City of Rolling Hills INCORPORATED JANUARY 24, 1957

2 PORTUGUESE BEND ROAD
ROLLING HILLS, CA 90274
(310) 377-1521

AGENDA **Finance/Budget/Audit Committee Meeting**	**FINANCE/BUDGET/AUDIT COMMITTEE** **Monday, April 11, 2022**	**CITY OF ROLLING HILLS** **6:00 PM**

1. ITEMS FOR DISCUSSION

1.A. **PRESENTATION OF THE CITY OF ROLLING HILLS FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021.**
RECOMMENDATION: Receive and file the audited financial statements for the fiscal year ended June 30, 2021.
CL_AGN_220411_FY_2021_Audit_and_FS_Presentation.pdf
CL_AGN_220411_2021 Financial_Audit_Results-RH.pdf
CL_AGN_220411_City of Rolling Hills FS Final 04-08-22.pdf
CL_AGN_220411_City of Rolling Hills Report on IC Final 04-08-22.pdf
CL_AGN_220411_City of Rolling Hills Audit Communication Letter Final 04-08-22.pdf

1.B. REVIEW PERSONNEL COST IMPACTS FROM OUTSOURCING CODE ENFORCEMENT TO CONTRACT SERVICES, AND RECLASSIFY THE CODE ENFORCEMENT OFFICER POSITION TO A PLANNER POSITION.
RECOMMENDATION: Approve as presented.

2. PUBLIC COMMENT

3. ADJOURNMENT

Notice:

Pursuant to the Brown Act, no action will take place on any items not on the agenda. This is the appropriate time for members of the public to make comments regarding items listed on this agenda.

Documents pertaining to an agenda item received after the posting of the agenda are available for review in the City Clerk's office or at the meeting at which the item will be considered.

In compliance with the Americans with Disabilities Act (ADA), if you need special assistance to participate in this meeting due to your disability, please contact the City Clerk at (310) 377-1521 at least 48 hours prior to the meeting to enable the City to make reasonable arrangements to ensure accessibility and accommodation for your review of this agenda and attendance at this meeting.

CITY OF ROLLING HILLS

FISCAL YEAR 2021 FINANCIAL STATEMENTS

OUTLINE OF PRESENTATION

- Purpose of financial statements and audit
- Layout and components of the report
- Financial highlights
- Status of OPEB and Pension Plan
- Results of audit and related reports and letters

Purpose of Financial Statements and Audit

PURPOSE OF FINANCIAL STATEMENTS AND AUDIT

- Two main purposes of financial report
  - Present the financial position (i.e., health) of the City at year-end and the financial results for the year ended June 30, 2021.
  - Demonstrate compliance with laws and regulations governing restricted revenues.
- Purpose of the audit
  - Provide an independent certification that the financial statements the City has prepared are not materially misstated.

Layout and Components of the Report

LAYOUT AND COMPONENTS OF THE REPORT

- Three (3) Sections of Report
  - Financial Section
  - Required Supplementary Information
  - Combining Statements
- Financial Section
  - Auditor's Opinion Letter
  - Management's Discussion & Analysis
  - Basic Financial Statements

LAYOUT AND COMPONENTS OF THE REPORT

- Basic Financial Statements
  - Entity-wide statements
    - Accrual basis of accounting
    - Purpose is to measure true financial health same as private sector
  - Fund financial statements
    - Modified accrual basis of accounting
    - Purpose is to measure available resources – short-term/budgetary view
  - Notes to the financial statements

Financial Highlights

CITY-WIDE STATEMENTS

Statement of Net Position
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current and other assets	$ 8,344,698	$ 54,046	$8,398,744
Capital assets	684,427	-	684,427
Total Assets	9,029,125	54,046	9,083,171
Deferred outflows			
Pension/OPEB related items	236,068	-	236,068
Liabilities:			
Current and other liabilities	1,088,082	-	1,088,082
Total Liabilities	1,088,082	-	1,088,082
Deferred inflows			
Pension related items	74,535	-	74,535
Net position:			
Invested in capital assets	684,427		684,427
Restricted	2,380,775		2,380,775
Unrestricted	5,037,374	54,046	5,091,420
Total Net Position	$ 8,102,576	$ 54,046	$8,156,622

CITY-WIDE STATEMENTS

Changes in Net Position
Fiscal Year Ended June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Charges for Services	$ 247,203	$ 784,200	$ 1,031,403
Operating Grants and contributions	494,533	-	494,533
Property taxes	1,222,948	-	1,222,948
Other taxes	127,464	-	127,464
Motor vehicle in-lieu - unrestricted	236,725	-	236,725
Use of money and property	160,061	-	160,061
Other	3,278	3,917	7,195
Total Revenues	2,492,212	788,117	3,280,329
Expenses:			
General government	1,105,892	-	1,105,892
Public safety	399,379	-	399,379
Planning and development	813,918	-	813,918
Public works	165,193	-	165,193
Refuse collection	-	886,143	886,143
Total Expenses	2,484,382	886,143	3,370,525
Excess (Deficiency) Before Transfers	7,830	(98,026)	(90,196)
Transfers	(44,706)	44,706	-
Increase (Decrease) in Net Position	(36,876)	(53,320)	(90,196)
Net Position - Beginning	8,139,452	107,366	8,246,818
Net Position - Ending	$ 8,102,576	$ 54,046	$ 8,156,622

FUND FINANCIAL STATEMENTS

GENERAL FUND
Balance Sheet
June 30, 2021

Assets	
Cash and investments	$ 5,155,284
Accounts receivable	123,446
Accrued interest	11,748
Restricted cash and investments	474,820
Total Assets	$ 5,765,298
Liabiilities	
Accounts Payable	$ 78,820
Accrued liabilities	8,782
Deposits	27,368
Total Liabilities	114,970
Fund Balance	
Restricted	
Pensions stabilization	474,820
Unassigned	5,175,508
Total Fund Balance	5,650,328
Total Liabilities and Fund Balance	$ 5,765,298

FUND FINANCIAL STATEMENTS

GENERAL FUND
Statement of Revenues & Expenditures
Fiscal Year Ended June 30, 2021

	Amended Budget	Actual	Variance
Revenues			
Taxes	$ 1,247,600	$ 1,350,412	$ 102,812
Licenses and permits	281,250	183,378	(97,872)
Intergovernmental	339,550	369,130	29,580
Use of Money & Property	168,000	159,203	(8,797)
Other	74,000	48,702	(25,298)
Total Revenues	2,110,400	2,110,825	425
Expenditures			
General Govt	1,269,533	1,061,393	208,140
Public Safety	291,785	223,199	68,586
Planning and development	845,400	749,794	95,606
Capital Outlay	2,000	2,813	(813)
Total Expenditures	2,408,718	2,037,199	371,519
Excess (Deficiency)	(298,318)	73,626	371,944
Other Financing Sources (Uses)			
Transfers In	24,000	33,735	9,735
Transfers Out	(177,527)	(74,166)	103,361
Total Transfers	(153,527)	(40,431)	113,096
Net Change in Fund Balance	(451,845)	33,195	485,040
Fund Balance, Beginning	5,617,133	5,617,133	-
Fund Balance, Ending	$ 5,165,288	$ 5,650,328	$ 485,040

GENERAL FUND
Revenues - Budget vs Actual
Fiscal Year Ended June 30, 2021

	Fiscal Year 2021				
	Amended Budget	**Actual**	**Variance**	**Fiscal Year 2020**	**% Change**
Property taxes	$ 1,190,300	$ 1,222,948	$ 32,648	$1,201,368	1.80%
Sales taxes	4,800	23,262	18,462	3,310	602.78%
Real property transfer tax	33,500	93,449	59,949	48,546	92.50%
Franchise fees	19,000	10,753	(8,247)	14,498	-25.83%
Licenses and permits	281,250	183,378	(97,872)	369,250	-50.34%
Intergovernmental	339,550	369,130	29,580	227,033	62.59%
Use of Money & Property	168,000	159,203	(8,797)	284,472	-44.04%
Charges for Service	21,300	40,631	19,331	7,287	457.58%
Other	52,700	8,071	(44,629)	16,456	-50.95%
Total Revenues	$ 2,110,400	$ 2,110,825	$ 425	$2,172,220	-2.83%

Status of OPEB and Pension Plan

STATUS OF OPEB

- Benefits provided to retirees other than pensions are referred to as “Other Post-Employment Benefits” (OPEBs)
- The City provides medical benefits to retirees through CalPERS
- CalPERS requires participating agencies to pre-fund the benefits while the eligible employees are employed through monthly premiums charged to the City
- GASB Statement 75 requires that the City report the accrued liabilities associated these benefits net of accumulated funds collected and managed by CalPERS and held in a qualified trust

STATUS OF PENSION PLAN

- Defined benefit pension plan provided to eligible employees
- Benefits are based on years of service and salary
  - Misc Classic – 2% x highest annual salary at age 60
  - Misc PEPRA – 2% x highest 3-year average salary at age 62
- CalPERS requires participating agencies to pre-fund the benefits while the eligible employees are employed through monthly contributions tied to payroll
- GASB Statement 68 requires that the City report he accrued liabilities associated these benefits net of accumulated funds collected and managed by CalPERS and monies held in qualified trusts.

FUNDED STATUS OF OPEB AND PENSION PLAN

	OPEB	Pension Plan
Accrued Liability at 6/30/2021	$ 411,066	$3,052,060
Investments Held by CalPERS	657,747	2,292,097
Net Liability (Asset)	(246,681)	759,963
Investments Held in Section 115 Trust	-	474,820
Net Liability (Asset)	$(246,681)	$ 285,143
Funded %	160%	91%

QUESTIONS/DISCUSSION

CPAs AND ADVISORS

CITY OF ROLLING HILLS
FISCAL YEAR ENDED JUNE 30, 2021
FINANCIAL AUDIT RESULTS



Focused on YOU

FY 2021 Audit Communication Results

Financial Audit

- Opinion Letter (New Format)
- Report on Internal Control and Other Matters
- Audit Communication Letter (SAS 114 – **conclusion**)

Opinion Letter

- Unmodified Opinion
  - Now the First Paragraph
  - Based on our audit of significant transactions, our understanding of the City's policies and procedures, and our testwork results, we have issued an Opinion that the financials statements are free of material misstatements at June 30, 2021.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters

- In planning and performing the audit, we consider the City's Internal Controls over Financial Reporting specific to giving an opinion of the Financial Statements, but this is not the purpose of the audit.
- No opinion is expressed on the internal controls
- During our course of audit procedures weaknesses may come to our attention and communicated to Management and to you in this letter. None to report at this time.

Audit Communication Letter (SAS 114 – conclusion)

- Accounting Practices
  - Significant and Appropriate Estimates: OPEB and Pension Liabilities
- No Difficulties Encountered in Performing the Audit
- No Disagreements with Management to disclose
- Management Representation includes a letter to the auditors regarding their acceptance of responsibilities and disclosures of no known errors or fraudulent activities to communicate to auditors

Audit Communication Letter (Continued)

- Upcoming Standards
  - GASB 87 – Leases
    - This will change how the value of the outstanding balance will be shown.
    - Evaluate contracts/agreements as a lessor/lessee for any exchange of property use.

