

# Comprehensive Annual Financial Report



City of Redondo Beach, California  
For the year ending June 30, 2014



# City of Redondo Beach

Redondo Beach, California

*Comprehensive Annual Financial Report*

*For the year ended June 30, 2014*

PREPARED BY THE CITY OF REDONDO BEACH, CALIFORNIA  
FINANCIAL SERVICES DEPARTMENT

**City of Redondo Beach**  
**Comprehensive Annual Financial Report**  
**For the year ended June 30, 2014**

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December 16, 2014

Honorable Mayor, City Council and  
Residents of the City of Redondo Beach:

The Financial Principles of the City of Redondo Beach require we issue the Comprehensive Annual Financial Report by the second Council meeting in December of each year. Pursuant to this requirement, we hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Redondo Beach, California (City), for the fiscal year ended June 30, 2014. These financial statements are presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants.

The primary purpose in providing this report, as defined by the City Charter, is to inform the Mayor and City Council of all financial and administrative activities of the previous fiscal year. In addition, this report is directed to two other groups: the residents of Redondo Beach, and the financial community. For the residents, the report provides an opportunity to correlate City services and accomplishments with the expenditure of financial resources. For the financial community, this report provides information necessary to evaluate financial practices of the City, assure their soundness in accordance with GAAP, and determine the financial capacity of the City to incur and service debt for long-range capital planning.

Responsibility for the accuracy of the data presented and completeness and fairness of the presentation, including disclosures, rests with the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformance with GAAP. Because the cost of internal controls should not outweigh the benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

GAAP requires that management provide a narrative introduction, i.e., overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the financial section of the CAFR.

## PROFILE OF THE CITY OF REDONDO BEACH

The City of Redondo Beach, incorporated in 1892, is located in the South Bay part of Los Angeles County and spans 6.3 square miles. According to the State of California's Department of Finance, Redondo Beach has a population of 67,717 as of January 1, 2014, remaining relatively flat with 2013. The City remains a highly residential, non-industrial community. It is a highly-educated, upscale community where the median cost of a home is \$750,000.

Redondo Beach has significant concentrations of employment and retail activity in the northern industrial complex anchored by Northrop Grumman, while the South Bay Galleria anchors the east end of the City. The Harbor/Pier area also contributes to the City's economy, and an eclectic mix of specialty shops, restaurants and services known as the Riviera Village is located at the south end of the City. Based on the number of full-time employees, the top ten employers in Redondo Beach are Northrop Grumman, Redondo Beach Unified School District, the City of Redondo Beach, Crowne Plaza, Cheesecake Factory, U.S. Post Office, Nordstrom, Target Store, DHL Global Forwarding, and Macy's.

The City is divided into five districts and operates under a Council-Manager form of government. One councilperson is elected from each district and serves a term of four years, with a limit of two full terms. The Mayor is elected by the City at large, also limited to serving two full terms of four years each. Other elected officials are the City Treasurer, City Attorney and City Clerk - all serving terms of four years, but can be re-elected an unlimited number of times. The City Council is responsible for, among other things, passing ordinances, adopting the budget, establishing policy, appointing committees/commissions and appointing a City Manager.

In addition to sitting as the governing board of the City, the Mayor and City Council act as the Board of Directors for various component units of the City: the Redondo Beach Housing Authority, the Redondo Beach Public Financing Authority, the Redondo Beach Community Financing Authority, the Parking Authority of the City of Redondo Beach, and the Redevelopment/Successor Agency of the City of Redondo Beach. The City Manager is responsible for carrying out the policies and ordinances of the City Council and for appointing the heads of the City's various departments. In May 2008, the Mayor and City Council established an audit committee to enhance the City's communication with its independent accounting firm, ensuring increased involvement by the governing board in the City's accounting processes.

The City provides a full range of municipal services. These include public safety (police and fire protection), recreation and community services, library, parks, maintenance and improvement of streets and infrastructure, planning and zoning, housing, economic development, transit, and general government. The City also operates and maintains a harbor under a trust agreement with the State of California.

The annual budget serves as the foundation for the City's financial planning and control. The City Council is required to adopt an annual budget on or before June 30 of each year for the General Fund, Special Revenue Funds, Enterprise Funds, Capital Projects Fund and Internal Service Funds. The City also adopts a five-year capital improvement program and a Redevelopment/Successor Agency budget.

The level of appropriated budgetary control is the total adopted budget, which is defined as the total budget for all funds and divisions, and all revisions and amendments approved by the City Council subsequent to the initial budget adoption. The City Manager may authorize transfers within each fund and between line items or programs within each department; however, supplemental appropriations and transfers between funds during the budget year must be approved by four affirmative votes of the City Council. Unexpended or unencumbered appropriations expire at the end of each fiscal year. Encumbered appropriations and appropriations related to grants and donations are re-appropriated in the ensuing year's budget by action of the City Council. The City utilizes an encumbrance system, whereby commitments, such as purchase orders and unperformed contracts, are recorded as reserved fund balances at year end.



## **FACTORS AFFECTING FINANCIAL CONDITION**

### ***Economic Outlook***

During FY 2013-2014, Redondo Beach experienced a 3.8% change in real property assessed valuations, compared to last year's 2.7%. Hotel occupancy rates for the City's thirteen operating hotels decreased slightly by 0.74%, from prior year FY 12-13. This was due to the fact that one of the hotels was closed for remodeling throughout much of 2014. Transient Occupancy Tax, or TOT, revenue increased by 7.5%, due to improved visitation and increased days of stay. The Utility users' tax revenue reflected a decrease of 3.80% in FY 2013-2014. Redondo Beach continues to exceed the countywide average in total taxable retail sales, ranking 31 out of 89 cities. Redondo Beach experienced a decrease in its unemployment rate from 5.4% in FY 2012-2013 to 4.3% in FY 2013-2014, which is well below the Los Angeles County and State of California FY 2013-2014 unemployment rates of 8.1% and 7.4%, respectively.

### ***Economic Development***

All sectors of the national and regional economy have been impacted by the continuing sluggish economy. Fortunately, the South Bay region has not been negatively impacted nearly as much as other areas of Southern California. Opportunities still exist to further minimize the impacts and set the stage for improvement.

The City's emphasis on economic development is targeted on a number of key strategic goals:

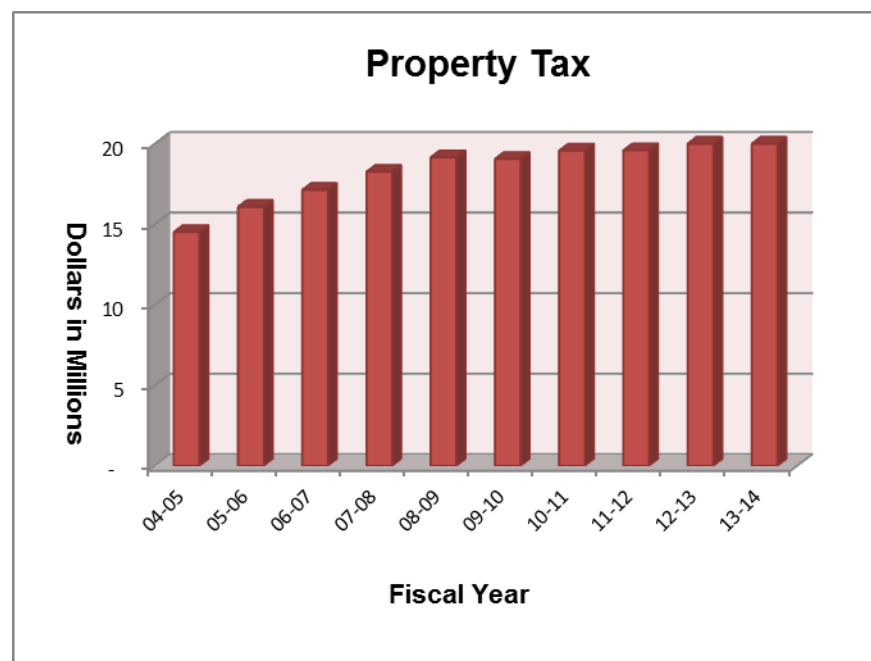
- Revitalizing the Harbor and Pier area through a public-private partnership that will renovate 35 waterfront acres, consisting of two land masses and two piers separated by a boat marina.
- Reinforcing the desirability of the Riviera Village as a destination for shopping, dining, and services through improved signage and enhanced streetscapes.
- Opening of two new hotels on Marine Avenue, a 172 room Residence Inn by Marriott and a 147 room Hilton Garden Inn, with a third hotel in the planning stage.
- Securing the necessary funding and completing property transactions to enable construction of a transit center serving local and regional bus systems in the coming year.
- Engaging in advocacy efforts to retain funds for contracts and research and development at Northrup Grumman Corporation and Space Park area businesses.
- Encouraging the continued success of the Artesia Boulevard business district and South Bay Galleria which is poised for a major redevelopment.
- Continuing to attract business opportunities through the use of economic development incentive agreements.
- Ensuring growth in the business community through business retention, thereby enhancing the community's overall economic base.
- Making investments in infrastructure, including the Harbor/Herondo Gateway Improvement Project, an improved Police Department Annex building at 200 North Pacific Coast Highway, new transient Vessel moorings serve the boating community, and significant road improvements to support the local economy.

The City has experienced increases in three of its five major General Fund revenue categories: sales tax, vehicle license fees, and transient occupancy tax. These and all of the Major General Fund revenue sources are discussed in more detail below.

### ***Property Tax***

The City's largest revenue source, property tax, is imposed on real property (land and permanently attached improvements, such as buildings) and tangible personal property (moveable property) located within the City. Property is initially assessed by the County Assessor at a tax rate of 1.0% of the assessed value and rising no more than 2.0% each year. The City receives revenues equal to 16.5% of the tax rate from the County of Los Angeles - Auditor/Controller's Office.

The City's property tax valuations, while slowing from pre-recession levels, continue to be positive. With Redondo Beach being a desirable location, coupled with continued low mortgage interest rates, the FY 2013-2014 citywide assessed valuation experienced a positive change of \$476 million, or 3.80%, to \$13.00 billion. The City's assessed valuation amount is derived 79.9% from single-family residential properties, 8.7% from commercial properties, 3.7% from industrial properties, and the remaining 7.7% from vacant and institutional properties. During FY 2013-2014, property tax revenue decreased (\$1,106,113) or -4.81%, to \$21.9 million. This decrease was due to a significant reduction in property tax trust fund revenue, as the amount received in FY 2012-2013 included a one-time distribution of former Redevelopment Agency housing funds returned to the State. The housing market has continued to improve in 2014 as the level of home buying increased due to continued low interest rates coupled with affordable prices. At the same time, foreclosure levels are back to historical norms, and median prices and numbers of sale transactions are up throughout California. The median sale price of a single family home in Redondo Beach is \$750,000 which is the same peak price seen in 2007 during the real estate bubble and represents a \$108,250, or 17.50% increase in median sale price from 2013. As a result, the annual increase in property tax revenue appears to be recovering; however, the growth rates are still below those experienced before the recession.

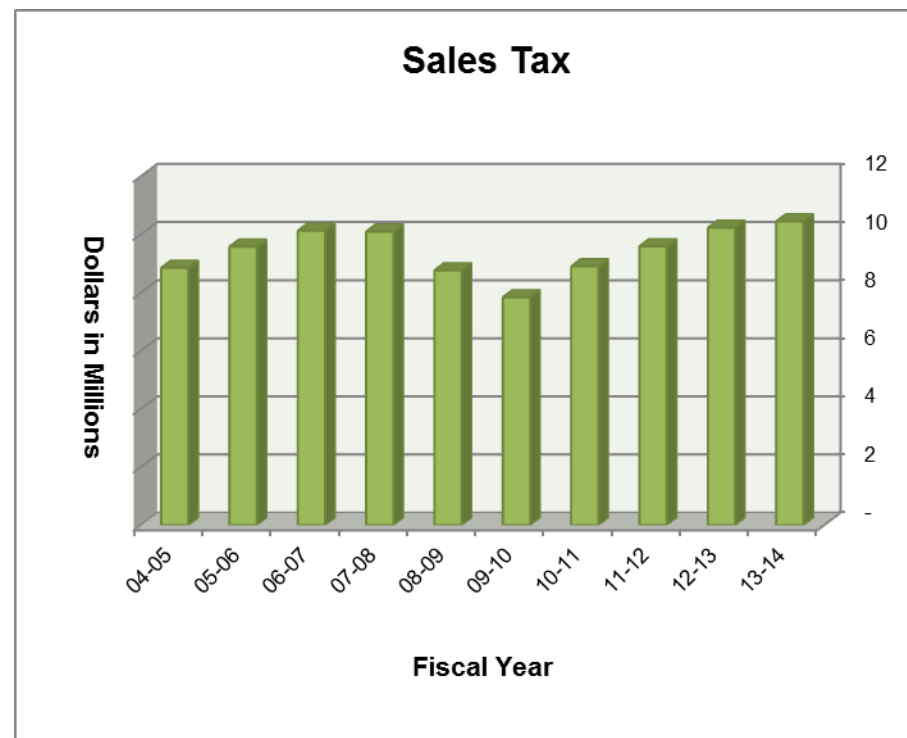


## Sales Tax

The City's second largest revenue source is sales tax. Sales tax in Los Angeles County is 9.00% of the sale price of taxable goods and services sold at retail. Redondo Beach receives 1% of taxable sales from the State Board of Equalization. Twenty-five percent of the City's FY 2013-2014 traditional sales tax base is now committed to the State for deficit reduction bonds. This amount is backfilled with, and distributed on the same basis as property tax revenue to the City with a revenue swapping procedure commonly referred to as the "triple flip".

Sales tax revenue has increased following the end of the recession and this trend has continued through FY 2012-2013, with the City receiving \$10.23 million in sales tax revenue, an increase of \$633,454, or 6.60%, from prior year. In FY 2013-2014 the City received \$10.45 million in sales tax revenue an increase of \$222,047 or 2.17% when compared to FY 2012-2013. FY 2013-2014 sales tax revenue consisted of \$7.82 million in local sales tax revenue and \$2.63 million in State "triple flip" funds. Population growth, local competition, consumer confidence, and unemployment are all factors that contribute to the volatility of this key tax-based operating revenue.

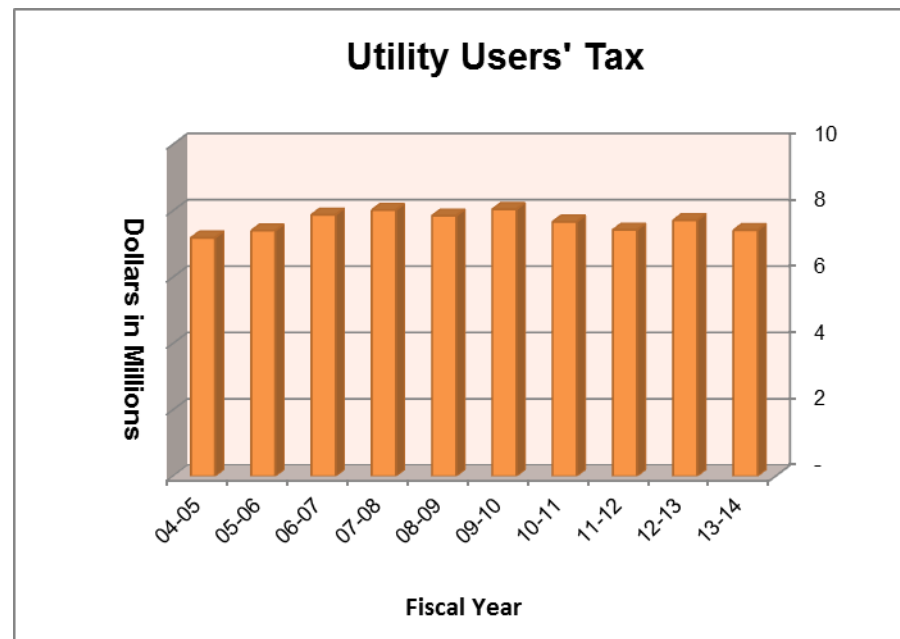
The City is committed to re-establishing a strong local economy through both business retention and business expansion, offsetting in part the loss of Nordstrom to a neighboring city projected to occur at the end of calendar year 2015. Although sales related to current retail vendors should, at least, show slight increases, the City anticipates significant contributions to sales tax revenue in the coming years as the South Bay Marketplace continues to strengthen, new investment in the Harbor's revitalization comes to fruition, visitors staying in new hotels and making purchases, and collection of sales tax by remote sellers, especially Amazon, is enforced.



