment Bond	-	5,065,000	-	5,065,000	120,000
Deferred Interest Payable	-	434,904	-	434,904	-
Totals	<u>\$ -</u>	<u>\$ 24,526,817</u>	<u>\$ 262,146</u>	<u>\$ 24,788,963</u>	<u>\$ 120,000</u>

Consolidated Loan from City

The City entered into an agreement to provide the former Redevelopment Agency (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 was to repay the resulting indebtedness, plus interest, from incremental property tax revenues arising from the project area, as such revenue became available. Pursuant to redevelopment dissolution law, loans from cities to redevelopment agencies made more than two years after

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CITY OF RANCHO PALOS VERDES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

formation of the redevelopment agency are not recognized obligations. Therefore, the Consolidated Loan from the City has been disallowed on the Successor Agency's Recognized Obligation Payment Schedule. However, an amendment to the redevelopment dissolution law provides a method to obtain a Finding of Completion from the California Department of Finance, which will lead to recognition of the City's Consolidated Loan as an obligation of the Successor Agency. The Successor Agency has met the requirements to date, and it is anticipated that the Successor Agency will meet the remaining requirements to obtain the Finding of Completion during 2013.

Variable interest accrued at a rate of 3.389 percent during the fiscal year ended June 30, 2012. Of the \$19,289,059 advance, \$14,510,123 relates to the Portuguese Bend portion of the former Redevelopment Agency, while \$4,778,936 relates to the Abalone Cove portion. During the year ended June 30, 2012, accrued interest of \$474,634 was added to the balance of the advance to the Portuguese Bend Fund, while principal of \$89,918 and accrued interest of \$156,321 was advanced to the Abalone Cove Fund.

Tax Increment Bond and Deferred Interest Payable

In July 1991, the former Redevelopment Agency 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 advanced by the County in the amount of \$135,614. A third portion was used to repay certain loans from the City to the former Redevelopment Agency 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 former Redevelopment Agency's Abalone Cove Fund. Concurrent with the execution of the Agreement, the County deeded its title in the Abalone Cove Beach Park to the former Redevelopment Agency.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

As part of the Agreement, the former Redevelopment Agency was 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 former Redevelopment Agency 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 former Redevelopment Agency 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 former Redevelopment Agency. 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 former Redevelopment Agency 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 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 bond was issued as a conduit through the Improvement Authority to the County. No issuance costs were incurred. Future allocations of property tax to the Successor Agency will fund the payment of the bond debt and the deferred interest from the original Loan until paid in full. Prior to Redevelopment Agency dissolution, the County withheld 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 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.

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CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2012, a total of \$2,676,496 in accumulated tax increment has been applied against this balance, including \$363,697 applied during fiscal year 2011-12. The remaining balance at June 30, 2012, was \$434,904. The accumulated amount of property tax increment withheld by the County prior to dissolution, in excess of amounts applied to principal and interest payments is recorded in the Successor Agency Fund as a prepaid item at June 30, 2012.

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

Year Ending June 30,	Principal	Interest	Total
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	200,000	218,750	418,750
2018-2022	1,420,000	905,500	2,325,500
2023-2027	2,275,000	448,875	2,723,875
2028	580,000	14,500	594,500
Totals	<u>\$5,065,000</u>	<u>\$ 2,546,625</u>	<u>\$ 7,611,625</u>

NOTE #15 – RESTATEMENT OF BEGINNING NET ASSETS:

The net assets of the governmental activities at July 1, 2011 were restated as follows:

Net assets as previously reported – July 1, 2011 \$152,271,142

To adjust for:

Revenues related to long-term notes receivable, accrued unpaid interest and other amounts earned but not available were properly reported as deferred in the fund

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CITY OF RANCHO PALOS VERDES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

financial statements (modified accrual basis of accounting), however, they were not recognized as earned in the government-wide financial statements (accrual basis of accounting).

3,689,642

Net assets as restated – July 1, 2011

\$ 155,960,784

SUPPLEMENTARY INFORMATION

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 1,558,979	\$ 4,047,567	\$ 139,340	\$ (3,908,227)
Use of money and property	28,600	28,600	36,780	8,180
TOTAL REVENUES	1,587,579	4,076,167	176,120	(3,900,047)
EXPENDITURES:				
Capital Outlay				
Infrastructure administration	70,000	25,500	25,437	63
Street improvements	4,885,532	2,772,335	2,531,917	240,418
Parks/Trails/Open Space improvements	1,102,000	2,256,268	229,547	2,026,721
Sewer improvements	-	114,450	113,982	468
Building improvements	167,500	167,500	38,548	128,952
TOTAL EXPENDITURES	6,225,032	5,336,053	2,939,431	2,396,622
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,637,453)	(1,259,886)	(2,763,311)	(1,503,425)
OTHER FINANCING SOURCES:				
Transfers in	6,609,480	8,833,841	6,520,472	(2,313,369)
NET CHANGE IN FUND BALANCE	1,972,027	7,573,955	3,757,161	(3,816,794)
FUND BALANCE - BEGINNING OF YEAR	11,649,780	11,649,780	11,649,780	-
FUND BALANCE - END OF YEAR	\$ 13,621,807	\$ 19,223,735	\$ 15,406,941	\$ (3,816,794)

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CITY OF RANCHO PALOS VERDES

JUNE 30, 2012

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.

Redevelopment Agency Housing Set-Aside – to account for the portion of redevelopment tax increment revenue set-aside for the development of affordable housing.

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.

CITY OF RANCHO PALOS VERDES

JUNE 30, 2012

NONMAJOR GOVERNMENTAL FUNDS

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.

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.

Debt Service Fund Descriptions

Redevelopment Agency Debt Service – to account for the accumulation of resources and for the payment of principal and interest on the former redevelopment agency debt.

CITY OF RANCHO PALOS VERDES

JUNE 30, 2012

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, 2012

	Special Revenue Funds				
	Air Quality Management	CDBG	El Prado	Redevelopment Agency Housing Set-Aside	Proposition A
ASSETS					
Cash and investments	\$ 88,198	\$ -	\$ 16,620	\$ -	\$ 170,857
Receivables:					
Taxes	-	-	142	-	-
Interest	57	-	12	-	65
Notes	-	479,024	-	-	-
Other	12,932	129,855	-	-	-
Prepaid items	-	-	-	-	-
Advance to other funds	-	-	-	-	-
TOTAL ASSETS	\$ 101,187	\$ 608,879	\$ 16,774	\$ -	\$ 170,922
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ -	\$ 51,371	\$ -	\$ -	\$ 501
Due to other funds	-	78,521	-	-	-
Deferred revenue	-	521,434	-	-	-
TOTAL LIABILITIES	-	651,326	-	-	501
FUND BALANCES:					
Non-Spendable					
Endowment principal	-	-	-	-	-
Reimbursement settlement agreement	-	-	-	-	-
Prepaid items	-	-	-	-	-
Long term advances	-	-	-	-	-
Habitat restoration	-	-	-	-	-
Restricted	101,187	-	16,774	-	170,421
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	(42,447)	-	-	-
TOTAL FUND BALANCES	101,187	(42,447)	16,774	-	170,421
TOTAL LIABILITIES AND FUND BALANCES	\$ 101,187	\$ 608,879	\$ 16,774	\$ -	\$ 170,922

See independent auditors' report.

Special Revenue Funds (Continued)

Proposition C	Measure R	Beautification	Waste Reduction	Public Safety Grants	1972 Act	1911 Act
\$ 1,340,334	\$ 391,221	\$ 1,061,087	\$ 279,997	\$ 20,102	\$ 66,549	\$ 1,660,622
-	-	-	-	-	15,550	36,313
1,477	705	835	264	86	180	1,280
-	-	-	-	-	-	-
-	-	4,000	11,738	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,341,811</u>	<u>\$ 391,926</u>	<u>\$ 1,065,922</u>	<u>\$ 291,999</u>	<u>\$ 20,188</u>	<u>\$ 82,279</u>	<u>\$ 1,698,215</u>
\$ -	\$ -	\$ 439	\$ 12,122	\$ -	\$ 4,200	\$ 27,831
-	-	-	-	-	-	-
-	-	-	\$ 10,916	-	-	-
-	-	439	23,038	-	4,200	27,831
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,341,811	391,926	1,065,483	268,961	20,188	78,079	1,670,384
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,341,811</u>	<u>391,926</u>	<u>1,065,483</u>	<u>268,961</u>	<u>20,188</u>	<u>78,079</u>	<u>1,670,384</u>
<u>\$ 1,341,811</u>	<u>\$ 391,926</u>	<u>\$ 1,065,922</u>	<u>\$ 291,999</u>	<u>\$ 20,188</u>	<u>\$ 82,279</u>	<u>\$ 1,698,215</u>

(Continued)

CITY OF RANCHO PALOS VERDES

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2012

	Special Revenue Funds				
	Joint Powers Improvement Authority Portuguese Bend	Habitat Restoration	Measure A	Abalone Cove Sewer Assessment District	Dr. Allen and Charlotte Ginsburg Cultural Arts Building
ASSETS					
Cash and investments	\$ 327,665	\$ 229,069	\$ 7,440	\$ 63,869	\$ 158,365
Receivables:					
Taxes	-	-	-	2,470	-
Interest	-	179	19	73	115
Notes	-	-	-	-	-
Other	-	23,683	100,000	-	-
Prepaid items	-	-	-	-	-
Advance to other funds	-	-	-	-	-
TOTAL ASSETS	\$ 327,665	\$ 252,931	\$ 107,459	\$ 66,412	\$ 158,480
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 17,941	\$ 31,890	\$ -	\$ 27,141	\$ -
Due to other funds	-	-	73,144	-	-
Deferred revenue	-	-	100,000	-	-
TOTAL LIABILITIES	17,941	31,890	173,144	27,141	-
FUND BALANCES:					
Non-Spendable					
Endowment principal	-	-	-	-	-
Reimbursement settlement agreement	-	-	-	-	-
Prepaid items	-	-	-	-	-
Long term advances	-	-	-	-	-
Habitat restoration	-	74,696	-	-	-
Restricted	309,724	146,345	-	39,271	158,480
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	(65,685)	-	-
TOTAL FUND BALANCES	309,724	221,041	(65,685)	39,271	158,480
TOTAL LIABILITIES AND FUND BALANCES	\$ 327,665	\$ 252,931	\$ 107,459	\$ 66,412	\$ 158,480

See independent auditors' report.