LSL
CPAs AND ADVISORS

Thank you

- Contact information:
  - Deborah.harper@lslcpas.com
  - 714-672-0022
- Any Questions

CITY OF ROLLING HILLS, CALIFORNIA

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FINANCIAL STATEMENTS

Focused
on YOU

WWW.LSLCPAS.COM

CITY OF ROLLING HILLS, CALIFORNIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

PREPARED BY:

THE CITY OF ROLLING HILLS, CALIFORNIA

FINANCIAL SERVICES DEPARTMENT

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF ROLLING HILLS, CALIFORNIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

CITY OF ROLLING HILLS, CALIFORNIA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Rolling Hills, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rolling Hills, California, (the City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 activities, , each major fund, and the aggregate remaining fund information of the City of City of Rolling Hills, California, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the date of the financial statements.

To the Honorable Mayor and Members of the City Council
City of Rolling Hills, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Responsibilities

Required Supplementary Information

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

To the Honorable Mayor and Members of the City Council
City of Rolling Hills, California

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea, California
April 7, 2022

THIS PAGE INTENTIONALLY LEFT BLANK

Management Discussion and Analysis

The following narrative provides an overview and analysis of the financial activities of the City of Rolling Hills for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $8,156,622 *(net position).* Of this amount, $5,091,420, *(unrestricted net position)* may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $7,556,283. Of this amount $5,175,508 is unassigned and available for spending at the City's discretion.
- At the end of the current year, unassigned fund balance for the General Fund was $5,175,508 which represents 2.54 times the total General Fund expenditures.
- General Fund revenues available for appropriation were $10,160 more than budgeted while actual expenditures were $474,880 less than budgeted. After transfers in and out, the General Fund showed a $33,195 increase in fund balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements contain the following three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements and 3) Notes to the Financial Statements.

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. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net position presents information on all of the City's assets, deferred inflows/outflows of resources and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change regardless of the timing of related cash flows. Thus, some of the revenues and expenses reported in this statement will have no effect on cash until some future fiscal period.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover some or all of their costs through user fees and charges (business-type activities).

Governmental activities. With the exception of refuse services, all of the City's basic services are reported in this category, including the general administration, public safety, planning and development, recreation and public works. Property taxes, sales tax, real estate transfer tax, licenses and permits, franchise fees, charges for services, interest income, grants, contributions from other agencies, and other revenues finance these activities.

Business-type activities. The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Refuse Collection operation is reported in this category.

The government-wide financial statements can be found on pages 13 to 15 of this report.

Fund Financial Statements. The fund financial statements provide detailed information about the City's most significant funds. All of the funds of the City can be divided into three categories: governmental funds, and proprietary funds.

Governmental funds. Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The difference between the results in the Governmental Fund financial statements to those in the Government wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

In addition to the major funds reported separately on the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance, the City also maintains 7 special revenue funds and one capital project fund. Data from these funds are combined into a single, aggregated presentation referred to as other governmental funds.

Individual fund data for each of these non-major governmental funds are provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all of its governmental and proprietary funds. A budget comparison statement has been provided for the General Fund to demonstrate compliance with this budget. This comparison can be found on page 52 of this report.

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

Proprietary funds. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Within the category of proprietary funds are Enterprise Funds and Internal Service 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 Refuse activity. Internal service funds are an accounting devise used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its Municipal Self Insurance costs. Because these services predominantly benefit governmental rather than business-type functions, this fund has been included within the governmental activities in the government-wide financial statement.

The basic proprietary fund financial statements can be found on pages 23 to 25 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 to 49 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 58 to 61 of this report.

Governmental-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net position for fiscal years 2019-20 and 2020-21 are shown in Table 1. In the City of Rolling Hills, total assets and deferred outflows exceeded total liabilities and deferred inflows by $8,156,622 at June 30, 2021. This is a slight decrease from prior year. Overall, the City's financial position has been very stable over the last few years, which is a good thing to see.

Table 1
City of Rolling Hills
Net Position

	Government Activities		Business Activities		Total Primary Government	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Assets:						
Current and other assets	$ 8,344,698	$ 8,319,369	$ 54,046	$ 519,911	$ 8,398,744	$ 8,839,280
Capital assets	684,427	613,790	-	-	684,427	613,790
Total Assets	9,029,125	8,933,159	54,046	519,911	9,083,171	9,453,070
Deferred outflows of resources:						
Pension/OPEB related items	236,068	236,265	-		236,068	236,265
Liabilities:						
Current and other liabilities	1,088,082	937,253	-	412,545	1,088,082	1,349,798
Total Liabilities	1,088,082	937,253	-	412,545	1,088,082	1,349,798
Deferred inflows of resources:						
Pension related items	74,535	92,719	-	-	74,535	92,719
Net position:						
Invested in capital assets	684,427	613,790		-	684,427	613,790
Restricted	2,380,775	2,386,275		-	2,380,775	2,386,275
Unrestricted	5,037,374	5,139,387	54,046	107,366	5,091,420	5,246,753
Total Net Position	$ 8,102,576	$ 8,139,452	$ 54,046	$ 107,366	$ 8,156,622	$ 8,246,818

Of the City of Rolling Hills net position shown in the bottom section of Table 1, 8.4% reflects its investment in capital assets. An additional portion of the City of Rolling Hills net position, 29.2% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of $5,091,420 (62.4%) may be used to meet the government's ongoing obligations. It is worth noting that the unrestricted net position of over $5 million is approximately 150% of total expenditures. This puts the City in a very strong financial position relative to most cities across the country, which provides a high level of resources to respond to natural disasters, economic downturns such as the Great Recession in 2008, and other unexpected events that may call on these resources.

Governmental Activities. A summary of the changes to the net position is provided in Table 2 below.

Table 2
City of Rolling Hills
Changes in Net Position

	Government Activities		Business Activities		Total Primary Government	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Revenues:						
Program revenues:						
Charges for Services	$ 247,203	$ 414,416	$ 784,200	$ 789,835	$ 1,031,403	$ 1,204,251
Operating Grants and contributions	494,533	275,477	-	-	494,533	275,477
General revenues:						
Property taxes	1,222,948	1,201,368	-	-	1,222,948	1,201,368
Franchise taxes	10,753	14,498	-	-	10,753	14,498
Other taxes	116,711	51,856	-	-	116,711	51,856
Motor vehicle in-lieu - unrestricted	236,725	226,033	-	-	236,725	226,033
Use of money and property	160,061	292,721	-	-	160,061	292,721
Other	3,278	334	3,917	20,154	7,195	20,488
Total Revenues	2,492,212	2,476,703	788,117	809,989	3,280,329	3,286,692
Expenses:						
General government	1,105,892	1,004,875	-	-	1,105,892	1,004,875
Public safety	399,379	394,187	-	-	399,379	394,187
Planning and development	768,665	835,459	-	-	813,918	835,459
Recreation	-	2,341	-	-	-	2,341
Public works	210,446	158,591	-	-	165,193	158,591
Refuse collection	-	-	886,143	856,144	886,143	856,144
Total Expenses	2,484,382	2,395,453	886,143	856,144	3,370,525	3,251,597
Excess (Deficiency) Before Transfers	7,830	81,250	(98,026)	(46,155)	(90,196)	35,095
Transfers	(44,706)	24,000	44,706	(24,000)	-	-
Increase (Decrease) in Net Position	(36,876)	105,250	(53,320)	(70,155)	(90,196)	35,095
Net Position - Beginning	8,139,452	8,034,202	107,366	177,521	8,246,818	8,211,723
Net Position - Ending	$ 8,102,576	$ 8,139,452	$ 54,046	$ 107,366	$ 8,156,622	$ 8,246,818

As previously noted, the governmental activities category includes all City funds except for the Refuse Collection Fund. In addition, this category almost entirely is made up of the General Fund, which is where most city services, along with tax revenues that primarily pay for those services, are reported.

As shown in Table 2 above, the City's governmental activities decreased slightly by $36,876 during the current fiscal year. Excluding transfers, the year ended with a small surplus of $7,830. Given that the originally adopted fiscal year 2021 General Fund budget called for the use of reserves in the amount of $348,518, the year-end results are quite favorable.

Another thing to note is that the fiscal year 2021 results are only slightly below the results in fiscal year 2020, which indicates a certain degree of stability given that both revenues and expenditures have not fluctuated very much over the last two years.

Business-Type Activities. The program for the business-type activities includes refuse collection operations. Refuse collection services are considered a utility and, as such, are typically fully funded from direct charges to customers utilizing these services. For this reason, they tend to operate much like the private sector and thus are classified as a "business-type activity." In the case of the City's refuse operation, refuse rates have been partially subsidized by unrestricted General Fund revenues since 2016 in order to keep rates flat at $1,100 per year per parcel in spite of increases each year to the contracted services provided by a private hauling company. In fiscal year 2021, the General Fund transferred $68,706 to the Refuse Collection Fund. This was partially offset by a transfer from the Refuse Collection Fund of $24,000 back to the General Fund to cover administrative overhead costs. This explains the net transfer of $44,706 shown in Table 2 above.

The net result of operations was a decrease in net position of $53,320, reducing the net position to just $54,046.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2020-21, the City's governmental funds reported combined ending fund balances of $7,556,283, which indicates a very strong financial position, largely due to the General Fund. While this is a decrease of $48,651 from the previous year, overall the net position has been stable over the last few years.

In contrast to governmental funds as a whole, the General Fund's financial position slightly improved by $33,195 for a net position at June 30, 2021 of $5,650,328. This is a much better result than the dollar amounts may suggest given the original fiscal year 2021 budget anticipated a deficit of $478,845. Excluding net transfers of -$40,431, which are generally more discretionary, the net result of operations (operating revenues less operating expenditures) was $73,626.

Overall General Fund expenditures increased by approximately $25,245 from prior year. Although revenues also did not change much, increasing slightly from fiscal year 2020 by $61,395, individual revenue categories changed more dramatically from the prior year. For example, property taxes increased by 1.8% to $1,222,948 from the prior year. With property tax revenues making up 64% of General Fund operating revenues, growth is welcomed and helps the City keep up with the increasing costs of providing services. Although much smaller, real property transfer tax revenue almost doubled to $93,449. The City also received or earned approximately $113,000 in one-time revenues, including $63,000 in Proposition A exchange revenues as a result of providing other neighboring cities $84,000 of the City's restricted Proposition A revenues. The remaining $50,000 is funding received from the State as COVID relief funds.

On the flip side, General Fund revenues License and Permits continues its decline that started after peaking in fiscal year 2018 at $739,138 and has fallen to $183,378 in fiscal year 2021. From the prior year alone, these revenues fell by 50.3%. This is directly tied to the impacts of the pandemic on building activity and building-related permit revenues. Although property tax revenues have remaining strong, due to the strength of the real estate market in spite of the pandemic, this decline has put an overall strain on the General Fund from a budgetary perspective as discussed more below.

Another decline is in Use of Money and Property revenue which fell by approximately $125,000 to $159,203. This loss is entirely due to decreases in the interest rates during the fiscal year and the requirement to adjust investments for unrealized losses in investments.