### Utility Users' Tax (UUT)

The City's third largest revenue source, utility users' tax (UUT), is imposed on consumers of electric, gas, cable services, water and telephone services. Federal and state governmental agencies and pay telephone users are exempt. UUT revenue consists of approximately 38% telecommunications and 35% electricity. Each city sets its UUT rate, and Redondo Beach's is 4.75%. The City successfully protected this UUT rate by placing a measure on the March 2009 ballot to modernize the City's UUT ordinance. This important measure was strongly endorsed by the citizens, passing it by 75%. Therefore, the long-term viability of telecommunications-based UUT revenue (approximately 38% of the UUT tax) has been secured.

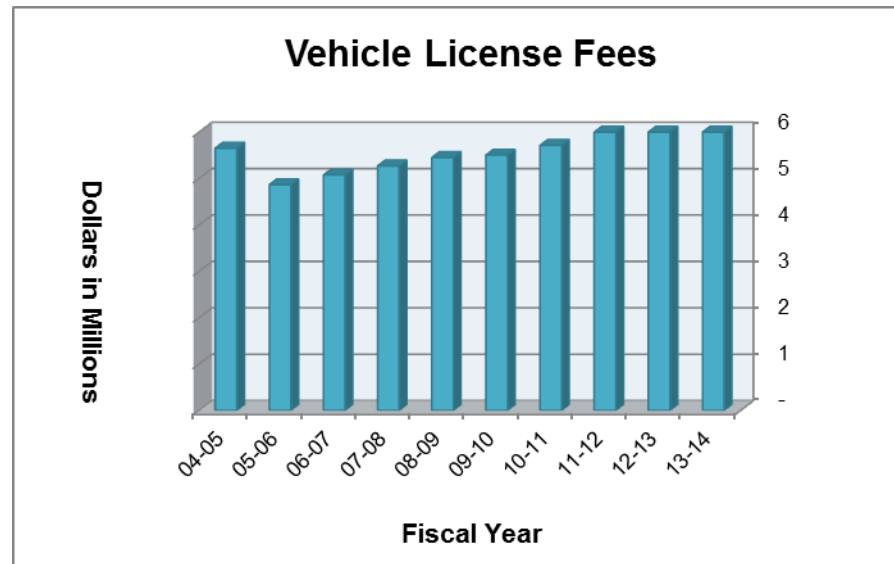
UUT revenue for FY 2013-2014 totaled \$7.41 million, reflecting a decrease from the prior year of (\$299,330) or -3.8%. The UUT decrease is largely due to one-time recovery of unpaid UUT from Verizon during calendar year 2008 to 2010 paid during FY 12-13. Excluding the one-time Verizon UUT recovery, FY 13-14 UUT was relatively flat. For FY 2014-2015, the initial estimate of UUT revenue is conservatively projected to decrease by (\$381,333) or -4.8%. This is due to increased consumers' conservation efforts coupled with anticipated decreased utilization of telecommunication services.



### **Vehicle License Fees (VLF)**

The City's fourth largest revenue source is vehicle license fees (property tax in lieu of VLF and motor vehicle in-lieu tax) and is imposed by the State on owners of registered vehicles for the privilege of operating a vehicle on public highways. A portion of the tax is disbursed to cities based on the proportion that the population of each city bears to the total population of all cities in the State (a per capita formula). The license fee paid to the State by vehicle owners is 0.65% of the market value of the motor vehicle; however, cities are due 2% of the market value of the motor vehicle. Since there is a discrepancy of 1.35% in what the State collects and what cities are due, the State backfills the additional 1.35% from its General Fund in the form of property tax revenue.

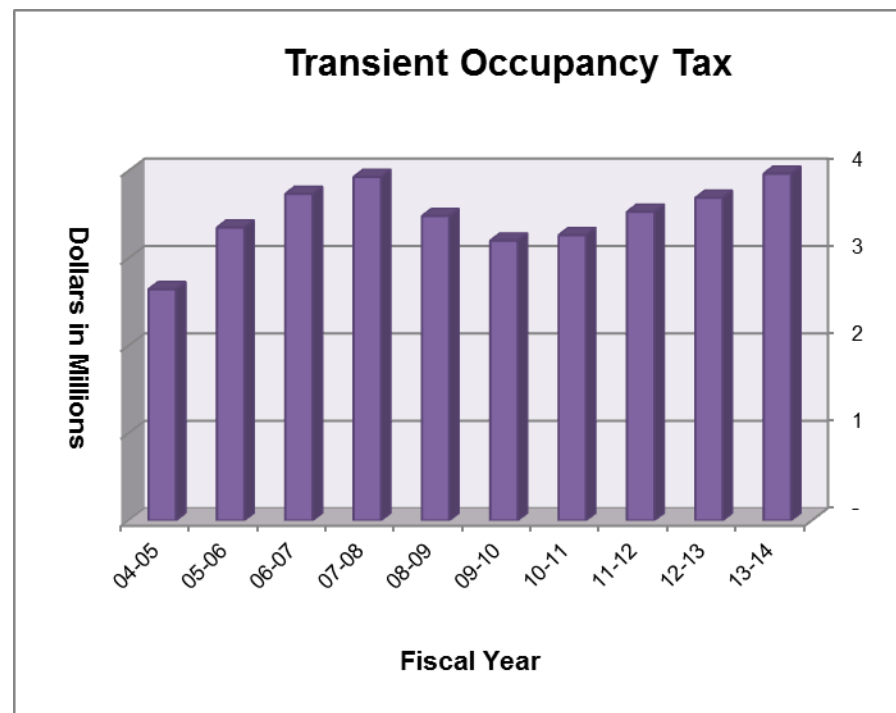
Historically, the City experienced a steady increase in VLF until FY 2003-2004, when a State budgetary realignment reduced the VLF apportionment to a tax rate of 0.65%. In FY 2003-2004, the State Budget Act of 2004 substantially changed the allocation of VLF revenues to cities and counties. With this, the backfill of 1.35% referenced above was distributed in the form of property tax revenues and the official name of the tax became property tax in lieu of VLF. FY 2004-2005 revenue included an advance repayment of \$1.1 million in funds loaned to the State from prior year, adjustments to prior period apportionments, and implementation of the revised State allocation formula. Since FY 2005-2006, the City has experienced steady increases in VLF revenue due to the growth in both in property tax in lieu of VLF and motor vehicle in-lieu tax. FY 2010-2011 revenue included a distribution of excess VLF collected by the State. In FY 2013-2014, MVIL revenue totaled \$5.88 million, increasing \$216,847, or 3.83%, from prior year. This increase comprises a gain in property tax in lieu of VLF and a loss in motor vehicle in-lieu tax revenues of \$222,865 and (\$6,018), respectively.



### ***Transient Occupancy Tax (TOT)***

The City's fifth largest revenue source, transient occupancy tax (TOT), is imposed on occupants of hotel, motel, inn, tourist home or other lodging facilities unless such occupancy is for 30 days or longer. The tax is applied to the customer's lodging bill at a rate of 12%, which was increased 2% in July 2005, and substantially enhanced revenues. One percent (1%) of the TOT collected is contributed to the Redondo Beach Chamber of Commerce and Visitors Bureau to support marketing and tourism in the City. This 1% is not netted against revenues, but rather reflected in the City's expenditures.

The City's TOT revenue has been experiencing positive growth. In FY 2013-2014 TOT revenue increased by \$277,643, or 7.52% to \$3.97 million. When compared to FY 2012-2013, TOT revenue for FY 2013-2014 experienced a greater rate of increase. The faster growth rate was due to improved visitation and higher room rates. In connection with the City Council's multi-year economic development and planning efforts, construction was completed for two new hotels which opened in North Redondo Beach on Marine Avenue – a 172 room Residence Inn by Marriott and a 147 room Hilton Garden Inn. A third hotel is already underway and in the planning stage. In order to secure the financing for these major developments in a downturn economy, the first several years of TOT revenue is being set aside as a form of mortgage insurance. Once the mortgage insurance obligation has been fulfilled, (anticipated in 2018), the City will benefit from an estimated additional \$2 million a year in new TOT revenue.



## LONG-TERM CAPITAL IMPROVEMENT PLANNING

The City annually adopts a Five-Year Capital Improvement Program. The first year funding of capital improvement projects is included in the fiscal year 2013-2014 adopted budget. These projects, however, should not be viewed as immediate resolution to existing infrastructure problems, but instead as part of “setting the table” for the future. It will take time to rehabilitate the City’s capital assets, and we anticipate our long-range replacement program will protect the City’s valuable assets for future generations. Meanwhile, the City continues to invest in a number of significant projects:

### ***Street Resurfacing***

- Residential Street Rehabilitation - In FY 2013-2014, the City completed Phase 10 of its multi-year residential street rehabilitation program. The cost of the improvements was \$611,344. For FY 2014-2015, the City has budgeted \$1,000,000 to continue the residential resurfacing effort. In addition, the FY 2014-2015 budget includes \$250,000 in annual roadway maintenance funds to mitigate the impacts of trash hauling vehicles on City streets.
- Arterial Street Resurfacing – In FY 2013-2014, the City completed design of several important resurfacing projects, including Herondo/Harbor Gateway Improvements, Aviation Boulevard, and Avenida del Norte. Construction will take place in FY 2014-2015. For FY 2014-2015, the City budget includes over \$6.6 million for arterial improvements, \$70,000 for implementing measures to relieve traffic congestion, and \$243,000 for sidewalk, curb and gutter improvements.
- Citywide Curb Ramp Improvements – The City completed construction on the latest phase of the Citywide Curb Ramp Improvements Project. The cost of the project was \$494,930. The FY 2014-2015 budget includes \$268,000 to continue this effort.

### ***Storm Drain System Improvements***

- Water Quality Improvements - The City is continuing to implement an aggressive program to improve the quality of the water discharged from the City’s storm drain system. In FY 2005-2006, a “Water Quality Task Force” was formed to find solutions to recurring “red tides” and water quality issues in the City’s harbor. The FY 2013-2014 budget included \$32,000 to implement the last of the Task Force’s recommendations – the harbor trash skimmer project. The City Council approved that purchase and installation in June. The City is working with adjoining Cities to comply with the new Municipal NPDES MS4 permit and met all permit requirements by submitting an Enhanced Watershed Management Program (EWMP) work plan and a Coordinated Integrated Monitoring Program (CIMP) to the Regional Board in June. The FY 2014-2015 budget includes approximately \$159,000 in funding to continue this effort.

### ***Sewer Improvements***

- Sewer Line Replacement - In FY 2013-2014, the City spent almost \$1.2 million on upgrades to the City’s sewer facilities system. The FY 2014-2015 budget includes \$1.72 million in funding for sewer facility improvements including a sewer system camera inspection.
- Sewer Pump Station Rehabilitation – In FY 2013-2014, the City awarded a \$94,200 contract to replace the control panel at the Portofino Pump Station. Construction will be completed in FY 2014-2015. The FY 2014-2015 budget includes \$4.27 million for additional upgrades to the City’s sewer pump stations including stations on Portofino Way and Yacht Club Way.

### ***Facility Improvements***

- Emergency Operations Center (EOC) Generator – In FY 2013-2014, the City completed installation of a new generator for the Emergency Operations Center in the Main Library. The cost of the project was \$214,000.
- Redondo Beach Historical Museum Roof Replacement - In FY 2013-2014, the City spent \$55,000 to replace the roof at the Redondo Beach Historical Museum. In addition, the new HVAC system installation at the historic Veterans Park Community Center was completed.
- Aviation Gymnasium Exterior Door Replacement – In FY 2013-2014, the City installed new exterior doors at the Aviation Gymnasium at a cost of \$34,400.
- Waterfront Improvements – In the waterfront, the City completed \$144,000 in repairs to the Pier Parking Fire Main System and \$131,000 in repairs to the pier parking structure. In addition, the Parcel 10 Deck was repaired and furnishings were installed at a cost of \$97,500.

## CASH MANAGEMENT POLICIES AND PRACTICES

The City invests all idle cash in various investment instruments, as authorized within the City's Statement of Investment Policy. The City Treasurer employs a buy and hold philosophy of cash management, ensuring the full return of all investment principal. In February of 2013, the City commenced utilization of FTN Financial Main Street Advisors in providing non-discretionary investment management services to the City Treasurer. Composition of the City's investment portfolio consists of a well-diversified mix of Federal Agency instruments, complimented by a blend of AA rated Corporate Medium Term Notes, both investment types of which are structured along a five-year ladder maturity schedule. In addition, sufficient portfolio liquidity is maintained through continued maintenance of a significant portion of the investment portfolio's position in the State managed Local Agency Investment Fund, or LAIF.

The City maintains an Investment Policy certified for reporting excellence by the Association of Public Treasurers – United States & Canada (APT – US&C) and has established both a written investment policy and investment procedures manual. The Investment Policy is reviewed and approved by both the City Council and the Budget and Finance Commission on an annual basis. The investment policy's established performance benchmark is the one-year moving average of the Two-Year Constant Maturity Treasury index (CMT). In the periodic purchase of investments, both the rate of return provided by LAIF and the yield on the US Treasury security of closest maturity to the purchased investment serve also as investment performance benchmarks.

The level of investments maintained with LAIF fluctuates in accordance with variations in both the City's operational and capital improvement program cash flow requirements. The LAIF balance is maintained at a level of \$15 to \$35 million, or approximately 35% of the general portfolio's assets on average, ensuring maintenance of sufficient investment portfolio liquidity. The yield provided by LAIF has declined over the past year in line with the overall reduction in short-term market interest rates. Idle investment funds above the liquidity threshold have been placed primarily in Federal Agency investments within the two to five year investment maturity range. The reduction in market interest rates experienced over the past year have been both anticipated and well managed, proactively responding to both the City's operating and capital improvement cash flow requirements. The rate of return on the City's investment portfolio consistently meets or exceeds the level of the established investment portfolio performance benchmark. As of June 30, 2014 the City's general portfolio was invested as follows:

<b>Market Value Comparison of Investment Portfolio Positions FY 2013-2014</b>								
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
Investment Type	\$MM	%	\$MM	%	\$MM	%	\$MM	%
Cash in Banks & Money Markets							\$ 7.33	8.7%
Local Agency Investment Fund	\$ 22.50	35.8%	\$ 22.50	35.1%	\$ 25.00	35.9%	\$ 29.00	34.3%
Federal Agency Issues	\$ 20.71	32.9%	\$ 21.65	33.8%	\$ 24.73	35.5%	\$ 26.86	31.8%
Corporate Medium Term Notes	\$ 15.75	25.0%	\$ 15.73	24.5%	\$ 15.75	22.6%	\$ 15.77	18.7%
Bank Certificates of Deposit	\$ 3.96	6.3%	\$ 4.21	6.6%	\$ 4.22	6.1%	\$ 4.48	5.3%
Treasuries							\$ 0.99	1.2%
Total: Investment Portfolio	\$ 62.92	100.0%	\$ 64.09	100.0%	\$ 69.70	100.0%	\$ 84.43	100.0%
Weighted Average Maturity (Yrs)	2.2		2.01		1.82		1.59	
Portfolio Yield %	0.91%		0.94%		1.02%		0.87%	
L.A.I.F. Yield	0.25%		0.26%		0.24%		0.22%	
Yield on Two Year C.M.T Benchmark	0.29%		0.30%		0.33%		0.39%	



Interest earned on the general portfolio's assets for FY 2013-2014 was \$630,454. The General Fund contribution rate of the general investment portfolio is approximately 65.5% of the total interest earned.

As required by GASB 31, the City recorded the unrealized gain/loss on certain investments to account for the market value at June 30, 2014. The portfolio market value, \$84,429,373, exceeded the book value of \$84,382,350 by \$47,022, or .056% of the current market value of the investments within the City's investment portfolio. This unrealized gain in the value of investments results from structural factors and interest rate movements within the financial marketplace over the past year impacting the market valuation of the City's investments in both Federal Agency issues and Corporate Medium Term Notes.

## **RISK MANAGEMENT**

The City maintains a self-insurance program for workers' compensation and liability claims. The program accumulates resources in the Self-Insurance Program internal service fund to meet potential losses. For fiscal year 2013-2014, the self-insurance retention (SIR) is \$750,000 for workers' compensation and \$500,000 for liability. Excess coverage up to \$100 million for each workers' compensation claim is provided by a third-party private insurer, and excess liability up to \$20 million for each occurrence is covered by the Independent Cities Risk Management Authority (ICRMA).

ICRMA is a joint powers authority for medium-sized California municipalities which have agreed to pool risks and losses. Each member's share of pooled costs depends on the losses of all members as well as the member's own loss experience. Both the workers' compensation and liability claims programs are managed by a third-party claims administrator under the direction of the Risk Management Division of the Human Resources Department.