Special Revenue Funds (Continued)

Donor Restricted Contributions	Bikeways	Environmental Excise Tax	Quimby	Total Special Revenue Funds	Redevelopment Agency Debt Service
\$ 406,513	\$ 61	\$ 447,706	\$ 29,400	\$ 6,765,675	\$ -
-	-	-	-	54,475	-
296	-	321	21	5,985	-
-	-	-	-	479,024	-
-	-	-	-	282,208	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 406,809</u>	<u>\$ 61</u>	<u>\$ 448,027</u>	<u>\$ 29,421</u>	<u>\$ 7,587,367</u>	<u>\$ -</u>
\$ -	\$ -	\$ 33,502	\$ -	\$ 206,938	\$ -
-	-	-	-	151,665	-
-	-	-	-	632,350	-
<u>-</u>	<u>-</u>	<u>33,502</u>	<u>-</u>	<u>990,953</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	74,696	-
406,809	61	414,525	29,421	6,629,850	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(108,132)	-
<u>406,809</u>	<u>61</u>	<u>414,525</u>	<u>29,421</u>	<u>6,596,414</u>	<u>-</u>
<u>\$ 406,809</u>	<u>\$ 61</u>	<u>\$ 448,027</u>	<u>\$ 29,421</u>	<u>\$ 7,587,367</u>	<u>\$ -</u>

(Continued)

CITY OF RANCHO PALOS VERDES

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2012

	Capital Projects Funds		
	Redevelopment Agency Abalone Cove	Redevelopment Agency Portuguese Bend	Total Capital Projects Funds
ASSETS			
Cash and investments	\$ -	\$ -	\$ -
Receivables:			
Taxes	-	-	-
Interest	-	-	-
Notes	-	-	-
Other	-	-	-
Prepaid items	-	-	-
Advance to other funds	-	-	-
TOTAL ASSETS	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-	-	-
FUND BALANCES:			
Non-Spendable			
Endowment principal	-	-	-
Reimbursement settlement agreement	-	-	-
Prepaid items	-	-	-
Long term advances	-	-	-
Habitat restoration	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ -

See independent auditors' report.

Permanent Funds			
Subregion One Maintenance	Joint Powers Improvement Authority Abalone Cove	Total Permanent Funds	Total Other Governmental Funds
\$ 779,889	\$ 1,205,326	\$ 1,985,215	\$ 8,750,890
-	-	-	54,475
573	2	575	6,560
-	-	-	479,024
-	-	-	282,208
-	-	-	-
-	-	-	-
<u>\$ 780,462</u>	<u>\$ 1,205,328</u>	<u>\$ 1,985,790</u>	<u>\$ 9,573,157</u>
\$ 6,903	\$ 2,514	\$ 9,417	\$ 216,355
-	-	-	151,665
-	-	-	632,350
<u>6,903</u>	<u>2,514</u>	<u>9,417</u>	<u>1,000,370</u>
750,000	-	750,000	750,000
-	1,000,000	1,000,000	1,000,000
-	-	-	-
-	-	-	-
-	-	-	74,696
23,559	202,814	226,373	6,856,223
-	-	-	-
-	-	-	-
-	-	-	(108,132)
<u>773,559</u>	<u>1,202,814</u>	<u>1,976,373</u>	<u>8,572,787</u>
<u>\$ 780,462</u>	<u>\$ 1,205,328</u>	<u>\$ 1,985,790</u>	<u>\$ 9,573,157</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, 2012

	Special Revenue Funds				
	Air Quality Management	CDBG	El Prado	Redevelopment Agency Housing Set-Aside	Proposition A
REVENUES:					
Taxes	\$ -	\$ -	\$ 1,973	\$ -	\$ -
Revenue from other agencies	52,390	173,092	-	-	626,793
Use of money and property	190	-	49	2	242
Other revenues	-	-	-	-	-
TOTAL REVENUES	52,580	173,092	2,022	2	627,035
EXPENDITURES:					
Current:					
Administration	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	29	-	582,217
Community development	-	-	-	288	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	215,539	-	-	-
Debt service - principal	-	-	-	-	-
Debt service - interest	-	-	-	-	-
TOTAL EXPENDITURES	-	215,539	29	288	582,217
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	52,580	(42,447)	1,993	(286)	44,818
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
EXTRAORDINARY GAIN (LOSS)	-	-	-	(1,827,132)	-
NET CHANGE IN FUND BALANCES	52,580	(42,447)	1,993	(1,827,418)	44,818
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	48,607	-	14,781	1,827,418	125,603
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 101,187	\$ (42,447)	\$ 16,774	\$ -	\$ 170,421

See independent auditors' report.

Special Revenue Funds (Continued)

Proposition C	Measure R	Beautification	Waste Reduction	Public Safety Grants	1972 Act	1911 Act
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 258,814	\$ 504,991
521,486	387,409	-	23,533	100,000	-	-
6,050	2,597	311,734	208,076	256	570	5,419
-	-	-	-	-	-	-
<u>527,536</u>	<u>390,006</u>	<u>311,734</u>	<u>231,609</u>	<u>100,256</u>	<u>259,384</u>	<u>510,410</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	20,223	161,081	-	75,342	419,984
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>20,223</u>	<u>161,081</u>	<u>-</u>	<u>75,342</u>	<u>419,984</u>
<u>527,536</u>	<u>390,006</u>	<u>291,511</u>	<u>70,528</u>	<u>100,256</u>	<u>184,042</u>	<u>90,426</u>
-	-	-	-	-	-	-
<u>(756,400)</u>	<u>(628,212)</u>	<u>(142,810)</u>	<u>(110,000)</u>	<u>(100,000)</u>	<u>(200,000)</u>	<u>(72,688)</u>
<u>(756,400)</u>	<u>(628,212)</u>	<u>(142,810)</u>	<u>(110,000)</u>	<u>(100,000)</u>	<u>(200,000)</u>	<u>(72,688)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(228,864)	(238,206)	148,701	(39,472)	256	(15,958)	17,738
<u>1,570,675</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>
<u>\$ 1,341,811</u>	<u>\$ 391,926</u>	<u>\$ 1,065,483</u>	<u>\$ 268,961</u>	<u>\$ 20,188</u>	<u>\$ 78,079</u>	<u>\$ 1,670,384</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, 2012

	Special Revenue Funds				
	Joint Powers Improvement Authority Portuguese Bend	Habitat Restoration	Measure A	Abalone Cove Sewer Assessment District	Dr. Allen and Charlotte Ginsburg Cultural Arts Building
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ 52,948	\$ -
Revenue from other agencies	-	23,682	160,641	-	-
Use of money and property	-	753	70	289	533
Other revenues	-	-	-	1,217	-
TOTAL REVENUES	-	24,435	160,711	54,454	533
EXPENDITURES:					
Current:					
Administration	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	52,606	156,452	-	122,561	-
Community development	-	-	-	-	-
Parks and recreation	-	-	-	-	25,000
Capital outlay	-	-	-	-	-
Debt service - principal	-	-	-	-	-
Debt service - interest	-	-	-	-	-
TOTAL EXPENDITURES	52,606	156,452	-	122,561	25,000
EXCESS OF REVENUES OVER					
(UNDER) EXPENDITURES	(52,606)	(132,017)	160,711	(68,107)	(24,467)
OTHER FINANCING SOURCES (USES):					
Transfers in	60,000	90,000	-	10,700	-
Transfers out	-	-	(100,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	60,000	90,000	(100,000)	10,700	-
EXTRAORDINARY GAIN (LOSS):	-	-	-	-	-
NET CHANGE IN FUND BALANCES	7,394	(42,017)	60,711	(57,407)	(24,467)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	302,330	263,058	(126,396)	96,678	182,947
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 309,724	\$ 221,041	\$ (65,685)	\$ 39,271	\$ 158,480

See independent auditors' report.