The Underground Utility Fund on the City's governmental funds balance sheet is a major fund. The Capital Projects – Utility Fund provides funds for consultant and construction services for underground utilities projects and other infrastructure improvements. The Capital Projects – Utility Fund has a total fund balance of $1,383,880. In fiscal year 2019, the City exchanged $675,295 with a neighboring City and received Southern Cal Edison Rule 20A credits of $1,125,491 for undergrounding projects. Virtually all of these credits will be used starting in fiscal year 2022 for two undergrounding projects, one on Crest Road East and other on Eastfield Drive.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements but in greater detail.

Ending unrestricted net position for the Refuse Collection - Enterprise Fund is $54,046. The total change in net position for the Refuse Collection - Enterprise Fund was a net position decrease of $53,320.

Ending unrestricted net position for the Municipal Self Insurance Fund - Internal Service Fund was unchanged at $260,374

General Fund Budgetary Highlights

The originally adopted fiscal year 2021 budget, plus amendments, was unbalanced. Anticipated revenues of $2,134,400 were $451,845 below budgeted expenditures of $2,586,245. However, actual revenues including transfers came in slightly higher than originally anticipated at $2,144,560, and actual expenditures were $2,111,365 for a net result of $33,195. The largest variance on the revenue side was in property taxes. The budget of $1,247,600 assumed a normal growth of approximately 2-3%; however, actual revenues grew by 6.5% to $1,350,412. Otherwise, all revenues were close to budgeted amounts. On the expenditure side, the favorable variance was largely due to salary and benefit savings caused by staff turnover, as well as other line-items with varying levels of savings.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounts to $684,427. This investment includes land for the City Hall campus, tennis courts, Poppy Trail land, Hesse's Gap, Hix Ring and Storm Hill Park. Additional information on the City of Rolling Hills capital assets can be found in Note 5 on page 38 of this report.

Long-term Debt. The City has no bonded indebtedness. At the end of the current fiscal year, the City's compensated absences decreased by $27,496 to $46,759.

Other Post-Employment Health Care Benefits

The City offers its retired employees medical benefits through CalPERS, which provides medical insurance benefits to eligible retirees. Through CalPERS, the City pre-funds these benefits while the employees are actively working. Pursuant to GASB Statement 78, adopted during fiscal year 2017-18, the City is required to recognize a liability for any unfunded accrued liabilities as determined by an actuary. As of June 30, 2021, the City's total accrued liability was $411,066. However, this liability was offset by the prefunded investments held by CalPERS on the City's behalf which totaled $657,747. As a result, the City's net position was a net asset of $246,681, which is included on the Statement of Net Position. See Note 9 on pages 46 to 49.

Pension Plan Obligations

The City provides a defined benefit pension plan to its employees which is administered by CalPERS. Details of this pension plan can be found in Note 8 found on page 41. Pursuant to GASB Statement 68, the City reports any unfunded accrued liabilities in its financial statements. As of June 30, 2021, the net pension liability was $759,963.

Economic Factors and Next Year's Budgets

The City Council adopted the Fiscal Year 2021-22 budget in June 2021, and the following factors were considered in preparing the budget:

- General Fund revenues were projected to *decrease* by approximately 3% in total.

- Fiscal year 2021-22 General Fund budgeted operating expenditures (i.e., excluding transfers) are $675,681 higher than the 2020-21 budgeted expenditures. The largest increases were in the City Administrator's Office and Planning Department based on new subscriptions to technology installations to improve internal process, deferred maintenance at the City Hall campus, and compliance efforts simultaneously for the 5th Cycle Housing Element, and the 6th Cycle Housing Element.

- Development activity was expected to remain stable, along with building-related revenue.

- The City's General Fund adopted budget anticipates having a deficit after transfers in and out of $1,217,499 for Fiscal Year 2021-22. Included are transfers out to the Capital Improvement Fund of $88,000 for various projects, to the Refuse Collection Fund of $135,200 for a rate subsidy, and to the Traffic Safety Fund of $10,000 for road striping.

Contacting the City's Financial Department

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Department at the City of Rolling Hills, 2 Portuguese Bend Road, Rolling Hills, California 90274.

THIS PAGE INTENTIONALLY LEFT BLANK

STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	$ 6,812,708	$ -	$ 6,812,708
Receivables:			
Accounts	123,446	54,046	177,492
Accrued interest	11,748	-	11,748
Deposits	675,295	-	675,295
Restricted cash and investments	474,820	-	474,820
Capital assets not being depreciated	658,634	-	658,634
Capital assets, net of depreciation	25,793	-	25,793
Net other post-employment benefits asset	246,681	-	246,681
Total Assets	**9,029,125**	**54,046**	**9,083,171**
Deferred Outflows of Resources:			
Pension deferrals	195,138	-	195,138
Other post-employment benefit deferrals	40,930	-	40,930
Total Deferred Outflows of Resources	**236,068**	**-**	**236,068**
Liabilities:			
Accounts payable	245,210	-	245,210
Accrued liabilities	8,782	-	8,782
Deposits payable	27,368	-	27,368
Compensated absences, due within one year	12,000	-	12,000
Noncurrent liabilities:			
Compensated absences	34,759	-	34,759
Net pension liability	759,963	-	759,963
Total Liabilities	**1,088,082**	**-**	**1,088,082**
Deferred Inflows of Resources:			
Pension deferrals	47,197	-	47,197
Other post-employment benefit deferrals	27,338	-	27,338
Total Deferred Inflows of Resources	**74,535**	**-**	**74,535**
Net Position:			
Investment in capital assets	684,427	-	684,427
Restricted:			
Public safety	33,249	-	33,249
Public works	276,452	-	276,452
Capital projects	1,587,045	-	1,587,045
Quimby Act	9,209	-	9,209
Pension stabilization trust	474,820	-	474,820
Unrestricted	5,037,374	54,046	5,091,420
Total Net Position	**$ 8,102,576**	**$ 54,046**	**$ 8,156,622**

The notes to financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

		Program Revenues	
Functions/Programs	Expenses	Charges for Services	Operating Contributions and Grants
Governmental Activities:			
General government	$ 1,105,892	$ 473	$ 63,000
Public safety	399,379	23,194	157,731
Planning and development	768,665	223,536	-
Public works	210,446	-	273,802
Total Governmental Activities	2,484,382	247,203	494,533
Business-Type Activities:			
Refuse collection	886,143	784,200	-
Total Business-Type Activities	886,143	784,200	-
Total	**$ 3,370,525**	**$ 1,031,403**	**$ 494,533**

General Revenues:
Taxes:
Property taxes
Sales taxes
Franchise taxes
Other taxes
Motor vehicle in lieu - unrestricted
Use of money and property
Other
Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, Beginning of the Year

Net Position, End of the Year

The notes to financial statements are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (1,042,419)	$ -	$ (1,042,419)
(218,454)	-	(218,454)
(545,129)	-	(545,129)
63,356	-	63,356
(1,742,646)	-	(1,742,646)
-	(101,943)	(101,943)
-	(101,943)	(101,943)
(1,742,646)	**(101,943)**	**(1,844,589)**
1,222,948	-	1,222,948
23,262	-	23,262
10,753	-	10,753
93,449	-	93,449
236,725	-	236,725
160,061	-	160,061
3,278	3,917	7,195
(44,706)	44,706	-
1,705,770	**48,623**	**1,754,393**
(36,876)	(53,320)	(90,196)
8,139,452	107,366	8,246,818
$ 8,102,576	**$ 54,046**	**$ 8,156,622**

The notes to financial statements are an integral part of this statement.

CITY OF ROLLING HILLS, CALIFORNIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General	Special Revenue Fund Transit Fund	Capital Projects Fund Underground Utility Fund
Assets:			
Cash and investments	$ 5,155,284	$ 167,039	$ 708,585
Receivables:			
Accounts	123,446	-	-
Accrued interest	11,748	-	-
Deposits	-	-	675,295
Restricted cash and investments	474,820	-	-
Total Assets	**$ 5,765,298**	**$ 167,039**	**$ 1,383,880**
Liabilities:			
Accounts payable	$ 78,820	$ 149,000	$ -
Accrued liabilities	8,782	-	-
Deposits payable	27,368	-	-
Total Liabilities	114,970	149,000	-
Fund Balance:			
Restricted:			
Public safety - police	-	-	-
Grants - public works	-	18,039	-
Capital projects	-	-	1,383,880
Quimby Act	-	-	-
Pension stabilization trust	474,820	-	-
Unassigned	5,175,508	-	-
Total Fund Balance	5,650,328	18,039	1,383,880
Total Liabilities and Fund Balance	**$ 5,765,298**	**$ 167,039**	**$ 1,383,880**

The notes to financial statements are an integral part of this statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	Nonmajor Governmental Funds	Total Governmental Funds
Assets:		
Cash and investments	$ 521,426	$ 6,552,334
Receivables:		
Accounts	-	123,446
Accrued interest	-	11,748
Deposits	-	675,295
Restricted cash and investments	-	474,820
Total Assets	**$ 521,426**	**$ 7,837,643**
Liabilities:		
Accounts payable	$ 17,390	$ 245,210
Accrued liabilities	-	8,782
Deposits payable	-	27,368
Total Liabilities	17,390	281,360
Fund Balance:		
Restricted:		
Public safety - police	33,249	33,249
Grants - public works	258,413	276,452
Capital projects	203,165	1,587,045
Quimby Act	9,209	9,209
Pension stabilization trust	-	474,820
Unassigned	-	5,175,508
Total Fund Balance	504,036	7,556,283
Total Liabilities and Fund Balance	**$ 521,426**	**$ 7,837,643**

The notes to financial statements are an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

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

Total fund balances - governmental funds		$ 7,556,283
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		684,427
Compensated absences are not due and payable in the current period, and therefore, are not reported in the funds.		(46,759)
Governmental funds report all pension contributions as expenditures; however, in the statement of activities, the excess/deficiency of the total pension liability over/under the plan fiduciary net position is reported as a net pension liability/asset.		(759,963)
Pension-related deferred outflows of resources that have not been included as financial uses in the governmental fund activity are as follows:		
Contributions made after the actuarial measurement date	$ 92,977	
Difference between expected and actual experiences	39,163	
Net difference between projected and actual earnings on plan investments	22,576	
Adjustments due to differences in proportions	40,422	195,138
Pension-related deferred inflows of resources that have not been included as financial resources in the governmental fund activity are as follows:		
Changes in assumptions	(5,420)	
Difference in proportionate share	(41,777)	(47,197)
Governmental funds report all other post-employment benefits contributions as expenditures; however, in the statement of net position, the excess of the plan fiduciary net position over the total other post-employment benefits liability is reported as a net other post-employment benefits asset.		246,681
Other post-employment benefits-related deferred outflows of resources that have not been included as financial uses in the governmental fund activity are as follows:		
Contributions made after the actuarial measurement date	18,424	
Assumption changes	16,379	
Differences between projected and actual return on assets	6,127	40,930
Other post-employment benefits-related deferred inflows of resources that have not been included as financial resources in the governmental fund activity are as follows:		
Differences between expected and actual experience	(25,507)	
Differences between projected and actual return on assets	(1,831)	(27,338)
Internal service funds are used by management to charge the costs of certain activities, such as equipment and technology replacement, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.		260,374
Net Position of Governmental Activities		**$ 8,102,576**

The notes to financial statements are an integral part of this statement.

