



CPAs AND ADVISORS

# CITY OF HIDDEN HILLS, CALIFORNIA

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Focused  
on YOU



CITY OF HIDDEN HILLS, CALIFORNIA  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018

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CITY OF HIDDEN HILLS

JUNE 30, 2018

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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, 2018, 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, 2018, 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.

### ***Change in Accounting Principle***

As discussed in Note 7 to the financial statements, in 2018 the City adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***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 the total 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 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 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 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 12, 2018 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads 'Lance, Soll &amp; Loughard, LLP'. The signature is written in a cursive, flowing style.

Brea California  
October 12, 2018

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CITY OF HIDDEN HILLS

As management of the 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, 2018. 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 \$2,798,041.
- The general revenues were \$1,566,613 and overall revenues were \$5,054,560.
- The cost of governmental activities was \$2,256,519.
- Total Governmental Funds reported revenues in excess of expenditures of \$915,186.

#### 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CITY OF HIDDEN HILLS

(Continued)

**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.

**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 twelve 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF HIDDEN HILLS**

(Continued)

**Government-Wide Financial Analysis.**

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

**City of Hidden Hills Net Position**

Government Activities

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 10,319,162	\$ 8,997,381
Capital assets	<u>2,871,068</u>	<u>944,104</u>
Total assets	<u>13,190,230</u>	<u>9,941,485</u>
Long term debt outstanding	888,893	573,106
Other Liabilities	<u>1,264,829</u>	<u>985,300</u>
Total liabilities	<u>2,153,722</u>	<u>1,558,406</u>
Deferred pension related items, net	<u>(87,108)</u>	<u>(31,578)</u>
Net position:		
Invested in capital assets	2,871,068	944,104
Restricted	970,899	901,944
Unrestricted	<u>7,281,649</u>	<u>6,568,609</u>
Total net position	<u>\$ 11,123,616</u>	<u>\$ 8,414,657</u>

The City's net position from governmental activities increased to \$11,123,616. This is an increase of \$2,798,041. The following is an explanation of the major changes.

- Normal operating revenues basically remained the same as in the previous year.
- The City received of a grant to purchase land next to the Long Valley entrance of the city for \$1,950,000.
- Expenses were basically the same as in the previous year.
- Capital assets increased to \$2,871,068 net of depreciation, as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HIDDEN HILLS

(Continued)

City of Hidden Hills Asset Type

	<u>2018</u>	<u>2017</u>
Land	\$ 2,012,764	\$ 59,779
Buildings and Improvements	316,521	316,521
Furniture and Equipment	473,780	410,634
Infrastructure	1,205,559	1,205,559
Less Accumulated Depreciation	<u>(1,137,556)</u>	<u>(1,048,389)</u>
Capital asset net increase	<u>\$ 2,871,068</u>	<u>\$ 944,104</u>

- The City of Hidden Hills uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.
- Land holdings increased with purchase of land property at the Long Valley entrance to the City. This land will be used for calming effect for traffic during high traffic volume periods.

**Government Activities.** Governmental activities increased the City of Hidden Hill's net position by \$2,798,041. Key elements of the increase are as follows:

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF HIDDEN HILLS**

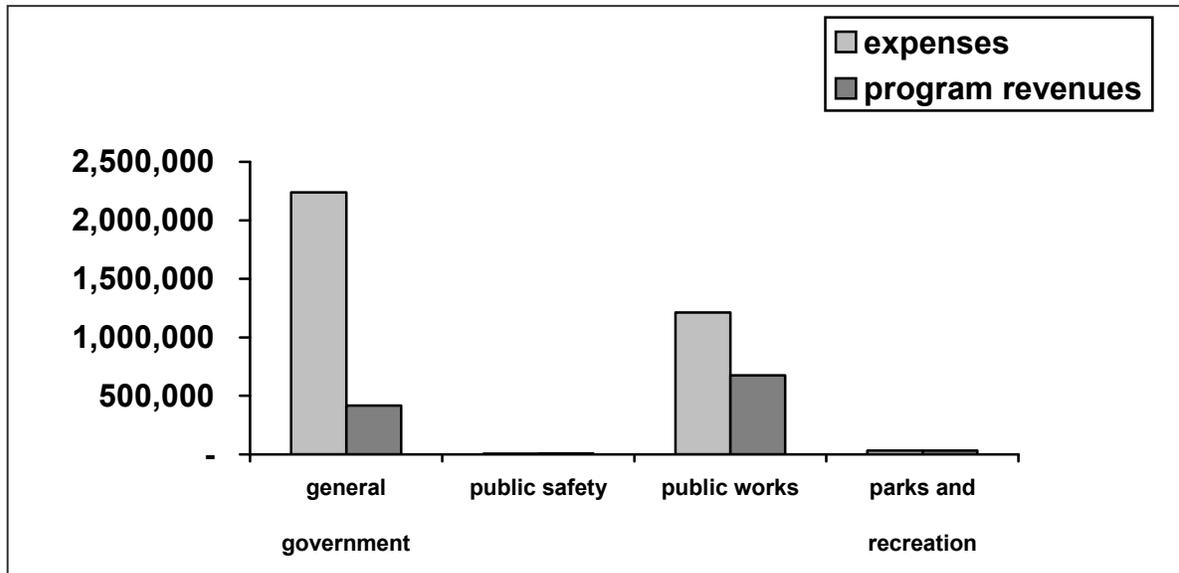
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**City of Hidden Hills Changes in Net Position**