Special Revenue Funds (Continued)

Donor Restricted Contributions	Bikeways	Environmental Excise Tax	Quimby	Total Special Revenue Funds	Redevelopment Agency Debt Service
\$ -	\$ -	\$ -	\$ -	\$ 818,726	\$ 442,150
-	-	-	-	2,069,026	-
1,290	10	1,417	93	539,640	-
.	-	35,955	-	37,172	-
<u>1,290</u>	<u>10</u>	<u>37,372</u>	<u>93</u>	<u>3,464,564</u>	<u>442,150</u>
-	-	-	-	-	100,940
-	-	-	-	-	-
-	-	38,245	-	1,628,740	-
-	-	-	-	288	-
-	-	-	-	25,000	-
-	-	-	-	215,539	-
-	-	-	-	-	463,698
-	-	-	-	-	497,934
<u>-</u>	<u>-</u>	<u>38,245</u>	<u>-</u>	<u>1,869,567</u>	<u>1,062,572</u>
<u>1,290</u>	<u>10</u>	<u>(873)</u>	<u>93</u>	<u>1,594,997</u>	<u>(620,422)</u>
-	-	-	-	160,700	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,110,110)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,949,410)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,827,132)</u>	<u>18,571,421</u>
1,290	10	(873)	93	(2,181,545)	17,950,999
<u>405,519</u>	<u>51</u>	<u>415,398</u>	<u>29,328</u>	<u>8,777,959</u>	<u>(17,950,999)</u>
<u>\$ 406,809</u>	<u>\$ 61</u>	<u>\$ 414,525</u>	<u>\$ 29,421</u>	<u>\$ 6,596,414</u>	<u>\$ -</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, 2012

	Capital Projects Funds		
	Redevelopment Agency Abalone Cove	Redevelopment Agency Portuguese Bend	Total Capital Projects Funds
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Revenue from other agencies	-	-	-
Use of money and property	-	-	-
Other revenues	-	29,169	29,169
TOTAL REVENUES	-	29,169	29,169
EXPENDITURES:			
Current:			
Administration	-	-	-
Public safety	-	-	-
Public works	-	132,242	132,242
Community development	-	-	-
Parks and recreation	-	-	-
Capital outlay	-	-	-
Debt service - principal	-	-	-
Debt service - interest	-	-	-
TOTAL EXPENDITURES	-	132,242	132,242
EXCESS OF REVENUES OVER			
(UNDER) EXPENDITURES	-	(103,073)	(103,073)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
EXTRAORDINARY GAIN (LOSS):	(6,216)	(221,585)	(227,801)
NET CHANGE IN FUND BALANCES	(6,216)	(324,658)	(330,874)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	6,216	324,658	330,874
FUND BALANCES (DEFICIT) - END OF YEAR	\$ -	\$ -	\$ -

See independent auditors' report.

Permanent Funds			
Subregion One Maintenance	Joint Powers Improvement Authority Abalone Cove	Total Permanent Funds	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ 1,260,876
-	-	-	2,069,026
2,438	5	2,443	542,083
-	-	-	66,341
<u>2,438</u>	<u>5</u>	<u>2,443</u>	<u>3,938,326</u>
-	-	-	100,940
-	-	-	-
64,886	89,968	154,854	1,915,836
-	-	-	288
-	-	-	25,000
-	-	-	215,539
-	-	-	463,698
-	-	-	497,934
<u>64,886</u>	<u>89,968</u>	<u>154,854</u>	<u>3,219,235</u>
<u>(62,448)</u>	<u>(89,963)</u>	<u>(152,411)</u>	<u>719,092</u>
60,000	-	60,000	220,700
-	-	-	(2,110,110)
<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>(1,889,410)</u>
-	-	-	16,516,488
(2,448)	(89,963)	(92,411)	15,346,170
<u>776,007</u>	<u>1,292,777</u>	<u>2,068,784</u>	<u>(6,773,383)</u>
<u>\$ 773,559</u>	<u>\$ 1,202,814</u>	<u>\$ 1,976,373</u>	<u>\$ 8,572,787</u>

(Continued)

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 50,000	\$ 50,000	\$ 52,390	\$ 2,390
Use of money and property	260	260	190	(70)
TOTAL REVENUES	50,260	50,260	52,580	2,320
EXPENDITURES:				
Public works	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	50,260	50,260	52,580	2,320
FUND BALANCE - BEGINNING OF YEAR	48,607	48,607	48,607	-
FUND BALANCE - END OF YEAR	<u>\$ 98,867</u>	<u>\$ 98,867</u>	<u>\$ 101,187</u>	<u>\$ 2,320</u>

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 201,673	\$ 324,364	\$ 173,092	\$ (151,272)
EXPENDITURES:				
Capital outlay	201,673	254,364	215,539	38,825
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	70,000	(42,447)	(112,447)
OTHER FINANCING USES:				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
NET CHANGE IN FUND BALANCE	-	70,000	(42,447)	(112,447)
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ 70,000	\$ (42,447)	\$ (112,447)

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,900	\$ 1,900	\$ 1,973	\$ 73
Use of money and property	70	70	49	(21)
TOTAL REVENUES	1,970	1,970	2,022	52
EXPENDITURES:				
Public works	1,000	1,000	29	971
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	970	970	1,993	1,023
FUND BALANCE - BEGINNING OF YEAR	14,781	14,781	14,781	-
FUND BALANCE - END OF YEAR	\$ 15,751	\$ 15,751	\$ 16,774	\$ 1,023

CITY OF RANCHO PALOS VERDES

SCHEDULE 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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 234,500	\$ 234,500	\$ -	\$ (234,500)
Use of money and property	100	100	2	(98)
TOTAL REVENUES	234,600	234,600	2	(234,598)
EXPENDITURES:				
Community Development Redevelopment	12,500	12,500	288	12,212
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	222,100	222,100	(286)	(222,386)
EXTRAORDINARY LOSS ON DISSOLUTION OF REDEVELOPMENT AGENCY	-	-	(1,827,132)	(1,827,132)
NET CHANGE IN FUND BALANCE	222,100	222,100	(1,827,418)	(2,049,518)
FUND BALANCE - BEGINNING OF YEAR	1,827,418	1,827,418	1,827,418	-
FUND BALANCE - END OF YEAR	\$ 2,049,518	\$ 2,049,518	\$ -	\$ (2,049,518)

See independent auditors' report and notes to financial statements.

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 586,200	\$ 586,200	\$ 626,793	\$ 40,593
Use of money and property	180	180	242	62
TOTAL REVENUES	586,380	586,380	627,035	40,655
EXPENDITURES:				
Public works	595,100	597,592	582,217	15,375
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,720)	(11,212)	44,818	56,030
OTHER FINANCING USES:				
Transfers in	-	-	-	-
NET CHANGE IN FUND BALANCE	(8,720)	(11,212)	44,818	56,030
FUND BALANCE - BEGINNING OF YEAR	125,603	125,603	125,603	-
FUND BALANCE - END OF YEAR	<u>\$ 116,883</u>	<u>\$ 114,391</u>	<u>\$ 170,421</u>	<u>\$ 56,030</u>

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 488,400	\$ 488,400	\$ 521,486	\$ 33,086
Use of money and property	6,830	6,830	6,050	(780)
TOTAL REVENUES	495,230	495,230	527,536	32,306
OTHER FINANCING USES:				
Transfers out	(1,823,327)	(2,063,327)	(756,400)	1,306,927
NET CHANGE IN FUND BALANCE	(1,328,097)	(1,568,097)	(228,864)	1,339,233
FUND BALANCE - BEGINNING OF YEAR	1,570,675	1,570,675	1,570,675	-
FUND BALANCE - END OF YEAR	\$ 242,578	\$ 2,578	\$ 1,341,811	\$ 1,339,233

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 364,600	\$ 364,600	\$ 387,409	\$ 22,809
Use of money and property	-	-	2,597	2,597
TOTAL REVENUES	364,600	364,600	390,006	25,406
OTHER FINANCING USES:				
Transfers out	(364,000)	(992,212)	(628,212)	364,000
NET CHANGE IN FUND BALANCE	600	(627,612)	(238,206)	389,406
FUND BALANCE - BEGINNING OF YEAR	630,132	630,132	630,132	-
FUND BALANCE - END OF YEAR	<u>\$ 630,732</u>	<u>\$ 2,520</u>	<u>\$ 391,926</u>	<u>\$ 389,406</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other revenues	\$ -	\$ -	\$ -	\$ -
Use of money and property	281,600	281,600	311,734	30,134
TOTAL REVENUES	281,600	281,600	311,734	30,134
EXPENDITURES:				
Public works	95,400	170,300	20,223	150,077
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	186,200	111,300	291,511	180,211
OTHER FINANCING USES:				
Transfers out	(116,000)	(616,500)	(142,810)	473,690
NET CHANGE IN FUND BALANCE	70,200	(505,200)	148,701	653,901
FUND BALANCE - BEGINNING OF YEAR	916,782	916,782	916,782	-
FUND BALANCE - END OF YEAR	<u>\$ 986,982</u>	<u>\$ 411,582</u>	<u>\$ 1,065,483</u>	<u>\$ 653,901</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 47,500	\$ 47,500	\$ 23,533	\$ (23,967)
Use of money and property	156,675	156,675	208,076	51,401
TOTAL REVENUES	204,175	204,175	231,609	27,434
EXPENDITURES:				
Public works	182,650	182,150	161,081	21,069
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	21,525	22,025	70,528	48,503
OTHER FINANCING USES:				
Transfers out	(52,000)	(122,000)	(110,000)	12,000
NET CHANGE IN FUND BALANCE	(30,475)	(99,975)	(39,472)	60,503
FUND BALANCE - BEGINNING OF YEAR	308,433	308,433	308,433	-
FUND BALANCE - END OF YEAR	<u>\$ 277,958</u>	<u>\$ 208,458</u>	<u>\$ 268,961</u>	<u>\$ 60,503</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ -	\$ 100,000	\$ 100,000	\$ -
Use of money and property	170	170	256	86
TOTAL REVENUES	170	100,170	100,256	86
EXPENDITURES:				
Public safety	19,600	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(19,430)	100,170	100,256	86
OTHER FINANCING USES:				
Transfers out	-	(100,000)	(100,000)	-
NET CHANGE IN FUND BALANCE	(19,430)	170	256	86
FUND BALANCE - BEGINNING OF YEAR	19,932	19,932	19,932	-
FUND BALANCE - END OF YEAR	<u>\$ 502</u>	<u>\$ 20,102</u>	<u>\$ 20,188</u>	<u>\$ 86</u>