CITY OF ROLLING HILLS, CALIFORNIA

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

		Special Revenue Fund	Capital Projects Fund
	General	**Transit Fund**	**Underground Utility Fund**
Revenues:			
Taxes	$ 1,350,412	$ -	$ -
Licenses and permits	183,378	-	-
Intergovernmental	369,130	69,642	-
Charges for services	40,631	-	-
Use of money and property	159,203	292	-
Fines and forfeitures	4,793	-	-
Miscellaneous	3,278	-	-
Total Revenues	**2,110,825**	**69,934**	**-**
Expenditures:			
Current:			
General government	1,061,393	-	-
Public safety	223,199	-	-
Planning and development	749,794	-	-
Public works	-	149,000	7,120
Capital outlay	2,813	-	39,345
Total Expenditures	**2,037,199**	**149,000**	**46,465**
Excess (Deficiency) of Revenues Over (Under) Expenditures	73,626	(79,066)	(46,465)
Other Financing Sources (Uses):			
Transfers in	33,735	-	-
Transfers out	(74,166)	-	-
Total Other Financing Sources (Uses)	**(40,431)**	**-**	**-**
Net Change in Fund Balance	33,195	(79,066)	(46,465)
Fund Balance, Beginning of the Year	5,617,133	97,105	1,430,345
Fund Balance, End of the Year	**$ 5,650,328**	**$ 18,039**	**$ 1,383,880**

The notes to financial statements are an integral part of this statement.

CITY OF ROLLING HILLS, CALIFORNIA

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:		
Taxes	$ -	$ 1,350,412
Licenses and permits	-	183,378
Intergovernmental	310,887	749,659
Charges for services	-	40,631
Use of money and property	566	160,061
Fines and forfeitures	-	4,793
Miscellaneous	-	3,278
Total Revenues	**311,453**	**2,492,212**
Expenditures:		
Current:		
General government	-	1,061,393
Public safety	176,180	399,379
Planning and development	-	749,794
Public works	53,753	209,873
Capital outlay	33,560	75,718
Total Expenditures	**263,493**	**2,496,157**
Excess (Deficiency) of Revenues Over (Under) Expenditures	47,960	(3,945)
Other Financing Sources (Uses):		
Transfers in	5,460	39,195
Transfers out	(9,735)	(83,901)
Total Other Financing Sources (Uses)	**(4,275)**	**(44,706)**
Net Change in Fund Balance	43,685	(48,651)
Fund Balance, Beginning of the Year	460,351	7,604,934
Fund Balance, End of the Year	**$ 504,036**	**$ 7,556,283**

The notes to financial statements are an integral part of this statement.

CITY OF ROLLING HILLS, CALIFORNIA

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, 2021

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

Net change in fund balances - total governmental funds		$ (48,651)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays was less than depreciation expense in the current period.		
Capital outlay	$ 75,145	
Depreciation	(4,508)	70,637
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.		(27,496)
Pension obligation expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(49,717)
Other post-employment benefits obligation expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		18,351
Change in Net Position of Governmental Activities		**$ (36,876)**

The notes to financial statements are an integral part of this statement.

CITY OF ROLLING HILLS, CALIFORNIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Business-Type Activities - Enterprise Fund	Governmental Activities- Internal Service Fund
	Refuse Collection Fund	
Assets:		
Current:		
Cash and investments	$ -	$ 260,374
Accounts receivable	54,046	-
Total Current Assets	54,046	260,374
Total Assets	**54,046**	**260,374**
Net Position:		
Unrestricted	54,046	260,374
Total Net Position	**$ 54,046**	**$ 260,374**

The notes to financial statements are an integral part of this statement.

CITY OF ROLLING HILLS, CALIFORNIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	Business-Type Activities - Enterprise Fund Refuse Collection Fund	Governmental Activities- Internal Service Fund
Operating Revenues:		
Sales and service charges	$ 784,200	$ -
Miscellaneous	3,917	-
Total Operating Revenues	**788,117**	**-**
Operating Expenses:		
Refuse collection	886,143	-
Total Operating Expenses	**886,143**	**-**
Operating Loss Before Transfers	(98,026)	-
Transfers in	68,706	-
Transfers out	(24,000)	-
Change in Net Position	(53,320)	-
Net Position, Beginning of the Year	107,366	260,374
Net Position, End of the Year	**$ 54,046**	**$ 260,374**

The notes to financial statements are an integral part of this statement.

CITY OF ROLLING HILLS, CALIFORNIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Business-Type Activities - Enterprise Fund: Refuse Collection Fund	Governmental Activities- Internal Service Fund
Cash Flows from Operating Activities:		
Cash received from customers and users	$ 777,579	$ -
Cash paid to suppliers for goods and services	(1,298,688)	-
Net Cash Used for Operating Activities	**(521,109)**	**-**
Cash Flows from Non-Capital Financing Activities:		
Cash transfers out	(24,000)	-
Cash transfers in	68,706	-
Net Cash Used for Non-Capital Financing Activities	**44,706**	**-**
Net Decrease in Cash and Cash Equivalents	(476,403)	-
Cash and Cash Equivalents, July 1	476,403	260,374
Cash and Cash Equivalents, June 30	**$ -**	**$ 260,374**

	Refuse Collection Fund	Internal Service Fund
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating loss	$ (98,026)	$ -
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Increase in accounts receivable	(10,538)	-
Decrease in accounts payable	(412,545)	-
Total adjustments	(423,083)	-
Net Cash Provided by Operating Activities	**$ (521,109)**	**$ -**

Non-Cash Investing, Capital, and Financing Activities:
There were no non-cash transactions during the fiscal year

The notes to financial statements are an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

The basic financial statements of the City of Rolling Hills, California (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

a. Description of Entity

The accompanying basic financial statements present the financial activity of the City of Rolling Hills. The City is the level of government primarily accountable for activities relevant to the operations of the City of Rolling Hills, California.

The City of Rolling Hills (the City) was incorporated on January 25, 1957, under the provisions of the State of California. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, sanitation, animal control, culture and recreation, public improvement planning and zoning, and general administrative services.

The Rolling Hills Community Association is not a part of the City's reporting entity because the City has no accountability for fiscal matters of the Rolling Hills Community Association.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's proprietary funds function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed.

The City reports the following major governmental funds:

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

The Underground Utility capital projects fund is used to facilitate the expenditures necessary to construct the City's underground utility projects.

The Transit special revenue fund is used to account for Proposition A and C funds received from the Los Angeles Metropolitan Transportation Authority.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary fund:

The Refuse Collection Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the City reports the following fund types:

- The internal service fund accounts for the financing of goods and services provided by one department to other departments on a cost reimbursement basis. The City's internal service fund is for self-insurance.

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 government's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

d. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity

Cash and Investments

All cash and investments, except those that are held by fiscal agents, are held in a City pool. These pooled funds are available upon demand and, therefore, are considered cash and cash equivalents for purposes of the statement of cash flows. Investments held by fiscal agents with an original maturity of three months or less are also considered cash equivalents and are shown as restricted assets for financial statement presentation purposes.

Investments for the City, as well as for its component units, are reported at fair value. The City's policy is generally to hold investments until maturity.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of allowance for uncollectibles.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Prepaid Costs

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the purchases method.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost when purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building improvements	7-50
Improvements other than buildings	20
Computer equipment	5-20
Equipment and vehicles	5-20
Furniture and fixtures	20

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees in the period taken or upon separation from City's service. All vacation pay is accrued when incurred in the government-wide financial statements. In governmental funds, the cost of vacations is recognized when payments are made to employees.

Accumulated sick leave benefits are not recognized as liabilities of the City. The City's policy is to record sick leave as an operational expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has two items that qualify for reporting in this category. They are deferred outflows relating to the net pension obligation and deferred outflows related

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

to other post-employment benefits reported in the government-wide statement of net position. These outflows are the results of contributions made after the measurement period, the net difference between projected and actual earnings on plan investments, changes in actuarial assumptions, differences between expected and actual experiences, and adjustments due to differences in proportions. The amounts for contributions made after the measurement period will be recognized in the subsequent fiscal year; the net difference between projected and actual earnings on plan investments will be amortized over five years; and all remaining deferrals will be amortized over the remaining expected average remaining service life.

In addition to liabilities, the statement of financial position or governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government may report one item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category, accordingly, unavailable revenue, is reported only in the governmental funds balance sheet and is related to grant revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item that qualifies for reporting in this category are deferred inflows relating to the net pension obligation reported in the government-wide statement of net position. These inflows are the result changes in actuarial assumptions, differences between expected and actual experiences, adjustments to proportions, and differences in the proportionate share of contributions. These amounts are deferred and amortized over the remaining service life.

Fund Equity

In the fund financial statements, government funds report the following fund balance classification:

Non-spendable includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through resolution. The City has no committed fund balance as of June 30, 2021.

Assigned include amounts that are constrained by the government’s intent to be used for specific purposes but are neither restricted nor committed. The assigned balance is set aside with the intent to be used for a specific purpose by the City Council through resolution.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include non-spendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications.

The City established certain a minimum fund balance policy as follows:

The General Fund, Community Facilities Fund, and Underground Utility Fund shall maintain unrestricted fund balance (amount remaining after non-spendable and restricted fund balance) equivalent to a minimum of 100% of originally adopted annual expenditures (excluding one-time expenditures greater than $25,000) before transfers plus any City Council approved committed or assigned fund balance.

Fund Equity Flow Assumptions

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

Net Position Flow Assumption

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

Property Tax

Property tax revenue is recognized on the basis of GASB Code Section P70, that is, in the fiscal year for which the taxes have been levied providing they become available. Available means due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period.

The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 AM on the first day in January prior to the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property, as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, by December 10 and April 10, respectively. Unsecured personal property taxes become due on March 1 each year and are delinquent, if unpaid, on August 31.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Pension Plans

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD): June 30, 2019

Measurement Date (MD): June 30, 2020

Measurement Period (MP): July 1, 2019 to June 30, 2020

Other Post-Employment Benefits Plan

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan), the assets of which are held by the California Public Employees' Retirement System (CalPERS), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD): June 30, 2019

Measurement Date (MD): June 30, 2020

Measurement Period (MP): July 1, 2019 to June 30, 2020

II. DETAILED NOTES ON ALL FUNDS

Note 2: Cash and Investments

As of June 30, 2021, cash and investments were reported in the accompanying financial statements as follows:

Cash and Investments:		
Governmental activities	$	6,812,708
Total cash and investments		6,812,708
Restricted cash and investments:		
Governmental activities		474,820
Total restricted cash and investments		474,820
Total	$	7,287,528

Cash and investments as of June 30, 2021, consisted of the following:

Cash on hand	$	1,500
Demand deposits		17,554
Restricted investments (Section 115 Trust)		474,820
Investments		6,793,654
Total Cash and Investments	$	7,287,528

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated annually to the various funds based on average daily cash balances. Interest Income from cash and investments with fiscal agents is credited directly to the related fund.

a. Deposits

As of June 30, 2021, the carrying amount of the City's deposits was $17,554 and the bank balance was $52,210. The $34,656 difference represents outstanding checks and deposits in transit.