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	\$ 1,258,093	\$ 725,231
Operating contributions and grants	2,229,854	407,618
General revenues:		
Taxes:		
Property taxes	1,303,725	1,243,177
Sales taxes	49,171	25,870
Franchise taxes	72,194	69,598
Business License Tax	57,309	59,006
Motor vehicle in lieu	992	839
Investment income	58,933	29,317
Other	24,289	5,436
Total revenues	5,054,560	2,566,092
Expenses		
General government	953,397	1,017,398
Public safety	520,931	516,889
Public works	782,191	687,617
Total expenses	2,256,519	2,221,904
Increase in net position	\$ 2,798,041	\$ 344,188

**City of Hidden Hills Government Activities**

**Expense and Program Revenues**

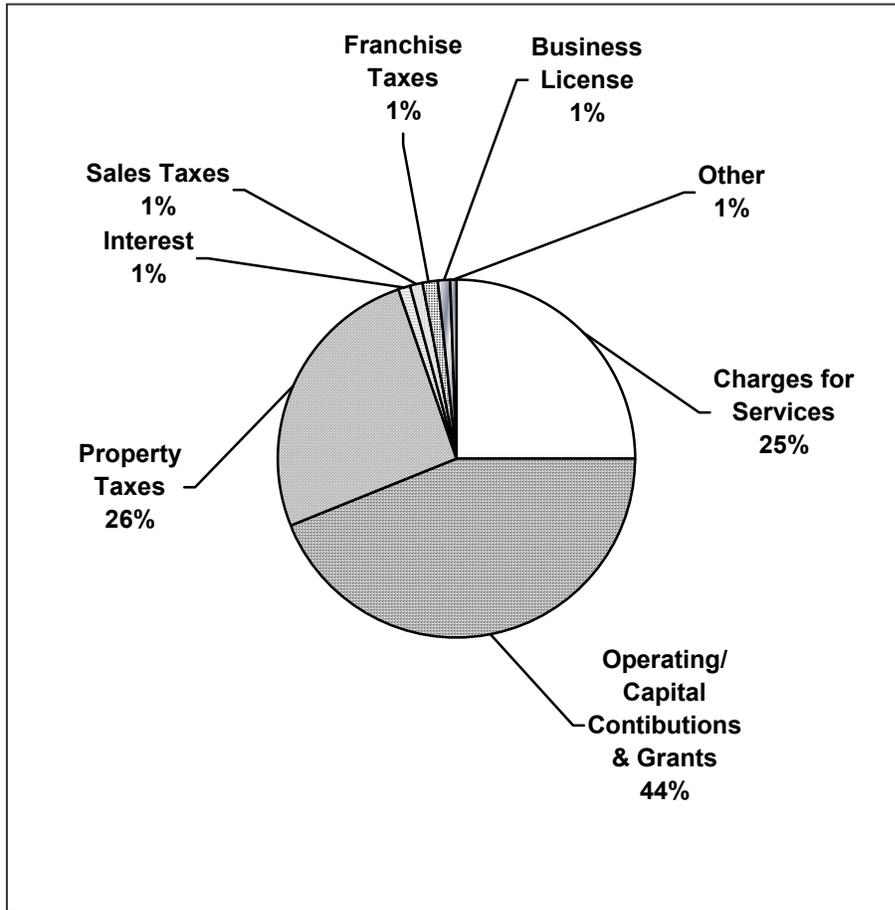


**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF HIDDEN HILLS**

(Continued)

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



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF HIDDEN HILLS**

(Continued)

The City's total revenues are \$5,054,560 while the costs of all programs and services are \$2,256,519. Charges for services increased from \$725,231 to \$1,258,093 because of increased 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**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General government	\$ 953,397	\$ 1,017,398	\$ 1,284,318	\$ (601,737)
Public safety	520,931	516,889	(514,171)	(507,809)
Parks and recreation	-	-	32,846	32,306
Public works	782,191	687,617	428,435	(11,815)
Totals	<u>\$ 2,256,519</u>	<u>\$ 2,221,904</u>	<u>\$ 1,231,428</u>	<u>\$ (1,089,055)</u>

- 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. The grant for the land purchase caused government revenues to exceed net cost of services. 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 \$9,074,602 and the General Fund reported an unassigned fund balance of \$7,685,182.