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 258,000	\$ 258,000	\$ 258,814	\$ 814
Use of money and property	180	180	570	390
TOTAL REVENUES	258,180	258,180	259,385	1,204
EXPENDITURES:				
Public works	71,800	73,800	75,342	(1,542)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	186,380	184,380	184,042	(338)
OTHER FINANCING USES:				
Transfers out	(200,000)	(200,000)	(200,000)	-
NET CHANGE IN FUND BALANCE	(13,620)	(15,620)	(15,958)	(338)
FUND BALANCE - BEGINNING OF YEAR	94,037	94,037	94,037	-
FUND BALANCE - END OF YEAR	<u>\$ 80,417</u>	<u>\$ 78,417</u>	<u>\$ 78,079</u>	<u>\$ (338)</u>

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 440,000	\$ 440,000	\$ 504,991	\$ 64,991
Use of money and property	7,600	7,600	5,419	(2,181)
TOTAL REVENUES	447,600	447,600	510,410	62,810
EXPENDITURES:				
Public works	444,400	444,400	419,984	24,416
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,200	3,200	90,426	87,226
OTHER FINANCING USES:				
Transfers out	(202,000)	(202,000)	(72,688)	129,312
NET CHANGE IN FUND BALANCE	(198,800)	(198,800)	17,738	216,538
FUND BALANCE - BEGINNING OF YEAR	1,652,646	1,652,646	1,652,646	-
FUND BALANCE - END OF YEAR	<u>\$ 1,453,846</u>	<u>\$ 1,453,846</u>	<u>\$ 1,670,384</u>	<u>\$ 216,538</u>

See independent auditors' report.

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,220	\$ 1,220	\$ -	\$ (1,220)
EXPENDITURES:				
Public works	143,350	143,350	52,606	90,744
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(142,130)	(142,130)	(52,606)	89,524
OTHER FINANCING SOURCES:				
Transfers in	60,000	60,000	60,000	-
NET CHANGE IN FUND BALANCE	(82,130)	(82,130)	7,394	89,524
FUND BALANCE - BEGINNING OF YEAR	302,330	302,330	302,330	-
FUND BALANCE - END OF YEAR	<u>\$ 220,200</u>	<u>\$ 220,200</u>	<u>\$ 309,724</u>	<u>\$ 89,524</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ -	\$ -	\$ 23,682	\$ 23,682
Use of money and property	1,300	1,300	753	(547)
TOTAL REVENUES	1,300	1,300	24,435	23,135
EXPENDITURES:				
Public works	129,000	133,000	156,452	(23,452)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(127,700)	(131,700)	(132,017)	(317)
OTHER FINANCING SOURCES:				
Transfers in	90,000	90,000	90,000	-
NET CHANGE IN FUND BALANCE	(37,700)	(41,700)	(42,017)	(317)
FUND BALANCE - BEGINNING OF YEAR	263,058	263,058	263,058	-
FUND BALANCE - END OF YEAR	\$ 225,358	\$ 221,358	\$ 221,041	\$ (317)

See independent auditors' report.

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 250,000	\$ 250,000	\$ 160,641	\$ (89,359)
Use of money and property	170	170	70	(100)
TOTAL REVENUES	250,170	250,170	160,711	(89,459)
OTHER FINANCING USES:				
Transfers out	(250,000)	(250,000)	(100,000)	150,000
NET CHANGE IN FUND BALANCE	170	170	60,711	60,541
FUND BALANCE - BEGINNING OF YEAR	(126,396)	(126,396)	(126,396)	-
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (126,226)</u>	<u>\$ (126,226)</u>	<u>\$ (65,685)</u>	<u>\$ 60,541</u>

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 46,600	\$ 46,600	\$ 52,948	\$ 6,348
Other revenues	-	-	1,217	1,217
Use of money and property	260	260	289	29
TOTAL REVENUES	46,860	46,860	54,454	7,594
EXPENDITURES:				
Public works	63,900	133,800	122,561	11,239
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(17,040)	(86,940)	(68,107)	18,833
OTHER FINANCING SOURCES:				
Transfers in	10,700	10,700	10,700	-
NET CHANGE IN FUND BALANCE	(6,340)	(76,240)	(57,407)	18,833
FUND BALANCE - BEGINNING OF YEAR	96,678	96,678	96,678	-
FUND BALANCE - END OF YEAR	\$ 90,338	\$ 20,438	\$ 39,271	\$ 18,833

See independent auditors' report.

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 920	\$ 920	\$ 533	\$ (387)
TOTAL REVENUES	920	920	533	(387)
EXPENDITURES:				
Park and recreation	-	25,000	25,000	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	920	(24,080)	(24,467)	(387)
FUND BALANCE - BEGINNING OF YEAR	182,947	182,947	182,947	-
FUND BALANCE - END OF YEAR	\$ 183,867	\$ 158,867	\$ 158,480	\$ (387)

See independent auditors' report.

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 2,020	\$ 2,020	\$ 1,290	\$ (730)
FUND BALANCE - BEGINNING OF YEAR	405,519	405,519	405,519	-
FUND BALANCE - END OF YEAR	\$ 407,539	\$ 407,539	\$ 406,809	\$ (730)

See independent auditors' report.

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from other agencies	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Use of money and property	-	-	10	10
TOTAL REVENUES	25,000	25,000	10	(24,990)
OTHER FINANCING USES:				
Transfers out	(25,000)	(25,000)	-	25,000
NET CHANGE IN FUND BALANCE	-	-	10	10
FUND BALANCE - BEGINNING OF YEAR	51	51	51	-
FUND BALANCE - END OF YEAR	\$ 51	\$ 51	\$ 61	\$ 10

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other revenues	\$ -	\$ -	\$ 35,955	\$ 35,955
Use of money and property	410	410	1,417	1,007
TOTAL REVENUES	410	410	37,372	36,962
EXPENDITURES:				
Public works	51,000	38,245	38,245	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(50,590)	(37,835)	(873)	36,962
OTHER FINANCING USES:				
Transfers out	-	-	-	-
NET CHANGE IN FUND BALANCE	(50,590)	(37,835)	(873)	36,962
FUND BALANCE - BEGINNING OF YEAR	415,398	415,398	415,398	-
FUND BALANCE - END OF YEAR	<u>\$ 364,808</u>	<u>\$ 377,563</u>	<u>\$ 414,525</u>	<u>\$ 36,962</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other revenues	\$ -	\$ -	\$ -	\$ -
Use of money and property	150	150	93	(57)
TOTAL REVENUES	150	150	93	(57)
EXPENDITURES:				
Park and recreation	29,000	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(28,850)	150	93	(57)
FUND BALANCE - BEGINNING OF YEAR	29,328	29,328	29,328	-
FUND BALANCE - END OF YEAR	\$ 478	\$ 29,478	\$ 29,421	\$ (57)

See independent auditors' report.

CITY OF RANCHO PALOS VERDES

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

REDEVELOPMENT AGENCY DEBT SERVICE FUND

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 938,000	\$ 938,000	\$ 442,150	\$ (495,850)
EXPENDITURES:				
Current:				
Administration	21,000	21,000	17,373	3,627
Pass through to other agencies	199,300	199,300	83,567	115,733
Debt service:				
Principal	428,700	428,700	463,698	(34,998)
Interest and fiscal charges	905,250	905,250	497,934	407,316
TOTAL EXPENDITURES	1,554,250	1,554,250	1,062,572	491,678
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(616,250)	(616,250)	(620,422)	(4,172)
EXTRAORDINARY LOSS ON DISSOLUTION OF REDEVELOPMENT AGENCY	-	-	18,571,421	18,571,421
NET CHANGE IN FUND BALANCE	(616,250)	(616,250)	17,950,999	18,567,249
FUND DEFICIT - BEGINNING OF YEAR	(17,950,999)	(17,950,999)	(17,950,999)	-
FUND DEFICIT - END OF YEAR	\$ (18,567,249)	\$ (18,567,249)	\$ -	\$ 18,567,249

See independent auditors' report.

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ -	\$ -
EXTRAORDINARY LOSS ON DISSOLUTION OF REDEVELOPMENT AGENCY	-	-	(6,216)	(6,216)
NET CHANGE IN FUND BALANCE	-	-	(6,216)	(6,216)
FUND BALANCE - BEGINNING OF YEAR	6,216	6,216	6,216	-
FUND BALANCE - END OF YEAR	<u>\$ 6,216</u>	<u>\$ 6,216</u>	<u>\$ -</u>	<u>\$ (6,216)</u>

See independent auditors' report.