Note 2: Cash and Investments (Continued)

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits which are fully insured up to $250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

b. Investments

Under provision of the City's investment policy, and in accordance with the California Government Code, the following investments are authorized:

- U.S. Treasury Bonds, Notes and Bills
- Money Market Savings Accounts
- Local Agency Investment Fund (State Pool)
- Deposit of Funds

c. Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

d. Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

e. Pension Rate Stabilization Program Section 115 Trust

In July 2018, the City Council authorized participation in the PARS Pension Rate Stabilization Program Section 115 Trust in order to mitigate rising pension costs through CalPERS. The initial funding amount was $185,000. The program has been established as a multiple employer trust so that public agencies regardless of size can join the program and receive the necessary economies of scale to keep administrative feels low and avoid any setup costs. The trust permits the City, under Federal and State law, to invest in a more diversified array of investments to maximize investment returns long term. The balance of the Trust at June 30, 2021 is $474,820 and is reported as restricted cash and investments.

Note 2: Cash and Investments (Continued)

f. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City mitigates its credit risk generally by following its three primary investment objectives, in order, of safety, liquidity and yield. The California Government Code generally limits allowable investments to those classes of investments with lower risk (and therefore lower yields). The City's investment policy further restricts these investments to the highest quality within a category and excludes certain otherwise allowable investments as not meeting the City's liquidity requirement.

Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of June 30, 2021, all securities were investment grade and were legal under State and City law. Investments in U.S. government securities are not considered to have a credit risk and, therefore, their credit quality is not disclosed As of June 30, 2021, the City's investments in external investment pools and money market mutual funds are unrated.

g. Custodial Credit Risk

The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party.

As of June 30, 2021, none of the City’s deposits or investments were exposed to custodial credit risk.

h. Concentration of Credit Risk

The City is in compliance with restrictions imposed by its investment policy, which limits certain types of investments. As of June 30, 2021, in accordance with GASB Statement No. 40, if the City has invested more than 5% of its total investments in any one issuer then it is exposed to credit risk. The Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this.

As of June 30, 2021, none of the City’s deposits or investment were exposed to concentration of credit risk.

Note 2: Cash and Investments (Continued)

i. Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy establishes a maximum maturity of three years for all individual investments.

As of June 30, 2021, the City had the following investments and original maturities:

	Investment Maturities (in Years)			
	1 year or less	1 - 3 years	3 - 5 years	Fair Value
Investments:				
Local Agency Investment Fund	$ 3,475,996	$ -	$ -	$ 3,475,996
Money Market Saving Accounts	104,196	-	-	104,196
Certificates of Deposits	740,069	2,473,393	-	3,213,462
Restricted investments:				
Money Market Funds	474,820	-	-	474,820
	$ 4,795,081	$ 2,473,393	$ -	$ 7,268,474

j. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At June 30, 2021, all of the City's investments are valued using Level 1 inputs, with the exception of the Local Agency Investment Fund and money market funds, which are considered to be uncategorized.

Note 3: Receivables

Receivables at June 30, 2021, for the City's individual major funds, and non-major and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are detailed below. All receivables are expected to be collected within one year, except for delinquent property taxes.

Accounts Receivable	General Fund	Refuse Collection Fund	Total
Accounts	$ 123,446	$ -	$ 123,446
Taxes assessed for rubbish collection	-	54,046	54,046
Total Receivables	$ 123,446	$ 54,046	$ 177,492

Note 4: Interfund Transfers

Individual fund operating transfers for the fiscal year ended June 30, 2021, are as follows:

	Transfers Out			
Funds	General Fund	Refuse Collection Fund	Non-Major Funds	Total
Transfers In:				
General Fund	$ -	$ 24,000	$ 9,735	$ 33,735
Refuse collection fund	68,706	-	-	68,706
Non-Major Funds	5,460	-	-	5,460
Total	$ 74,166	$ 24,000	$ 9,735	$ 107,901

Of the $74,166 transferred out of the General Fund, $5,460 was transferred to the non-major governmental funds and $68,706 was transferred to the Refuse Collection Fund to support operating costs and to cover traffic safety efforts. The Refuse Collection Fund transferred out $24,000 to the General Fund to cover administrative expenditures in the current fiscal year. The transfer of $9,735 to the General fund was to cover Measure W costs.

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 564,040	$ -	$ -	$ 564,040
Construction-in-progress	19,449	75,145	-	94,594
Total Capital Assets, Not Being Depreciated	583,489	75,145	-	658,634
Capital assets, being depreciated:				
Land Improvements	176,139	-	-	176,139
Equipment	11,987	-	-	11,987
Fixtures	26,591	-	-	26,591
Total Capital Assets, Being Depreciated	214,717	-	-	214,717
Less accumulated depreciation:				
Land Improvements	176,139	-	-	176,139
Equipment	3,596	2,397	-	5,993
Fixtures	4,681	2,111	-	6,792
Total Accumulated Depreciation	184,416	4,508	-	188,924
Total capital assets being depreciated, net	30,301	(4,508)	-	25,793
Governmental Activities Capital Assets, net	$ 613,790	$ 70,637	$ -	$ 684,427

Note 5: Capital Assets (Continued)

During the fiscal year ended June 30, 2021, depreciation expense was $4,508 and allocated to general government functional expense.

Note 6: Compensated Absences

The following is a summary of changes in compensated absences of the City for the fiscal year ended June 30, 2021:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Compensated Absences	$ 19,263	$ 37,960	$ 10,464	$ 46,759	12,000
Total	$ 19,263	$ 37,960	$ 10,464	$ 46,759	$ 12,000

Liabilities for compensated absences are typically liquidated by the General Fund.

Note 7: Liability, Insured Programs and Workers' Compensation Protection

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

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

b. Primary Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

<u>Primary Liability Program</u>

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to $100,000 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 $100,000 to $500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from $500,000 to $50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

Note 7: Liability, Insured Programs and Workers' Compensation Protection (Continued)

The overall coverage limit for each member, including all layers of coverage, is $50 million per occurrence. Subsidence losses also have a $50 million per occurrence limit. The coverage structure is composed of a combination of pooled self-insurance, reinsurance, and excess insurance. Additional information concerning the coverage structure is available on the Authority's website: https://cjpia.org/coverage/risk-sharing-pools/.

Primary Workers' Compensation Program

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to $75,000 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 $75,000 to $200,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from $200,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2020-21 the Authority's pooled retention is $1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to $1 million. Coverage from $1 million to $5 million is purchased through reinsurance policies, and Employer's Liability losses from $5 million to $10 million are pooled among members.

c. Purchased Insurance

Pollution Legal Liability Insurance

The City of Rolling Hills participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Rolling Hills. Coverage is on a claims-made basis. There is a $250,000 deductible. The Authority has an aggregate limit of $20 million.

Property Insurance

The City of Rolling Hills participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Rolling Hills property is currently insured according to a schedule of covered property submitted by the City of Rolling Hills to the Authority. City of Rolling Hills property currently has all-risk property insurance protection in the amount of $1,048,388. There is a $10,000 deductible per occurrence except for non-emergency vehicle insurance which has a $2,500 deductible.

Crime Insurance

The City of Rolling Hills purchases crime insurance coverage in the amount of $1,000,000 with a $2,500 deductible. The fidelity coverage is provided through the Authority.

Note 7: Liability, Insured Programs and Workers' Compensation Protection (Continued)

d. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2020-21.

Note 8: Pension Plan Obligations

a. General Information about the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City of Rolling Hills' cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. The City of Rolling Hills has a Miscellaneous cost-sharing plan including the Classic Tier and PEPRA Tier.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Note 8: Pension Plan Obligations (Continued)

Below is a summary of the plans' provisions and benefits in effect at June 30, 2021, for which the City of Rolling Hills has contracted:

Major Benefit Options	Miscellaneous	Misc. PEPRA
Hire date	Prior to January 1, 2013	January 1, 2013 and thereafter
Benefit Provision		
Benefit formula	2% @60	2% @62
Social Security	Yes	No
Full/Modified	Modified	Modified
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	Minumum 50 yrs	
Monthly benefits, as a % of eligible compensation	1.092% to 2.418%	1.0% to 2.5%
Required employer contribution rates	35.649%	8.483%
Required employee contribution rates	6.918%	7.250%

New entrants are not allowed in the Miscellaneous Classic Tier.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2021, the contributions recognized as a reduction to the net pension liability for all Plans was $84,285.

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

As of June 30, 2021, the City of Rolling Hills reported net pension liability for its proportionate shares of the net pension liability of the Plan was $759,963.

Note 8: Pension Plan Obligations (Continued)

The City of Rolling Hills' net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2020, was as follows:

	Miscellaneous Classic
Proportion - June 30, 2019	0.00672%
Proportion - June 30, 2020	0.00699%
Change - Increase (Decrease)	0.00026%

For the year ended June 30, 2021, the City of Rolling Hills recognized pension expense of $142,695. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 92,977	$ -
Change in assumptions		5,420
Difference between expected and actual experiences	39,163	-
Net difference between projected and actual earnings on plan investments	22,576	-
Adjustment due to differences in proportions	40,422	-
Difference in proportionate share of contributions	-	41,777
Total	$ 195,138	$ 47,197

The $92,977 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows of Resources
2022	$ 7,281
2023	20,025
2024	16,830
2025	10,828

Note 8: Pension Plan Obligations (Continued)

Actuarial Assumptions

For the measurement period ended June 30, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019, total pension liability. The June 30, 2019 and the June 30, 2020, total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table [(1)]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

[(1)] The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Subsequent Event

On November 15, 2021, the CalPERS Board of Administration selected a new asset allocation mix that will guide the fund's investment portfolio for the next for years, while at the same time retaining the current target rate of return. The Board also approved adding 5 percent leverage to increase investment diversification. The new asset allocation takes effect July 1, 2022 and is expected to decrease employer contribution rates from less than 1 percent to a decrease of more than 2 percent depending on the plan type. Employees in the PEPRA plans will likely see increases in their contribution rates. Contribution changes will take effect in fiscal year 2023-24.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Note 8: Pension Plan Obligations (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class (1)	Assumed Asset Allocation	Real Return Years 1 - 10 (2)	Real Return Years 11+ (3)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0	1.00	2.62
Inflation Assets	0.0	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Assets	13.0	3.75	4.93
Liquidity	1.0	0.0	(0.92)

(1) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(2) An expected inflation of 2.0% used for this period.
(3) An expected inflation of 2.92% used for this period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability/ (asset) of the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.15 percent) or 1% point higher (8.15 percent) than the current rate:

Plan's Net Pension Liability/(Assets)	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Miscellaneous Plan	$ 1,194,292	$ 759,963	$ 401,091

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.

Note 8: Pension Plan Obligations (Continued)

c. Pension Rate Stabilization Program Section 115 Trust

The City holds investments in a Section 115 Trust for pension stabilization. The current market value of the trust is $474,820. This trust fund is not included in the calculation of the net pension liability, as the assets are not in the custody of the plan administrator, CalPERS. Refer to Note 2 for additional information.