The amounts included in the Self-Insurance Program internal service fund are significant partly due to requirements of Government Accounting Standards Board (GASB) Statement No.10. In complying with GASB 10, the City must record as a liability and expenditure not only actual risk/loss experienced in the areas of workers' compensation and liability, but also claims incurred but not reported (IBNR). IBNR claims include exposure for losses of which a city is not yet aware, as well as any statistically probable increase in costs for accidents that are already known to the City. The appropriate amount to include on the financial statements for IBNR claims is typically developed by an actuary.

As of June 30, 2014, the City recorded the following:

### ***Workers' Compensation Claims***

Claims payable totaled \$13.05 million representing a decrease of \$781 thousand or -5.26%, from the prior period. This decrease is attributable to a decrease in reserves based on legislation that changed statutory benefit levels and the outcomes of future administrative proceedings and litigation.

### ***Liability Claims***

Claims payable totaled \$2.5 million representing an increase of \$35,323, or 1.36%, from the prior period. This increase is attributable to an increase in estimated reserves and the settlement of claims in previous years.

### ***Unemployment Insurance***

The City participates in a direct-cost reimbursement method for unemployment insurance. This program is administered by the State Employment Development Department (EDD) to provide salary continuance for terminated employees. For FY 2013-2014, reimbursement to EDD was \$54,874.

## **PENSION AND OTHER POST-EMPLOYMENT BENEFITS**

The City provides three Tier 1 defined benefit pension plans – two for safety employees (3% at 55 for Fire and 3% at 50 for Police) and one for miscellaneous employees (2% at 55). Beginning July 2012, two additional Tier 2 defined benefit pension plans were provided – one for safety employees (3% at 55 for both Fire and Police) and one for miscellaneous employees (2% at 60). Beginning January 2013, pursuant to the California Public Employee's Pension Reform Act of 2013 (PEPRA), Tier 3 defined benefit pension plans were added, 2.7% at 57 for safety employees and 2% at 62 for miscellaneous employees. These plans are part of the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. The City makes contributions to the plans based on amounts determined by CalPERS actuaries. For FY 2013-2014, the City contributed the Tier 1 full-time employees' required contributions on their behalf and for their account. Tier 2 and Tier 3 plans require employees to contribute to the cost of their employee contribution. Additionally, as part of the compensation reductions the City negotiated with employee bargaining groups, some employees made a contribution toward the City's employer contribution to CalPERS.

The employer rate for safety employees in FY 2013-2014 was 40.6%, up from 40.4% in FY 2012-2013, with the miscellaneous employees' rate increasing from 14.5% to 14.9%. Rates are projected to increase from FY 2013-2014 levels for the 2014-2015 fiscal year to 43.4% for safety employees and 16.2% for miscellaneous employees. Further increases are expected in the coming years as a result of CalPERS decision to lower the discount rate (rate of return) on its investment portfolio, its announced demographic and actuarial adjustments, and its decision to smooth investment losses from 2008 and 2009 over a period of time.

The total contribution paid by the City toward pension benefits was \$10.1 million, which includes the employer and employer-paid member contributions. Approximately 83.3%, or \$8.4 million, was charged to the General Fund. The anticipated total City contribution for FY 2014-2015 is estimated to be approximately \$10.8 million and is expected to increase again in FY 2015-2016.

Aside from contributing to CalPERS, the City also contributes to Social Security. The FY 2013-2014 total cost for Social Security and Medicare coverage was \$1.6 million, of which \$1.1 million, or 66%, is from the General Fund. Safety employees do not participate in Social Security and Medicare, except for those employees hired after 1986, who are required to participate in Medicare.

The City also provides post-retirement health care benefits to its employees in accordance with agreements reached with various employee bargaining groups. The City pays for retirees' health care premiums in these plans up to limits established in the agreements with the bargaining units. All post-retirement healthcare benefits end at age 65. These payments are paid through an Other Post-Employment Benefits (OPEB) trust, which was established by the City in FY 2009-2010 to comply with GASB 45. The OPEB trust allows the City to prefund actuarially derived OPEB costs that are expected to be incurred in future periods. In FY 2013-2014, the City contributed \$1.3 million to the OPEB trust to cover current and future retiree medical benefits; however, future contributions may vary based on future actuarial studies. As of June 30, 2014, the City was providing benefits to 109 participants.

## **SIGNIFICANT EVENTS AND ACCOMPLISHMENTS**

Over the years, Redondo Beach has remained fiscally sound through proactive management and oversight of the City's finances, and its long history of fiscal discipline, along with a diversified revenue base, has helped the City achieve an AA+ credit rating. One of the more important accomplishments is the result of the recent Los Angeles County Grand Jury financial evaluation of the 88 cities in Los Angeles County. The City of Redondo Beach received a #1 ranking on benchmark financial policies, best practices and governance. Missing a perfect score of 100, the City received a score of 97 because it does not have two months of the recommended dedicated General Reserve, only one month. However this is more than offset when considering funds from various other designated City reserves.

During FY 2013-2014 the City achieved many more accomplishments that may not be evident from a review of the financial statements. On the financing side, the City completed a successful \$7.2 million refinancing of its Wastewater Enterprise debt, and generated a savings of \$2.3 million. In connection with the City Council's multi-year economic development and planning efforts, construction was completed for two new hotels which opened in North Redondo Beach on Marine

Avenue – a 172 room Residence Inn by Marriott and a 147 room Hilton Garden Inn. A third hotel is already underway and in the planning stage. In order to secure the financing for these major developments in a downturn economy, the first several years of transient occupancy tax (TOT) revenue is being set aside as a form of mortgage insurance. Once the mortgage insurance obligation has been fulfilled, (anticipated in 2018), the City will benefit from an estimated additional \$2 million a year in new TOT revenue.

Work is also continuing on the revitalization of the Pier and Harbor area, and an Environmental Impact Report (EIR) for the proposed CenterCal Waterfront Revitalization concept is underway. The nearly \$2 million in costs associated with the EIR are being paid by CenterCal. The project is expected to be open in five to six years, at which point it is estimated to generate significant new revenues, primarily TOT and sales tax in the General Fund, and ground rent in the Harbor Tidelands and Harbor Uplands Funds. The project's most recent financial forecast, anticipates new revenues of \$4 - \$6 million a year, commencing in the year 2020. However it should also be noted, that in the two to three years leading up to the project opening, the City will need to prepare for significant decreases in revenue from the Pier and southern portion of the Harbor as these areas will be adversely impacted by the unavoidable reconstruction and rehabilitation of a 60 year old infrastructure.

One final note of significant importance is Nordstrom's decision to vacate the South Bay Galleria during 2015. The Galleria is actively working to secure a replacement anchor tenant while simultaneously evaluating how to best develop the site. During the short period of transition, the City's sales tax base will unquestionably be impacted, and the decline in sales tax is estimated to be \$900,000. Although the City will not see the full impact from this until FY 2016-2017, it is nonetheless actively considering alternatives and planning for it in its future budgeting efforts.

## **AWARDS**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redondo Beach for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013. In order to be awarded this certificate, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

For FY 2013-2014, the City will again apply to the GFOA for the Certificate of Achievement for Excellence in Financial Reporting. We believe that our current comprehensive annual financial report continues to meet and exceed the criteria to receive this certificate, and we will be submitting it to GFOA for consideration.

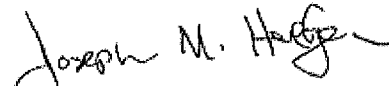
## **ACKNOWLEDGMENTS**

The timely preparation of this report has been accomplished with the efficient and dedicated services of the staff of the Financial Services and Treasury Departments. We also thank the City's independent auditors, Rogers, Anderson, Malody & Scott, LLP, Certified Public Accountants, for their assistance and expertise, and all City departments for their cooperation during the audit engagement and their participation in preparing this report. We would like to express our appreciation to the Mayor and City Council, the City's Audit Committee, and the Budget and Finance Commission for their interest and support in planning and conducting the City's financial affairs in a responsible and progressive manner.

Respectfully submitted,



CRAIG KOEHLER  
Finance Director



JOSEPH HOEFGEN  
Interim City Manager



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Redondo Beach  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

# CITY OF REDONDO BEACH

## MAYOR AND CITY COUNCIL



**Steve Aspel**  
Mayor



**Jeff Ginsburg**  
Councilmember  
District 1



**Bill Brand**  
Councilmember  
District 2



**Pat Aust**  
Councilmember  
District 3



**Stephen Sammarco**  
Councilmember  
District 4



**Matt Kilroy**  
Councilmember  
District 5

## Department Heads

**Dan Smith**  
Interim Community Services Director

**Robert Metzger**  
Fire Chief

**Peter Carmichael**  
Waterfront and Economic Development Director

**Chris Benson**  
Information Technology Director

**Craig Koehler**  
Finance Director

## CITY OFFICIALS

**Joseph Hoefgen**  
Interim City Manager

**Michael Witzansky**  
Interim Assistant City Manager



**Michael Webb**  
City Attorney



**Eleanor Manzano**  
City Clerk



**Steven Diels**  
City Treasurer

## Department Heads

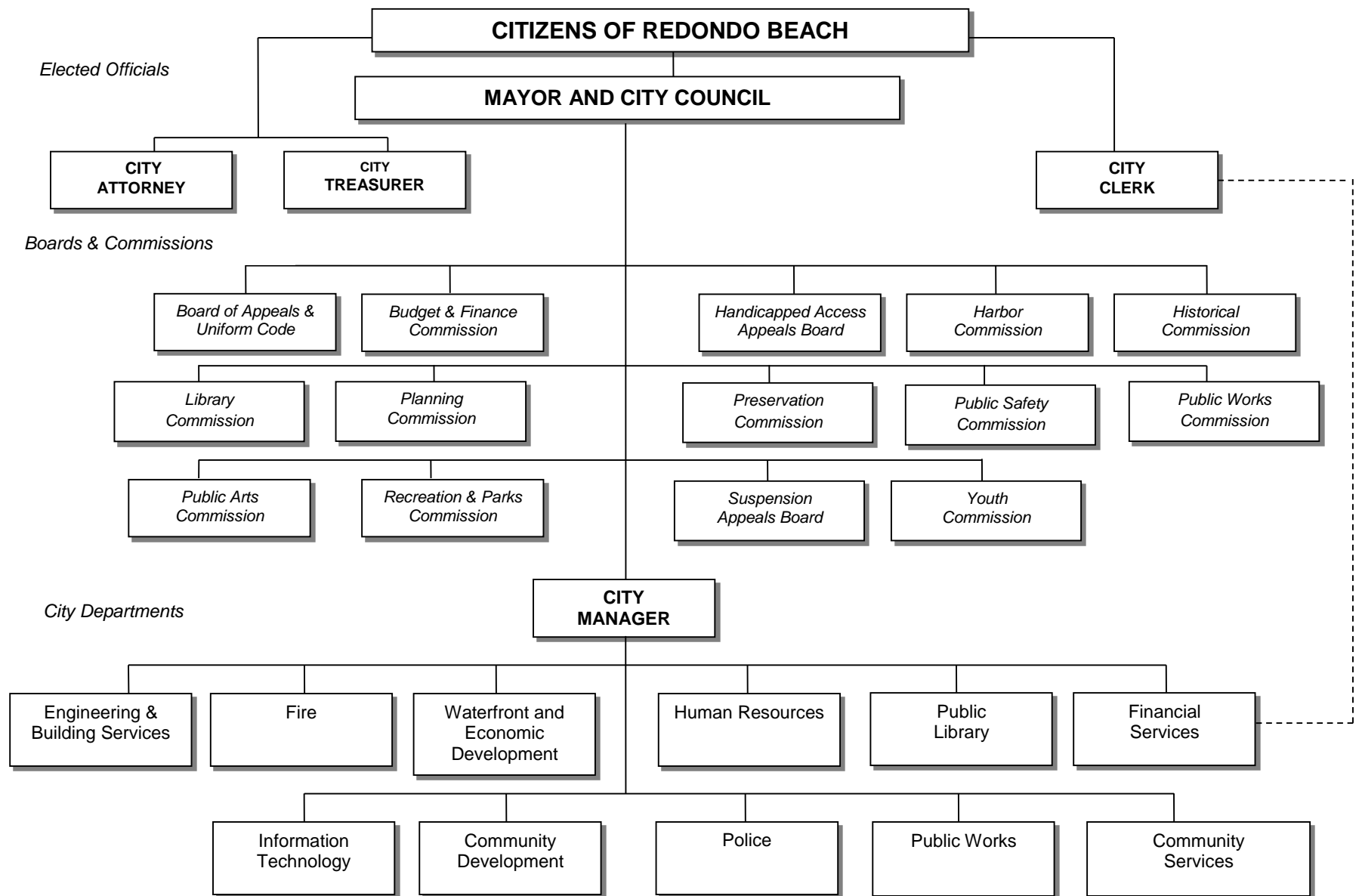
**Aaron Jones**  
Community Development Director

**Jeff Hink**  
Interim Chief of Police

**Susan Anderson**  
Library Director

**Tim Shea**  
Interim Public Works Director

**Vacant**  
Human Resources Director



**ORGANIZATIONAL CHART  
FY 2013-14**



ROGERS, ANDERSON, MALODY & SCOTT, LLP  
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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## INDEPENDENT AUDITOR'S REPORT

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Leena Shanbhag, CPA, MST, CGMA  
Jay H. Zercher, CPA (Partner Emeritus)  
Phillip H. Waller, CPA (Partner Emeritus)

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Brianna Pascoe, CPA

### MEMBERS

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

California Society of  
Certified Public Accountants

To the Honorable Mayor and Members of the City Council  
of the City of Redondo Beach  
Redondo Beach, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redondo Beach, California (City), as of and for the year ended June 30, 2014, 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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, in 2014 the City adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. 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 and budgetary comparison information and other required supplementary information as listed in the table of contents 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 introductory section, combining and individual nonmajor fund financial statements, and statistical section, 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. Such 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2014, on our consideration of the City of Redondo Beach, California'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.

*Rogers Anderson Maloney & Scott, LLP*

December 16, 2014  
San Bernardino, CA

## CITY OF REDONDO BEACH

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Redondo Beach (the "City") provides the Management Discussion and Analysis of the City's Comprehensive Annual Financial Report (CAFR) for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the City's financial statements, which follow. Keep in mind that the Financial Highlights, immediately following, are strictly snapshots of information. Net assets, changes in net assets, and fund disclosures are discussed in more detail later in the report.

#### ***Financial Highlights - Primary Government***

- ♦ *Government-Wide Highlights*

Net Position - Assets of the City exceeded its liabilities at fiscal year ending June 30, 2014 by \$249 million - assets for governmental activities exceeded liabilities by \$186.6 million and assets for business-type activities exceeded liabilities by \$62.9 million.

Changes in Net Position - The City's net assets decreased \$1.5 million in fiscal year 2013-2014. Net position of governmental activities increased \$2.7 million, and net assets of business-type activities decreased \$4.2 million.

- ♦ *Fund Highlights*

Governmental Funds - At the close of fiscal year 2013-2014, the City's total governmental funds reported a fund balance of \$49.1 million, an increase of \$6.6 million from the prior year. Highlighted below are this year's major funds included in this grouping.

General Fund - The fund balance of the General fund (includes Special Revenue – PERS Reserve Fund of \$2.97 million) on June 30, 2014 was \$20.9 million, an increase of \$3.4 million from the prior year.

Other Intergovernmental Grants Special Revenue Fund – The fund balance of the Special Revenue – Other Intergovernmental Grants Fund on June 30, 2014 was negative \$1.5 million, a increase in the negative fund balance by \$507,336 from the prior year.

Debt Service – Public Financing Authority Fund - The fund balance of the Debt Service – Public Financing Authority Fund on June 30, 2014, was \$6.4 million, a decrease of \$368,444 from the prior year.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### ***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. They are comprised of the following:

- ♦ *Statement of Net Position*

The Statement of Net Position presents summarized information of all the City's assets, deferred outflow of resources, liabilities, and deferred inflow of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This financial statement combines and consolidates governmental funds' current financial resources with capital assets and long-term obligations.

- ♦ *Statement of Activities and Changes in Net Position*

The Statement of Activities and Changes in Net Position presents information showing how the government's net position changed during the 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 the 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).

Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, cultural and leisure services and housing and community development. Business type activities include operations of the harbor, sewer (wastewater), solid waste, and transit.

The government-wide financial statements include not only the City itself (known as the primary government), but also the activities of legally separate component units: the Parking Authority of the City of Redondo Beach, the Redondo Beach Public Financing Authority (PFA), and the Redondo Beach Housing Authority. Because the City Council acts as the governing board for each of these component units and because they function as part of the City government, their activities are blended with those of the primary government.