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other revenues	-	-	29,169	29,169
Use of money and property	\$ 1,370	\$ 1,370	\$ -	\$ (1,370)
TOTAL REVENUES	1,370	1,370	29,169	27,799
EXPENDITURES:				
Public works	36,800	156,781	132,242	24,540
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(35,430)	(155,411)	(103,073)	52,339
EXTRAORDINARY LOSS ON DISSOLUTION OF REDEVELOPMENT AGENCY	-	-	(221,585)	(221,585)
NET CHANGE IN FUND BALANCE	(35,430)	(155,411)	(324,658)	(169,247)
FUND BALANCE - BEGINNING OF YEAR	324,658	324,658	324,658	-
FUND BALANCE - END OF YEAR	\$ 289,228	\$ 169,247	\$ -	\$ (169,247)

See independent auditors' report.

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 3,800	\$ 3,800	\$ 2,438	\$ (1,362)
EXPENDITURES:				
Public works	70,000	80,000	64,886	15,114
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(66,200)	(76,200)	(62,448)	13,752
OTHER FINANCING SOURCES:				
Transfers in	60,000	60,000	60,000	-
NET CHANGE IN FUND BALANCE	(6,200)	(16,200)	(2,448)	13,752
FUND BALANCE - BEGINNING OF YEAR	776,007	776,007	776,007	-
FUND BALANCE - END OF YEAR	<u>\$ 769,807</u>	<u>\$ 759,807</u>	<u>\$ 773,559</u>	<u>\$ 13,752</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 6,200	\$ 6,200	\$ 5	\$ (6,195)
EXPENDITURES:				
Public works	49,750	49,750	89,968	(40,218)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(43,550)	(43,550)	(89,963)	(46,413)
FUND BALANCE - BEGINNING OF YEAR	1,292,777	1,292,777	1,292,777	-
FUND BALANCE - END OF YEAR	<u>\$ 1,249,227</u>	<u>\$ 1,249,227</u>	<u>\$ 1,202,814</u>	<u>\$ (46,413)</u>

See independent auditors' report.

2012 Whale of a Day

Point Vicente Interpretive Center



Come and celebrate the migration of the Pacific gray whales from Alaska to Baja. Fun, food, entertainment, education and lots of things to do. Bring your family and friends for a unique experience.

Date: Saturday, March 3, 2012

Time: 10:00 A.M. to 4:00 P.M.

Meet: Free parking at City Hall (30940 Hawthorne Blvd.); catch the free shuttle to PVIC (last bus leaves PVIC at 5 PM)



Sponsored by the City of Rancho Palos Verdes and Los Serenos de Point Vicente



Whale of a Day

CITY OF RANCHO PALOS VERDES

JUNE 30, 2012

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, 2012

ASSETS	Equipment Replacement	Building Replacement	Employee Benefits	Totals
CURRENT ASSETS:				
Cash and investments	\$ 2,585,556	\$ 942,404	\$ -	\$ 3,527,960
Receivables:				
Interest	1,922	603	43	2,568
Other	-	-	1,081	1,081
Prepaid items	31,342	-	259,731	291,073
TOTAL CURRENT ASSETS	2,618,820	943,007	260,855	3,822,682
NONCURRENT ASSETS:				
Capital assets:				
Property and equipment	1,603,512	-	-	1,603,512
Accumulated depreciation	(1,348,661)	-	-	(1,348,661)
TOTAL NONCURRENT ASSETS	254,851	-	-	254,851
TOTAL ASSETS	2,873,671	943,007	260,855	4,077,533
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	34,732	-	51,598	86,330
Due to other fund	-	-	118,514	118,514
TOTAL NONCURRENT ASSETS	34,732	-	170,112	204,844
NET ASSETS				
Invested in capital assets	254,851	-	-	254,851
Unrestricted	2,584,088	943,007	90,743	3,617,838
TOTAL NET ASSETS	\$ 2,838,939	\$ 943,007	\$ 90,743	\$ 3,872,689

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, 2012

	Equipment Replacement	Building Replacement	Employee Benefits	Totals
OPERATING REVENUES:				
Charges for services	\$ 480,000	\$ -	\$ 1,821,500	\$ 2,301,500
OPERATING EXPENSES:				
Personnel services	-	-	1,869,945	1,869,945
Materials and supplies	133,599	20,755	-	154,354
Maintenance	236,948	-	-	236,948
Depreciation	133,485	-	-	133,485
TOTAL OPERATING EXPENSES	504,032	20,755	1,869,945	2,394,732
OPERATING INCOME / (LOSS)	(24,032)	(20,755)	(48,445)	(93,232)
NONOPERATING REVENUES:				
Other revenues	-	-	28,618	28,618
Investment income	8,244	2,956	219	11,419
TOTAL NONOPERATING REVENUES	8,244	2,956	28,837	40,037
INCOME LOSS BEFORE TRANSFERS	(15,788)	(17,799)	(19,608)	(53,195)
TRANSFER OUT	-	(30,517)	(340,000)	(370,517)
CHANGE IN NET ASSETS	(15,788)	(48,316)	(359,608)	(423,712)
TOTAL NET ASSETS - BEGINNING OF YEAR	2,854,727	991,323	450,351	4,296,401
TOTAL NET ASSETS - END OF YEAR	\$ 2,838,939	\$ 943,007	\$ 90,743	\$ 3,872,689

See independent auditors' report.

CITY OF RANCHO PALOS VERDES

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

For the year ended June 30, 2012

	Equipment Replacement	Building Replacement	Employee Benefits	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from interfund services provided	\$ 480,000	\$ -	\$ 1,940,014	\$ 2,420,014
Payments to suppliers	(408,905)	(26,073)	-	(434,978)
Payments to employees	-	-	(2,039,616)	(2,039,616)
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	71,095	(26,073)	(99,602)	(54,580)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(134,637)	-	-	(134,637)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Receipts from other revenues	-	-	27,537	27,537
Transfer to other funds	-	(30,517)	(340,000)	(370,517)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	-	(30,517)	(312,463)	(342,980)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	9,018	3,368	976	13,362
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(54,524)	(53,222)	(411,089)	(518,835)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,640,080	995,626	411,089	4,046,795
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,585,556	\$ 942,404	\$ -	\$ 3,527,960
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:				
Operating income / (loss)	\$ (24,032)	\$ (20,755)	\$ (48,445)	\$ (93,232)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	133,485	-	-	133,485
Changes in operating assets and liabilities:				
Increase (decrease) in prepaid items	(31,342)	-	2,353	(28,989)
Increase (decrease) in accrued liabilities	(7,016)	(5,318)	(172,024)	(184,358)
Increase in due to other fund	-	-	118,514	118,514
NET CASH USED BY OPERATING ACTIVITIES	\$ 71,095	\$ (26,073)	\$ (99,602)	\$ (54,580)

See independent auditors' report.

STATISTICAL SECTION



The Whale Sighting Count

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>	130
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i>	138
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>	142
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>	145
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>	148

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>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>	<u>2012</u>
Governmental activities										
Invested in capital assets	\$ 94,895	\$ 92,499	\$ 94,023	\$ 109,991	\$ 109,746	\$ 109,376	\$ 107,867	\$ 115,331	\$ 115,145	\$ 114,488
Restricted	10,661	11,586	12,075	12,417	12,163	1,000	1,000	1,000	1,750	1,750
Unrestricted	13,004	14,271	15,659	16,024	17,823	30,471	31,277	31,855	39,066	67,112
Total governmental activities net assets	<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>\$ 155,961</u>	<u>\$ 183,351</u>
Business-type activities										
Invested in capital assets	\$ -	\$ -	\$ -	\$ 1,311	\$ 2,158	\$ 5,599	\$ 12,477	\$ 12,458	\$ 12,753	\$ 13,356
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	2,000	2,799	5,258	7,740	2,108	2,825	3,365	3,532
Total business-type activities net assets	<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>	<u>\$ 16,888</u>
Primary government										
Invested in capital assets, net of related debt	\$ 94,895	\$ 92,499	\$ 94,023	\$ 111,302	\$ 111,904	\$ 114,975	\$ 120,344	\$ 127,789	\$ 127,898	\$ 127,845
Restricted	10,661	11,586	12,075	12,417	12,163	1,000	1,000	1,000	1,750	1,750
Unrestricted	13,004	14,271	17,659	18,823	23,081	38,211	33,385	34,680	42,431	70,644
Total primary government net assets	<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>\$ 172,079</u>	<u>\$ 200,238</u>