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 \$846,231 before the prior period restatement.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **CITY OF HIDDEN HILLS**

**(Continued)**

#### **General Fund Budgetary Highlights**

The final appropriations for the General Fund at year-end were \$752,633 more than the final revenue budget before transfers because of increased tax revenue and charges for services. The actual expenditures were under the appropriations by \$47,248. Actual revenues and reduced budgeted expenditures resulted in a positive variance to the budget of \$799,881. 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 less 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, CA 91302.

CITY OF HIDDEN HILLS

STATEMENT OF NET POSITION  
JUNE 30, 2018

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 10,079,864
Receivables:	
Accounts	82,740
Taxes	65,838
Accrued interest	16,144
Prepaid costs	74,576
Capital assets not being depreciated	2,012,764
Capital assets, net of depreciation	<u>858,304</u>
<b>Total Assets</b>	<b><u>13,190,230</u></b>
<b>Deferred Outflows of Resources:</b>	
Deferred pension related items	<u>164,740</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>164,740</u></b>
<b>Liabilities:</b>	
Accounts payable	181,975
Deposits payable	1,062,585
Noncurrent liabilities:	
Due within one year - compensated absences	20,269
Total OPEB liability	427,096
Net pension liability	<u>461,797</u>
<b>Total Liabilities</b>	<b><u>2,153,722</u></b>
<b>Deferred Inflows of Resources:</b>	
Deferred pension related items	<u>77,632</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>77,632</u></b>
<b>Net Position:</b>	
Investment in capital assets	2,871,068
Restricted for:	
Community development projects	31,956
Public safety	51,979
Public works	886,964
Unrestricted	<u>7,281,649</u>
<b>Total Net Position</b>	<b><u>\$ 11,123,616</u></b>

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CITY OF HIDDEN HILLS

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues		Governmental Activities	Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Contributions and Grants		
<b>Functions/Programs</b>					
<b>Primary Government:</b>					
Governmental Activities:					
General government	\$ 953,397	\$ 7,861	\$ 2,229,854	\$ -	\$ 1,284,318
Public safety	520,931	6,760	-	-	(514,171)
Parks and recreation	-	32,846	-	-	32,846
Public works	782,191	1,210,626	-	-	428,435
<b>Total Governmental Activities</b>	<b>2,256,519</b>	<b>1,258,093</b>	<b>2,229,854</b>	<b>-</b>	<b>1,231,428</b>
<b>Total Primary Government</b>	<b>\$ 2,256,519</b>	<b>\$ 1,258,093</b>	<b>\$ 2,229,854</b>	<b>\$ -</b>	<b>1,231,428</b>
<b>General Revenues:</b>					
Taxes:					
Property taxes, levied for general purpose					1,303,725
Sales taxes					49,171
Franchise taxes					72,194
Business licenses taxes					57,309
Motor vehicle in lieu - unrestricted					992
Use of money and property					58,933
Other					24,289
<b>Total General Revenues</b>					<b>1,566,613</b>
Change in Net Position					2,798,041
Net Position at Beginning of Year, as previously stated					8,414,657
Restatement of Net Position					(89,082)
<b>Net Position at End of Year</b>					<b>\$ 11,123,616</b>

CITY OF HIDDEN HILLS

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<u>General</u>	<u>Special Revenue Fund Measure R</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and investments	\$ 9,810,093	\$ -	\$ 269,771	\$ 10,079,864
Receivables:				
Accounts	50,049	32,199	492	82,740
Taxes	65,838	-	-	65,838
Accrued interest	16,144	-	-	16,144
Prepaid costs	74,576	-	-	74,576
Due from other funds	-	29,844	638,593	668,437
<b>Total Assets</b>	<b><u>\$ 10,016,700</u></b>	<b><u>\$ 62,043</u></b>	<b><u>\$ 908,856</u></b>	<b><u>\$ 10,987,599</u></b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 181,975	\$ -	\$ -	\$ 181,975
Deposits payable	1,062,585	-	-	1,062,585
Due to other funds	668,437	-	-	668,437
<b>Total Liabilities</b>	<b><u>1,912,997</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,912,997</u></b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid costs	74,576	-	-	74,576
<b>Restricted for:</b>				
Community development projects	-	-	31,956	31,956
Public safety	-	-	51,979	51,979
Public works	-	62,043	824,921	886,964
<b>Assigned to:</b>				
Underground utilities	343,945	-	-	343,945
<b>Unassigned</b>	<b><u>7,685,182</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>7,685,182</u></b>
<b>Total Fund Balances</b>	<b><u>8,103,703</u></b>	<b><u>62,043</u></b>	<b><u>908,856</u></b>	<b><u>9,074,602</u></b>
<b>Total Liabilities, and Fund Balances</b>	<b><u>\$ 10,016,700</u></b>	<b><u>\$ 62,043</u></b>	<b><u>\$ 908,856</u></b>	<b><u>\$ 10,987,599</u></b>