Note 9: Other Post-Employment Health Care Benefits

a. Plan Description

The City provides retiree medical benefits through an agent multiple-employer defined benefit healthcare plan, administered by the California Public Employees' Retirement System (CalPERS) which provides medical insurance benefits to eligible retirees. A separate financial report is not available for the plan. Employees are eligible for retiree health benefits if they retire from the City on or after age 60 with at least 5 years of service with the City and are eligible for a PERS pension.

b. Employees Covered

Membership of the plan consisted of 4 eligible active employees and 5 enrolled eligible retirees at June 30, 2021. These amounts do not reflect current retirees not enrolled in the CalPERS health plan who are eligible to enroll in the plan at a later date.

c. Contributions

The contribution requirements of plan members and the City are established and may be amended by the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The actual contribution is based on projected pay-as-you-go financing requirements. For the measurement dated ended June 30, 2020, the City's contributions were $18,424 in total payments, which were recognized as a reduction to the OPEB liability.

d. Net OPEB Asset

The City's net OPEB asset was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2019 to determine the June 30, 2020 total OPEB liability, based on the following actuarial methods and assumptions:

Inflation:	2.75% per year
Investment Return / Discount Rate:	6.50% per year
Healthcare Trend:	4.00% per year
Payroll Increase:	2.75% per year
Mortality:	2014 CalPERS Mortality for Active Miscellaneous Employees
Retirement Rates:	2009 CalPERS 2.0% @ 60 Rates for Miscellaneous Employees (adjusted to reflect a minimum retirement age of 52 for those hired after 2012)

Note 9: Other Post-Employment Health Care Benefits (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Assumed Gross Return
All Equities	40.00%	7.795%
All Fixed Income	43.00%	4.500%
Real Estate Investment Trusts	8.00%	7.500%
All Commodities	4.00%	7.795%
Treasury Inflation Protected Securities (TIPS)	5.00%	3.250%
Total	100.00%	

e. Discount Rate

The discount rate used to measure the total OPEB liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

f. Changes in the OPEB Liability (Asset)

	Total OPEB Liability	Fiduciary Net Position	Total OPEB Liability (Asset)
Roll back balance at June 30, 2019	$ 399,235	$ 624,277	$ (225,042)
Service Cost	15,232	-	15,232
Interest on TOL	25,506	-	25,506
Expected Investment Income	-	40,568	(40,568)
Employer Contributions	-	18,424	(18,424)
Administrative Expense	-	(308)	308
Benefit Payments	(18,424)	(18,424)	-
Expected Minus Actual Benefit Payments**	(10,483)	-	(10,483)
Expected Balance at June 30, 2020	411,066	664,537	(253,471)
Experience (Gains)/Losses		-	-
Changes in Assumptions		-	-
Investment Gains/(Losses)	-	(6,790)	6,790
Net Change during 2018-19	11,831	33,470	(21,639)
Balance at June 30, 2020*	$ 411,066	$ 657,747	$ (246,681)

*May include a slight rounding error.
**Deferrable as an Experience Gain or Loss

Note 9: Other Post-Employment Health Care Benefits (Continued)

g. Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Net OPEB Asset	$ (207,254)	$ (246,681)	$ (280,056)

h. Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease	Current Healthcare Cost Trent Rates	1% Increase
Net OPEB Asset	$ (286,072)	$ (246,681)	$ (199,958)

i. OPEB Plan Fiduciary Net Position

CalPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from CalPERS' website at www.calpers.ca.gov.

j. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2021, the City recognized OPEB expense of $73. As of fiscal year ended June 30, 2021, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 18,424	$ -
Assumption changes	16,379	-
Difference in projected and actual return on assets	6,127	-
Experience gains/losses	-	(25,507)
Investment gains/losses	-	(1,831)
Deferred Balances	$ 40,930	$ (27,338)

Note 9: Other Post-Employment Health Care Benefits (Continued)

The $18,424 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022. All other deferred items will be amortized and recognized in pension expense as follows:

Fiscal Year Ended June 30,	Deferred (Inflows) of Resources
2022	(405)
2023	(408)
2024	(752)
2025	(143)
2026	(1,501)
Thereafter	(1,623)

Note 10: Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Pursuant to the IRC 457 subsection (g); all amounts of compensation deferred under the deferred compensation plan, all property, or rights are solely the property and rights of the employee and beneficiaries of the plan. Deferred compensation funds are not subject to the claims of the City's general creditors; consequently, the assets and related liabilities of the plan are not included within the City's financial statements. The ending investment balance of the plan as of June 30, 2021, was $1,596,297.

Note 11: Commitments and Contingencies

a. Litigation

In the opinion of the California Joint Powers Insurance Authority, there are no known claims which would exceed the City's applicable coverage. The City's management is not aware of any lawsuits or claims that would have a material adverse effects on the financial position of the City.

b. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by prior year's audits of the financial statements or by a prior year single audit of a Federal grant program; grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

THIS PAGE INTENTIONALLY LEFT BLANK

Stewardship, Compliance and Accountability

General Budget Policies

The City Council is required to adopt an annual budget resolution by July 1 of each fiscal year. Annual budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

The City Council reviews a tentative budget and adopts a final budget after a public hearing is conducted to receive comments prior to adoption. The City's governing board satisfied these requirements.

Expenditures may not exceed the total annual budgeted amount in any category without the approval of the City Council. Throughout the fiscal year, monthly financial reports comparing actual figures with budgeted figures are prepared and distributed to the City Manager and members of the City Council. As these reports are reviewed, attention is drawn to variations between budgeted amounts and actual amounts and if necessary the City Council considers the need for increases in expenditure categories. The original adopted budgets are revised by the City Council during the year to give consideration to these modified expenditure categories and to unanticipated income. It is this final revised budget including all revisions and amendments approved by the City Council subsequent to the initial budget adoption that is presented in the financial statements.

The level of appropriated budgetary control is the total adopted budget which is defined as the total budget for all funds and divisions. The City Manager may authorize transfers of appropriations within the sub-categories of the major expenditure categories of the adopted budget. Supplemental appropriations during the year must be approved by the City Council.

Unexpended or unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are reappropriated in the subsequent year's budget by action of the City Council.

Excess of expenditure over appropriation per activity is as follows:

Fund	Final Budget	Expenditures	Excess
Major Funds			
General Fund			
Capital Outlay	$ 2,000	$ 2,813	$ 813

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance with Final Budget
	Original	**Final**	**Amounts**	**Positive (Negative)**
Budgetary Fund Balance, July 1	$ 5,617,133	$ 5,617,133	$ 5,617,133	$ -
Resources (Inflows):				
Taxes	1,247,600	1,247,600	1,350,412	102,812
Licenses and permits	281,250	281,250	183,378	(97,872)
Intergovernmental	289,550	339,550	369,130	29,580
Charges for services	21,300	21,300	40,631	19,331
Use of money and property	168,000	168,000	159,203	(8,797)
Fines and forfeitures	14,900	14,900	4,793	(10,107)
Miscellaneous	37,800	37,800	3,278	(34,522)
Transfers in	24,000	24,000	33,735	9,735
Amounts Available for Appropriations	**7,701,533**	**7,751,533**	**7,761,693**	**10,160**
Charges to Appropriations (Outflows):				
General government	1,269,533	1,269,533	1,061,393	208,140
Public safety	291,785	291,785	223,199	68,586
Planning and Development	822,400	845,400	749,794	95,606
Capital outlay	2,000	2,000	2,813	(813)
Transfers out	177,527	177,527	74,166	103,361
Total Charges to Appropriations	**2,563,245**	**2,586,245**	**2,111,365**	**474,880**
Budgetary Fund Balance, June 30	**$ 5,138,288**	**$ 5,165,288**	**$ 5,650,328**	**$ 485,040**

The notes to required supplementary information are an integral part of this schedule.

CITY OF ROLLING HILLS, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
TRANSIT FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Budgetary Fund Balance, July 1	$ 97,105	$ 97,105	$ 97,105	$ -
Resources (Inflows):				
Intergovernmental	57,500	57,500	69,642	12,142
Use of money and property	2,600	2,600	292	(2,308)
Amounts Available for Appropriations	**157,205**	**157,205**	**167,039**	**9,834**
Charges to Appropriation (Outflow):				
Public works	135,000	135,000	149,000	(14,000)
Total Charges to Appropriations	**135,000**	**135,000**	**149,000**	**(14,000)**
Budgetary Fund Balance, June 30	**$ 22,205**	**$ 22,205**	**$ 18,039**	**$ (4,166)**

The notes to required supplementary information are an integral part of this schedule.

COST-SHARING MULTIPLE EMPLOYER MISCELLANEOUS PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS [(1)]

	2021	2020	2019	2018	2017	2016	2015
Measurement Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the Net Pension Liability	0.00699%	0.00672%	0.00679%	0.00633%	0.00611%	0.00539%	0.00678%
Proportionate Share of the Net Pension Liability	$ 759,963	$ 688,971	$ 622,418	$ 627,859	$ 528,827	$ 369,954	$ 421,924
Covered Payroll	$ 522,620	$ 458,829	$ 408,643	$ 492,817	$ 465,123	$ 453,661	$ 410,896
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	145.41%	150.16%	152.31%	127.40%	113.70%	81.55%	102.68%
Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.10%	75.30%	75.30%	73.30%	74.10%	78.30%	81.00%

Notes to Schedule of Proportionate Share of the Net Pension Liability:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a Golden Handshakes).

Changes of Assumptions: In 2018, demographic and inflation rate were changes in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

[(1)] Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2014-15 was the first year of implementation, therefore only seven years are shown.

COST-SHARING MULTIPLE EMPLOYER MISCELLANEOUS PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS [1]

	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	$ 92,977	$ 84,285	$ 68,379	$ 54,671	$ 53,328	$ 45,578	$ 34,611
Contribution in Relation to the Actuarially Determined Contribution	(92,977)	(84,285)	(68,379)	(54,671)	(53,328)	(45,578)	(34,611)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 470,458	$ 522,620	$ 458,829	$ 408,643	$ 492,817	$ 465,123	$ 453,661
Contributions as a Percentage of Covered Payroll	19.76%	16.13%	14.90%	13.38%	10.82%	9.80%	7.63%

Notes to Schedule of Plan Contributions:

Valuation Date: June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry Age Normal Cost Method

Amortization method: Level percentage of pay, a summary of the current policy is provided in the table below:

Driver	Source				
	(Gain)/Loss		Assumption/ Method	Benefit Change	Golden Handshake
	Investment	Non-investment			
Amortization Period	30 years	30 Years	20 Years	20 Years	5 Years
- Active Plans	2.750%	2.750%	2.750%	2.750%	2.750%
- Inactive Plans	0%	0%	0%	0%	0%
Ramp Up	5	5	5	0	0
Ramp Down	5	5	5	0	0

Asset valuation method	Direct rate smoothing
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.00% (net of pension plan investment and administrative expenses, includes inflation)
Retirement Age	All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.
Mortality	The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90 percent of Society of Actuaries' Scale 2016. For more details on this table, please refer to the 2017 experience study report.

[1] Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only seven years are shown.