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

	<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>	<u>2012</u>
Expenses										
Governmental activities:										
Administration	\$ 3,294	\$ 3,499	\$ 4,055	\$ 4,350	\$ 4,953	\$ 4,724	\$ 6,357	\$ 7,824	\$ 5,997	\$ 5,906
Public safety	3,094	3,024	3,079	3,437	3,751	4,044	4,233	4,242	4,335	4,178
Public works	7,954	7,462	9,488	9,290	9,969	9,026	10,555	13,633	10,389	11,202
Parks and recreation	809	948	1,065	1,659	1,439	1,396	1,605	1,826	1,391	1,490
Community development	2,170	2,296	2,223	2,060	2,631	2,441	2,697	2,550	2,622	2,432
Non-departmental	-	-	-	-	-	-	-	320	-	-
Interest on long-term debt	273	273	272	270	271	270	268	265	260	109
Total governmental activities expenses	<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>	<u>25,318</u>
Business-type activities:										
Water Quality Flood Protection	-	-	-	47	271	301	437	580	489	560
Total primary government expenses	<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>	<u>\$ 25,878</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Administration	\$ 87	\$ 69	\$ 62	\$ 35	\$ 29	\$ 538	\$ 555	\$ 681	\$ 654	\$ 747
Public safety	235	165	163	224	332	316	267	229	261	194
Public works	252	217	131	37	185	1,002	422	1,356	622	684
Parks and recreation	8	6	41	45	51	483	483	896	457	503
Community development	1,202	1,363	1,188	1,319	1,599	1,760	1,643	1,764	1,714	1,644
Operating grants and contributions	2,971	2,836	2,728	3,894	4,200	3,570	2,963	6,633	3,689	3,628
Capital grants and contributions	131	37	4,524	17,299	317	1,472	642	7,179	5	139
Total governmental activities program revenues	<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>	<u>7,538</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>\$ 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>	<u>\$ 7,538</u>
Net (expense)/revenue										
Governmental activities	\$ (12,708)	\$ (12,809)	\$ (11,345)	\$ 1,787	\$ (16,301)	\$ (12,760)	\$ (18,740)	\$ (11,922)	\$ (17,592)	\$ (17,780)
Business-type activities	-	-	-	(47)	(271)	(301)	(437)	(580)	(489)	(560)
Total primary government net expense	<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>	<u>\$ (18,341)</u>

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

	<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>	<u>2012</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 5,335	\$ 5,706	\$ 5,840	\$ 9,621	\$ 10,235	\$ 10,935	\$ 11,462	\$ 11,431	\$ 11,854	\$ 11,480
Sales taxes	1,003	1,205	1,276	1,214	1,381	1,056	1,053	1,246	1,548	1,449
Franchise taxes	1,087	1,275	1,307	1,454	1,512	1,599	1,709	1,711	1,825	1,881
Utility user taxes	1,832	1,851	1,901	2,191	2,271	2,329	2,267	2,395	2,407	2,333
Other taxes	3,495	2,867	4,545	727	363	820	690	2,667	3,454	4,023
Investment income	371	331	594	997	1,615	1,555	631	207	318	604
Other	517	2,481	1,283	793	2,101	300	225	307	271	52
Transfers	-	-	(2,000)	(2,109)	(2,017)	(4,719)	-	-	-	-
Extraordinary item	-	-	-	-	-	-	-	-	-	23,348
Total governmental activities	<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>	<u>45,170</u>
Business-type activities:										
Investment income	-	-	-	48	51	283	105	14	13	11
User Fees	-	-	-	-	1,188	1,222	1,578	1,264	1,312	1,319
Other	-	-	-	-	320	-	-	-	-	-
Transfers	-	-	2,000	2,109	2,017	4,719	-	-	-	-
Total business-type activities	<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>	<u>1,330</u>
Total primary government	<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>	<u>\$ 46,500</u>
Change in Net Assets										
Governmental activities	\$ 932	\$ 2,907	\$ 3,401	\$ 16,675	\$ 1,160	\$ 1,115	\$ (703)	\$ 8,042	\$ 4,085	\$ 27,390
Business-type activities	-	-	2,000	2,110	3,305	5,923	1,246	698	836	770
Total primary government net expense	<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>	<u>\$ 28,159</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
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
2012	11,480	1,881	1,449	2,333	4,023	21,167

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 Eight Fiscal Years - Before GASB 54
(modified accrual basis of accounting)
(amounts expressed in thousands)

	<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	\$ 6,854	\$ 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	9,607	14,066	14,209	13,649	14,376	12,171	10,440	10,745
Total General Fund	<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	\$ 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	5,012	5,040	5,902	6,615	6,426	7,494	7,910	6,058
Capital Projects Funds	534	2,430	3,320	2,077	1,869	1,908	3,373	1,240
Permanent Fund	460	418	426	329	325	371	362	333
Debt Service Fund	(10,915)	(12,070)	(12,793)	(13,741)	(14,873)	(15,990)	(16,823)	(17,797)
Total all other Governmental Funds	<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
Last Two Fiscal Years - After GASB 54
(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>2011</u>	<u>2012</u>
General Fund		
Non-Spendable	\$ 7,515	\$ 7,493
Restricted	-	-
Committed	-	-
Assigned	-	-
Unassigned	11,385	12,464
Total General Fund	<u>\$ 18,900</u>	<u>\$ 19,957</u>
All other Governmental Funds		
Non-Spendable		
Special Revenue Funds	\$ 4,818	\$ 3,066
Debt Service Fund	573	-
Capital Projects Funds	-	-
Permanent Fund	1,750	1,750
Restricted		
Special Revenue Funds	7,952	8,187
Debt Service Fund	-	-
Capital Projects Funds	313	-
Permanent Fund	319	226
Committed		
Special Revenue Funds	-	-
Debt Service Fund	-	-
Capital Projects Funds	-	-
Permanent Fund	-	-
Assigned		
Special Revenue Funds	-	-
Debt Service Fund	-	-
Capital Projects Funds	11,650	15,407
Permanent Fund	-	-
Unassigned		
Special Revenue Funds	(126)	(108)
Debt Service Fund	(19,687)	-
Capital Projects Funds	-	-
Permanent Fund	-	-
Total all other Governmental Funds	<u>\$ 7,562</u>	<u>\$ 28,528</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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 11,046	\$ 12,081	\$ 13,573	\$ 15,238	\$ 16,453	\$ 17,062	\$ 17,573	\$ 19,844	\$ 21,419	\$ 21,867
Licenses and permits	1,463	1,310	1,326	1,440	1,763	1,914	1,755	1,954	1,933	1,806
Fines and forfeitures	115	102	108	171	237	260	214	179	210	159
Use of money and property	804	733	1,306	7,038	3,480	2,108	1,240	1,601	1,560	1,350
Charges for services	205	379	152	49	61	60	163	81	73	149
Revenues from other agencies	4,318	3,453	7,848	15,511	4,118	4,647	3,575	10,180	3,162	3,421
Other Revenues	554	2,363	1,038	155	201	1,563	467	4,806	229	259
Total Revenues	18,505	20,421	25,351	39,602	26,313	27,614	24,987	38,645	28,586	29,011
Expenditures										
Administration	3,092	3,328	3,852	4,041	4,607	4,411	4,915	5,720	5,503	5,726
Public Safety	3,094	3,039	3,092	3,438	3,751	4,044	4,233	4,242	4,335	4,178
Public Works	5,292	4,801	6,302	5,277	6,864	5,768	7,075	6,896	7,875	7,616
Parks and Recreation	786	946	965	1,593	1,319	1,281	1,354	1,702	1,257	1,479
Community Development	2,194	2,362	2,302	2,361	2,681	2,496	2,723	2,604	2,784	2,484
Non-Departmental	-	-	-	-	-	-	-	320	-	-
Pass Through to other agencies	137	156	188	200	152	169	187	-	-	-
Capital Outlay	3,893	368	4,912	20,202	3,124	3,112	2,459	14,567	2,557	3,155
Debt Service										
Principal	-	-	184	200	248	316	350	419	423	464
Interest	836	805	905	1,150	1,390	1,370	1,101	886	887	498
Total Expenditures	19,324	15,805	22,702	38,462	24,136	22,967	24,397	37,356	25,621	25,599
Excess of Revenues over (under) Expenditures	(819)	4,616	2,649	1,140	2,177	4,647	590	1,289	2,965	3,412
Other Financing Sources (uses)										
Sales of capital assets	-	-	-	-	-	-	-	-	350	-
Transfers in	1,676	1,844	6,180	4,989	4,489	3,158	5,815	4,616	8,944	8,226
Transfers out	(1,833)	(1,844)	(8,180)	(7,247)	(6,606)	(7,924)	(5,815)	(6,192)	(8,944)	(7,856)
Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Advances to the Redevelopment Agency	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (uses)	(157)	-	(2,000)	(2,258)	(2,117)	(4,766)	-	(1,576)	350	371
Extraordinary Gain (Loss)	-	-	-	-	-	-	-	-	-	18,240
Net change in Fund Balances	\$ (976)	\$ 4,616	\$ 649	\$ (1,118)	\$ 60	\$ (119)	\$ 590	\$ (287)	\$ 3,315	\$ 22,023
Cost of Assets Capitalized	4,184	379	4,623	19,465	2,800	2,764	1,895	10,866	3,180	2,865
Debt Services as a percentage of Non-Capital Expenditures	5.5%	5.2%	6.0%	7.1%	7.7%	8.3%	6.4%	4.9%	5.8%	4.2%

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
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
2012	11,480	1,881	1,452	2,333	4,720	21,867

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
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%
2012	8,596,777	390,497	3,358	564,763	70,284	157,307	9,468,372	0.06370	10,683,820	1.12837	88.62%

Source: 2010-12 & 2006-07 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
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
CITY DIRECT RATE	0.063728	0.063728	0.063728	0.063728	0.063728	0.063728	0.063728	0.063728	0.063728	0.063728
All other direct rates:										
LA COUNTY GENERAL	0.230926	0.230926	0.230926	0.230926	0.230926	0.230926	0.230926	0.230926	0.230926	0.230926
LA COUNTY ACCUM CAP OUTLAY	0.000112	0.000112	0.000112	0.000112	0.000112	0.000112	0.000112	0.000112	0.000112	0.000112
CONSOL. FIRE PRO.DIST OF LA CO.	0.172592	0.172592	0.172592	0.172592	0.172592	0.172592	0.172592	0.172592	0.172592	0.172592
LA CO. FIRE-FFW	0.006814	0.006814	0.006814	0.006814	0.006814	0.006814	0.006814	0.006814	0.006814	0.006814
LA CO.FL.CON.DR.IMP.DIST.MAINT.	0.001693	0.001693	0.001693	0.001693	0.001693	0.001693	0.001693	0.001693	0.001693	0.001693
LA CO FLOOD CONTROL MAINT	0.009580	0.009580	0.009580	0.009580	0.009580	0.009580	0.009580	0.009580	0.009580	0.009580
PALOS VERDES LIBRARY DIST MAINT	0.018010	0.018010	0.018010	0.018010	0.018010	0.018010	0.018010	0.018010	0.018010	0.018010
LA CO WEST VECTOR CONTROL DIST.	0.000190	0.000190	0.000190	0.000190	0.000190	0.000190	0.000190	0.000190	0.000190	0.000190
CO SANITATION DIST NO 5 OPERAT	0.011975	0.011975	0.011975	0.011975	0.011975	0.011975	0.011975	0.011975	0.011975	0.011975
RANCHO PV LIGHTING MAINT DIST	0.005187	0.005187	0.005187	0.005187	0.005187	0.005187	0.005187	0.005187	0.005187	0.005187
WTR REPLENISHMENT DIST OF SO CAL	0.000171	0.000171	0.000171	0.000171	0.000171	0.000171	0.000171	0.000171	0.000171	0.000171
ERAF	0.075956	0.075956	0.075956	0.075956	0.075956	0.075956	0.075956	0.075956	0.075956	0.075956
EDUCATIONAL AUG FD IMPOUND	0.145328	0.145328	0.145328	0.145328	0.145328	0.145328	0.145328	0.145328	0.145328	0.145328
COUNTY SCHOOL SERVICES	0.001392	0.001392	0.001392	0.001392	0.001392	0.001392	0.001392	0.001392	0.001392	0.001392
CHILDREN'S INSTIL TUITION FUND	0.002763	0.002763	0.002763	0.002763	0.002763	0.002763	0.002763	0.002763	0.002763	0.002763
LA CITY COMM COLLEGE DIST	0.029709	0.029709	0.029709	0.029709	0.029709	0.029709	0.029709	0.029709	0.029709	0.029709
LA COMM COLL CHILDREN'S CTR FD	0.000307	0.000307	0.000307	0.000307	0.000307	0.000307	0.000307	0.000307	0.000307	0.000307
LA UNIFIED SCHOOL DIST	0.218730	0.218730	0.218730	0.218730	0.218730	0.218730	0.218730	0.218730	0.218730	0.218730
CO.SCH.SERV.FD-LOS ANGELES	0.000012	0.000012	0.000012	0.000012	0.000012	0.000012	0.000012	0.000012	0.000012	0.000012
DEV.CTR.HDCPD MINOR-LA UNIF.	0.001234	0.001234	0.001234	0.001234	0.001234	0.001234	0.001234	0.001234	0.001234	0.001234
LA CHILDRENS CENTER FD	0.003589	0.003589	0.003589	0.003589	0.003589	0.003589	0.003589	0.003589	0.003589	0.003589
TOTAL	1.000000									
Debt Service Rates										
COUNTY	0.001030	0.000990	0.000920	0.000800	0.000600	0.000000	0.000000	0.000000	0.000000	0.000000
UNIFIED SCHOOLS	0.052060	0.091910	0.103820	0.103840	0.106800	0.143100	0.145000	0.151809	0.186954	0.168187
COMMNTY COLLEGE	0.014600	0.019860	0.018100	0.014300	0.021400	0.008780	0.022120	0.023112	0.040310	0.035296
PALOS VERDES LIB	0.009700	0.008960	0.008520	0.007810	0.007300	0.013700	0.006800	0.006618	0.006719	0.006359
FLOOD CONTROL	0.000880	0.000470	0.000240	0.000050	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
METRO WATER DIST	0.006700	0.006100	0.005800	0.005200	0.004700	0.004500	0.004300	0.004300	0.003700	0.003700
TOTAL	0.084970	0.128290	0.137400	0.132000	0.140800	0.170080	0.178220	0.185839	0.237683	0.213542
TOTAL TAX RATE	1.084970	1.128290	1.137400	1.132000	1.140800	1.170080	1.178220	1.185839	1.237683	1.213542

Source: 2010-2012 & 2006-07 County Assessor data, MuniServices, LLC

Source: 2008-2009 & 2006 and prior: data is provided from previously published CAFR's.

Los Angeles County Auditor/Controller TRA 001-224

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

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

Taxpayer	2011-12			2002-03		
	Taxable Value (\$)	Rank	Percentage of Total City Taxable Value (%)	Taxable Value (\$)	Rank	Percentage of Total City Taxable Value (%)
Long Point Development LLC	331,377,907	1	3.50%			
PPC Villas RPV LLC	64,189,287	2	0.68%			
VH Property Corp	54,605,177	3	0.58%			
P V Victoria Apts LLC	47,055,126	4	0.50%			
Terraces Rancho Palos Verdes	35,413,270	5	0.37%			
Western Riviera Investors	28,966,800	6	0.31%			
Golden Cove LLC	26,607,901	7	0.28%			
Terranea Resort	24,459,679	8	0.26%			
BVF II Madison LLC	23,069,957	9	0.24%			
Cox Communications Inc.	22,735,148	10	0.24%			
Belmont Village RPV LP	22,399,961	11	0.24%			
Johnson Eric C	15,951,715	12	0.17%			
Tridiamond LLC	13,411,749	13	0.14%			
California Water Service Co	10,246,488	14	0.11%			
Kariger Brian P	8,392,935	15	0.09%			
Victoria Apartments	7,821,788	16	0.08%			
Palos Verdes Terrace LTD	7,662,361	17	0.08%			
Saitta Christopher L	6,599,181	18	0.07%			
Amdan Investment LLC Lessee	6,550,000	19	0.07%			
Gerts Igor Anna	6,463,000	20	0.07%			
Labarba James G	6,133,098	21	0.06%			
Imbach Scott A & Diane Y	6,022,988	22	0.06%			
Clow Leland E Ilene F	5,880,699	23	0.06%			
HSU Tong H	5,866,730	24	0.06%			
Kip Holding Inc.	5,602,022	25	0.06%			
Ocean Trails L P				58,479,923	1	0.99%
P V Victoria Apts LLC				40,814,540	2	0.69%
RPV Associates LLC				36,749,705	3	0.62%
Connecticut General Life				28,085,261	4	0.48%
Western Riviera Investors				24,853,212	5	0.42%
York Long Point Assoc				22,010,505	6	0.37%
Gardner Theodore R				13,528,404	7	0.23%
Salvation Army				13,456,653	8	0.23%
Top Terraces Inc.				12,444,000	9	0.21%
Victoria Apartments				6,785,826	10	0.11%
Braun William				6,720,000	11	0.11%
Donahue Schriber Realty Group				5,942,764	12	0.10%
MVI Corp				5,505,795	13	0.09%
Labarba James G				5,318,862	14	0.09%
Chung David W				4,991,000	15	0.08%
Foster Robert D & Gina D				4,820,760	16	0.08%
Briles Richard & Keanna				4,681,800	17	0.08%
Bradford Edward T & Paullee G				4,536,524	18	0.08%
Hoffman John C & Paula J				4,467,440	19	0.08%
Moshfeghi Mehran				4,251,500	20	0.07%
Yeong Yae Kim				4,192,000	21	0.07%
Levine Irving				4,155,004	22	0.07%
Marino Joseph C & Kimberly				3,937,200	23	0.07%
Hill John W Elizabeth d TRS				3,834,208	24	0.06%
Pemba Properties Inc.				3,826,430	25	0.06%
Total Top 25 Taxpayers	<u>\$ 793,484,967</u>		<u>8.38%</u>	<u>\$ 328,389,316</u>		<u>5.56%</u>
Total Taxable Value	<u>\$ 9,468,372,445</u>		100.00%	<u>\$ 5,908,898,049</u>		100.00%

Source: Los Angeles County Assessor data, MuniServices, LLC

**City of Rancho Palos Verdes
Property Tax Levies and Collections
Last Eight 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	5,326	99.53%
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%
2012	5,777	5,656	97.91%	8	5,664	98.04%

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				
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%
2012(1)	5,065	435	5,500	131.27	0.05%	0.0002148%

Source: City Financial Records

(1) Effective February 1, 2012, the Redevelopment Agency was dissolved as a result of legislation enacted by the State of California. All debt was transferred to a successor agency that is winding up the affairs of the Redevelopment Agency. This debt is no longer an obligation of the primary government.

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

<u>DIRECT DEBT:</u>	Total Debt		City's Share of
	<u>6/30/2012</u>	% Applicable (1)	<u>Debt 6/30/12</u>
City of Rancho Palos Verdes	0	100.000%	0
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt		City's Share of
	<u>6/30/2012</u>	% Applicable (1)	<u>Debt 6/30/12</u>
Los Angeles County Flood Control District	\$37,195,000	1.038%	\$386,084
Metropolitan Water District	196,545,000	0.523%	1,027,930
Los Angeles Community College District	3,504,910,000	1.798%	63,018,282
Los Angeles Unified School District	11,279,905,000	0.216%	24,364,595
Palos Verdes Unified School District	79,376,639	47.515%	37,715,810
Palos Verdes Library District	5,575,000	50.082%	2,792,072
Los Angeles County Regional Park and Open Space Assessment District	170,725,000	1.016%	1,734,566
SUBTOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>131,039,339</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
Los Angeles County General Fund Obligations	\$1,474,122,758	1.016%	\$14,977,087
Los Angeles County Superintendent of Schools Certificates of Participation	11,269,678	1.016%	114,500
Los Angeles County Sanitation District No. 5 Authority	49,899,761	11.177%	5,577,296
Los Angeles County South Bay Cities Sanitation District Authority	8,501,885	4.514%	383,775
Los Angeles Unified School District Certificates of Participation	419,851,037	0.216%	<u>906,878</u>
SUBTOTAL GROSS OVERLAPPING GENERAL FUND DEBT			\$21,959,536
Less: Los Angeles County General Fund Obligations supported by landfill revenues			169,653
Los Angeles Unified School District QZABs supported by investment fund			<u>9,523</u>
SUBTOTAL NET OVERLAPPING GENERAL FUND DEBT			21,780,360
	TOTAL DIRECT DEBT		\$0
	GROSS COMBINED SUBTOTAL OVERLAPPING DEBT		\$152,998,875 (2)
	NET COMBINED SUBTOTAL OVERLAPPING DEBT		\$152,819,699
	GROSS COMBINED TOTAL DEBT		\$152,998,875
	NET COMBINED TOTAL DEBT		\$152,819,699

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

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

2011-12 Assessed Valuation:	9,545,121,701
Redevelopment Incremental Valuation:	<u>114,494,354</u>
Adjusted Assessed Valuation:	\$9,430,627,347

Ratios to 2011-12 Assessed Valuation:

Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	1.37%

Ratios to Adjusted Assessed Valuation:

Gross Combined Total Debt	1.62%
Net Combined Total Debt	1.62%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: \$0

Source: 2011-12 California Municipal Statistical Co.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 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	\$ 1,420,256
Total Net Debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<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>	<u>\$ 1,420,256</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)	\$ 9,468,372
Debt Limit (15% of total taxable value)	1,420,256
Debt applicable to limit	-
Legal Debt Margin	<u>\$ 1,420,256</u>

**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)
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	7.5%	2.5%	10,301,658	0.41%
2009-10	42,642	2,250,346,266	52.773	44.9	11,900	11.6%	4.0%	10,355,053	0.41%
2010-11	41,766	2,425,936,344	58.084	44.3	11,928	11.9%	4.1%	9,858,989	0.42%
2011-12	41,897	2,561,016,971	61.127	47.6	11,840	11.1%	3.8%	9,884,632	0.42%

Source: 2011-12 MuniServices, LLC

- 1.) Population Projections are provided by the California Department of Finance Projections.
- 2.) Income Data is provided by the US Census Bureau, 2010 American Community Survey.
- 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 2010-2012 published in this report might be noticeably different from the previous year estimates

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

2011-12		2002-03	
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
Carl's Jr. Restaurant	Restaurants	Bay Cities Vacuum Sew & Carpet	Furniture/Appliance
Centinel Feed & Pet Supplies Inc	Miscellaneous Retail	California Do It Center	Bldg.Matls-Retail
Chevron Service Stations	Service Stations	Carl's Jr. Restaurant	Restaurants
Coco's Restaurants Inc.	Restaurants	Chevron Service Stations	Service Stations
Denny's Restaurant	Restaurants	Coco's Restaurants Inc	Restaurants
El Pollo Loco Inc.	Restaurants	Discount Tire	Auto Parts/Repair
Good Night Mattress	Furniture/Appliance	El Pollo Loco Inc	Restaurants
Green Hills Memorial Park Inc.	Miscellaneous Other	Fedex Office	Miscellaneous Retail
Green Hills Mortuary	Miscellaneous Other	Green Hills Memorial Park Inc.	Miscellaneous Other
Hughes Markets	Food Markets	Green Hills Mortuary	Miscellaneous Other
IHOP Restaurants	Restaurants	Hughes Markets	Food Markets
Jack In The Box Restaurants	Restaurants	Jack In The Box Restaurants	Restaurants
Los Verdes Country Club	Restaurants	Los Verdes Country Club	Restaurants
Marie Callender Restaurant	Restaurants	Marie Callender Restaurant	Restaurants
Marshalls	Apparel Stores	Mobil Service Stations	Service Stations
Mobil Service Stations	Service Stations	New York Food & Catering	Restaurants
O'Reilly Auto Parts	Auto Parts/Repair	Ocean Trails Golf Club	Restaurants
Smart & Final	Food Markets	O'Reilly Auto Parts	Auto Parts/Repair
Swank Audio Visuals	Electronic Equipment	Pacific Crown Service Station	Service Stations
Terranea Resort	Restaurants	Salvation Army	Furniture/Appliance
Trader Joe's	Food Markets	Trader Joe's	Food Markets
VH Property Corp.	Miscellaneous Retail	VH Property Corp.	Miscellaneous Retail

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	2012			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Palos Verdes Peninsula Unified School District	1,970	1	9.43%			
Terranea Resort Hotel	730	2	3.49%			
Trump National (1)	260	3	1.24%			
Marymount College	220	4	1.05%			
Keller Williams Realty	163	5	0.78%			
Canterbury	115	6	0.55%			
Belmontcorp LTD	111	7	0.53%			
Trader Joe's	88	8	0.42%			
Ralphs	83	9	0.40%			
Green Hills Memorial Park	80	10	0.38%			
Palos Verdes Peninsula Unified School District				1970	1	9.56%
Terranea Resort Hotel				730	2	3.54%
Trump National				300	3	1.46%
Marymount College				195	4	0.95%
Ralphs				115	5	0.56%
Keller Williams Realty				112	6	0.54%
Belmontcorp Ltd				94	7	0.46%
Green Hills Memorial Park				85	8	0.41%
American Golf Corp				70	9	0.34%
St. John Fishers				50	10	0.24%
Subtotal of Principal Employers	3,820		18.28%	3,721		18.06%
Total City Employment (2)	20,900			20,600		

Source: MuniServices, LLC

Results based on direct correspondence with city's local businesses.

(1) Includes full time and part time employees.

(2) Total City Employment provided by EDD Labor Force Data.

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

Function	<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>	<u>2012</u>
General Government	45	45	45	47	50	55	58	53	54	52
Recreation Part-Time	10	10	10	10	10	10	11	17	18	17
Total	55	55	55	57	60	65	69	70	72	69

Source: City Budget documents and Payroll records

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Administration										
Employee Resignations	-	5	4	4	4	8	4	9	5	8
Workers Compensation Claims	2	2	3	4	2	4	2	5	3	3
Liability Claims	14	14	18	31	14	16	13	13	14	11
Budget Adjustments	30	27	36	48	32	26	18	21	17	11
Business Licenses Issued	1,961	2,102	1,909	1,801	1,837	1,709	1,819	1,629	1,891	1,294
Web Site Page Views	119,104	133,481	224,777	1.3 mil	1.6 mil	701,004	3.8 mil	2.9 mil	2.8mil	3.0mil
Public Safety										
Part I Crime Rates (per 10,000 population)	122	122	101	120	139	123	102	110	137.85	139.52
Public Works										
Solid Waste Diversion Rates (1)	57%	61%	59%	55%	56%	4.7lbs/person/day	4.1lbs/person/day	4.2lbs/person/day	4.2lbs/person/day	4.2lbs/person/day
Pavement Rating	80	89	89	82	82	DNA	84.5	84.5	84.5	
Parks and Recreation										
Park Events	915	825	780	937	770	692	825	690	580	582
Class Meetings at Parks	2,134	2,935	2,893	2,856	2,647	2,772	2,708	2,398	2,313	1,587
Docent Led Nature Hikes	45	80	65	62	98	91	105	103	105	104
Community Development										
Building Permits Processed	1,327	1,399	1,233	1,382	1,244	1,692	1,404	1,243	1,432	1,221
Plan Checks	150	186	208	163	164	247	226	154	161	161
Municipal Code Violations Closed	203	214	180	159	162	216	339	138	371	321

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Administration										
Computer Workstations	DNA	DNA	81	81	85	91	92	101	92	88
Public Safety (1)										
Public Works										
Street Miles	143	143	143	143	143	143	143	143	143	144
Traffic Signals	15	15	15	15	15	16	16	16	16	18
Parks and Recreation										
Parks	15	15	15	16	16	16	16	15	15	15
Community Development										
Vehicles Used for Inspections	3	3	3	3	3	5	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.