**CITY OF HIDDEN HILLS**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

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Fund balances of governmental funds \$ 9,074,602

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. 2,871,068

Deferred outflows related to pensions:

Contributions made subsequent to measurement date	34,791
Changes in assumptions	93,032
Differences between expected and actual experiences	750
Net differences between projected and actual earnings on plan investments	21,040
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	3,479
Adjustment due to differences in proportions	11,648

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

Compensated absences	(20,269)
Total OPEB liability	(427,096)
Net pension liability	(461,797)

Deferred inflows related to pensions:

Net difference between projected and actual earnings on plan investments	(10,742)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	(33,200)
Changes in assumptions	(7,094)
Adjustment due to differences in proportions	(26,596)

**Net Position of governmental activities \$ 11,123,616**

CITY OF HIDDEN HILLS

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	General	Special Revenue Fund Measure R	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 1,482,399	\$ -	\$ -	\$ 1,482,399
Licenses and permits	24,217	-	-	24,217
Intergovernmental	992	1,923,021	306,833	2,230,846
Charges for services	1,258,093	-	-	1,258,093
Use of money and property	54,582	223	4,128	58,933
Miscellaneous	72	-	-	72
<b>Total Revenues</b>	<b>2,820,355</b>	<b>1,923,244</b>	<b>310,961</b>	<b>5,054,560</b>
<b>Expenditures:</b>				
Current:				
General government	758,053	51,131	44,258	853,442
Public safety	520,931	-	-	520,931
Public works	755,397	-	26,794	782,191
Capital outlay	29,825	1,952,985	-	1,982,810
<b>Total Expenditures</b>	<b>2,064,206</b>	<b>2,004,116</b>	<b>71,052</b>	<b>4,139,374</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	756,149	(80,872)	239,909	915,186
<b>Other Financing Sources (Uses):</b>				
Transfers in	184,578	94,496	-	279,074
Transfers out	(94,496)	-	(184,578)	(279,074)
<b>Total Other Financing Sources (Uses)</b>	<b>90,082</b>	<b>94,496</b>	<b>(184,578)</b>	<b>-</b>
Net Change in Fund Balances	846,231	13,624	55,331	915,186
Fund Balances, Beginning of Year, as previously reported	7,128,844	48,419	853,525	8,030,788
Restatements	128,628	-	-	128,628
Fund Balances, Beginning of Year, as restated	7,257,472	48,419	853,525	8,159,416
<b>Fund Balances, End of Year</b>	<b>\$ 8,103,703</b>	<b>\$ 62,043</b>	<b>\$ 908,856</b>	<b>\$ 9,074,602</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, 2018**

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Net change in fund balances - total governmental funds \$ 915,186

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	2,016,131
Depreciation	(89,167)

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.

(1,562)

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.

(17,912)

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.

(24,635)

**Change in net position of governmental activities**

**\$ 2,798,041**

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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, 2018, 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

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**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 Measure R fund are restricted monies through Los Angeles County ½ cent sales tax distribution for new transportation projects and programs

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."

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**

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**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 one year. 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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

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.

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) (6.0 years at June 30, 2018)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

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

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 Postemployment 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, 2018
Measurement Period	July 1, 2017 to June 30, 2018

**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, 2018

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

12. New Accounting Pronouncements

During the fiscal year ended June 30, 2018, the City implemented the following GASB standards:

**GASB Statement No. 75** – Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions - improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. This Statement replaces GASB 45 and GASB 57.