The government-wide financial statements can be found behind the tab section titled Government-Wide Financial Statements.

## ***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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental funds, Proprietary funds, and Fiduciary funds.

The fund financial statements provide detail information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are major funds, was established by GASB Statement No. 34 (GASB 34) and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, while all Non-Major Funds are summarized and presented in a single column.

- ♦ ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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. A reconciliation of both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance with the government-wide financial statements can be found on pages behind the tab section titled Government-Wide Financial Statements.

The City has 28 governmental funds, of which three are considered major funds for presentation purposes. Each major fund is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The City's three major funds are: General Fund, Other Intergovernmental Grants Special Revenue Fund, and Public Financing Authority Debt Service Fund. Data from the non-major governmental funds (e.g., State Gas Tax Fund, Local Transit Fund, Storm Drain Fund, Disaster Recovery Fund) are combined into a single, aggregated presentation. The governmental funds financial statements can be found on pages behind the tab section titled Fund Financial Statements. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages behind the tab section titled Non-Major Governmental Funds.

- ♦ *Proprietary Funds*

The City maintains two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for harbor activities, solid waste (i.e., collection, recycling and hazardous waste disposal), operations and maintenance of City sewers, and transit activities. Internal service funds are used to accumulate and account for the City's vehicles, building maintenance and repair, major facilities repair, information technology, emergency communications, and insurance. Because internal services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds' financial statements provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary funds' financial statements use the accrual basis of accounting. Separate financial statements are provided for Harbor Uplands, Harbor Tidelands, Solid Waste, Wastewater, and Transit. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for each internal service fund is provided in the form of combining statements in the Internal Service Funds section of this report.

The basic proprietary funds financial statements can be found behind the tab section titled Fund Financial Statements.

- ♦ *Fiduciary Funds*

Fiduciary (Agency) funds are used to account for resources held for the benefit of parties outside the government. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs.

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found behind the tab section titled Notes to the Financial Statements.

### ***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information includes disclosure of the modified approach for the city pavement infrastructure and budgetary and pension plan information. This information can be found behind the tab section titled Required Supplementary Information.

**City of Redondo Beach's Statement of Net Position**  
**Fiscal Year Ended June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013
Current and Other Assets	\$ 76,528,508	\$ 74,928,984	\$ 30,100,743	\$ 36,502,231	\$ 106,629,251	\$ 111,431,215
Capital Assets, net depreciation	139,059,037	142,980,777	44,360,495	43,803,140	183,419,532	186,783,917
Total Assets	<u>215,587,545</u>	<u>217,909,761</u>	<u>74,461,238</u>	<u>80,305,371</u>	<u>290,048,783</u>	<u>298,215,132</u>
Deferred outflow of resources	<u>-</u>	<u>-</u>	<u>514,155</u>	<u>-</u>	<u>514,155</u>	<u>-</u>
Long-Term Liabilities						
Outstanding	22,689,403	24,631,047	10,423,973	11,479,916	33,113,376	36,110,963
Other Liabilities	6,305,742	9,305,294	1,654,270	1,678,597	7,960,012	10,983,891
Total Liabilities	<u>28,995,145</u>	<u>33,936,341</u>	<u>12,078,243</u>	<u>13,158,513</u>	<u>41,073,388</u>	<u>47,094,854</u>
Net investment in capital assets	138,614,141	142,096,683	35,646,484	38,936,171	174,260,625	181,032,854
Restricted	19,059,951	17,703,725	-	-	19,059,951	17,703,725
Unrestricted	28,918,308	24,173,012	27,250,666	28,210,687	56,168,974	52,383,699
Total Net Position	<u>\$ 186,592,400</u>	<u>\$ 183,973,420</u>	<u>\$ 62,897,150</u>	<u>\$ 67,146,858</u>	<u>\$ 249,489,550</u>	<u>\$ 251,120,278</u>

Current and Other Assets include Cash and investments; Accounts receivable and Receivables for Taxes, and Loans; Prepaid Costs; Deposits; Due from other governments; Prepaid items; Restricted cash and investment with fiscal agent; and Internal Balances (Due to/from and Advances between business activities and governmental activities).

Capital Assets include: Assets net of depreciation as well as assets not being depreciated (e.g., Streets, Land, and Construction in progress).

Deferred outflow of resources include: deferred loss on debt refunding.

Outstanding include: Compensated absences payable, Claims and judgments payable, and Long-term debt payable.

Other Liabilities include: Accounts payable, Accrued interest; Unearned revenue; Deposits payable; and Due to other governments.

### ***Net Position***

The chart above reflects the City's combined net position (governmental and business-type activities) of \$249 million at the close of fiscal year ending June 30, 2014.

The largest portion of the City's total net position (69.9%) reflects investment in capital assets (e.g., land, streets, sewers, buildings, machinery, and equipment) net of outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining City net position (30.1%) represents resources that are either unrestricted or subject to external restrictions (e.g., certain capital projects, community development, debt services).

### ***Changes in Net Position***

Also noted in the chart above, the City's fiscal year 2013-2014 total net position decreased by \$1.6 million, or 0.65%, from the prior year. The governmental activities net position increased \$2.7 million, or 1.5%, and business-type activities net position decreased \$4.2 million, or 6.3%.

Within total assets, the decrease in capital assets, net of accumulated depreciation by \$3.4 million or 1.8%, was primarily attributable to the added depreciation on capital assets added in the prior fiscal year. This increase in capital asset depreciation also resulted in a corresponding decrease in Net Investments in Capital Assets. The decrease in net position is also due a decrease in total liabilities of \$6 million. Other liabilities, specifically accounts payable, decreased mainly due to the timing of payments to vendors. Long-term liabilities, specifically claims and judgments payable decreased for workers compensation. The decrease is attributable to a decrease in reserves based on future legislation or ballot initiatives that may change statutory benefit levels and the outcomes of future administrative proceedings and litigation.

Business-type activities net position decreased by \$4.2 million or 6.3%, the decrease was primarily due to the Harbor Center Project Area agreement to repay debt to the Harbor Tidelands fund (Note 19).

City of Redondo Beach's Change in Net Position  
Fiscal Year Ended June 30, 2013 and 2014

	Governmental Activities		Business-Type Activities		Total	
Revenues:	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013
Program revenues:						
Charges for services	\$ 23,670,066	\$ 21,970,592	\$ 18,472,421	\$ 16,843,858	\$ 42,142,487	\$ 36,215,742
Operating grants and contributions	8,052,877	9,925,853	1,754,397	1,672,668	9,807,274	9,986,332
Capital grants and contributions	294,342	705,357	-	2,545,504	294,342	4,582,744
Total program revenues	32,017,285	32,601,802	20,226,818	21,062,030	52,244,103	50,784,818
General revenues:						
Property taxes	30,175,663	30,728,698	-	-	30,175,663	28,335,561
Sales taxes	10,450,402	10,228,355	-	-	10,450,402	9,594,901
Utilities users taxes	7,412,250	7,711,580	-	-	7,412,250	7,422,089
Other taxes	1,840	8,703	-	-	1,840	-
Motor vehicle license in lieu - unrestricted	28,894	34,912	-	-	28,894	33,693
Transient occupancy taxes	3,970,786	3,693,144	-	-	3,970,786	3,533,501
Franchise taxes	1,973,182	1,796,606	-	-	1,973,182	1,950,934
Business license taxes	1,296,531	1,018,677	-	-	1,296,531	1,203,591
Use of money and property	1,251,129	1,212,032	331,919	69,851	1,583,048	3,613,682
Other revenues	1,885,242	1,499,306	400,396	2,674,174	2,285,638	3,013,280
Gain (Loss) on sale of capital assets	12,657	35,578	(79,277)	-	(66,620)	73,574
Total general revenues	58,458,576	57,967,591	653,038	2,744,025	59,111,614	58,774,806
Total revenue	90,475,861	90,569,393	20,879,856	23,806,055	111,355,717	109,559,624



	Governmental Activities		Business-Type Activities		Total	
	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013
Expenses:						
General government	10,177,409	11,974,780	-	-	10,177,409	8,560,957
Public safety	44,022,014	43,141,036	-	-	44,022,014	43,020,839
Public works	11,817,281	11,588,895	-	-	11,817,281	10,589,076
Cultural and leisure services	10,042,640	10,933,176	-	-	10,042,640	7,389,274
Housing and community development	10,115,114	10,023,697	-	-	10,115,114	13,822,831
Interest on long-term debt	194,200	266,651	-	-	194,200	637,624
AB 1484 demand payment	-	-	-	-	-	9,914,969
Harbor Tidelands	-	-	5,040,308	4,998,098	5,040,308	7,689,071
Harbor Uplands	-	-	4,051,432	3,657,127	4,051,432	3,952,061
Wastewater	-	-	2,557,592	1,880,835	2,557,592	3,196,442
Solid Waste	-	-	3,580,040	3,610,925	3,580,040	3,431,017
Transit	-	-	3,346,989	3,288,696	3,346,989	3,113,076
Total expenses	86,368,658	87,928,235	18,576,361	17,435,681	104,945,019	115,317,237
Change in net position before transfers	4,107,203	2,641,158	2,303,495	6,370,374	6,410,698	(5,757,613)
Transfers	(1,350,534)	(1,202,508)	1,350,534	1,202,508	-	-
<b>Extraordinary Item</b>						
Write off of Harbor Center advance to Successor Agency	-	-	(7,903,737)		(7,903,737)	-
Change in net position	2,756,669	1,438,650	(4,249,708)	7,572,882	(1,493,039)	(5,757,613)
Net position, beginning of year, as previously reported	183,973,420	182,534,770	67,146,858	59,573,976	251,120,278	242,108,746
Restatement - change of accounting principle	(137,689)	-	-	-	(137,689)	-
Net position, beginning of year, as restated	183,835,731	182,534,770	67,146,858	59,573,976	250,982,589	242,108,746
Net position, end of year	\$ 186,592,400	\$ 183,973,420	\$ 62,897,150	\$ 67,146,858	\$ 249,489,550	\$ 236,351,133

Levels of revenues and expenditures also impact current assets and other liabilities and, therefore, cause changes in net assets. As reflected above, total revenues decreased in fiscal year 2013-2014 by \$3 million, or 2.6%. Major decreases in program revenues are reflected mainly in:

- ♦ Operating grants and contributions and capital grants and contributions decreases
- ♦ General revenue decreased primarily in property tax, utility users tax and other revenues.

The substantial decrease in property tax was due to one-time receipts (\$1.6 million) of property tax representing the City's portion of the State's/County's distribution of the former Redevelopment Agency's housing funds in fiscal year 2011-2012.. The decrease in utility users tax was also a result of the slow recovery of the economy. These decreases were offset by increases in charges for services, sales tax, transient occupancy tax, franchise tax, business license tax and use of money and property.

Citywide total expenses decreased \$418,897, or 0.39%, when compared to fiscal year 2012-2013. The substantial decrease in expenses was primarily related to decreases in workers compensation and liability insurance claims. There were also significant decreases in general government and cultural and leisure services and capital improvement projects. Offsetting these decreases are increases in public safety, public works, Harbor Tideland and Harbor Uplands funds. Although personnel costs were lower resulting from a citywide hiring freeze, employee concessions, and elimination of funding for selected filled and vacant positions, these program expenses increased due to rises in PERS and general liability claims. Increases in general liability claims are attributable to higher reserves based on future legislation that may affect the tort liability system, and the outcomes of litigation.

### ***Governmental Activities***

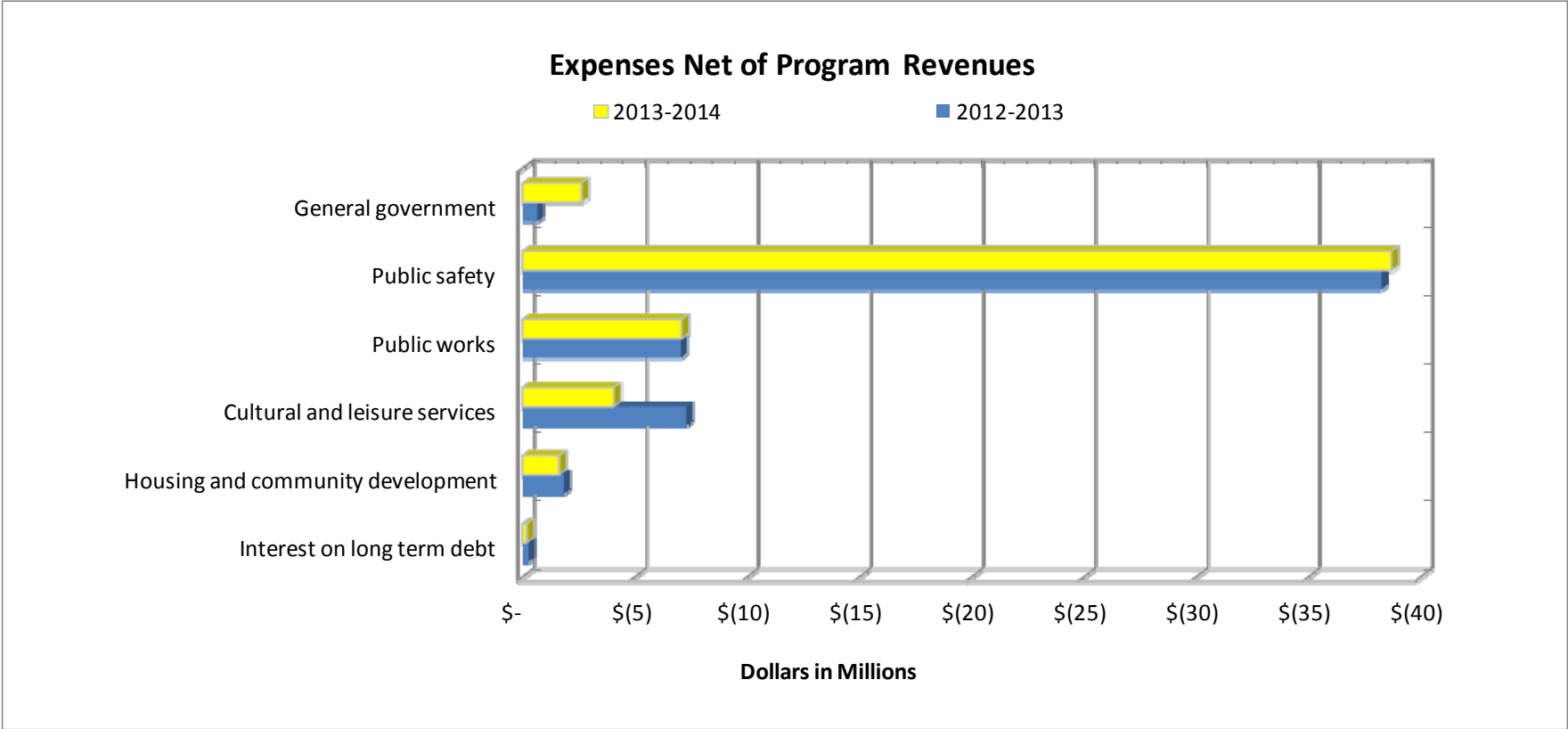
As reflected in the Changes in Net Position schedule above, the total governmental activity expenses were \$86.3 million in fiscal year 2013-2014; and total revenues from governmental activities were \$90.47 million, of which 35.4% were derived from program revenues consisting of charges for services and grants.

As shown on the following chart, the governmental activity expenses net of program revenues, decreased \$1.0 million, or -1.8%, in fiscal year 2013-2014. The decrease is primarily a result of a one-time fiscal year 2012-2013 purchase of buses for the City's transit system and fiscal year 2012-2013 completed infrastructure capital improvement projects. A reclassification of program revenues between the general government and cultural and leisure services categories accounts for the large increase and decrease, respectively in those categories.

Governmental Activities:	Impact to Net Position		Percent
	2013-2014	2012-2013	Increase (Decrease)
Expenses Net of Program Revenues*			
General government	\$ (2,638,110)	\$ (659,349)	75 %
Public safety	(38,713,335)	(38,262,249)	1 %
Public works	(7,091,665)	(7,054,804)	1 %
Cultural and leisure services	(4,075,100)	(7,297,631)	-79 %
Housing and community development	(1,638,963)	(1,847,934)	-13 %
Interest on long term debt	(194,200)	(266,651)	-37 %
<b>Total Governmental Activity Expenses</b>			
<b>Net of Program Revenues</b>	<u>\$ (54,351,373)</u>	<u>\$ (55,388,618)</u>	-2 %

\*Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues.

The chart below is a graphical representation of the schedule above

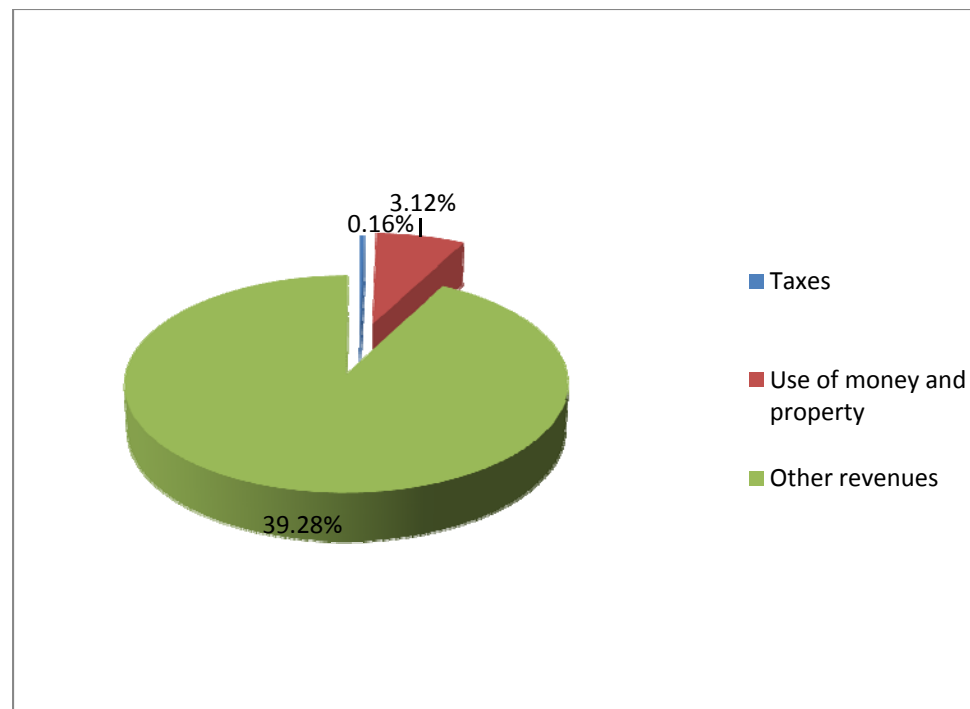


### General Revenues Related to Governmental Activities

General Revenues	2013-2014	2012-2013
Taxes	\$ 55,309,548	\$ 55,220,675
Use of money and property	1,251,129	1,212,032
Other revenues	547,365	332,376
Total General Revenues	<u>\$ 57,108,042</u>	<u>\$ 56,765,083</u>

General revenues are all other revenues not attributable to a specific program and, therefore, not categorized as program revenues. These revenues include taxes, use of money and property, and other revenues and decreased 0.9% over prior year. The largest decrease was use of money and other revenues.

### General Revenues



### ***Business-Type Activities***

The City has five business-type activities: Harbor Tidelands, Harbor Uplands, Solid Waste, Wastewater, and Transit. The total net position of the business-type activities decreased by \$4.2 million from the prior year.

Harbor Tidelands is used for the operations of small boat harbor facilities available to the general public, including related pier activities. This fund is restricted under the City Tidelands Trust Agreement with the State of California. In fiscal year 2013-2014, the total net position of the Harbor Tidelands decreased \$4.8 million from prior year.

Harbor Uplands is also used for the operations of small boat harbor facilities available to the general public, including related pier activities. However, the use of these funds is subject only to the decisions of the City Council. In fiscal year 2013-2014, the total net position of Harbor Uplands decreased by \$1.6 million from prior year.

Wastewater is funded by a capital facility charge, or more commonly referred to as a sewer user fee. These funds are used to support the operations of the wastewater fund, which is restricted to sewer infrastructure improvements. In fiscal year 2013-2014, the total net position of Wastewater increased \$2.2 million from the prior year.

Solid Waste is the City's comprehensive solid waste program, which includes refuse collection, recycling, and hazardous waste disposal services. The solid waste program is supported through user service fees. In fiscal year FY 2013-2014, the total net position of Solid Waste increased \$11,101 from prior year.

Transit operations provide transportation services mainly to the cities of Redondo Beach, Hermosa Beach, and Manhattan Beach. The transit system is supported through bus passes, passenger fares, contributions from other local jurisdictions, Transportation Development Act Article 4 funding, and Propositions A and C discretionary funding. In fiscal year 2013-2014, the total net position of Transit decreased \$50,798 from prior year.

### **INTERNAL SERVICE FUNDS**

The City has six internal service funds, as well as overhead. The internal service funds are: Vehicle Replacement, Building Occupancy, Information Technology, Self-Insurance Program, Emergency Communications, and Major Facilities Repair. These funds are used to account for interdepartmental operations where service providers (e.g., fleet, IT, building maintenance) recoup costs by charging user departments.

### **FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS**

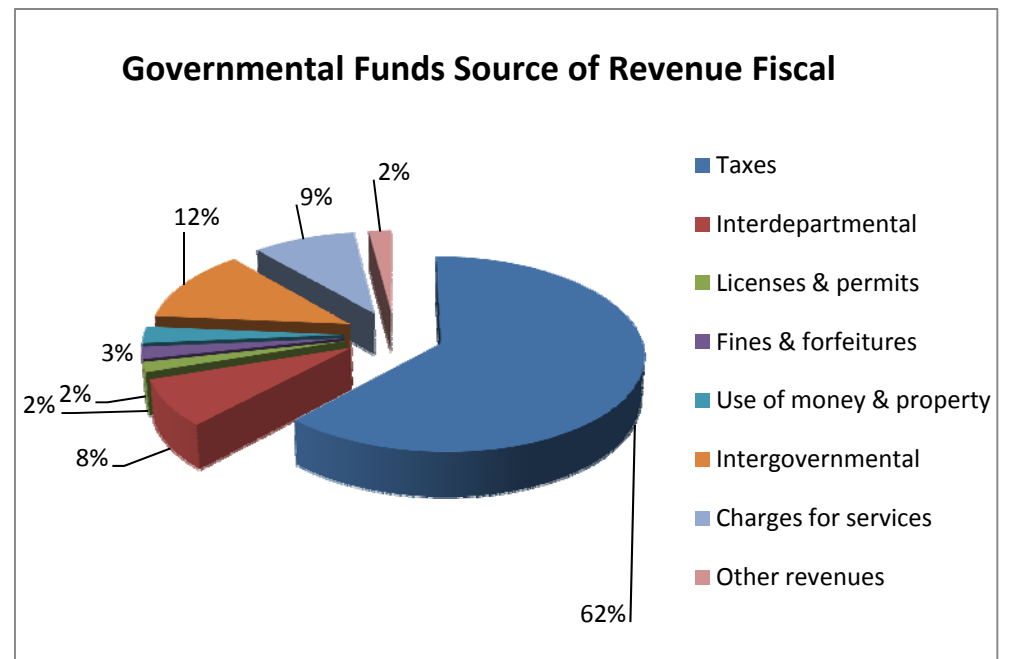
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Please note that unlike the Government-Wide financial statements displayed previously, the fund financial statements which follow are not reflected on a full accrual basis. Therefore, amounts reflected in the fund financial statements versus the Government-Wide statements may differ due to this change in accounting methodology.

## Governmental Funds

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

Governmental Funds - The following schedule is a summary of governmental fund revenues for fiscal year ended June 30, 2014, and includes Major and Non-Major Funds. It reflects the amount and percent of increase or decrease of each source of revenue compared to the prior year.

Source of Revenue	Amount	Percent of	Increase (Decrease)	Percent Increase (Decrease)
	FY 13-14	Total	FY 12-13	
Taxes	\$ 55,958,439	62%	\$ 75,595	0.1%
Interdepartmental	7,143,371	8%	486,513	6.8%
Licenses & permits	1,504,502	2%	244,997	16.3%
Fines & forfeitures	1,836,166	2%	172,200	9.4%
Use of money & property	2,499,563	3%	(647,391)	-25.9%
Intergovernmental	11,096,634	12%	(2,283,454)	-20.6%
Charges for services	8,401,697	9%	940,055	11.2%
Other revenues	1,816,196	2%	754,053	41.5%
Total	\$ 90,256,568	100%	(257,432)	-0.3%

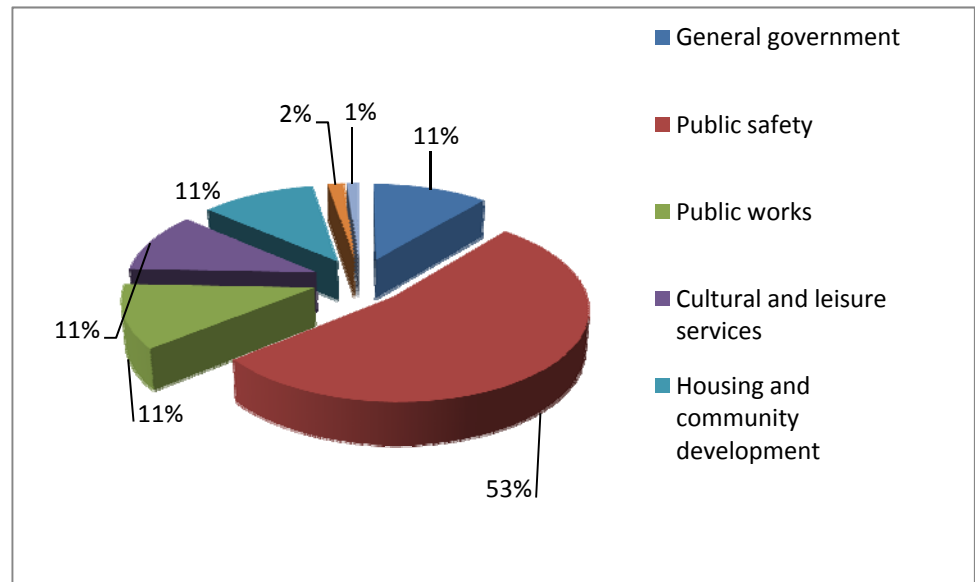


Total governmental fund revenues decreased \$257,432 million, or -0.3%, from fiscal year 2012-2013. Intergovernmental decreased \$2.3 million or -20.6%, due to fiscal year 2012-2013 reimbursements received for completion of grant funded projects. Use of money and property decreased \$647,391 or -25.9 due to reduced investment earnings resulting from the Housing Successor Agency's lower amount of investable cash after its return of excess funds during the dissolution process as well as the timing of the Public Financing Authority's receipt of debt service payments related to the South Bay Center bond issue. These decreases were offset by increases in charges for services of \$940,055, or 11.2%, from a parking meter rate increase, increased participation in recreation programs and an increase in construction-related activity, and other revenues increased \$754,053, or 41.5%.

The following schedule is a summary of governmental fund expenditures by function for fiscal year ended June 30, 2014, and includes both Major and Non-Major Funds. It reflects the amount and percent of increase or decrease for each functional category of expenditures compared to the prior year.

### Governmental Funds Expenditures by Categories Fiscal Year 2013-14

Expenditures	Amount	Percent of	Increase (Decrease)	Percent Increase (Decrease)
	FY 13-14	Total	FY 12-13	
Current:				
General government	\$ 9,157,309	11%	\$ (127,970)	-1.4%
Public safety	43,653,885	53%	1,172,923	2.7%
Public works	9,362,140	11%	149,311	1.6%
Cultural and leisure services	8,789,002	11%	221,433	2.5%
Housing and community development	9,116,267	11%	(243,826)	-2.7%
Capital outlay	1,248,965	2%	(5,108,696)	-409.0%
Debt service	905,736	1%	(745,167)	-82.3%
	<u>\$ 82,233,304</u>	<u>100%</u>	<u>\$ (4,681,992)</u>	

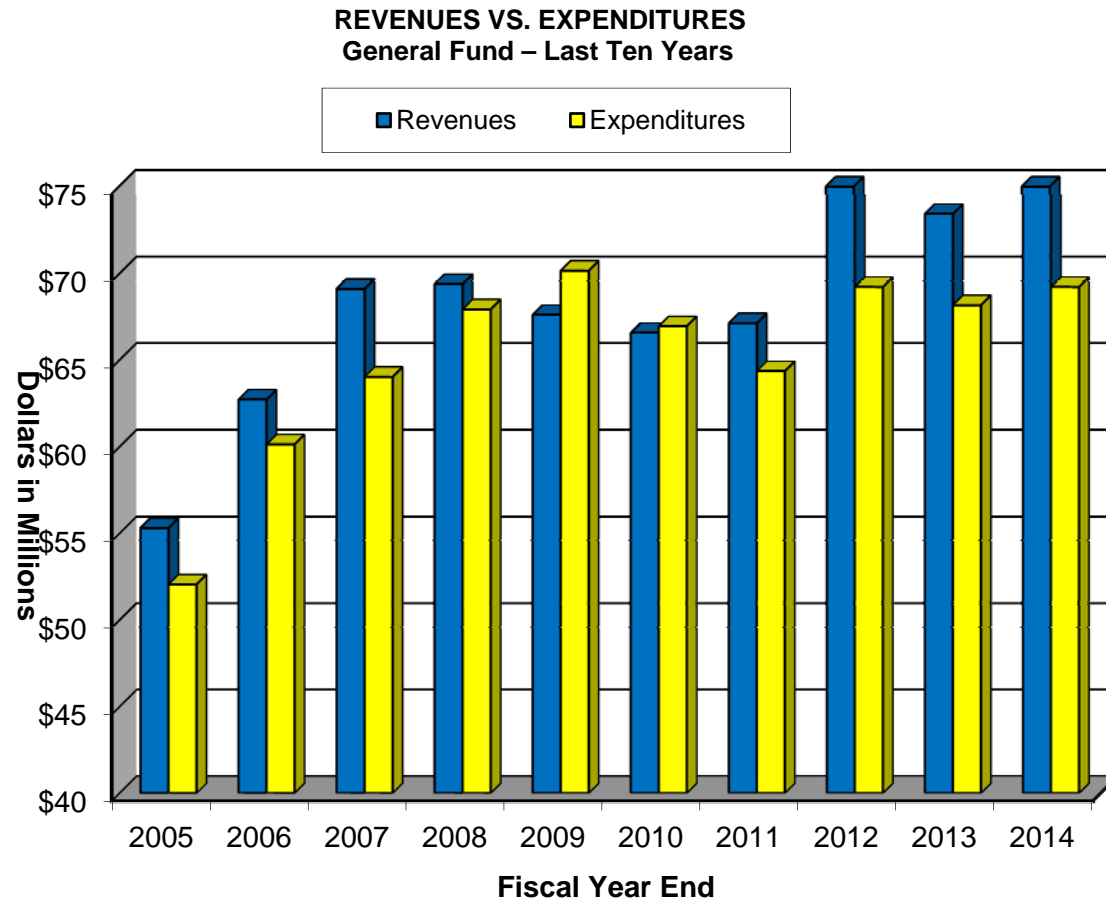


Total governmental fund expenditures decreased \$4.6 million, or -5.7%, from fiscal year 2012-2013. As mentioned earlier, the variances are attributable to:

- General government decreased by \$127,970, or -1.4%, primarily due to an increase in vacant positions. Public safety increased by \$1.2 million, or 2.7%, as Police Department vacancies began to be filled in fiscal year 2013-2014.
- Public works increased by \$149,311, or 1.6%, due to increased utility costs and the use of contract engineering staff, and cultural and leisure services increased by \$221,433, or 2.5%, due to increased facility maintenance costs.
- Housing and community development decreased by \$243,826, or -2.7%, due to the housing Section 8 voucher program and the impacts of sequestrations imposed by the Federal Government.
- Capital outlay expenditures substantially decreased by \$5.1 million, or -409%, primarily due to completion of projects and, therefore, reduced construction expenses.
- Debt service expenditures decreased by \$745,167 or -82.3%. The substantial decrease was due to the fiscal year 2012-2013 refinancing of the Public Financing Authority 2001 Refunding Revenue Bonds.



Although there are three major funds in the City of Redondo Beach which are reported on page one on the MD&A, the following discussions focuses on the General Fund, which is the major operating fund of the City.



Impacts of both increases and decreases to General Fund revenues resulted in a net increase of \$6.1 million, or 8.2%, from fiscal year 2012-2013. The increases in revenue were due to increases in sales taxes, franchise tax, business license tax, and TOT taxes resulted from a slowly recovery economy and travel industries. The increase in these revenues was slightly offset by decreases related to property tax, utility users tax and lower investment earnings and use of money and property.