SCHEDULE OF CHANGES IN THE NET OPEB ASSET AND RELATED RATIOS AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS [1]

	2021	2020	2019	2018
Measurement Date	6/30/2021	6/30/2019	6/30/2018	6/30/2017
Total OPEB Liability:				
Service cost	$ 15,232	$ 19,302	$ 18,785	$ 18,282
Interest on the total OPEB liability	25,506	24,323	22,828	20,310
Benefit payments	(18,424)	(18,424)	(18,424)	(17,715)
Expected Minus Actual Benefit Payments	(10,483)	(879)	-	-
Experience (Gains)/Losses	-	(22,094)	-	-
Changes in assumptions	-	22,803	-	-
Net change in total OPEB liability	11,831	25,031	23,189	20,877
Total OPEB liability - beginning	399,235	374,204	351,015	330,138
Total OPEB liability - ending (a)	**411,066**	**399,235**	**374,204**	**351,015**
Plan Fiduciary Net Position:				
Contribution - employer	18,424	18,424	18,424	17,715
Net investment income	40,568	37,919	35,713	37,288
Benefit payments	(18,424)	(18,424)	(18,424)	(17,715)
Administrative expense	(308)	(125)	(1,017)	(449)
Investment Gains/Losses	(6,790)	3,053	(1,742)	-
Other	-	-	542	-
Net change in plan fiduciary net position	33,470	40,847	33,496	36,839
Plan fiduciary net position - beginning	624,277	583,430	549,934	513,095
Plan fiduciary net position - ending (b)	**657,747**	**624,277**	**583,430**	**549,934**
Net OPEB Liability/(Asset) - ending (a) - (b)	**$ (246,681)**	**$ (225,042)**	**$ (209,226)**	**$ (198,919)**
Plan fiduciary net position as a percentage of the total OPEB liability	160.01%	156.37%	155.91%	156.67%
Covered-employee payroll	$ 522,620	$ 458,829	$ 408,643	$ 492,817
Net OPEB asset as a percentage of covered-employee payroll	47.20%	49.05%	51.20%	40.36%

Notes to Schedule of Changes in Net OPEB Asset and Related Ratios:

Changes in assumptions: The mortality assumption was updated from the prior valuation. The mortality assumptions are based on the 2014 CalPERS Active Mortality for Miscellaneous Employees and 2014 CalPERS Retiree Mortality for Miscellaneaous Employees.

[1] Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

CITY OF ROLLING HILLS, CALIFORNIA

SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS [1]

	2021	2020	2019	2018
Actuarially Determined Contribution	$ 18,424	$ 18,424	$ 18,424	$ 17,422
Contribution in Relation to the Actuarially Determined Contributions	(18,424)	(18,424)	(18,424)	(17,422)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 470,458	$ 522,620	$ 458,829	$ 408,643
Contributions as a percentage of covered-employee payroll	3.92%	3.53%	4.02%	4.26%

Notes to Schedule:

Methods and assumptions used to determine contributions:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Valuation Method/Period	Level percent of payroll over a closed rolling 15-year period
Asset Valuation Method	Market value
Inflation	2.75%
Payroll Growth	2.75%
Investment Rate of Return	6.50% per annum
Healthcare cost-trend rates	4.00%
Retirement Age	2014 CalPERS 2.0%@60 Rates for Miscellaneous Employees
Mortality	2014 CalPERS Mortality for Active Miscellaneous Employees

[1] Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Funds			
	Community Facilities Fund	Traffic Safety Fund	Measure R	COPS
Assets:				
Cash and investments	$ 9,209	$ -	$ 106,575	$ 37,902
Total Assets	**$ 9,209**	**$ -**	**$ 106,575**	**$ 37,902**
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ 17,390
Total Liabilities	-	-	-	17,390
Restricted:				
Public safety -police	-	-	-	20,512
Grants - public works	-	-	106,575	-
Capital Projects	-	-	-	-
Quimby Act	9,209	-	-	-
Total Fund Balances	9,209	-	106,575	20,512
Total Liabilities and Fund Balance	**$ 9,209**	**$ -**	**$ 106,575**	**$ 37,902**

CITY OF ROLLING HILLS, CALIFORNIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Funds			Capital Projects Fund	
	CLEEP	Measure M Local Return	LA County Measure W	Capital Projects Fund	Total Nonmajor Governmental Funds
Assets:					
Cash and investments	$ 12,737	$ 103,249	$ 48,589	$ 203,165	$ 521,426
Total Assets	**$ 12,737**	**$ 103,249**	**$ 48,589**	**$ 203,165**	**$ 521,426**
Liabilities and Fund Balance:					
Liabilities:					
Accounts payable	$ -	$ -	$ -	$ -	$ 17,390
Total Liabilities	-	-	-	-	17,390
Restricted:					
Public safety -police	12,737	-	-	-	33,249
Grants - public works	-	103,249	48,589	-	258,413
Capital Projects	-	-	-	203,165	203,165
Quimby Act	-	-	-	-	9,209
Total Fund Balances	12,737	103,249	48,589	203,165	504,036
Total Liabilities and Fund Balance	**$ 12,737**	**$ 103,249**	**$ 48,589**	**$ 203,165**	**$ 521,426**

CITY OF ROLLING HILLS, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds			
	Community Facilities Fund	Traffic Safety Fund	Measure R	COPS
Revenues:				
Intergovernmental	$ -	$ -	$ 23,714	$ 156,727
Use of money and property	18	-	206	147
Total Revenues	**18**	**-**	**23,920**	**156,874**
Expenditures:				
Current:				
Public safety	-	-	-	176,180
Public works	-	5,460	-	-
Capital outlay	-	-	-	-
Total Expenditures	**-**	**5,460**	**-**	**176,180**
Excess (Deficiency) of Revenues Over (Under) Expenditures	18	(5,460)	23,920	(19,306)
Other Financing Sources:				
Transfers in	-	5,460	-	-
Transfers out	-	-	-	-
Total Other Financing Sources	**-**	**5,460**	**-**	**-**
Net Change in Fund Balance	18	-	23,920	(19,306)
Fund Balance, Beginning of the Year	9,191	-	82,655	39,818
Fund Balance, End of the Year	**$ 9,209**	**$ -**	**$ 106,575**	**$ 20,512**

CITY OF ROLLING HILLS, CALIFORNIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds			Capital Projects Fund	
	CLEEP	Measure M Local Return	LA County Measure W	Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental	$ -	$ 26,869	$ 103,577	$ -	$ 310,887
Use of money and property	28	167	-	-	566
Total Revenues	**28**	**27,036**	**103,577**	**-**	**311,453**
Expenditures:					
Current:					
Public safety	-	-	-	-	176,180
Public works	-	-	45,253	3,040	53,753
Capital outlay	-	-	-	33,560	33,560
Total Expenditures	**-**	**-**	**45,253**	**36,600**	**263,493**
Excess (Deficiency) of Revenues Over (Under) Expenditures	28	27,036	58,324	(36,600)	47,960
Other Financing Sources:					
Transfers in	-	-	-	-	5,460
Transfers out	-	-	(9,735)	-	(9,735)
Total Other Financing Sources	**-**	**-**	**(9,735)**	**-**	**(4,275)**
Net Change in Fund Balance	28	27,036	48,589	(36,600)	43,685
Fund Balance, Beginning of the Year	12,709	76,213	-	239,765	460,351
Fund Balance, End of the Year	**$ 12,737**	**$ 103,249**	**$ 48,589**	**$ 203,165**	**$ 504,036**

CITY OF ROLLING HILLS, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
COMMUNITY FACILITIES FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 9,191	$ 9,191	$ 9,191	$ -
Resources (Inflows):				
Use of money and property	100	100	18	(82)
Transfers in	11,000	11,000	-	(11,000)
Amounts Available for Appropriations	**20,291**	**20,291**	**9,209**	**(11,082)**
Charges to Appropriations (Outflows):				
Recreation	15,000	15,000	-	15,000
Total Charges to Appropriations	**15,000**	**15,000**	**-**	**15,000**
Budgetary Fund Balance, June 30	**$ 5,291**	**$ 5,291**	**$ 9,209**	**$ 3,918**

CITY OF ROLLING HILLS, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
TRAFFIC SAFETY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ -	$ -	$ -	$ -
Resources (Inflows):				
Transfers in	20,000	20,000	5,460	(14,540)
Amounts Available for Appropriations	**20,000**	**20,000**	**5,460**	**(14,540)**
Charges to Appropriations (Outflows):				
Public works	20,000	20,000	5,460	14,540
Total Charges to Appropriations	**20,000**	**20,000**	**5,460**	**14,540**
Budgetary Fund Balance, June 30	**$ -**	**$ -**	**$ -**	**$ -**

CITY OF ROLLING HILLS, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
MEASURE R FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 82,655	$ 82,655	$ 82,655	$ -
Resources (Inflows):				
Intergovernmental	19,500	19,500	23,714	4,214
Use of money and property	900	900	206	(694)
Amounts Available for Appropriations	**103,055**	**103,055**	**106,575**	**3,520**
Budgetary Fund Balance, June 30	**$ 103,055**	**$ 103,055**	**$ 106,575**	**$ 3,520**

CITY OF ROLLING HILLS, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
COPS FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 39,818	$ 39,818	$ 39,818	$ -
Resources (Inflows):				
Intergovernmental	155,000	300	156,727	156,427
Use of money and property	1,500	(2,700)	147	2,847
Amounts Available for Appropriations	**196,318**	**37,418**	**196,692**	**159,274**
Charges to Appropriations (Outflows):				
Public safety	164,898	-	176,180	(176,180)
Total Charges to Appropriations	**164,898**	**-**	**176,180**	**(176,180)**
Budgetary Fund Balance, June 30	**$ 31,420**	**$ 37,418**	**$ 20,512**	**$ (16,906)**

CITY OF ROLLING HILLS, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
CLEEP FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 12,709	$ 12,709	$ 12,709	$ -
Resources (Inflows):				
Use of money and property	300	300	28	(272)
Amounts Available for Appropriations	**13,009**	**13,009**	**12,737**	**(272)**
Charges to Appropriations (Outflows):				
Public safety	2,700	2,700	-	2,700
Total Charges to Appropriations	**2,700**	**2,700**	**-**	**2,700**
Budgetary Fund Balance, June 30	**$ 10,309**	**$ 10,309**	**$ 12,737**	**$ 2,428**

BUDGETARY COMPARISON SCHEDULE
MEASURE M LOCAL RETURN FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 76,213	$ 76,213	$ 76,213	$ -
Resources (Inflows):				
Intergovernmental	22,100	22,100	26,869	4,769
Use of money and property	600	600	167	(433)
Amounts Available for Appropriations	**98,913**	**98,913**	**103,249**	**4,336**
Budgetary Fund Balance, June 30	**$ 98,913**	**$ 98,913**	**$ 103,249**	**$ 4,336**

CITY OF ROLLING HILLS, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
LA COUNTY MEASURE W FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ -	$ -	$ -	$ -
Resources (Inflows):				
Intergovernmental	110,000	110,000	103,577	(6,423)
Use of money and property	900	900	-	(900)
Amounts Available for Appropriations	**110,900**	**110,900**	**103,577**	**(7,323)**
Charges to Appropriations (Outflows):				
Public works	38,750	38,750	45,253	(6,503)
Transfers out	-	-	9,735	(9,735)
Total Charges to Appropriations	**38,750**	**38,750**	**54,988**	**(16,238)**
Budgetary Fund Balance, June 30	**$ 72,150**	**$ 72,150**	**$ 48,589**	**$ (23,561)**