**II. DETAILED NOTES ON ALL FUNDS**

**Note 2: Cash and Investments**

Cash and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 10,079,864
Total Cash and investments	<u>\$ 10,079,864</u>

Cash and investments as of June 30, 2018, consist of the following:

Cash on hand	\$ 699,192
Investments	<u>9,380,672</u>
Total cash and investments	<u>\$ 10,079,864</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, 2018, the carrying amount of the City's deposits was \$699,192 and the bank balance was \$790,809. The \$91,617 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 Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically

CITY OF HIDDEN HILLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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

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	\$ 78,585	\$ -	\$ -	\$ -	\$ 78,585
Medium-term notes	1,704,958	15,174	-	857,903	831,881
Registered Treasury Notes or Bonds of Any Other 49 States	4,066,473	590,472	173,292	2,358,853	943,856
Local Agency Investment Fund (LAIF)	3,530,656	3,530,656	-	-	-
<b>Total</b>	<b>\$ 9,380,672</b>	<b>\$ 4,136,302</b>	<b>\$ 173,292</b>	<b>\$ 3,216,756</b>	<b>\$ 1,854,322</b>

**CITY OF HIDDEN HILLS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018**

**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	\$ 78,585	\$ -	\$ 78,585	\$ -	\$ -	\$ -
Medium-term notes	A	1,704,958	-	-	1,110,646	594,312 *	-
Registered Treasury Notes or Bonds of Any Other 49 States	N/A	4,066,473	64,867	2,927,494	403,571	-	670,541
Local Agency Investment Fund (LAIF)	N/A	3,530,656	-	-	-	-	3,530,656
<b>Total</b>		<b>\$ 9,380,672</b>	<b>\$ 64,867</b>	<b>\$ 3,006,079</b>	<b>\$ 1,514,217</b>	<b>\$ 594,312</b>	<b>\$ 4,201,197</b>

\*The City current holds two corporate bonds, which as of June 30, 2018 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, 2018**

**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, 2018:

Investment Type	Totals	Level		
		1	2	3
U.S. Agency Securities	\$ 78,585	\$ 78,585	\$ -	\$ -
Medium-term notes	1,704,958	-	1,704,958	-
Registered Treasury Notes or Bonds of Any Other 49 States	4,066,473	-	4,066,473	-
Local Agency Investment Fund (LAIF)	3,530,656	-	3,530,656	-
Total Investments	<u>\$ 9,380,672</u>	<u>\$ 78,585</u>	<u>\$ 9,302,087</u>	<u>\$ -</u>

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, 2018

**Note 3: Capital Assets**

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 59,779	\$ 1,952,985	\$ -	\$ 2,012,764
Total Capital Assets, Not Being Depreciated	<u>59,779</u>	<u>1,952,985</u>	<u>-</u>	<u>2,012,764</u>
Capital assets, being depreciated:				
Buildings and improvements	316,521	-	-	316,521
Furniture, fixtures & equipment	410,634	63,146	-	473,780
Infrastructure	1,205,559	-	-	1,205,559
Total Capital Assets, Being Depreciated	<u>1,932,714</u>	<u>63,146</u>	<u>-</u>	<u>1,995,860</u>
Less accumulated depreciation				
Buildings and improvements	175,658	7,319	-	182,977
Furniture, fixtures & equipment	314,876	21,570	-	336,446
Infrastructure	557,855	60,278	-	618,133
Total Accumulated Depreciation	<u>1,048,389</u>	<u>89,167</u>	<u>-</u>	<u>1,137,556</u>
Total Capital Assets, Being Depreciated, Net	<u>884,325</u>	<u>(26,021)</u>	<u>-</u>	<u>858,304</u>
Governmental Activities Capital Assets, Net	<u>\$ 944,104</u>	<u>\$ 1,926,964</u>	<u>\$ -</u>	<u>\$ 2,871,068</u>

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

Governmental Activities:	
General Government	<u>\$ 89,167</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 89,167</u>

CITY OF HIDDEN HILLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

**Note 4: Long-Term Debt**

The following is a schedule of changes in governmental fund long-term debt for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Compensated absences	\$ 18,707	\$ 23,538	\$ 21,976	\$ 20,269	\$ 20,269
Total	\$ 18,707	\$ 23,538	\$ 21,976	\$ 20,269	\$ 20,269

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 \$18,707.

**Note 5: Interfund Balances**

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

As of June 30, 2018, the City had the following due to and from other funds:

Due From Other Funds	Due To Other Funds		Total
	Measure R Fund	Nonmajor Governmental Funds	
General Fund	\$ 81,775	\$ 618,861	\$ 700,636
Total	\$ 81,775	\$ 618,861	\$ 700,636

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, 2018, were as follows:

Transfers In	Transfers Out		Total
	General Fund	Nonmajor Governmental	
General Fund	\$ -	\$ 184,578	\$ 184,578
Measure R Fund	94,496	-	94,496
Total	\$ 94,496	\$ 184,578	\$ 279,074

Transfers into the General Fund relate to \$149,973 from the COPS Fund to pay for deputy expenses and \$34,605 from the Gas Tax Fund to pay for school crossing guard expenses. The General Fund transferred \$94,496 to the Measure R Fund to assist in payment for the Meyerstein lot purchase.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**

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**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, 2018, 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
Monthly benefits, as a % of eligible compensation	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rate	6.900%	6.250%
Required employer contribution rate	7.200%	6.533%

*Note: There were no participants in Miscellaneous PEPRA Plan as of June 30, 2017 therefore, the GASB 68 Plan was not available to be accounted in the Net Pension Liability.*

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**

**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, 2018, the contributions recognized as a reduction to net pension liability for the Plan was \$46,325.

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

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of \$461,797.

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, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2016 and 2017 was as follows:

	Miscellaneous Rate Plan
Proportion - June 30, 2016	0.004400%
Proportion - June 30, 2017	0.004700%
Change - Increase (Decrease)	0.000300%

For the year ended June 30, 2018, the City recognized a total pension expense of (\$59,426) for the Plan. At June 30, 2018, 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	\$ 34,791	\$ -
Changes in assumptions	93,032	(7,094)
Difference between expected and actual experiences	750	(10,742)
Net differences between projected and actual earnings on plan investments	21,040	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Adjustment due to differences in proportions	3,478	(33,200)
Adjustment due to differences in proportions	11,648	(26,596)
Total	<u>\$ 164,740</u>	<u>\$ (77,632)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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

\$34,791 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
2018	\$ (8,398)
2019	45,523
2020	27,685
2021	(12,493)

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

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016, total pension liability. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
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 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

Other significant actuarial assumptions used in the June 30, 2017, valuations were based on the results of the actuarial experience study for the period from 1997 to 2011.

***Changes of Assumptions***

In Fiscal Year 2016-17, the financial reporting discount rate for the Plan was lowered from 7.65 percent to 7.15 percent. Deferred outflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represent the unamortized portion of this assumption change.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**

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

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculations of the discount rate for public agency plans, the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed that assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The crossover test results can be found on CalPERS' website.

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 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 to equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

Asset Class	Current Target Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47.0%	4.90%	5.38%
Global Debt Securities	19.0	0.80	2.27
Inflation Assets	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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

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

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

Plan's Net Pension Liability/(Assets)	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Miscellaneous	\$ 768,458	\$ 461,797	\$ 207,814

***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, 2018, 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**

The City provides other post-employment 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.

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. 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, 2018, membership consisted of the following:

Inactive plan members or beneficiaries	2
Active plan members	3

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**

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

**Contributions**

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, 2018 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:

Inflation	3.62%
Payroll Growth	3% per annum
Investment Rate of Return	3.62% per annum
Healthcare cost-trend rates	6.00% initial, 1.00% - 2.00% near term increase then decreasing 0.500% per year to trend rate tat reflects medical price inflation

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.
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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.
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**Discount Rate**

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;
- 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.

CITY OF HIDDEN HILLS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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

**Changes in the Total OPEB Liability**

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Liability	Total OPEB Liability
Balance at June 30, 2017	\$ 409,184	\$ -	\$ 409,184
Changes recognized for the measurement period:			
Service Cost	15,463	-	15,463
Interest	14,595	-	14,595
Employer contributions	-	12,146.00	(12,146)
Benefit payments	(12,146)	(12,146.00)	-
Net Changes	17,912	-	17,912
Balance at June 30, 2018	<u>\$ 427,096</u>	<u>\$ -</u>	<u>\$ 427,096</u>

**Sensitivity of the Total 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 (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

	Discount Rate - 1% (2.62%)	Current Discount Rate (3.62%)	Discount Rate +1% (4.62%)
Total Opeb Liability	\$ 506,005	\$ 427,096	\$ 364,484

**Sensitivity of the Total 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.

	1% Decrease (5.00% decreasing to 4.00%)	Trend Rate (6.00% decreasing to 5.00%)	1% Increase (7.00% increasing to 6.00%)
Total Opeb Liability	\$ 362,188	\$ 427,096	\$ 509,626

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2018

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

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

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$30,058. As of fiscal year ended June 30, 2018, 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	-	-
Difference between projected and actual return investments	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>

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
2018	\$ -
2019	-
2020	-
2021	-

**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 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.

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

**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 following website: <https://cjpia.org/protection/coverage-programs>.

**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 2017-18 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.

**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.

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

**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. The 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. The City of Hidden Hills property currently has all-risk property insurance protection in the amount of \$1,301,358. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

**Earthquake and Flood Insurance**

The City of Hidden Hills purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City of Hidden Hills property currently has earthquake protection in the amount of \$1,136,068. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

**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 2017-18.

**Note 9: 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, which is likely to have a material adverse effect on the financial position of the City.

**Note 10: Restatements**

***GASB 75***

The City's financial statements have been updated to conform to newly adopted GASB Statement No. 75 "Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions". As a result of compliance with GASB Statement No. 75, the City has restated net position by (\$217,710) in order to reflect these new requirements on the balance as of June 30, 2017.

***Deposits Payable***

The City held various aging deposits payable accounts. Certain deposits related to projects were not closed out properly in prior years and which should have been recognized as revenue. An adjustment of \$128,628 was necessary to remove deposits.

CITY OF HIDDEN HILLS

BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 7,257,472	\$ 7,257,472	\$ 7,257,472	\$ -
<b>Resources (Inflows):</b>				
Taxes	1,153,000	1,153,000	1,482,399	329,399
Licenses and permits	6,000	6,000	24,217	18,217
Intergovernmental	225,000	225,000	992	(224,008)
Charges for services	609,300	609,300	1,258,093	648,793
Use of money and property	117,000	117,000	54,582	(62,418)
Miscellaneous	2,000	2,000	72	(1,928)
Transfers in	140,000	140,000	184,578	44,578
<b>Amounts Available for Appropriations</b>	<b>9,509,772</b>	<b>9,509,772</b>	<b>10,262,405</b>	<b>752,633</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	790,850	790,850	758,053	32,797
Public safety	560,000	560,000	520,931	39,069
Public works	671,100	671,100	755,397	(84,297)
Capital outlay	80,000	80,000	29,825	50,175
Transfers out	-	104,000	94,496	9,504
<b>Total Charges to Appropriations</b>	<b>2,101,950</b>	<b>2,205,950</b>	<b>2,158,702</b>	<b>47,248</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 7,407,822</b>	<b>\$ 7,303,822</b>	<b>\$ 8,103,703</b>	<b>\$ 799,881</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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Miscellaneous</b>				
Proportion of the Net Pension Liability	0.00466%	0.00441%	0.00377%	0.00478%
Proportionate Share of the Net Pension Liability	\$ 461,797	\$ 381,632	\$ 258,790	\$ 297,606
Covered Payroll	\$ 341,869	\$ 309,201	\$ 282,947	\$ 263,690
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	135.08%	123.43%	91.46%	112.86%
Plan Fiduciary Net Position	\$ 1,767,707	\$ 1,589,366	\$ 1,561,402	\$ 1,455,982
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.31%	74.06%	78.40%	79.82%

**Notes to Schedule:**

Benefit Changes: None

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

(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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Miscellaneous</b>				
Actuarially Determined Contribution	\$ 34,791	\$ 46,325	\$ 19,898	\$ 39,178
Contribution in Relation to the Actuarially Determined Contribution	(34,791)	(46,325)	(19,898)	(39,178)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Payroll	 \$ 282,643	 \$ 341,869	 \$ 309,201	 \$ 282,947
Contributions as a Percentage of Covered Payroll	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 four years are shown.

**Note to Schedule:**

Valuation Date: June 30, 2015

Methods and assumptions used to determine contribution rates:

Single and Agent Employers	Entry age normal
Amortization method	Direct Rate Smoothing Method
Remaining amortization period	Gains and Losses over fixed 30-years with a 5 yr ramp-up/ramp-down
Assets valuation method	Market Value
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment rate of return	7.50% net of pension plan investment and
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

CITY OF HIDDEN HILLS

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

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

(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

**CITY OF HIDDEN HILLS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

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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 the Measure R Fund or 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>
Public Works	\$ 755,397	\$ 671,100	\$ (84,297)

CITY OF HIDDEN HILLS

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2018

	<b>Special Revenue Funds</b>			
	<b>State Gas Tax</b>	<b>Traffic Safety</b>	<b>Curb Side Recycling</b>	<b>Proposition A</b>
<b>Assets:</b>				
Cash and investments	\$ 252,553	\$ 17,218	\$ -	\$ -
Receivables:				
Accounts	-	492	-	-
Due from other funds	219,477	-	45,104	92,719
<b>Total Assets</b>	<b>\$ 472,030</b>	<b>\$ 17,710</b>	<b>\$ 45,104</b>	<b>\$ 92,719</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Community development projects	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	472,030	17,710	45,104	92,719
<b>Total Fund Balances</b>	<b>\$ 472,030</b>	<b>\$ 17,710</b>	<b>\$ 45,104</b>	<b>\$ 92,719</b>

CITY OF HIDDEN HILLS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018

(CONTINUED)

	<b>Special Revenue Funds</b>			
	<b>Air Quality Improvement</b>	<b>COPS AB3229</b>	<b>Proposition C</b>	<b>TDA</b>
<b>Assets:</b>				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Receivables:				
Accounts	-	-	-	-
Due from other funds	31,956	51,979	143,710	956
<b>Total Assets</b>	<b>\$ 31,956</b>	<b>\$ 51,979</b>	<b>\$ 143,710</b>	<b>\$ 956</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Community development projects	\$ 31,956	\$ -	\$ -	\$ -
Public safety	-	51,979	-	-
Public works	-	-	143,710	956
<b>Total Fund Balances</b>	<b>\$ 31,956</b>	<b>\$ 51,979</b>	<b>\$ 143,710</b>	<b>\$ 956</b>

CITY OF HIDDEN HILLS

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2018

	Special Revenue Funds		Total Nonmajor Governmental Funds
	STPL	Measure M	
<b>Assets:</b>			
Cash and investments	\$ -	\$ -	\$ 269,771
Receivables:			
Accounts	-	-	492
Due from other funds	32,960	19,732	638,593
<b>Total Assets</b>	<b>\$ 32,960</b>	<b>\$ 19,732</b>	<b>\$ 908,856</b>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Community development projects	\$ -	\$ -	\$ 31,956
Public safety	-	-	51,979
Public works	32,960	19,732	824,921
<b>Total Fund Balances</b>	<b>\$ 32,960</b>	<b>\$ 19,732</b>	<b>\$ 908,856</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, 2018

	<u>Special Revenue Funds</u>			
	<u>State Gas Tax</u>	<u>Traffic Safety</u>	<u>Curb Side Recycling</u>	<u>Proposition A</u>
<b>Revenues:</b>				
Intergovernmental	\$ 52,019	\$ 4,300	\$ 10,000	\$ 34,919
Use of money and property	1,939	-	-	639
<b>Total Revenues</b>	<b>53,958</b>	<b>4,300</b>	<b>10,000</b>	<b>35,558</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	5,000	-
Public works	13,543	400	-	-
<b>Total Expenditures</b>	<b>13,543</b>	<b>400</b>	<b>5,000</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,415	3,900	5,000	35,558
<b>Other Financing Sources (Uses):</b>				
Transfers out	(34,605)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(34,605)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	5,810	3,900	5,000	35,558
Fund Balances, Beginning of Year	466,220	13,810	40,104	57,161
<b>Fund Balances, End of Year</b>	<b>\$ 472,030</b>	<b>\$ 17,710</b>	<b>\$ 45,104</b>	<b>\$ 92,719</b>

CITY OF HIDDEN HILLS

COMBINING STATEMENTS OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

(CONTINUED)

	<u>Special Revenue Funds</u>			
	<u>Air Quality Improvement</u>	<u>COPS AB3229</u>	<u>Proposition C</u>	<u>TDA</u>
<b>Revenues:</b>				
Intergovernmental	\$ 11,813	\$ 139,416	\$ 28,833	\$ 5,873
Use of money and property	347	-	1,131	-
<b>Total Revenues</b>	<b>12,160</b>	<b>139,416</b>	<b>29,964</b>	<b>5,873</b>
<b>Expenditures:</b>				
Current:				
General government	34,341	-	-	4,917
Public works	-	-	12,851	-
<b>Total Expenditures</b>	<b>34,341</b>	<b>-</b>	<b>12,851</b>	<b>4,917</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,181)	139,416	17,113	956
<b>Other Financing Sources (Uses):</b>				
Transfers out	-	(149,973)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(149,973)</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(22,181)	(10,557)	17,113	956
Fund Balances, Beginning of Year	54,137	62,536	126,597	-
<b>Fund Balances, End of Year</b>	<b>\$ 31,956</b>	<b>\$ 51,979</b>	<b>\$ 143,710</b>	<b>\$ 956</b>

CITY OF HIDDEN HILLS

COMBINING STATEMENTS OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	Special Revenue Funds		Total Nonmajor Governmental Funds
	STPL	Measure M	
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ 19,660	\$ 306,833
Use of money and property	-	72	4,128
<b>Total Revenues</b>	<b>-</b>	<b>19,732</b>	<b>310,961</b>
<b>Expenditures:</b>			
Current:			
General government	-	-	44,258
Public works	-	-	26,794
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>71,052</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	19,732	239,909
<b>Other Financing Sources (Uses):</b>			
Transfers out	-	-	(184,578)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(184,578)</b>
Net Change in Fund Balances	-	19,732	55,331
Fund Balances, Beginning of Year	32,960	-	853,525
<b>Fund Balances, End of Year</b>	<b>\$ 32,960</b>	<b>\$ 19,732</b>	<b>\$ 908,856</b>