**General Fund Balance**

The fund balance of the General Fund as of June 30, 2014 was \$21.0 million (includes Special Revenue – PERS Reserve Fund of \$4.6 million), an increase of \$3.4 million, when compared to the prior year. The City Council approved the constraints of the General Fund balance reflected below.

	FY 11-12	FY 12-13	FY 13-14
General Fund Contingency	\$5,712,942	\$5,889,783	\$6,188,191
Compensated Absences	1,108,239	607,602	595,252
Carryover Assignments	936,283	1,358,673	1,238,210
Encumbrances	580,110	634,744	586,272
Self-Insurance Program	1,375,000	2,650,000	2,982,500
Health Insurance	41,673	-	-
Petty Cash	17,300	17,050	15,550
CalPERS	3,007,236	3,813,747	4,607,962
Compensation Restoration	151,904	861,248	2,000,000
Union Offer Increase	-	332,381	-
Assigned Contingency	-	1,000,000	-
Unassigned Balance	383,446	272,083	2,674,597

As part of year-end activities, the City Council reviews the General Fund balance and determines how the City should commit/assign the unrestricted portion. As illustrated above, Council constraints of General Fund balance over the past several years reflect the City's Strategic Plan. Aside from policy-designated amounts (i.e., General Fund Contingency and Compensated Absences), much of the money is committed or assigned to accomplish strategic goals.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The final amended fiscal year 2013-2014 budget totaled \$78.7 million, excluding transfers out and including net amendments of \$6.3 million to the originally adopted budget. The City Council adopts budget adjustments during the year to reflect both changed priorities and consideration of events that took place subsequent to the budget adoption. The amendments can be briefly summarized as follows:

- Appropriations of \$2,400,106 for employee compensation restoration.
- Appropriation of \$650,000 for a transfer to the Capital Projects Fund.
- Appropriation of \$350,000 for the intervener participation in the California Energy Commission's review of the AES Corporation's application for a new power plant application.
- Funding of prior-year encumbrances of \$643,446.
- Funding of carry-over appropriations of \$1,358,673.
- Increased mid-year appropriations by \$868,664.

Budget amendments were funded from/credited to available fund balance. During the year, however, revenues exceeded budgetary estimates by approximately \$1.6 million and expenditures were \$6.5 million less than budgetary estimates, primarily due to personnel vacancies and contractual services that were not completed by year-end.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

Capital assets of the City, including infrastructure assets are those assets used in the performance of the City's functions. At June 30, 2014, net capital assets of the governmental and business-type activities totaled \$139 million and \$44.3 million, respectively. Depreciation on capital assets is recognized in the Government-Wide financial statements.

The City has elected to use the "Modified Approach" as defined by GASB 34 for infrastructure reporting for its paving system (streets). Under GASB 34, eligible infrastructure capital assets are not required to be depreciated as long as:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of: 1) an up-to-date inventory, 2) condition assessments which summarize the results using a measurement scale, and 3) estimated annual amounts budgeted to maintain and preserve an established condition assessment level.
- The City documents the eligible infrastructure capital assets being preserved approximately at the established and disclosed condition assessment level.

Prior to FY 2008-2009, the City's PQI rating, an amalgam of the PCR and the International Roughness Index (IRI) established by the World Bank, was based on a 10.0 scale. In fiscal year 2008-2009, the PQI rating was converted to a 100 point scale to make it comparable to alternative pavement rating methods. City policy was to achieve an average rating of 80 for all streets by fiscal year 2008-2009 and maintain this rating on a go-forward basis. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. As of June 30, 2014 the City's street system was rated at a PQI of 84.

The City's budget for street maintenance for the fiscal year ended June 30, 2014 was \$13.3 million. Actual expenditures were \$1.0 million, with the remaining budget carried forward as continuing appropriations. The City is judiciously investing in this infrastructure asset as part of the five-year Capital Improvement Program and will continue to rehabilitate and maintain its streets in order to achieve this goal. The estimated expenditures required to maintain and improve the overall condition of the streets from July 1, 2014 through June 30, 2015 is a minimum of \$5.3 million.

More information on the modified approach for City streets infrastructure capital assets is behind the tab section titled Required Supplementary Information.

	Original Cost	Accumulated Depreciation	Book Value
<b>Capital Assets - Governmental Activities</b>			
Land	\$ 16,522,947	\$ -	\$ 16,522,947
Buildings and Improvements	46,208,955	(18,124,475)	28,084,480
Equipment, Vehicles, Machinery	24,574,897	(16,734,670)	7,840,227
Work in Progress	1,003,491	-	1,003,491
Construction in Progress	4,640,963	-	4,640,963
Infrastructure	127,675,504	(46,708,575)	80,966,929
<b>Total</b>	<b>\$ 220,626,757</b>	<b>\$ (81,567,720)</b>	<b>\$ 139,059,037</b>
<b>Capital Assets - Business-Type Activities</b>			
Land	\$ 11,323,255	\$ -	\$ 11,323,255
Construction in Progress	902,229	-	902,229
Buildings and Improvements	30,708,383	(15,939,609)	14,768,774
Equipment, Vehicles, Machinery	4,202,139	(2,717,287)	1,484,852
Infrastructure	26,981,712	(11,100,327)	15,881,385
<b>Total</b>	<b>\$ 74,117,718</b>	<b>\$ (29,757,223)</b>	<b>\$ 44,360,495</b>

For more information on the City's capital assets, refer to Note 6 of the Notes to Financial Statements and also the tab section titled Capital Assets Used in the Operation of Governmental Funds.

## DEBT ADMINISTRATION

Debt service funds are used to account for the accumulation of resources for payment of interest and principal on bonds issued by the City. The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita for the fiscal year 2013-2014 are provided below. These indicators provide important information for management and concerned citizens, as well as potential investors.

	<u>Amount</u>	<u>to Assessed Value of Property</u>	<u>Debt per Capita</u>
Net Direct: Bonded Debt	\$ 1,334,000	0.09%	\$ 168.50

Bonds issued by the Public Financing Authority (PFA), also a component unit of the City, were originally issued to provide funds to acquire the 1996 Tax Allocation Bonds of the Redevelopment Agency, to finance certain redevelopment activities with respect to the South Bay Center project area and to provide new monies for certain public capital improvements within the City. In addition, bonds were issued to finance various improvements to, and to remedy a variety of deficiencies in the facilities of the Wastewater Enterprise. The City has no general obligation bond indebtedness.

For a complete listing of the City's long-term debt obligations, refer to Note 8 of the notes to financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Fiscal year 2013-2014 finds Redondo Beach remaining fiscally sound through proactive management and oversight of the City's finances with a long history of fiscal discipline along with a diversified revenue base. The City's finances have stabilized, but at a much lower level than forecasted. More work has to be done as we maneuver through the next financial and economic challenges. We face strong headwinds from high unemployment, high oil prices, housing defaults, increasing pension and health care costs, accelerated regional and global competition, record level state and federal deficits, raising business failures, and low confidence in government. General Fund revenues from outside sources are projected to increase \$2,087,898 from the fiscal year 2013-2014 midyear budget. Budgetary expectations reflect:

- Property Tax revenue for fiscal year 2014-2015 is projected to increase by \$742,278, or 3.7%, to \$21,038,000, including revenue related to the former Redevelopment Agency of \$480,000. Overall, the economy is slowly recovering with some improvement in the housing market. Redondo Beach's housing market remained fairly stable through the housing downturn due to its coastal location. Property tax revenue is the City's number one source of operating revenue.
- Sales and Use Tax revenue is projected to increase \$52,590, or 0.5%, to \$10,618,000. Sales tax revenue is generally with an increase in consumer spending. However, this projection takes into account Nordstrom's departure during the final quarter of the fiscal year.
- Utility Users' Tax (UUT) revenue is projected to have a small increase of \$28,174, or 0.4%, to \$7,418,667. Even with prices going up, consumers' conservation efforts are holding UUT stable. This estimate is based upon analysis of the projected performance from each of the categorical components of the City's UUT tax base, including electricity, natural gas, telecommunications, water, and cable television. UUT revenue provides support for essential City operational services.

- Franchise Fees are projected to increase by \$21,367, or 1.2%, to \$1,875,000 for FY 2014-15. Components of franchise fee revenue include Time Warner cable television operations, Southern California Edison electricity franchise, Southern California Gas operations, Verizon, and taxicab franchise operations. With the exception of revenues from Southern California Gas, revenues from franchise fees reflect moderate increases, which is in line with growth in local operations. Cable television franchise fees represent about 50% of the overall franchise fee revenue estimate for FY 2014-15, while projected revenue from the electricity franchise represents about 20%. The franchise revenue generated from the sale and transport of natural gas utilized to power the local AES power plant represents approximately 20% of the total franchise fee estimate. Cyclical uncertainties of the deregulated energy environment and their impacts upon the productive utilization rate of the AES power plant require a conservative estimate from this revenue source.
- Investment Earnings for the General Fund for fiscal year 2014-15 are projected to decrease by \$20,000, or 5.1%, to \$370,000. This decline is attributable to lower interest rates within the investment marketplace, a reduction in the overall size of the portfolio and the financial unfeasibility of the annual TRANS program. The three major components of the portfolio are: liquid investments with the State Local Agency Investment Fund, and both Federal Agency and high-grade corporate Medium-Term Note Investments structured with a 1 to 5 year investment maturity matrix. Enhanced cash management activities serve as core elements of the City Treasurer's comprehensive cash management program. In addition, implementation of a strategically focused capital improvement program (CIP) cash management plan will serve to enhance investment returns from CIP funding sources, while ensuring CIP program liquidity.

General Fund appropriations are projected to increase 0.8%, or \$586,840, to \$74,288,004, from the midyear budget. Personnel costs are projected to increase 5.1%, primarily due to the Public Employees Retirement System (PERS) employer contribution rate increases from 14.938% to 16.179% for the miscellaneous group and from 40.631% to 43.367% for public safety. When added to the employee contribution rates of 7% and 9% for the tier one employees in the miscellaneous and public safety groups, respectively, the total rates used in calculating the fiscal year 2014-2015 personnel amounts are 23.179% and 52.367%. The FY 2013-14 maintenance and operations midyear budget is much higher than the FY 2014-15 because the midyear budget also reflects carryover appropriations of \$1.4 million, including carryover encumbrances of about \$630 thousand. These carryovers increase the FY 2013-14 amounts and will not be included in FY 2014-15 until year-end adjustments are made.

During FY 2013-2014, Redondo Beach experienced a 3.8% change in real property assessed valuations, compared to last year's 2.7%. Hotel occupancy rates decreased by 3.2%, and Transient Occupancy Tax revenue increased by 7.5% due to improved visitation and higher room rates. The Utility users' tax revenue reflected an decrease of 3.9% in FY 2013-2014. Redondo Beach continues to exceed the countywide per capita taxable retail sales, ranking 31 out of 89 cities. Redondo Beach experienced a decrease in its unemployment rate from 5.4% in fiscal year 2012-2013 to 4.3% in fiscal year 2013-2014, which is well below the Los Angeles County and State of California FY 2013-2014 unemployment rates of 8.2% and 7.3%, respectively.

All sectors of the national and regional economy have been impacted by the stagnant economy. Fortunately, the South Bay region has not been negatively impacted nearly as much as other areas of Southern California. Opportunities still exist to further minimize the impacts and set the stage for improvement.

In order to continue to retain and attract business and stimulate tourism, the City must strive to maintain a business friendly attitude and to provide the highest quality in municipal services.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

The 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 Financial Services Department at 415 Diamond Street, Redondo Beach CA 90277, phone 310-318-0683, or e-mail [FinanceMail@redondo.org](mailto:FinanceMail@redondo.org)

## **BASIC FINANCIAL STATEMENTS**

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

# CITY OF REDONDO BEACH

## Statement of Net Position

June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 58,133,852	\$ 28,752,176	\$ 86,886,028
Receivables:			
Accounts	470,934	753,634	1,224,568
Interest	113,152	52,551	165,703
Taxes	4,496,450	-	4,496,450
Notes and loans	4,224,042	132,658	4,356,700
Internal balances	(236,933)	236,933	-
Due from other governments	7,129,651	169,123	7,298,774
Advances to other governments	535,731	-	535,731
Prepaid items	55,082	31	55,113
Restricted cash and investments with fiscal agents	1,606,547	3,637	1,610,184
Capital assets:			
Nondepreciable	76,221,437	12,225,484	88,446,921
Depreciable, net	62,837,600	32,135,011	94,972,611
Total capital assets	139,059,037	44,360,495	183,419,532
<b>Total assets</b>	215,587,545	74,461,238	290,048,783
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Loss on debt refunding	-	514,155	514,155

See accompanying notes to basic financial statements.

# CITY OF REDONDO BEACH

## Statement of Net Position

June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Accounts payable	2,282,653	962,466	3,245,119
Accrued liabilities	3,071,317	-	3,071,317
Pollution remediation liability	150,000	-	150,000
Accrued interest	73,150	-	73,150
Unearned revenue	641,248	500,982	1,142,230
Deposits payable	87,374	190,822	278,196
Noncurrent liabilities:			
Due within one year:			
Compensated absences payable	119,143	15,473	134,616
Claims and judgments payable	1,022,697	-	1,022,697
Other long-term debt	974,542	534,842	1,509,384
Due in more than one year:			
Compensated absences payable	2,272,482	298,029	2,570,511
Claims and judgments payable	14,559,043	-	14,559,043
Other long-term debt	3,741,496	9,575,629	13,317,125
Total noncurrent liabilities	22,689,403	10,423,973	33,113,376
<b>Total liabilities</b>	28,995,145	12,078,243	41,073,388
<b>NET POSITION</b>			
Net investment in capital assets	138,614,141	35,646,484	174,260,625
Restricted for:			
Debt service	6,450,252	-	6,450,252
Public safety	1,138,537	-	1,138,537
Public works	10,627,219	-	10,627,219
Housing and community development	843,943	-	843,943
Total restricted	19,059,951	-	19,059,951
Unrestricted	28,918,308	27,250,666	56,168,974
<b>Total net position</b>	<b>\$ 186,592,400</b>	<b>\$ 62,897,150</b>	<b>\$ 249,489,550</b>

# CITY OF REDONDO BEACH

## Statement of Activities and Changes in Net Position

For the year ended June 30, 2014

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>								
<b>Governmental activities:</b>								
General government	\$ 10,177,409	\$ 7,539,299	\$ -	\$ -	\$ 7,539,299	\$ (2,638,110)	\$ -	\$ (2,638,110)
Public safety	44,022,014	4,942,725	365,954	-	5,308,679	(38,713,335)	-	(38,713,335)
Public works	11,817,281	2,386,890	2,044,384	294,342	4,725,616	(7,091,665)	-	(7,091,665)
Cultural and leisure services	10,042,640	5,942,540	25,000	-	5,967,540	(4,075,100)	-	(4,075,100)
Housing and community development	10,115,114	2,858,612	5,617,539	-	8,476,151	(1,638,963)	-	(1,638,963)
Interest on long term debt	194,200	-	-	-	-	(194,200)	-	(194,200)
Total governmental activities	86,368,658	23,670,066	8,052,877	294,342	32,017,285	(54,351,373)	-	(54,351,373)
<b>Business-type activities:</b>								
Harbor Tidelands	5,040,308	5,870,760	-	-	5,870,760	-	830,452	830,452
Harbor Uplands	4,051,432	4,311,358	-	-	4,311,358	-	259,926	259,926
Wastewater	2,557,592	4,568,330	-	-	4,568,330	-	2,010,738	2,010,738
Solid Waste	3,580,040	3,369,217	37,395	-	3,406,612	-	(173,428)	(173,428)
Transit	3,346,989	352,756	1,717,002	-	2,069,758	-	(1,277,231)	(1,277,231)
Total business-type activities	18,576,361	18,472,421	1,754,397	-	20,226,818	-	1,650,457	1,650,457
<b>Total primary government</b>	<b>\$ 104,945,019</b>	<b>\$ 42,142,487</b>	<b>\$ 9,807,274</b>	<b>\$ 294,342</b>	<b>\$ 52,244,103</b>	<b>(54,351,373)</b>	<b>1,650,457</b>	<b>(52,700,916)</b>

# CITY OF REDONDO BEACH

## Statement of Activities and Changes in Net Position

For the year ended June 30, 2014

	Governmental Activities	Business-Type Activities	Total
<b>General revenues and transfers:</b>			
Taxes:			
Property taxes	30,175,663	-	30,175,663
Transient occupancy taxes	3,970,786	-	3,970,786
Sales Taxes	10,450,402	-	10,450,402
Franchise Taxes	1,973,182	-	1,973,182
Business licenses taxes	1,296,531	-	1,296,531
Utilities users taxes	7,412,250	-	7,412,250
Other taxes	1,840	-	1,840
Motor vehicle license in lieu - unrestricted	28,894	-	28,894
Use of money and property	1,251,129	331,919	1,583,048
Other	1,885,242	400,396	2,285,638
Gain (Loss) on sale of capital assets	12,657	(79,277)	(66,620)
Transfers	(1,350,534)	1,350,534	-
<b>Total general revenues and transfers</b>	<b>57,108,042</b>	<b>2,003,572</b>	<b>59,111,614</b>
<b>Change in net position before extraordinary item</b>	<b>2,756,669</b>	<b>3,654,029</b>	<b>6,410,698</b>
<b>Extraordinary item</b>			
Write off of Harbor Center advance to Successor Agency (Note 19)	-	(7,903,737)	(7,903,737)
<b>Change in net position</b>	<b>2,756,669</b>	<b>(4,249,708)</b>	<b>(1,493,039)</b>
<b>Net position, beginning of year, as previously reported</b>	<b>183,973,420</b>	<b>67,146,858</b>	<b>251,120,278</b>
<b>Restatement - change of accounting principle</b>	<b>(137,689)</b>	<b>-</b>	<b>(137,689)</b>
<b>Net position, beginning of year, as restated</b>	<b>183,835,731</b>	<b>67,146,858</b>	<b>250,982,589</b>
<b>Net position, end of year</b>	<b>\$ 186,592,400</b>	<b>\$ 62,897,150</b>	<b>\$ 249,489,550</b>

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## **FUND FINANCIAL STATEMENTS**

*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Fund Financial Statements*

## GOVERNMENTAL FUND FINANCIAL STATEMENTS

**General Fund** - The General Fund is used to account for all revenues and expenditures that are not required to be accounted for in another fund.

**Other Intergovernmental Grants Special Revenue Fund** - To account for federal, state and other governmental agencies grant funding that supplements local funding.

**Public Financing Authority Debt Service Fund** - To account for the payment of interest and principal on tax allocation bonds and other debt issued to finance City and redevelopment activities.

**Total Non-Major Funds** - The aggregate of all the non-major governmental funds.



# CITY OF REDONDO BEACH

## Balance Sheet

### Governmental Funds

June 30, 2014

	Special Revenue Funds		Debt Service Funds		
	General	Other Intergovernmental Grants	Public Financing Authority	Total Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>					
Pooled cash and investments	\$ 19,558,571	\$ -	\$ 502,862	\$ 19,129,909	\$ 39,191,342
Receivables:					
Accounts	367,671	6,520	15,949	66,021	456,161
Interest	92,059	566	90	20,437	113,152
Taxes	4,436,591	-	-	59,859	4,496,450
Notes and loans	27,173	-	-	4,196,869	4,224,042
Prepaid costs	55,082	-	-	-	55,082
Due from other funds	1,602,852	-	-	1,000,834	2,603,686
Due from other governments	136,511	858,190	6,046,477	88,473	7,129,651
Advances to other funds	1,114,781	-	-	-	1,114,781
Advances to other governments	-	-	-	535,731	535,731
Restricted assets:					
Cash and investments with fiscal agents	-	-	1,606,547	-	1,606,547
<b>Total assets</b>	<b>\$ 27,391,291</b>	<b>\$ 865,276</b>	<b>\$ 8,171,925</b>	<b>\$ 25,098,133</b>	<b>\$ 61,526,625</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 891,032	\$ 44,702	\$ 1,508	\$ 342,652	\$ 1,279,894
Accrued liabilities	3,071,317	-	-	-	3,071,317
Pollution remediation liability	150,000	-	-	-	150,000
Unearned revenue	304,898	336,350	-	-	641,248
Deposits payable	87,374	-	-	-	87,374
Due to other funds	1,000,834	941,643	605,384	292,758	2,840,619
Advances from other funds	-	-	1,114,781	-	1,114,781
<b>Total liabilities</b>	<b>5,505,455</b>	<b>1,322,695</b>	<b>1,721,673</b>	<b>635,410</b>	<b>9,185,233</b>
<b>Deferred Inflow of Resources:</b>					
Unavailable revenue	915,047	1,094,294	-	1,244,372	3,253,713

# CITY OF REDONDO BEACH

## Balance Sheet

### Governmental Funds

June 30, 2014

	Special Revenue Funds		Debt Service Funds		
	General	Other Intergovernmental Grants	Public Financing Authority	Total Non-Major Funds	Total Governmental Funds
<b>Fund Balances (deficit):</b>					
Nonspendable	82,255	-	-	2,952,500	3,034,755
Restricted	-	-	6,450,252	13,408,799	19,859,051
Committed	6,188,191	-	-	-	6,188,191
Assigned	12,025,746	-	-	6,956,943	18,982,689
Unassigned	2,674,597	(1,551,713)	-	(99,891)	1,022,993
<b>Total fund balances (deficit)</b>	<b>20,970,789</b>	<b>(1,551,713)</b>	<b>6,450,252</b>	<b>23,218,351</b>	<b>49,087,679</b>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<b>\$ 27,391,291</b>	<b>\$ 865,276</b>	<b>\$ 8,171,925</b>	<b>\$ 25,098,133</b>	<b>\$ 61,526,625</b>

# CITY OF REDONDO BEACH

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2014

<b>Total Fund Balance - Total Governmental Funds</b>	<b>\$ 49,087,679</b>
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Amounts reported for governmental activities in the Statement of Net Position were different because:

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

Non-depreciable

Depreciable, net

Total capital assets

Accrued interest payable on long-term debt did not require current financial resources. Therefore, accrued interest payable was not reported as a liability in governmental funds.

Revenues were recorded as deferred inflow of resources in the governmental funds because they did not represent current financial resources at year end. However, they were recognized as revenues in the Government-Wide Financial Statements.

Internal Service funds were used by management to charge the costs of certain activities, such as insurance and fleet, management, to individual funds. The assets and liabilities of the Internal Service funds were included in governmental activities in the Government-Wide Statement of Net Position.

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental funds:

Other long-term debt - due within one year

Other long-term debt - due in more than one year

Compensated absences payable - due within one year

Compensated absences payable - due in more than one year

Total long-term liabilities

<b>Net Position of Governmental Activities</b>	<b>\$ 186,592,400</b>
--	-----------------------

Government-Wide Statement of Net Position	Internal Service Funds	
\$ 76,221,437	\$ -	76,221,437
62,837,600	(4,444,031)	58,393,569
<u>\$ 139,059,037</u>	<u>\$ (4,444,031)</u>	<u>134,615,006</u>

(73,150)

3,253,713

6,078,311

Government-Wide Statement of Net Position	Internal Service Funds	
\$ (974,542)	\$ 256,756	(717,786)
(3,741,496)	188,140	(3,553,356)
(119,143)	14,491	(104,652)
(2,272,482)	279,117	(1,993,365)
<u>\$ (7,107,663)</u>	<u>\$ 738,504</u>	<u>(6,369,159)</u>

# CITY OF REDONDO BEACH

## Statement of Revenues, Expenditures, and Changes in Fund Balances

### Governmental Funds

For the year ended June 30, 2014

		Special Revenue Funds	Debt Service Funds		
		Other	Public	Total	Total
	General	Intergovernmental	Financing	Non-Major	Governmental
		Grants	Authority	Funds	Funds
<b>REVENUES:</b>					
Taxes	\$ 55,958,439	\$ -	\$ -	\$ -	\$ 55,958,439
Interdepartmental	7,143,371	-	-	-	7,143,371
Licenses and permits	1,504,502	-	-	-	1,504,502
Intergovernmental	52,313	548,606	-	10,495,715	11,096,634
Charges for services	6,221,182	-	-	2,180,515	8,401,697
Use of money and property	1,408,163	-	905,787	185,613	2,499,563
Fines and forfeitures	1,790,361	-	-	45,805	1,836,166
Miscellaneous	1,312,061	-	3	504,132	1,816,196
<b>Total revenues</b>	<b>75,390,392</b>	<b>548,606</b>	<b>905,790</b>	<b>13,411,780</b>	<b>90,256,568</b>
<b>EXPENDITURES:</b>					
Current:					
General government	9,157,309	-	-	-	9,157,309
Public safety	42,690,743	795,758	-	167,384	43,653,885
Housing and community development	3,140,208	-	368,498	5,607,561	9,116,267
Public works	5,424,739	71,688	-	3,865,713	9,362,140
Cultural and leisure services	8,789,002	-	-	-	8,789,002
Capital outlay	-	190,557	-	1,058,408	1,248,965
Debt Service:					
Principal retirement	-	-	665,000	-	665,000
Interest and fiscal charges	-	-	240,736	-	240,736
<b>Total expenditures</b>	<b>69,202,001</b>	<b>1,058,003</b>	<b>1,274,234</b>	<b>10,699,066</b>	<b>82,233,304</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,188,391</b>	<b>(509,397)</b>	<b>(368,444)</b>	<b>2,712,714</b>	<b>8,023,264</b>

# CITY OF REDONDO BEACH

## Statement of Revenues, Expenditures, and Changes in Fund Balances

### Governmental Funds

For the year ended June 30, 2014

	Special Revenue Funds		Debt Service Funds	Total	Total
	General	Other Intergovernmental Grants	Public Financing Authority	Non-Major Funds	Governmental Funds
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	173,041	2,797	-	2,593,002	2,768,840
Transfers out	(2,948,785)	(736)	-	(1,211,452)	(4,160,973)
<b>Total other financing sources (uses)</b>	<b>(2,775,744)</b>	<b>2,061</b>	<b>-</b>	<b>1,381,550</b>	<b>(1,392,133)</b>
<b>Net change in fund balances</b>	<b>3,412,647</b>	<b>(507,336)</b>	<b>(368,444)</b>	<b>4,094,264</b>	<b>6,631,131</b>
<b>FUND BALANCES (DEFICIT):</b>					
Beginning of year	17,558,142	(1,044,377)	6,818,696	19,124,087	42,456,548
End of year	<u>\$ 20,970,789</u>	<u>\$ (1,551,713)</u>	<u>\$ 6,450,252</u>	<u>\$ 23,218,351</u>	<u>\$ 49,087,679</u>

# CITY OF REDONDO BEACH

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year ended June 30, 2014

**Net Change In Fund Balances - Total Governmental Funds** \$ 6,631,131

Amounts reported for governmental activities in the Statement of Activities were different because:

	Funds Capital Outlay	Government-Wide Expenses	
Governmental funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the costs of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	\$ 1,248,965	\$ (1,264,964)	(15,999)
	Government-Wide Statement of Net Position	Internal Service Funds	
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds.	\$ (5,056,141)	\$ 1,484,956	(3,571,185)
Long-Term compensated absences was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, long-term compensated absences was not reported as expenditures in the governmental funds. The following amount represented the change in long-term compensated absences from the prior year.			83,590
Repayment of principal of long-term debt was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position: Principal retirement			665,000
Amortization expense was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, amortization expense was not reported as an expenditure in the governmental funds: Amortization of bond premium			22,786

**CITY OF REDONDO BEACH**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
Year ended June 30, 2014

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Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the change in accrued interest from the prior year.	23,750
Certain revenues were recorded as deferred inflow of resources in the governmental funds because they were not available as current financial resources. However, they were included as revenue in the Government-Wide Statement of Activities and Changes in Net Position under the full accrual basis.	136,690
Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds was reported with governmental activities.	<u>(1,219,094)</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 2,756,669</u></u>

## PROPRIETARY FUND FINANCIAL STATEMENTS

**Harbor Tidelands Enterprise Fund** - To account for the operations of small boat harbor facilities available to the general public, including related pier activities. The use of this fund is restricted under the City Tideland Trust Agreement with the State of California.

**Harbor Uplands Enterprise Fund** - To account for the operations of small boat harbor facilities available to the general public, including related pier activities. The use of this fund is subject only to the decisions of the City Council.

**Wastewater Enterprise Fund** - To account for the capital facility charge, more commonly referred to as a sewer user fee. The capital facility charge is designed to reimburse the City's wastewater system for the capital costs to provide wastewater capacity to new system users. This charge is associated with the expansion of the system required over time to address increases in wastewater flow generated by new development.

**Solid Waste Enterprise Fund** - To account for revenues and expenses related to the City's comprehensive solid waste program, including AB 939 funds.

**Transit Enterprise Fund** - To account for transportation activities of the City.

**Internal Service Funds** - These funds are used to account for interdepartmental operations where it is the stated intent that costs of providing services to the departments of the City on a continuing basis be financed or recovered primarily by charges to the user departments.



# CITY OF REDONDO BEACH

## Statement of Net Position

### Proprietary Funds

June 30, 2014

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Funds
	Major Enterprise Funds			Non-Major Enterprise Funds			
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 14,883,409	\$ 2,540,055	\$ 9,963,031	\$ 1,236,355	\$ 129,326	\$ 28,752,176	\$ 18,942,510
Receivables:							
Accounts	399,672	170,102	56,065	103,484	24,311	753,634	14,773
Interest	28,253	4,319	19,237	-	742	52,551	-
Notes and loans	132,658	-	-	-	-	132,658	-
Due from other funds	236,933	-	-	-	-	236,933	996,499
Due from other governments	-	-	58,685	41,918	68,520	169,123	-
Prepaid items	-	-	-	31	-	31	-
Restricted:							
Cash with fiscal agent	-	-	3,637	-	-	3,637	-
Total current assets	15,680,925	2,714,476	10,100,655	1,381,788	222,899	30,100,743	19,953,782
Noncurrent assets:							
Capital assets:							
Non-depreciable	3,984,611	7,546,573	694,300	-	-	12,225,484	-
Depreciable, net	15,747,496	5,421,974	9,461,528	77,067	1,426,946	32,135,011	4,444,031
Total capital assets	19,732,107	12,968,547	10,155,828	77,067	1,426,946	44,360,495	4,444,031
<b>Total assets</b>	35,413,032	15,683,023	20,256,483	1,458,855	1,649,845	74,461,238	24,397,813
<b>DEFERRED OUTFLOW OF RESOURCES</b>							
Loss on debt refunding	-	-	514,155	-	-	514,155	-

# CITY OF REDONDO BEACH

## Statement of Net Position

### Proprietary Funds

June 30, 2014

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	102,479	85,000	285,379	270,309	219,299	962,466	1,002,759
Deposits payable	131,217	59,605	-	-	-	190,822	-
Due to other funds	-	-	-	-	-	-	996,499
Unearned revenue	24,736	-	40,266	52,804	383,176	500,982	-
Accrued compensated absences	4,524	3,610	3,489	1,603	2,247	15,473	14,491
Accrued claims and judgments	-	-	-	-	-	-	1,022,697
Bonds, notes, and capital leases	309,842	-	225,000	-	-	534,842	256,756
Total current liabilities	572,798	148,215	554,134	324,716	604,722	2,204,585	3,293,202
Noncurrent liabilities:							
Accrued claims and judgments	-	-	-	-	-	-	14,559,043
Accrued compensated absences	87,142	69,537	67,198	30,874	43,278	298,029	279,117
Bonds, notes, and capital leases	2,045,512	-	7,530,117	-	-	9,575,629	188,140
Total noncurrent liabilities	2,132,654	69,537	7,597,315	30,874	43,278	9,873,658	15,026,300
<b>Total liabilities</b>	2,705,452	217,752	8,151,449	355,590	648,000	12,078,243	18,319,502
<b>NET POSITION</b>							
Net investment in capital assets	19,283,731	12,968,547	1,890,193	77,067	1,426,946	35,646,484	3,999,135
Unrestricted	13,423,849	2,496,724	10,728,996	1,026,198	(425,101)	27,250,666	2,079,176
<b>Total net position</b>	<u>\$ 32,707,580</u>	<u>\$ 15,465,271</u>	<u>\$ 12,619,189</u>	<u>\$ 1,103,265</u>	<u>\$ 1,001,845</u>	<u>\$ 62,897,150</u>	<u>\$ 6,078,311</u>