CITY OF ROLLING HILLS, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
UNDERGROUND UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 1,430,345	$ 1,430,345	$ 1,430,345	$ -
Amounts Available for Appropriations	**1,430,345**	**1,430,345**	**1,430,345**	**-**
Charges to Appropriations (Outflows):				
Public works	150,000	150,000	7,120	142,880
Capital outlay	85,000	85,000	39,345	45,655
Total Charges to Appropriations	**235,000**	**235,000**	**46,465**	**188,535**
Budgetary Fund Balance, June 30	**$ 1,195,345**	**$ 1,195,345**	**$ 1,383,880**	**$ 188,535**

CITY OF ROLLING HILLS, CALIFORNIA

BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 239,765	$ 239,765	$ 239,765	$ -
Resources (Inflows):				
Transfers in	89,000	89,000	-	(89,000)
Amounts Available for Appropriations	**328,765**	**328,765**	**239,765**	**(89,000)**
Charges to Appropriations (Outflows):				
Public works	-	-	3,040	(3,040)
Capital outlay	89,000	89,000	33,560	55,440
Total Charges to Appropriations	**89,000**	**89,000**	**36,600**	**52,400**
Budgetary Fund Balance, June 30	**$ 239,765**	**$ 239,765**	**$ 203,165**	**$ (36,600)**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the City Council
City of Rolling Hills, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rolling Hills, California (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Honorable Mayor and Members of the City Council
City of Rolling Hills, California

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lunghard, LLP

Brea, California
April 7, 2022

April 7, 2022

To the Honorable Mayor and Members of the City Council
City of Rolling Hills, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rolling Hills, California (the City) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 7,2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings and Other Issues

Qualitative Aspects of Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2020-2021. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

> Management's estimates of its net pension liability and net other post-employment benefits asset are based on actuarial valuation specialist assumptions. We evaluated the key factors and assumptions used to develop the net pension liability and net other post-employment benefits asset in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Significant Unusual Transactions

Management is responsible for the policies and practices used to account for significant unusual transactions. No significant unusual transactions have occurred during fiscal year 2020-2021.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

To the Honorable Mayor and Members of the City Council
City of Rolling Hills, California

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. These differences are described below. In addition, none of the misstatements detected as a result of our audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

Unadjusted Audit Differences	Cause	Current Year Over (Under) Revenues and Expenditures/Expenses and Changes in Fund Balance/Equity
Accured payroll	Accrued payroll was not recorded	$ (19,069)
Cumulative effect (before effect of prior year differences)		(19,069)
Effect of unadjusted audit difference - prior year		-
Cumulative effect (after effect of prior year differences)		$ (19,069)

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Circumstances that Affect the Form and Content of the Auditor's Report

New auditing standards were implemented in fiscal year 2020-2021 related to Statement of Auditing Standards 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*, through Statement of Auditing Standards 140, *Supplementary Information in Relation to the Financial Statements as a Whole*. These standards updated the form and content of the financial statement auditor's report. The purpose of the change was to present an easier format for users to understand the results of the audit and management's responsibilities.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 7, 2022.

To the Honorable Mayor and Members of the City Council
City of Rolling Hills, California

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues Discussed with Management

We generally discuss a variety of matters, including the significant events or transactions that occurred during the year, business conditions affecting the City and business plans and strategies that may affect the risks of material misstatements, the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management discussion and analysis, the budgetary comparison schedule for the General Fund, the schedule of proportionate share of the net pension liability, the schedule of plan contributions – miscellaneous, the schedule of changes in net OPEB asset and related ratio, and the schedule of plan contributions – OPEB, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual non major fund financial statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2020-2021 audit:

GASB Statement No. 84, *Fiduciary Activities.*

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statement Nos. 14 and 61.*

GASB Statement No. 98, *the Annual Comprehensive Financial Report.*

To the Honorable Mayor and Members of the City Council
City of Rolling Hills, California

The following GASB pronouncements are effective in the following fiscal years' audits and should be reviewed for proper implementation by management:

Fiscal year 2022

GASB Statement No. 87, *Leases.*

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.*

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.*

Fiscal year 2023

GASB Statement No. 91, *Conduit Debt Obligations.*

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangement.*

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.*

Restriction on Use

This information is intended solely for the use of City Council and management of the City of Rolling Hills and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lance, Soll & Lunghard, LLP

Brea, California

City of Rolling Hills INCORPORATED JANUARY 24, 1957

Agenda Item No.: 1.B
Mtg. Date: 04/11/2022

TO:	**HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**
FROM:	**JOHN SIGNO, DIRECTOR OF PLANNING & COMMUNITY SERVICES**
THRU:	**ELAINE JENG P.E., CITY MANAGER**
SUBJECT:	**REVIEW PERSONNEL COST IMPACTS FROM OUTSOURCING CODE ENFORCEMENT TO CONTRACT SERVICES, AND RECLASSIFY THE CODE ENFORCEMENT OFFICER POSITION TO A PLANNER POSITION.**
DATE:	**April 11, 2022**

BACKGROUND:
The Planning and Community Services Department operates to provide development services and code enforcement for the City of Rolling Hills. The Director of the department resigned in October 2021. A new director was hired in late November 2022. The previous Code Enforcement Officer left the City at the end of 2021. Staff hired a part-time contract planner from Michael Baker International from mid-January to late-March 2022, and has had a part-time contract code enforcement officer from Willdan Engineering since the beginning of March 2022. However, staff finds there is a need to hire a full-time planner to handle development applications and to assist the code enforcement officer with enforcement cases.

DISCUSSION:
Over the past few years, the City has taken a more proactive approach to the dead vegetation ordinance enforcement. Eventually, a full-time code enforcement officer position was created in 2019. Although this benefits the City in terms of code enforcement and bringing issues into compliance, staff found majority of the time, the Code Enforcement Officer was working on zoning and building code violations that require extensive coordination with a planner, and the building department.

More recently, staff has found that a part-time code enforcement officer through contract services is a more effective way to provide code enforcement services. This is because the officer is properly trained through a reputable company that specializes in providing code enforcement services and has the resources through the company to deal with difficult or unexpected situations. It is in the best interest of the code enforcement officer to maintain the company's reputation in providing a high standard of service. Furthermore, a part-time code enforcement officer saves the City in salary costs through reduced hours, and the City does not bear the cost of having to pay for long-term pension benefits.

As such, it is staff's recommendation that the full-time code enforcement officer position be reclassified as a planner position and the City retain a contract for code enforcement services through a professional services agreement. This benefits the City by improving services in both planning and code enforcement. Additionally, the planner would assist in code enforcement complaints to bring properties up to code compliance.

Cost Comparison
Staff did a salary comparison of other jurisdictions to see how much a planner makes and found the median salary range to be around $76,000 to $98,000 per year. Table 1 lists the salaries for these jurisdictions.

Table 1 - Planner Salaries from Other Jurisdictions

Jurisdiction	Position	Yr. Low	Yr. High	Mo. Low	Mo. High
Manhattan Beach	Sr. Planner	$105,900	$138,936	$8,825	$11,578
RHE	Associate Planner	$74,784	$112,164	$6,232	$9,347
Lawndale	Associate Planner	$84,468	$102,672	$7,039	$8,556
Pico Rivera	Planner	$73,692	$101,700	$6,141	$8,475
Carson	Associate Planner	$78,828	$100,608	$6,569	$8,384
PVE	Planner	$77,616	$99,228	$6,468	$8,269
Orange	Associate Planner	$76,452	$98,040	$6,371	$8,170
LA County	Regional Planner	$75,672	$96,588	$6,306	$8,049
Newport Beach	Assistant Planner	$68,386	$96,310	$5,699	$8,026
Torrance	Planning Associate	$74,194	$92,539	$6,183	$7,712
RPV	Assistant Planner	$70,571	$91,659	$5,881	$7,638
Redondo Beach	Assistant Planner	$66,984	$86,544	$5,582	$7,212
Arcadia	Assistant Planner	$65,772	$82,116	$5,481	$6,843
Lomita	Assistant Planner	$61,980	$77,004	$5,165	$6,417

Planning & Development Budget
For Fiscal Year (FY) 21-22, the Planning & Development budget for salaries was $237,200. The budget also included $180,000 for special project study & consulting which mostly covered the General Plan updates, environmental review, and special projects. Since the Safety Element and negative declaration have been adopted, and the Housing Element is expected to be adopted soon, the budget for special project study can be reduced and transferred to staff salaries to cover costs for the full-time planner. The part-time code enforcement officer will be funded through the budget for consulting. The full-time planner would be funded through staff salaries with an amount of $98,000.

Table 2 - Planning & Development Proposed Salaries

Budget Item	Director	PT Ad. Clerk	Planner	PT CE Officer (contract)	TOTAL
Staff Salaries	138,400.00	25,688.00	98,000.00		262,088.00
Consulting				54,080.00	54,080.00
					316,168.00

The total for salaries and special projects/consulting for the proposed budget for FY 22-23 will stay the same as the previous year as shown in Table 3. However, by increasing the salary budget (Item 702), the City will be able to hire a full-time planner. The budget for special projects and consulting (Item 884) will be reduced but still be able to fund contract services for a part-time code enforcement officer. It should be noted that pensions and other benefits are not provided for contract services which can save the City in the long run.

Table 3 - Budget for Adopted FY 21-22 & Proposed FY 22-23

		Adopted FY 21-22 Budget	**Proposed FY 22-23 Budget**	**%Change**
15- PLANNING & DEVELOPMENT				
702	Salaries	237,200.00	262,200.00	10%
884	Spec. Proj. Study & Consulting	180,000.00	155,000.00	-14%
	TOTAL	417,200.00	417,200.00	

Responsibilities

The responsibilities of a full-time planner include:

- Reviewing and processing residential development applications for compliance with the Municipal Code
- Processing view preservation applications
- Handling code enforcement complaints, field investigations, and code compliance
- Preparing staff reports to the Planning Commission, Traffic Commission, and City Council
- Preparing environmental assessment reports pursuant to the California Environmental Quality Act (CEQA) Guidelines
- Providing information to public on planning and zoning issues
- Assisting in preparing and updating ordinances and resolutions
- Working with consultants on special projects
- Conducting studies and research
- Tactfully responding to and resolving difficult and sensitive inquiries and complaints
- Handling other tasks such as storm water management, solid waste issues, and public works projects

The responsibilities for the part-time code enforcement officer include:

- Investigating complaints from the public and staff regarding violations of the municipal codes, ordinances, standards and health and safety regulations
- Initiating contact with residents, business representatives, and other parties to explain the nature of the violations and encourage compliance with municipal codes, zoning and land use ordinances, and community standards
- Preparing notices of violation for noncompliance according to applicable codes and regulations
- Preparing reports for cases requiring legal action or civil abatement
- Meeting with legal counsel and providing testimony on criminal cases when required
- Maintaining records of complaints, inspections, violation notices, and other field

enforcement activities
- Coordinating with City departments on cases as they relate to code enforcement

FISCAL IMPACT:
The total budget for salaries (Item 702) and special project study & consulting (Item 884) would not change from FY 21-22.

RECOMMENDATION:
Approve as presented.

ATTACHMENTS: