



CPAs AND ADVISORS

# CITY OF HIDDEN HILLS, CALIFORNIA

FOR THE FISCAL YEARS ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

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CITY OF HIDDEN HILLS, CALIFORNIA  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019

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CITY OF HIDDEN HILLS

JUNE 30, 2019

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Hidden Hills, California, (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Hidden Hills, California, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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.





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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2019 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 & Lingham, LLP*

Brea, California  
October 23, 2019

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CITY OF HIDDEN HILLS

As management of Hidden Hills, we offer readers of the Hidden Hills financial statements this narrative overview and analysis of the financial activities of the City of Hidden Hills for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in audited financial statements.

### Financial Highlights

- The City's net position increased by \$1,285,883, excluding restatement.
- The general revenues were \$2,483,632 and overall revenues were \$4,163,246.
- The cost of governmental activities was \$2,877,363.
- Total Governmental Funds reported revenues in excess of expenditures of \$826,892.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Hidden Hills' basic financial statements. The Hidden Hills basic financial statements comprise 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 Hidden Hills finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Hidden Hills assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Hidden Hills is improving or deteriorating. In the past several years, the City's financial position has continued to improve.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Hidden Hills that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Hidden Hills include general government, public safety, public works, and parks and recreation.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hidden Hills, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Hidden Hills can be combined into one category: governmental funds.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CITY OF HIDDEN HILLS

(Continued)

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

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

The City of Hidden Hills maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and Measure R fund, the Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City Hidden Hills adopts an annual appropriated budget for it general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**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 statement.

**Combining Statements.** The combining statements referred to earlier in connection with non-major governmental are presented immediately following the notes.

### **Government-Wide Financial Analysis.**

Our analysis focuses on the net position and changes in net position of the City's governmental activities.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CITY OF HIDDEN HILLS

(Continued)

### City of Hidden Hills Net Position

#### Government Activities

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 11,742,059	\$ 10,319,162
Capital assets	3,410,161	3,028,754
Total assets	<u>15,152,220</u>	<u>13,347,916</u>
Deferred Outflows of Resources	<u>176,140</u>	<u>164,740</u>
Long term debt outstanding	930,526	888,893
Other Liabilities	1,755,216	1,264,829
Total liabilities	<u>2,685,742</u>	<u>2,153,722</u>
Deferred Inflows of Resources	<u>75,433</u>	<u>77,632</u>
Net position:		
Invested in capital assets, net of debt	3,410,161	3,028,754
Restricted	861,757	970,899
Unrestricted	8,295,267	7,281,649
Total net position	<u>\$ 12,567,185</u>	<u>\$ 11,281,302</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CITY OF HIDDEN HILLS

(Continued)

The City's net position from governmental activities increased to \$12,567,185. This is an increase of \$1,285,883. The following is an explanation of the major changes.

- Normal operating revenues increased by \$546,901 for property taxes and investment revenue increased by \$376,668.
- Expenditures were basically the same as in the previous year.
- Capital assets increased to \$381,407 net of depreciation after a restatement in fiscal year 2018 of \$157,686 (see note 12 to financial statements), as follows:

### City of Hidden Hills Asset Type

	<u>2019</u>	<u>2018</u>
Land	\$ 2,012,764	\$ 2,012,764
Construction-in-progress	339,530	157,686
Buildings and Improvements	316,521	316,521
Furniture and Equipment	756,277	473,780
Infrastructure	1,205,559	1,205,559
Less Accumulated Depreciation	<u>(1,220,490)</u>	<u>(1,137,556)</u>
Capital asset net increase	<u>\$ 3,410,161</u>	<u>\$ 3,028,754</u>

- The City of Hidden Hills uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CITY OF HIDDEN HILLS

(Continued)

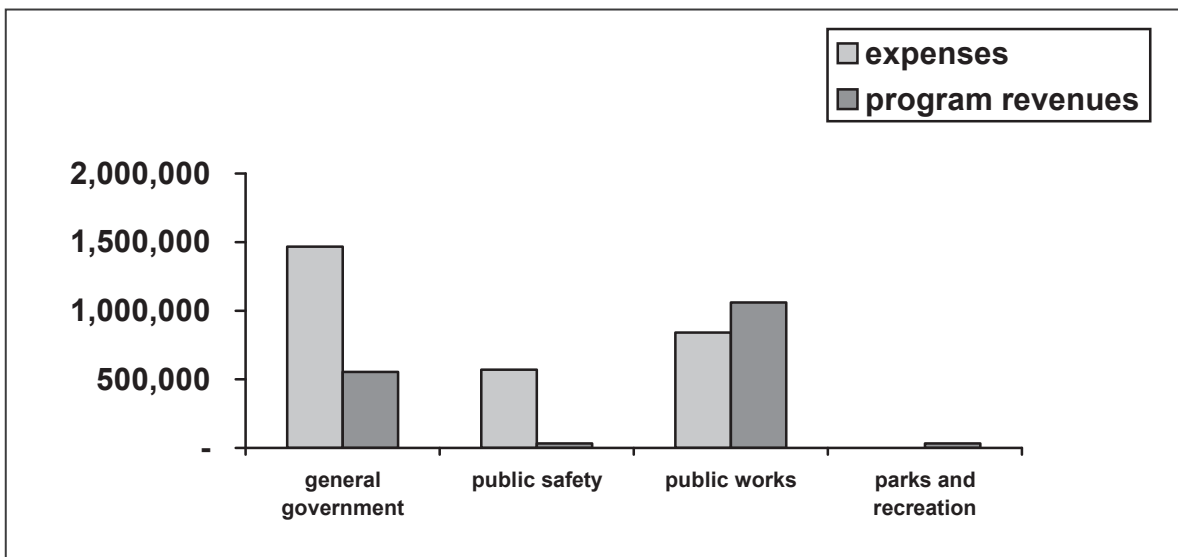
**Government Activities.** Governmental activities increased the City of Hidden Hill's net position by \$1,285,883. Key elements of the increase are as follows:

### City of Hidden Hills Changes in Net Position

	Governmental Activities	
	2019	2018
Revenues		
Program revenues:		
Charges for services	\$ 1,108,532	\$ 1,258,093
Operating contributions and grants	571,082	2,229,854
General revenues:		
Taxes:		
Property taxes	1,868,985	1,303,725
Sales taxes	34,472	49,171
Franchise taxes	68,850	72,194
Business License Tax	56,993	57,309
Motor vehicle in lieu	908	992
Investment income	435,601	58,933
Other	17,823	24,289
Total revenues	4,163,246	5,054,560
Expenses		
General government	1,466,603	953,397
Public safety	571,383	520,931
Public works	839,377	782,191
Total expenses	2,877,363	2,256,519
Increase in net position	\$ 1,285,883	\$ 2,798,041

### City of Hidden Hills Government Activities

#### Expense and Program Revenues

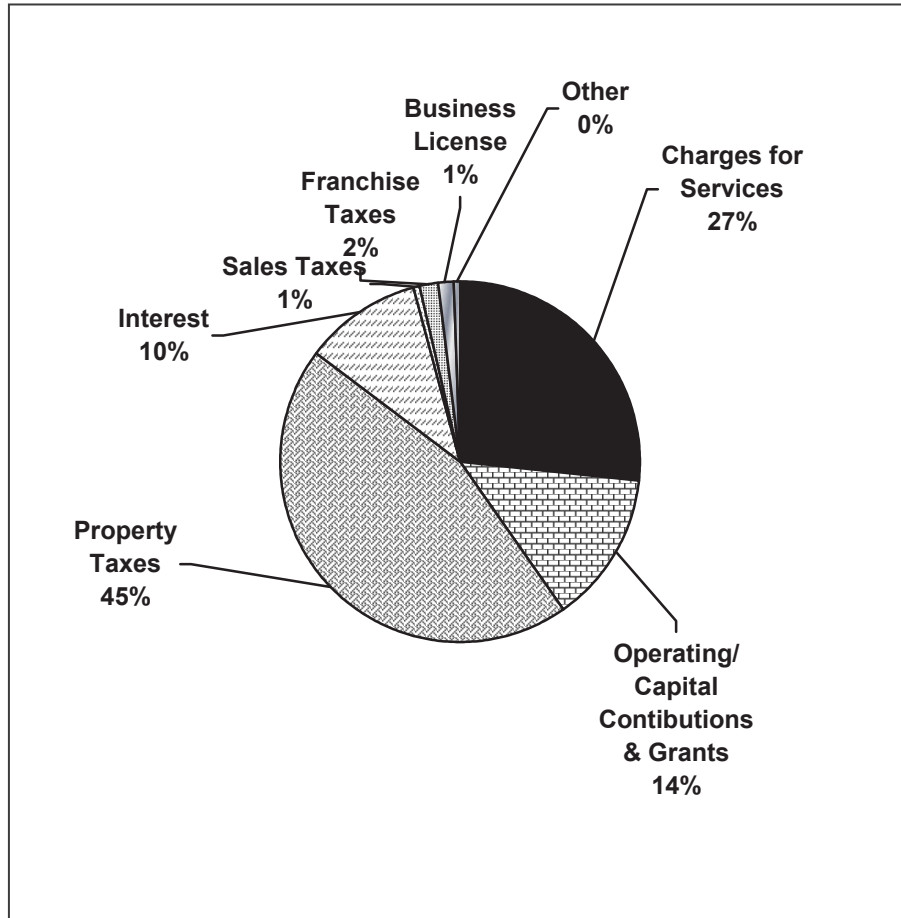


MANAGEMENT’S DISCUSSION AND ANALYSIS

CITY OF HIDDEN HILLS

(Continued)

**City of Hidden Hills Government Activities – Revenue by Source**



The City’s total revenues are \$4,163,246 while the costs of all programs and services are \$2,877,363. Charges for services decreased from \$1,258,093 to \$1,108,532 because of decrease building activity permitted during the current year. Most of the tax categories increased slightly due an increase in property and sales activity.

The following presents the cost of each of the City’s programs—general government, public safety, public works and parks and recreation, as well as each program’s *net* cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City’s taxpayers by each of these functions.

**City of Hidden Hills Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
General government	\$ 1,466,603	\$ 953,397	\$ (912,883)	\$ 1,284,318
Public safety	571,383	520,931	(538,230)	(514,171)
Parks and recreation	-	-	32,443	32,846
Public works	839,377	782,191	220,921	428,435
<b>Totals</b>	<b>\$ 2,877,363</b>	<b>\$ 2,256,519</b>	<b>\$ (1,197,749)</b>	<b>\$ 1,231,428</b>



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CITY OF HIDDEN HILLS

- The net cost of services indicates that the overall cost of government is less than the revenues generated to support it. The City is not fully recovering the cost of regular services with program revenues from user fees and other contributions. See the Statement of Activities for further detail on program revenues and general revenues.

### **Financial Analysis of the City's Funds**

The City of Hidden Hills uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Hidden Hills governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Hidden Hills's financing requirements. In particular, unreserved 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 the current fiscal year, the City of Hidden Hills governmental funds reported combined ending fund balances of \$10,007,105 and the General Fund reported an unassigned fund balance of \$8,740,490.

The general fund is the chief operating fund of Hidden Hills. At the end of the current fiscal year, excluding operating transfers, the General Fund had revenues in excess of expenditures of \$826,892.

### **General Fund Budgetary Highlights**

The final appropriations for the General Fund at year-end were \$943,590 more than the final revenue budget before transfers because of increased tax revenue and charges for services. The actual expenditures were over the appropriations by \$4,877 with additional Public Works expenditures being \$86,175 higher than expected and other expenditures being lower than budgeted. Actual revenues and expenditures combined resulted in a positive variance to the budget of \$1,005,558. No budget amendments were made to revenues and some budgeted expenditures were increased during the year. The ending result for the City was revenues exceeding expenditures for the year and expenditures being slightly higher than the amended budget.

### **Contacting The City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department, at the City of Hidden Hills, 6165 Spring Valley Road, Hidden Hills, California 91302.

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CITY OF HIDDEN HILLS

STATEMENT OF NET POSITION  
 JUNE 30, 2019

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 11,400,506
Receivables:	
Accounts	220,597
Taxes	38,414
Accrued interest	18,829
Prepaid costs	63,713
Capital assets not being depreciated	2,352,294
Capital assets, net of depreciation	<u>1,057,867</u>
<b>Total Assets</b>	<b><u>15,152,220</u></b>
<b>Deferred Outflows of Resources:</b>	
Deferred pension related items	142,999
Deferred OPEB related items	<u>33,141</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>176,140</u></b>
<b>Liabilities:</b>	
Accounts payable	441,426
Deposits payable	1,293,528
Compensated Absences - current	20,262
Noncurrent liabilities:	
Total OPEB liability	483,671
Net pension liability	<u>446,855</u>
<b>Total Liabilities</b>	<b><u>2,685,742</u></b>
<b>Deferred Inflows of Resources:</b>	
Deferred pension related items	<u>75,433</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>75,433</u></b>
<b>Net Position:</b>	
Investment in capital assets	3,410,161
Restricted for:	
Community development projects	951
Public safety	42,613
Public works	818,193
Unrestricted	<u>8,295,267</u>
<b>Total Net Position</b>	<b><u>\$ 12,567,185</u></b>

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CITY OF HIDDEN HILLS

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Contributions and Grants	
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 1,466,603	\$ 7,651	\$ 546,069	\$ -
Public safety	571,383	8,140	25,013	-
Parks and recreation	-	32,443	-	-
Public works	839,377	1,060,298	-	-
<b>Total Governmental Activities</b>	<b>2,877,363</b>	<b>1,108,532</b>	<b>571,082</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 2,877,363</b>	<b>\$ 1,108,532</b>	<b>\$ 571,082</b>	<b>\$ -</b>
<b>General Revenues:</b>				
Taxes:				
Property taxes, levied for general purpose				1,868,985
Sales taxes				34,472
Franchise taxes				68,850
Business licenses taxes				56,993
Motor vehicle in lieu - unrestricted				908
Use of money and property				435,601
Other				17,823
<b>Total General Revenues</b>				<b>2,483,632</b>
Change in Net Position				1,285,883
Net Position at Beginning of Year, as previously stated				11,123,616
Restatement of Net Position				157,686
<b>Net Position at End of Year</b>				<b>\$ 12,567,185</b>

CITY OF HIDDEN HILLS

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and investments	\$ 11,186,050	\$ 214,456	\$ 11,400,506
Receivables:			
Accounts	74,480	146,117	220,597
Taxes	38,414	-	38,414
Accrued interest	18,829	-	18,829
Prepaid costs	63,713	-	63,713
Due from other funds	136,744	644,876	781,620
<b>Total Assets</b>	<b><u>\$ 11,518,230</u></b>	<b><u>\$ 1,005,449</u></b>	<b><u>\$ 12,523,679</u></b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 431,678	\$ 9,748	\$ 441,426
Deposits payable	1,293,528	-	1,293,528
Due to other funds	644,876	136,744	781,620
<b>Total Liabilities</b>	<b><u>2,370,082</u></b>	<b><u>146,492</u></b>	<b><u>2,516,574</u></b>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Prepaid costs	63,713	-	63,713
<b>Restricted for:</b>			
Community development projects	-	951	951
Public safety	-	42,613	42,613
Public works	-	818,193	818,193
<b>Assigned to:</b>			
Underground utilities	343,945	-	343,945
<b>Unassigned</b>	<b><u>8,740,490</u></b>	<b><u>(2,800)</u></b>	<b><u>8,737,690</u></b>
<b>Total Fund Balances</b>	<b><u>9,148,148</u></b>	<b><u>858,957</u></b>	<b><u>10,007,105</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 11,518,230</u></b>	<b><u>\$ 1,005,449</u></b>	<b><u>\$ 12,523,679</u></b>

CITY OF HIDDEN HILLS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019

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Fund balances of governmental funds \$ 10,007,105

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

Capital assets net of depreciation have not been included as financial resources in governmental fund activity. 3,410,161

Deferred outflows related to pensions:

Contributions made subsequent to measurement date	39,140
Changes in assumptions	65,005
Differences between expected and actual experiences	21,878
Net differences between projected and actual earnings on plan investments	2,819
Adjustment due to differences in proportions	14,157

Deferred outflows related to OPEB:

Changes in assumptions	33,141
------------------------	--------

Long-term debt are not due and payable in the current period and, therefore, are not reported in the governmental fund activity:

Compensated absences	(20,262)
Total OPEB liability	(483,671)
Net pension liability	(446,855)

Deferred inflows related to pensions:

Differences between expected and actual experiences	(7,445)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	(50,723)
Changes in assumptions	(15,932)
Adjustment due to differences in proportions	(1,333)

**Net Position of Governmental Activities** \$ 12,567,185

CITY OF HIDDEN HILLS

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ 2,029,300	\$ -	\$ 2,029,300
Licenses and permits	16,984	-	16,984
Intergovernmental	25,921	546,069	571,990
Charges for services	1,108,532	-	1,108,532
Use of money and property	420,514	15,087	435,601
Miscellaneous	839	-	839
<b>Total Revenues</b>	<b><u>3,602,090</u></b>	<b><u>561,156</u></b>	<b><u>4,163,246</u></b>
<b>Expenditures:</b>			
Current:			
General government	1,219,440	122,436	1,341,876
Public safety	571,383	-	571,383
Public works	824,275	15,102	839,377
Capital outlay	160,100	318,007	478,107
<b>Total Expenditures</b>	<b><u>2,775,198</u></b>	<b><u>455,545</u></b>	<b><u>3,230,743</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	826,892	105,611	932,503
<b>Other Financing Sources (Uses):</b>			
Transfers in	220,691	3,138	223,829
Transfers out	<u>(3,138)</u>	<u>(220,691)</u>	<u>(223,829)</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>217,553</u></b>	<b><u>(217,553)</u></b>	<b><u>-</u></b>
Net Change in Fund Balances	1,044,445	(111,942)	932,503
Fund Balances, Beginning of Year	<u>8,103,703</u>	<u>970,899</u>	<u>9,074,602</u>
<b>Fund Balances, End of Year</b>	<b><u><u>\$ 9,148,148</u></u></b>	<b><u><u>\$ 858,957</u></u></b>	<b><u><u>\$ 10,007,105</u></u></b>



CITY OF HIDDEN HILLS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

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Net change in fund balances - total governmental funds \$ 932,503

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

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

Capital outlay	477,359
Depreciation	(95,952)

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.

7

OPEB 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.

(23,434)

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.

(4,600)

**Change in Net Position of Governmental Activities**

**\$ 1,285,883**

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**I. SIGNIFICANT ACCOUNTING POLICIES**

**Note 1: Summary of Significant Accounting Policies**

**a. Description of the Reporting Entity**

The City of Hidden Hills, California (the City), was incorporated on October 19, 1961, under the laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. The City is governed by an elected five-member board. As required by generally accepted accounting principles, these financial statements present the City of Hidden Hills (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be incomplete. Under this definition, it is determined that there are no component units for this reporting entity, and these financial statements present the financial reporting entity that consisted solely of the City of Hidden Hills as the primary government.

**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 nonfiduciary 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 are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 fiduciary funds, even though the latter are excluded from the government-wide financial statements. The fiduciary funds are reported on the accrual basis of accounting. Major individual governmental funds are reported as separate columns in the fund financial statements. As of June 30, 2019, the City does not have any fiduciary funds.

**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. 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.

**Note 1: Summary of Significant Accounting Policies (Continued)**

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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

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

The City also reports special revenue funds to account for and report the proceeds of specific revenue sources that are restricted for specified purposes.

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

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

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For financial statement presentation purposes, cash and cash equivalents are shown as both restricted and unrestricted cash and investments in the Governmental Funds.

Investments for the City are reported at fair value. The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**2. 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."

**Note 1: Summary of Significant Accounting Policies (Continued)**

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property tax revenue is recognized on the modified accrual basis, that is, in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter 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 A.M. on the first day in January preceding 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<sup>st</sup> to June 30<sup>th</sup>. All secured personal property taxes and one-half of the taxes on real property are due November 1<sup>st</sup>; the second installment is due February 1<sup>st</sup>. All taxes are delinquent, if unpaid, on December 10<sup>th</sup> and April 10<sup>th</sup>, respectively. Unsecured personal property taxes become due on March 1<sup>st</sup> of each year and are delinquent, if unpaid, on August 31<sup>st</sup>.

3. Prepaid Costs and Deposits

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

4. 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 column in the government-wide financial statements. Capital assets other than infrastructure assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Infrastructure assets have a capitalization threshold of \$25,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

In accordance with GASB Statement No. 34, the City has reported general infrastructure assets acquired from 1999 to present. As permitted under GASB Statement No. 34, the City will not report any infrastructure assets acquired prior to 1999 retroactively.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

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**Note 1: Summary of Significant Accounting Policies (Continued)**

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

Assets	Years
Building and improvements	25 - 50
Furniture, fixtures and equipment	7
Infrastructure	20

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category, the deferred outflows relating to the net pension obligation reported in the government-wide statement of net position. These outflows are the results of contributions made after the measurement period, which are expensed in the following year, differences between expected and actual experiences, adjustments due to differences in proportion and the difference between actual contributions made and the proportionate share of the risk pool's total contributions. These amounts are deferred and amortized over the expected average remaining service lifetime.

In addition to liabilities, the statement of financial position 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 City has one item that qualifies for reporting in this category which are deferred inflows relating to the net pension obligation reported in the government-wide statement of net position. These inflows are the result of the net difference between projected and actual earnings on pension plan investments, adjustments due to differences in proportion, changes in assumptions and the difference between actual contributions made and the proportionate share of the risk pool's total contributions. These amounts are deferred and amortized over the expected average remaining service lifetime, with the exception of the net difference between projects and actual earnings on pension plan investments, which is amortized straight-line over a five-year period.

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

**Note 1: Summary of Significant Accounting Policies (Continued)**

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARL) (8.4 years at June 30, 2019)

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits.

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Normally, an employee cannot accrue more than his regular annual entitlement. Payment for vacation not taken is payable at the end of the cumulative time.

Sick leave is payable when an employee is unable to work because of illness. Upon termination, an employee will be paid for one-half of any unused sick leave.

All vacation and sick leave pay is accrued when incurred in the government-wide statements. Compensated absences are paid, if matured, out of the general fund.

7. Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. 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.

8. Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and the OPEB expense 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.

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	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

**Note 1: Summary of Significant Accounting Policies (Continued)**

9. Fund Balance

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

Nonspendable 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 includes 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 includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest authority, the City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is through a resolution or ordinance.

Assigned includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed.

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

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

10. Fund Balance Flow Assumptions

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

11. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide, 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.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

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**Note 1: Summary of Significant Accounting Policies (Continued)**

12. New Accounting Pronouncements

During the fiscal year ended June 30, 2019, the City implemented the following GASB standards:

***GASB Statement No. 88 – Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.*** The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that previously had not been consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will now be disclosed. As a result, users will have better information to understand the effects of debt on the City’s future resource flows.

**II. DETAILED NOTES ON ALL FUNDS**

**Note 2: Cash and Investments**

Cash and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 11,400,506
Total Cash and investments	<u>\$ 11,400,506</u>

Cash and investments as of June 30, 2019, consist of the following:

Cash on hand	\$ 649,085
Investments	<u>10,751,421</u>
Total cash and investments	<u>\$ 11,400,506</u>

The City of Hidden Hills maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy which authorizes it to invest in various investments.

Deposits

At June 30, 2019, the carrying amount of the City’s deposits was \$649,085 and the bank balance was \$832,158. The \$183,073 difference represents deposits in transit and other reconciling items.

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

CITY OF HIDDEN HILLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

**Note 2: Cash and Investments (Continued)**

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.

Investments

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

- Securities of the U.S. Government, or its agencies
- Negotiable Certificates of Deposit (CDs) or Non-negotiable, FDIC-insured CDs or Time Deposits
- Local Agency Investment Funds (LAIF)
- Repurchase Agreements (Repos)
- Passbook accounts
- Money Market Mutual Funds

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.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity.

Investment Type	Total	Remaining Maturity (in Months)			
		6 months or less	6 months to 1 year	1 year to 3 years	3 years to 5 years
U.S. Agency Securities	\$ 79,866	\$ -	\$ -	\$ 79,866	\$ -
Medium-term notes	1,465,900	249,948	-	627,797	588,155
Registered Treasury Notes or Bonds of Any Other 49 States	6,185,511	797,143	640,027	1,779,504	2,968,837
Local Agency Investment Fund (LAIF)	3,020,144	3,020,144	-	-	-
<b>Total</b>	<b>\$ 10,751,421</b>	<b>\$ 4,067,235</b>	<b>\$ 640,027</b>	<b>\$ 2,487,167</b>	<b>\$ 3,556,992</b>

**CITY OF HIDDEN HILLS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019**

**Note 2: Cash and Investments (Continued)**

Credit Risk

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

Investment Type	Minimum Legal Rating	Total	Remaining as of Year End				
			AAA	AA- to AA+	A- to A+	BBB+	Unrated
U.S. Agency Securities	N/A	\$ 79,866	\$ -	\$ 79,866	\$ -	\$ -	\$ -
Medium-term notes	A	1,465,900	-	-	953,380	512,520	*
Registered Treasury Notes or Bonds of Any Other 49 States	N/A	6,185,511	389,120	4,034,357	959,635	-	802,399
Local Agency Investment Fund (LAIF)	N/A	3,020,144	-	-	-	-	3,020,144
Total		<u>\$ 10,751,421</u>	<u>\$ 389,120</u>	<u>\$ 4,114,223</u>	<u>\$ 1,913,015</u>	<u>\$ 512,520</u>	<u>\$ 3,822,543</u>

\*The City current holds two corporate bonds and one municipal bond, which as of June 30, 2019, were rated below the minimum legal rating of A.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the City. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured City deposits. Investments held by a bond trustee are selected under the terms of the applicable trust agreement. The trustee acquires the investment and holds the investment on behalf of the reporting government.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond what is stipulated by the California Government Code. The City did not have any investments in any one issuer (other than Certificates of Deposit, mutual funds, and external investment pools) that represents 5% or more of total City investments.

CITY OF HIDDEN HILLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

**Note 2: Cash and Investments (Continued)**

Investment 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. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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. The City has the following recurring fair value measurements as of June 30, 2019:

Investment Type	Totals	Level			Unrated
		1	2	3	
U.S. Agency Securities	\$ 79,866	\$ 79,866	\$ -	\$ -	\$ -
Medium-term notes	1,465,900	-	1,465,900	-	-
Registered Treasury Notes or Bonds of Any Other 49 States	6,185,511	-	6,185,511	-	-
Local Agency Investment Fund (LAIF)	3,020,144	-	-	-	3,020,144
<b>Total Investments</b>	<b>\$ 10,751,421</b>	<b>\$ 79,866</b>	<b>\$ 7,651,411</b>	<b>\$ -</b>	<b>\$ 3,020,144</b>

Deposits and Federal Agency Securities, Local Agency Investment Funds, Certificates of Deposit, Obligations of the State or California or any local agency, and Registered Treasury Notes or Bonds of any other 49 States are classified in Level 2 of the fair value hierarchy are value using institutional bond quotes or specified fair market value factors.

**CITY OF HIDDEN HILLS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019**

**Note 3: Capital Assets**

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Adjustments *	Adjusted Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:						
Capital assets, not being depreciated:						
Land	\$ 2,012,764	\$ -	\$ 2,012,764	\$ -	\$ -	\$ 2,012,764
Construction-in-progress	-	157,686	157,686	181,844	-	339,530
Total Capital Assets, Not Being Depreciated	<u>2,012,764</u>	<u>157,686</u>	<u>2,170,450</u>	<u>181,844</u>	<u>-</u>	<u>2,352,294</u>
Capital assets, being depreciated:						
Buildings and improvements	316,521	-	316,521	-	-	316,521
Furniture, fixtures & equipment	473,780	-	473,780	295,515	13,018	756,277
Infrastructure	1,205,559	-	1,205,559	-	-	1,205,559
Total Capital Assets, Being Depreciated	<u>1,995,860</u>	<u>-</u>	<u>1,995,860</u>	<u>295,515</u>	<u>13,018</u>	<u>2,278,357</u>
Less accumulated depreciation						
Buildings and improvements	182,977	-	182,977	5,342	-	188,319
Furniture, fixtures & equipment	336,446	-	336,446	30,332	13,018	353,760
Infrastructure	618,133	-	618,133	60,278	-	678,411
Total Accumulated Depreciation	<u>1,137,556</u>	<u>-</u>	<u>1,137,556</u>	<u>95,952</u>	<u>13,018</u>	<u>1,220,490</u>
Total Capital Assets, Being Depreciated, Net	<u>858,304</u>	<u>-</u>	<u>858,304</u>	<u>199,563</u>	<u>-</u>	<u>1,057,867</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,871,068</u>	<u>\$ 157,686</u>	<u>\$ 3,028,754</u>	<u>\$ 381,407</u>	<u>\$ -</u>	<u>\$ 3,410,161</u>

\* Adjustments were to capitalize certain costs related to a prior year. See note 12.

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

Governmental Activities:	
General Government	<u>\$ 95,952</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 95,952</u>

CITY OF HIDDEN HILLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

**Note 4: Compensated Absences**

The following is a schedule of changes in governmental fund compensated absences for the 2 year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Compensated Absences	\$ 20,269	\$ 29,957	\$ 29,964	\$ 20,262	\$ 20,262
Total	\$ 20,269	\$ 29,957	\$ 29,964	\$ 20,262	\$ 20,262

The City's policy relating to compensated absences is described in Note 1 of the Notes to Financial Statements. This liability will be paid in future years from the general fund. The outstanding liability for compensated absences accrued was \$20,269.

**Note 5: Interfund Balances**

**a. Due To/From Other Funds**

As of June 30, 2019, the City had the following due to and from other funds:

Due From Other Funds	Due To Other Funds		Total
	General Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 136,744	\$ 136,744
Nonmajor Governmental Funds	644,876	-	644,876
Total	\$ 644,876	\$ 136,744	\$ 781,620

Due to/from other funds resulted from the General Fund receiving all monies due to the City and disbursing the revenues to the individual funds.

**b. Transfers In/Out**

Transfers in and out for the year ended June 30, 2019, were as follows:

Transfers In	Transfers Out		Total
	General Fund	Nonmajor Governmental	
General Fund	\$ -	\$ 220,691	\$ 220,691
Nonmajor Governmental	3,138	-	3,138
Total	\$ 3,138	\$ 220,691	\$ 223,829

Transfers into the General Fund relate to \$161,251 from the COPS Fund to pay for deputy expenses and \$59,440 from the Gas Tax Fund to pay for school crossing guard expenses. The General Fund transferred \$3,138 to the COPS Fund to assist the LA County Sheriff's Department.

**Note 6: Pension Plan**

**a. General Information about the Pension Plan**

***Plan Description***

All qualified permanent and probationary employees are eligible to participate in the City of Hidden Hills Miscellaneous cost-sharing multiple-employer defined benefit pension plan (the "Plan") administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan 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.

***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.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

Major Benefit Options	Miscellaneous	Miscellaneous PEPRA
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit Provision		
Benefit Formula	2.0% @ 60	2.0% @ 62
Social Security	no	no
Full/Modified	full	full
Benefit vesting schedule	5 yrs service	5 yrs service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Required employee contribution rate	6.912%	6.250%
Required employer contribution rate	7.634%	6.842%

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019**

**Note 6: Pension Plan (Continued)*****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. The 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2019, the contributions recognized as a reduction to net pension liability for the Plan was \$34,791.

**b. Pension Liabilities, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2019, the City reported a net pension liability for its proportionate share of the net pension liability of \$446,855.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2018, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportion of the net pension liability was based on the CalPERS' Public Agency Cost-Sharing Allocation Methodology Report, which can be obtained on the CalPERS website. The City's proportionate share of the net pension liability for the Plan as a percentage of the CalPERS risk pool plans as of June 30, 2018 and 2019 was as follows:

	Miscellaneous Rate Plan
Proportion - June 30, 2018	0.00466%
Proportion - June 30, 2019	0.00501%
Change - Increase (Decrease)	0.00035%

For the year ended June 30, 2019, the City recognized a total pension expense of \$(43,741) for the Plan. At June 30, 2019, the City reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 39,140	\$ -
Changes in assumptions	65,005	(15,932)
Difference between expected and actual experiences	21,878	(7,445)
Net differences between projected and actual earnings on plan investments	2,819	-
proportionate share of contributions	-	(50,723)
Adjustment due to differences in proportions	14,157	(1,333)
Total	<u>\$ 142,999</u>	<u>\$ (75,433)</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

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**Note 6: Pension Plan (Continued)**

\$39,140 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, 2019. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period ended June 30:	Deferred Outflows/(Inflows) of Resources
2019	\$ 38,599
2020	18,875
2021	(23,919)
2022	(5,129)

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

The total pension liability for the June 30, 2018 measurement period was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The collective total pension liability was based on the following assumptions:

Actuarial Cost Method	Entry Age Normal Cost Method
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 2.50% 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.

***Changes of Assumptions***

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

**Note 6: Pension Plan (Continued)*****Discount Rate***

The discount rate used to measure the total pension liability 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.

***Long-term Expected Rate of Return***

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

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 expected real rates of return by asset class are as followed:

Asset Class (1)	Current Target Allocation	Real Return Years 1 - 10 (2)	Real Return Years 11+ (3)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00	1.00	2.62
Inflation Assets	---	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	---	(0.92)

(1) In the System's CAFR, 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 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

**Note 6: Pension Plan (Continued)**

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

The following presents the collective net pension liability calculated using a discount rate of 7.15%, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate (dollars expressed in thousands):

Plan's Net Pension Liability/(Assets)	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Miscellaneous	\$ 792,559	\$ 446,855	\$ 161,483

***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.

***Payable to Pension Plan***

At June 30, 2019, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**Note 7: Post-Employment Benefits**

**Plan Description**

Plan administration: The City provides other postemployment benefits (OPEB) through a single-employer defined benefit healthcare plan by contributing 100% of all premiums charged under the health benefit plan for all eligible employees. These benefits are provided per contract between the City and the employee associations.

Benefits provided: The City offers the same plans to its retirees as to its active employees, with the general exception that upon reaching age 65 and becoming eligible for Medicare, the retiree must join one of the Medicare Supplement coverages offered under PEMHCA.

Employees become eligible to retire and receive City-paid healthcare benefits upon attainment of age 50 and 20 years of covered PERS service (Resolution No. 899). The City's contribution on behalf of retirees is the same as for active employees - 100% of the medical, dental and vision premiums for the retiree only. Benefits continue for the lifetime of the retiree. The City pays a 0.33% (0.23% in 2019) of premium administrative fee on behalf of employees and retirees.

**Employees Covered**

Plan membership: At June 30, 2019, membership consisted of the following:

Inactive plan members or beneficiaries	2
Active plan members	3

**Note 7: Post-Employment Benefits (Continued)**

**Contributions**

The District currently finances benefits on a pay-as-you-go basis. The contribution requirements of plan members and the City are established and may be amended by the City, City Council, and/or employee associations. Currently, contributions are not required from plan members.

**Net OPEB Liability**

The City's Net OPEB Liability was measured as of June 30, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of June 30, 2018. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial assumptions: The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age, Level Percent of Pay
Amortization Valuation Method/Period	20-year amortization (as a level percent of pay)
Asset Valuation Method	Market value
Inflation	3.00%
Payroll Growth	3.00% per annum
Investment Rate of Return	4.00% per annum
Healthcare cost-trend rates	6.00% for 2018; 5.00% for 2019 and later years
Retirement Age	The City offers the same plans to its retirees as to its active employees, with the general exception that upon reaching age 65 and becoming eligible for Medicare, the retiree must join one of the Medicare Supplement coverages offered under PEMHCA.
Mortality	Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the June 30, 2018 valuation were based on a review of plan experience during the period July 1, 2015 to June 30, 2018.

**Discount Rate**

GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return.

CITY OF HIDDEN HILLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

**Note 7: Post-Employment Benefits (Continued)**

- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan’s projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the City’s Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected Return of Plan Investments (if any)	Municipal Bond 20-Year High Grade Rate Index	Discount Rate
June 30, 2018	June 30, 2018	4.00%	3.62%	3.62%
June 30, 2019	June 30, 2019	4.00%	3.13%	3.13%

**Schedule of Changes in Net OPEB Liability**

The changes in Net OPEB liability for the Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Liability	Total OPEB Liability
Balance at June 30, 2018	\$ 427,096	\$ -	\$ 427,096
Changes recognized for the measurement period:			
Service Cost	15,927	-	15,927
Interest	15,242	-	15,242
Changes of assumptions	37,620	-	37,620
Employer contributions	-	12,214	(12,214)
Benefit payments	(12,214)	(12,214)	-
Net Changes	56,575	-	56,575
Balance at June 30, 2019	\$ 483,671	\$ -	\$ 483,671

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current discount rate:

	Discount Rate - 1% (2.13%)	Current Discount Rate (3.13%)	Discount Rate +1% (4.13%)
Net OPEB Liability (asset)	\$ 575,337	\$ 483,671	\$ 411,133

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2019

**Note 7: Post-Employment Benefits (Continued)**

**Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates**

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease (5.00% decreasing to 4.00%)	Trend Rate (6.00% decreasing to 5.00%)	1% Increase (7.00% decreasing to 6.00%)
Net OPEB Liability (asset)	\$ 403,778	\$ 483,671	\$ 586,476

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$68,789. At June 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ -	\$ -
Changes of assumptions	33,141	-
Difference between projected and actual return investments	-	-
Total	<u>\$ 33,141</u>	<u>\$ -</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Period ended June 30:	Deferred Outflows/(Inflows) of Resources
2020	\$ 4,479
2021	4,479
2022	4,479
2023	4,479
2024	4,479
Thereafter:	10,746

**Note 8: Liability, Workers' Compensation, and Purchased Insurance**

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

The City of Hidden Hills is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 116 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

**Note 8: Liability, Workers' Compensation, and Purchased Insurance (Continued)**

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.

**Primary Liability Program**

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 \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the California JPIA website.

**Primary Workers' Compensation**

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 \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2018-19 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

**Note 8: Liability, Workers' Compensation, and Purchased Insurance (Continued)**

**c. Purchased Insurance**

**Pollution Legal Liability Insurance**

The City of Hidden 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 Hidden Hills. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has an aggregate limit of \$50 million for the 3-year period from July 1, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sub-limit during the 3-year policy term.

**Property Insurance**

The City of Hidden Hills participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Hidden Hills property is currently insured according to a schedule of covered property submitted by the City of Hidden Hills to the Authority. City of Hidden Hills property currently has all-risk property insurance protection in the amount of \$1,345,561. 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 Hidden 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.

**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 2018-19.

**Note 9: Fund Balance/Net Position Deficit**

The Measure R Fund has a fund balance deficit of \$2,800 at June 30, 2019. The deficit is primarily related to the Long Valley/Valley Circle/US-101 On-Ramp Improvement Project. Once the project expenditures are reimbursed by Measure R, the negative fund balance will be corrected.

**Note 10: Construction Commitments**

The City has entered into various contract for the purchase of materials, professional and non-professional services for construction projects. At June 30, 2019, significant remaining commitments are as follows:

Project	Contract Amount	Spent-to-Date	Remaining Commitment
Long Valley/Valley Circle/US-101 On-Ramp Improvement	\$ 337,124	\$ 92,446	\$ 244,678
Round Meadow Road School On-site Circulation	150,000	-	150,000
	<u>\$ 487,124</u>	<u>\$ 92,446</u>	<u>\$ 394,678</u>



**CITY OF HIDDEN HILLS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019**

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**Note 11: Commitments and Contingent Liabilities**

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney, there is no pending litigation that is likely to have a material adverse effect on the financial position of the City.

**Note 12: Restatement of Net Position**

**Capitalization of Assets**

The beginning net position for governmental activities in the government-wide Statement of Activities has been restated due to the capitalization of two prior year expenditures for the Long Valley/Valley Circle/US-101 On-Ramp Improvement Project totaling the amount of \$157,686.

CITY OF HIDDEN HILLS

BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 8,103,703	\$ 8,103,703	\$ 8,103,703	\$ -
<b>Resources (Inflows):</b>				
Taxes	1,823,500	1,823,500	2,029,300	205,800
Licenses and permits	12,000	12,000	16,984	4,984
Intergovernmental	1,000	1,000	25,921	24,921
Charges for services	696,000	696,000	1,108,532	412,532
Use of money and property	125,000	125,000	420,514	295,514
Miscellaneous	1,000	1,000	839	(161)
Transfers in	163,600	163,600	220,691	57,091
<b>Amounts Available for Appropriations</b>	<b>10,925,803</b>	<b>10,925,803</b>	<b>11,926,484</b>	<b>1,000,681</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	1,194,263	1,216,513	1,219,440	(2,927)
Public safety	578,600	578,600	571,383	7,217
Public works	738,100	738,100	824,275	(86,175)
Capital outlay	250,000	250,000	160,100	89,900
Transfers out	-	-	3,138	(3,138)
<b>Total Charges to Appropriations</b>	<b>2,760,963</b>	<b>2,783,213</b>	<b>2,778,336</b>	<b>4,877</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 8,164,840</b>	<b>\$ 8,142,590</b>	<b>\$ 9,148,148</b>	<b>\$ 1,005,558</b>

CITY OF HIDDEN HILLS

**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)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Miscellaneous</b>					
Proportion of the Net Pension Liability	0.00501%	0.00466%	0.00441%	0.00377%	0.00478%
Proportionate Share of the Net Pension Liability	\$ 446,855	\$ 461,797	\$ 381,632	\$ 258,790	\$ 297,606
Covered Payroll	\$ 282,643	\$ 341,869	\$ 309,201	\$ 282,947	\$ 263,690
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	158.10%	135.08%	123.43%	91.46%	112.86%
Plan Fiduciary Net Position	\$ 2,108,776	\$ 1,767,707	\$ 1,589,366	\$ 1,561,402	\$ 1,455,982
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.26%	73.31%	74.06%	78.40%	79.82%

**Notes to Schedule:**

Benefit Changes: None

Changes of Assumptions: In 2018, demographic assumptions and inflation rate were changed 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 2015 was the first year of implementation, therefore only four years are shown.

**CITY OF HIDDEN HILLS**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Miscellaneous</b>					
Actuarially Determined Contribution	\$ 39,140	\$ 34,791	\$ 46,325	\$ 19,898	\$ 39,178
Contribution in Relation to the Actuarially Determined Contribution	<u>(39,140)</u>	<u>(34,791)</u>	<u>(46,325)</u>	<u>(19,898)</u>	<u>(39,178)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 305,062	\$ 282,643	\$ 341,869	\$ 309,201	\$ 282,947
Contributions as a Percentage of Covered Payroll	12.83%	12.31%	13.55%	6.44%	13.85%

(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 five years are shown.

**Note to Schedule:**

Valuation Date: June 30, 2017

Methods and assumptions used to determine contribution rates:

Single and Agent Employers	Entry age normal
Amortization method	D
Remaining amortization period	G
Assets valuation method	Market Value

(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 four years are shown.

Salary Increases	Varies by Entry Age and Service
Retirement age	The probabilities of retirement are based on the 2014 CalPERS

Mortality: The mortality rates include 15 years of projected mortality improvement using Society of Actuaries Scale 90% of scale MP 2016.

CITY OF HIDDEN HILLS

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 15,927	\$ 15,463
Interest on the total OPEB liability	15,242	14,595
Changes in benefit terms	-	-
Actual and expected experience difference	-	-
Changes in assumptions	37,620	-
Benefit payments	(12,214)	(12,146)
<b>Net change in total OPEB liability</b>	<b>56,575</b>	<b>17,912</b>
<b>Total OPEB liability - beginning</b>	<b>427,096</b>	<b>409,184</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 483,671</b>	<b>\$ 427,096</b>
 <b>Plan Fiduciary Net Position</b>		
Contribution - employer	\$ 12,214	\$ 12,146
Net investment income	-	-
Benefit payments	(12,214)	(12,146)
Administrative expense	-	-
<b>Net change in plan fiduciary net position</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - beginning</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ -</b>	<b>\$ -</b>
 <b>Total OPEB Liability/(Assets) - ending (a) - (b)</b>	<b>\$ 483,671</b>	<b>\$ 427,096</b>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>0.00%</b>	<b>0.00%</b>
 <b>Covered-employee payroll</b>	<b>\$ 307,398</b>	<b>\$ 275,032</b>
 <b>Net OPEB liability as a percentage of covered-employee payroll</b>	<b>157.34%</b>	<b>155.29%</b>

(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.

Notes to Schedule: None

Changes in assumptions: None

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**CITY OF HIDDEN HILLS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

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**Budgets and Budgetary Accounting Data**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The annual budget is adopted by the City Council and provides for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.
2. The City Council approves each year's budget prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, when required during the period, are also approved by the Council. In most cases, expenditures may not exceed appropriations at the function level. At fiscal year-end, all operating budget appropriations lapse.
3. Budgets for governmental funds are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).
4. A budget is adopted at the beginning of each fiscal year for the General Fund only. Other funds do not adopt a budget and therefore no budgetary schedule is presented for any non-major governmental funds.
5. Excesses of expenditures over appropriations in the General Fund are as follows:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General government	\$ 1,219,440	\$ 1,216,513	\$ (2,927)
Public works	824,275	738,100	(86,175)

CITY OF HIDDEN HILLS

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2019

	Special Revenue Funds			
	State Gas Tax	Traffic Safety	Curb Side Recycling	Proposition A
<b>Assets:</b>				
Cash and investments	\$ 194,203	\$ 20,253	\$ -	\$ -
Receivables:				
Accounts	-	1,474	-	-
Due from other funds	295,890	-	44,354	13,049
<b>Total Assets</b>	<b>\$ 490,093</b>	<b>\$ 21,727</b>	<b>\$ 44,354</b>	<b>\$ 13,049</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Community development projects	-	-	-	-
Public safety	-	-	-	-
Public works	490,093	21,727	44,354	13,049
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>490,093</b>	<b>21,727</b>	<b>44,354</b>	<b>13,049</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 490,093</b>	<b>\$ 21,727</b>	<b>\$ 44,354</b>	<b>\$ 13,049</b>



CITY OF HIDDEN HILLS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

(CONTINUED)

	Special Revenue Funds			
	Air Quality Improvement	COPS AB3229	Proposition C	TDA
<b>Assets:</b>				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Receivables:				
Accounts	34,063	-	-	-
Due from other funds	-	42,613	168,951	-
<b>Total Assets</b>	<b>\$ 34,063</b>	<b>\$ 42,613</b>	<b>\$ 168,951</b>	<b>\$ -</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	33,112	-	-	-
<b>Total Liabilities</b>	<b>33,112</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Community development projects	951	-	-	-
Public safety	-	42,613	-	-
Public works	-	-	168,951	-
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>951</b>	<b>42,613</b>	<b>168,951</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 34,063</b>	<b>\$ 42,613</b>	<b>\$ 168,951</b>	<b>\$ -</b>

CITY OF HIDDEN HILLS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

	Special Revenue Funds			Total Nonmajor Governmental Funds
	STPL	Measure R	Measure M	
<b>Assets:</b>				
Cash and investments	\$ -	\$ -	\$ -	\$ 214,456
Receivables:				
Accounts	-	110,580	-	146,117
Due from other funds	32,960	-	47,059	644,876
<b>Total Assets</b>	<b>\$ 32,960</b>	<b>\$ 110,580</b>	<b>\$ 47,059</b>	<b>\$ 1,005,449</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 9,748	\$ -	\$ 9,748
Due to other funds	-	103,632	-	136,744
<b>Total Liabilities</b>	<b>-</b>	<b>113,380</b>	<b>-</b>	<b>146,492</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Community development projects	-	-	-	951
Public safety	-	-	-	42,613
Public works	32,960	-	47,059	818,193
<b>Unassigned</b>	<b>-</b>	<b>(2,800)</b>	<b>-</b>	<b>(2,800)</b>
<b>Total Fund Balances</b>	<b>32,960</b>	<b>(2,800)</b>	<b>47,059</b>	<b>858,957</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 32,960</b>	<b>\$ 110,580</b>	<b>\$ 47,059</b>	<b>\$ 1,005,449</b>

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CITY OF HIDDEN HILLS

COMBINING STATEMENTS OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019

	<b>Special Revenue Funds</b>			
	<b>State Gas Tax</b>	<b>Traffic Safety</b>	<b>Curb Side Recycling</b>	<b>Proposition A</b>
<b>Revenues:</b>				
Intergovernmental	\$ 76,380	\$ 4,017	\$ 5,000	\$ 37,843
Use of money and property	6,322	-	-	2,487
<b>Total Revenues</b>	<b>82,702</b>	<b>4,017</b>	<b>5,000</b>	<b>40,330</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	120,000
Public works	5,199	-	-	-
Capital outlay	-	-	5,750	-
<b>Total Expenditures</b>	<b>5,199</b>	<b>-</b>	<b>5,750</b>	<b>120,000</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	77,503	4,017	(750)	(79,670)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	(59,440)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(59,440)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	18,063	4,017	(750)	(79,670)
Fund Balances, Beginning of Year	472,030	17,710	45,104	92,719
<b>Fund Balances, End of Year</b>	<b>\$ 490,093</b>	<b>\$ 21,727</b>	<b>\$ 44,354</b>	<b>\$ 13,049</b>

## CITY OF HIDDEN HILLS

COMBINING STATEMENTS OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019

(CONTINUED)

	Special Revenue Funds			
	Air Quality Improvement	COPS AB3229	Proposition C	TDA
<b>Revenues:</b>				
Intergovernmental	\$ 35,881	\$ 148,747	\$ 31,390	\$ 25,000
Use of money and property	314	-	3,754	-
<b>Total Revenues</b>	<b>36,195</b>	<b>148,747</b>	<b>35,144</b>	<b>25,000</b>
<b>Expenditures:</b>				
Current:				
General government	236	-	-	-
Public works	-	-	9,903	-
Capital outlay	66,964	-	-	25,956
<b>Total Expenditures</b>	<b>67,200</b>	<b>-</b>	<b>9,903</b>	<b>25,956</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(31,005)	148,747	25,241	(956)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	3,138	-	-
Transfers out	-	(161,251)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(158,113)</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(31,005)	(9,366)	25,241	(956)
Fund Balances, Beginning of Year	31,956	51,979	143,710	956
<b>Fund Balances, End of Year</b>	<b>\$ 951</b>	<b>\$ 42,613</b>	<b>\$ 168,951</b>	<b>\$ -</b>

CITY OF HIDDEN HILLS

COMBINING STATEMENTS OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019

	Special Revenue Funds			Total Nonmajor Governmental Funds
	STPL	Measure R	Measure M	
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 155,308	\$ 26,503	\$ 546,069
Use of money and property	-	1,386	824	15,087
<b>Total Revenues</b>	<b>-</b>	<b>156,694</b>	<b>27,327</b>	<b>561,156</b>
<b>Expenditures:</b>				
Current:				
General government	-	2,200	-	122,436
Public works	-	-	-	15,102
Capital outlay	-	219,337	-	318,007
<b>Total Expenditures</b>	<b>-</b>	<b>221,537</b>	<b>-</b>	<b>455,545</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(64,843)	27,327	105,611
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	3,138
Transfers out	-	-	-	(220,691)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(217,553)</b>
Net Change in Fund Balances	-	(64,843)	27,327	(111,942)
Fund Balances, Beginning of Year	32,960	62,043	19,732	970,899
<b>Fund Balances, End of Year</b>	<b>\$ 32,960</b>	<b>\$ (2,800)</b>	<b>\$ 47,059</b>	<b>\$ 858,957</b>