# CITY OF REDONDO BEACH

## Statement of Revenues, Expenses and Changes in Net Position

### Proprietary Funds

For the year ended June 30, 2014

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	
<b>OPERATING REVENUES:</b>							
Sales and service charges	\$ 1,080,461	\$ 1,940,108	\$ 4,568,330	\$ 3,369,217	\$ 352,756	\$ 11,310,872	\$ 15,195,813
Harbor rentals	4,790,299	2,371,250	-	-	-	7,161,549	-
Miscellaneous	41,651	194,406	4,819	158,699	821	400,396	69,946
<b>Total operating revenues</b>	<b>5,912,411</b>	<b>4,505,764</b>	<b>4,573,149</b>	<b>3,527,916</b>	<b>353,577</b>	<b>18,872,817</b>	<b>15,265,759</b>
<b>OPERATING EXPENSES:</b>							
Personnel services	2,658,075	1,628,513	897,489	670,048	359,709	6,213,834	5,636,555
Contractual services	209,436	555,838	769,921	2,435,951	2,194,938	6,166,084	6,146,733
Administrative and general expenses	1,533,010	1,571,232	305,870	457,817	741,543	4,609,472	3,270,865
Depreciation expense	520,454	295,849	201,673	16,224	50,799	1,084,999	1,484,956
<b>Total operating expenses</b>	<b>4,920,975</b>	<b>4,051,432</b>	<b>2,174,953</b>	<b>3,580,040</b>	<b>3,346,989</b>	<b>18,074,389</b>	<b>16,539,109</b>
<b>OPERATING INCOME (LOSS)</b>	<b>991,436</b>	<b>454,332</b>	<b>2,398,196</b>	<b>(52,124)</b>	<b>(2,993,412)</b>	<b>798,428</b>	<b>(1,273,350)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>							
Intergovernmental	-	-	-	37,395	1,717,002	1,754,397	-
Investment income	200,528	29,535	101,856	-	-	331,919	-
Interest expense	(119,333)	-	(382,639)	-	-	(501,972)	-
Gain (loss) on sale of capital assets	(48,094)	(31,183)	-	-	-	(79,277)	12,657
<b>Total nonoperating revenues (expenses)</b>	<b>33,101</b>	<b>(1,648)</b>	<b>(280,783)</b>	<b>37,395</b>	<b>1,717,002</b>	<b>1,505,067</b>	<b>12,657</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>							
<b>EXTRAORDINARY ITEM</b>	<b>1,024,537</b>	<b>452,684</b>	<b>2,117,413</b>	<b>(14,729)</b>	<b>(1,276,410)</b>	<b>2,303,495</b>	<b>(1,260,693)</b>
<b>EXTRAORDINARY ITEM:</b>							
Write off of Harbor Center advance to Successor Agency (Note 19)	(5,791,049)	(2,112,688)				(7,903,737)	
<b>TRANSFERS:</b>							
Transfers in	74,675	67,658	47,592	25,830	1,225,612	1,441,367	130,069
Transfers out	(90,833)	-	-	-	-	(90,833)	(88,470)
<b>Total transfers</b>	<b>(16,158)</b>	<b>67,658</b>	<b>47,592</b>	<b>25,830</b>	<b>1,225,612</b>	<b>1,350,534</b>	<b>41,599</b>
<b>Change in net position</b>	<b>(4,782,670)</b>	<b>(1,592,346)</b>	<b>2,165,005</b>	<b>11,101</b>	<b>(50,798)</b>	<b>(4,249,708)</b>	<b>(1,219,094)</b>
<b>NET POSITION:</b>							
Beginning of year	37,490,250	17,057,617	10,454,184	1,092,164	1,052,643	67,146,858	7,297,405
End of year	<u>\$ 32,707,580</u>	<u>\$ 15,465,271</u>	<u>\$ 12,619,189</u>	<u>\$ 1,103,265</u>	<u>\$ 1,001,845</u>	<u>\$ 62,897,150</u>	<u>\$ 6,078,311</u>

See accompanying notes to basic financial statements.

# CITY OF REDONDO BEACH

## Statement of Cash Flows

### Proprietary Funds

For the year ended June 30, 2014

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Cash received from customers and users	\$ 5,758,057	\$ 4,528,299	\$ 4,573,604	\$ 3,522,770	\$ 172,459	\$ 18,555,189	\$ 14,932,987
Cash payments to suppliers for goods and services	(1,598,714)	(2,191,322)	(1,072,351)	(2,896,739)	(2,936,481)	(10,695,607)	(10,162,605)
Cash payments to employees for services	(2,903,559)	(1,652,838)	(895,676)	(682,514)	(353,100)	(6,487,687)	(5,622,073)
<b>Net cash provided (used) by operating activities</b>	<b>1,255,784</b>	<b>684,139</b>	<b>2,605,577</b>	<b>(56,483)</b>	<b>(3,117,122)</b>	<b>1,371,895</b>	<b>(851,691)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Transfers in	74,675	67,658	47,592	25,830	1,225,612	1,441,367	130,069
Transfers out	(90,833)	-	-	-	-	(90,833)	(88,470)
Repayment received from other funds	28,134	-	-	-	-	28,134	-
Repayment received from other governments	-	-	-	38,661	-	38,661	-
Subsidy from grants	-	-	(2,620)	-	1,708,625	1,706,005	-
<b>Net cash provided by noncapital financing activities</b>	<b>11,976</b>	<b>67,658</b>	<b>44,972</b>	<b>64,491</b>	<b>2,934,237</b>	<b>3,123,334</b>	<b>41,599</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Acquisition and construction of capital assets	(60,422)	(250,990)	(1,413,827)	-	-	(1,725,239)	(1,154,955)
Proceeds from capital debt refunding	-	-	7,755,117	-	-	7,755,117	-
Principal paid on capital debt	(296,500)	-	(8,450,143)	-	-	(8,746,643)	(439,196)
Interest paid on capital debt	(119,333)	-	(382,639)	-	-	(501,972)	-
Proceeds from sales of capital assets	1,638	1,967	-	-	-	3,605	17,212
<b>Net cash used by capital and related financing activities</b>	<b>(474,617)</b>	<b>(249,023)</b>	<b>(2,491,492)</b>	<b>-</b>	<b>-</b>	<b>(3,215,132)</b>	<b>(1,576,939)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Interest received	220,461	33,178	82,619	-	2,040	338,298	-
<b>Net cash provided by investing activities</b>	<b>220,461</b>	<b>33,178</b>	<b>82,619</b>	<b>-</b>	<b>2,040</b>	<b>338,298</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,013,604</b>	<b>535,952</b>	<b>241,676</b>	<b>8,008</b>	<b>(180,845)</b>	<b>1,618,395</b>	<b>(2,387,031)</b>
<b>CASH AND CASH EQUIVALENTS:</b>							
Beginning of year	13,869,805	2,004,103	9,724,992	1,228,347	310,171	27,137,418	21,329,541
End of year	<u>\$ 14,883,409</u>	<u>\$ 2,540,055</u>	<u>\$ 9,966,668</u>	<u>\$ 1,236,355</u>	<u>\$ 129,326</u>	<u>\$ 28,755,813</u>	<u>\$ 18,942,510</u>

# CITY OF REDONDO BEACH

## Statement of Cash Flows, Continued

### Proprietary Funds

For the year ended June 30, 2014

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	
<b>FINANCIAL STATEMENT PRESENTATION:</b>							
Cash and cash equivalents	\$ 14,883,409	\$ 2,540,055	\$ 9,963,031	\$ 1,236,355	\$ 129,326	\$ 28,752,176	\$ 18,942,510
Cash with fiscal agent	-	-	3,637	-	-	3,637	-
<b>Total cash and cash equivalents and cash with fiscal agent</b>	<b>\$ 14,883,409</b>	<b>\$ 2,540,055</b>	<b>\$ 9,966,668</b>	<b>\$ 1,236,355</b>	<b>\$ 129,326</b>	<b>\$ 28,755,813</b>	<b>\$ 18,942,510</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>							
Operating income (loss)	\$ 991,436	\$ 454,332	\$ 2,398,196	\$ (52,124)	\$ (2,993,412)	\$ 798,428	\$ (1,273,350)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	520,454	295,849	201,673	16,224	50,799	1,084,999	1,484,956
Changes in operating assets and liabilities:							
(Increase) decrease in accounts receivable	(179,090)	(14,275)	4,677	(5,144)	18,222	(175,610)	(52)
(Increase) decrease in due from other funds	-	-	-	-	-	-	(996,499)
(Increase) decrease in prepaid expenses	-	-	-	(2)	-	(2)	86
(Increase) decrease in deferred outflow of resources	-	-	(247,176)	-	-	(247,176)	-
Increase (decrease) in accounts payable	(65,704)	(64,252)	250,616	(2,971)	(202,914)	(85,225)	(311,266)
Increase (decrease) in deposits payable	-	36,810	-	-	-	36,810	(745,554)
Increase (decrease) in claims and judgments	-	-	-	-	-	-	14,482
(Increase) decrease in due to other funds	-	-	-	-	-	-	975,506
Increase (decrease) in compensated absences	(36,048)	(24,325)	1,813	(12,466)	6,609	(64,417)	-
Increase (decrease) in unearned revenue	24,736	-	(4,222)	-	3,574	24,088	-
<b>Total adjustments</b>	<b>264,348</b>	<b>229,807</b>	<b>207,381</b>	<b>(4,359)</b>	<b>(123,710)</b>	<b>573,467</b>	<b>421,659</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 1,255,784</b>	<b>\$ 684,139</b>	<b>\$ 2,605,577</b>	<b>\$ (56,483)</b>	<b>\$ (3,117,122)</b>	<b>\$ 1,371,895</b>	<b>\$ (851,691)</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>							
Write off of Harbor Center advance to Successor Agency (Note 19)	\$ (5,791,049)	\$ (2,112,688)	\$ -	\$ -	\$ -	\$ (7,903,737)	\$ -

See accompanying notes to basic financial statements.

## FIDUCIARY FUND FINANCIAL STATEMENTS

**Agency Funds** - These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's programs.

**Redevelopment Obligation Retirement Fund** - This fund accounts for the activities of the Successor Agency to the City of Redondo Beach Redevelopment Agency. The fund's primary purpose is to expedite the dissolution of the former Agency's net position (except for the low and moderate income housing fund's net position) in accordance with AB x1 26 and AB 1484.

# CITY OF REDONDO BEACH

## Statement of Fiduciary Net Position

### Fiduciary Agency Funds

June 30, 2014

	Agency Funds	Redevelopment Obligation Retirement Fund
<b>ASSETS</b>		
Pooled cash and investments	\$ 394,226	\$ 502,315
Receivables:		
Accounts	41,453	139,990
Interest	231	11
<b>Total assets</b>	<b>\$ 435,910</b>	<b>642,316</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 330,363	-
Deposits payable	105,547	-
Due to other governments	-	166,477
Advances from other governments	-	535,731
Long-term liabilities		
Due with one year	-	399,000
Due in more than one year	-	20,288,786
<b>Total liabilities</b>	<b>\$ 435,910</b>	<b>21,389,994</b>
<b>NET POSITION (DEFICIT)</b>		
Net position held in trust		\$ (20,747,678)

See accompanying notes to basic financial statements.

# CITY OF REDONDO BEACH

## Statement of Changes in Fiduciary Net Position

### Fiduciary Funds

For the year ended June 30, 2014

	Redevelopment Obligation Retirement Fund
<b>ADDITIONS:</b>	
Charges for services	\$ 154,553
Investment earnings	97
Miscellaneous	246,201
RPTTF distributions	640,892
<b>Total additions</b>	<b>1,041,743</b>
<b>DEDUCTIONS:</b>	
Administration expense	125,000
Debt service:	
Interest expense	599,045
<b>Total deductions</b>	<b>724,045</b>
<b>EXTRAORDINARY ITEM:</b>	
Write off of Harbor Center advance from City of Redondo Beach (Note 19)	7,903,737
Change in net position	8,221,435
Net position, beginning of the year	(28,969,113)
Net position, end of the year	<b>\$ (20,747,678)</b>



**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Redondo Beach, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. *Financial Reporting Entity*

The City was incorporated on April 29, 1892, under the laws of the State of California and enjoys all the rights and privileges applicable to a Charter City. It is governed by an elected Mayor and a five-member council.

As required by GAAP, the financial statements present the City and its component units, entities for which the City is substantively the same governing body of the component unit's governing body and there is either a financial benefit or burden relationship between the City and the component units. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Each blended component unit has a June 30 year-end. The City had no discretely presented component units. The following entities are reported as blended component units:

The Parking Authority of the City of Redondo Beach (Parking Authority) was established on March 3, 1969, pursuant to the provisions of the Streets and Highway Code of the State of California. The principal purpose of the Parking Authority is to provide public off-street parking within the City. The Parking Authority serves all the citizens of the government and is governed by a board comprised of the government's elected council.

The Redondo Beach Housing Authority (Housing Authority) was formed on June 2, 1975, for the purpose of providing affordable, decent housing for lower income residents of the City. The Housing Authority operates the Fair Housing and Section 8 housing programs. The Housing Authority serves all the citizens of the government and is governed by a board comprised of the government's elected council.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

A. *Financial Reporting Entity, (Continued)*

The Redondo Beach Public Financing Authority (Financing Authority), a joint powers authority, was formed on June 25, 1996, to provide financing for capital improvement projects. The Agency joined with the City to form the Financing Authority, which is accounted for as a component unit of the Agency. The Financing Authority operates rental property and issues bonds to provide funds for public capital improvements. The Financing Authority has the same governing board as the City, which also performs all accounting and administrative functions for the Financing Authority.

The Agency's financial statements, as well as financial information relating to the other component units, can be obtained from the City Clerk's Office or Financial Services Department located at City Hall.

B. *Basis of Accounting and Measurement Focus*

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government - Wide Financial Statements

The City's government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, deferred inflows of resources, and liabilities, including capital assets (as well as infrastructure assets) and long-term liabilities, are included in the accompanying Statement of Net Position. Statement of Activities and Changes in Net Position presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Statement of Activities and Changes in Net Position 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. Certain indirect costs are included in the program expenses reported for specific functions.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

B. *Basis of Accounting and Measurement Focus, (Continued)*

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Position, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/ out

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The City has presented all major funds that have met the applicable criteria.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

B. *Basis of Accounting and Measurement Focus, (Continued)*

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except for revenues subject to accrual (generally 60 days after year-end), which are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, franchise taxes, special assessments, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unearned revenue is removed and revenue is recognized.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The City reports the following major governmental funds:

- General Fund - the City's primary operating fund that accounts for all financial resources of the general government except those required to be accounted for in another fund.
- Other Intergovernmental Grants Special Revenue Fund – accounts for federal, state and other governmental agencies grant funding that supplements local funding.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

B. *Basis of Accounting and Measurement Focus, (Continued)*

- Public Financing Authority Debt Service Fund - accounts for the payment of interest and principal on tax allocation bonds and other debt issued to finance city and redevelopment activities.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each proprietary fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflow of resources, liabilities, and deferred inflow of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City reports the following enterprise funds as major proprietary funds:

- Harbor Tidelands Fund - accounts for the operations of small boat harbor facilities available to the general public, including related pier activities. The use of this fund is restricted under the City Tideland Trust Agreement with the State of California.
- Harbor Uplands Fund - accounts for the operations of small boat harbor facilities available to the general public, including related pier activities. The use of this fund is subject only to the decisions of the City Council.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

B. *Basis of Accounting and Measurement Focus, (Continued)*

- Wastewater Fund - accounts for the capital facility charge and a sewer use fee. The charges are designed to reimburse the City's wastewater system for the capital and maintenance and operations costs necessary for providing wastewater capacity to system users. These charges are associated with the expansion of the system required over time to address increases in wastewater flow generated by new development.

Fiduciary Fund Financial Statements

The City maintains two fiduciary fund types. The first is a private-purpose trust fund which uses the economic resources measurement focus and the accrual basis of accounting. Private-purpose trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The second is an agency fund which has no measurement focus. Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses.

C. *Use of Restricted/Unrestricted Net Position*

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

D. *Cash, Cash Equivalents and Investments*

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

D. *Cash, Cash Equivalents and Investments, (Continued)*

The City participates in an investment pool managed by the State of California, titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB No. 3)*, certain disclosure requirements, if applicable, are provided for deposit and investment risk in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentration of Credit Risk
- Foreign Currency Risk

For purposes of the statement of cash flows of the proprietary fund types, cash and cash equivalents include all investments, as the City operates an internal cash management pool which maintains the general characteristics of a demand deposit account.

E. *Restricted Cash and Investments*

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects. Cash and investments are also restricted for deposits held for others within the enterprise funds.

F. *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

G. *Interfund Transactions*

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 noncurrent portion of interfund loans)." Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

H. *Capital Assets*

In the Government-Wide Financial Statements, capital assets, which include land, buildings, improvements, equipment, furniture, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated.

City policy has set the capitalization threshold for reporting capital assets at the following:

General Capital Assets	\$	5,000
Infrastructure Capital Assets		25,000
Buildings, Parking Structures and Parking Lots		100,000

The City has chosen the Modified Approach for reporting of the Street Pavement Subsystem infrastructure assets, and as a result no depreciation is recorded for that system; instead, all expenditures made for these assets, except for additions and improvements, are expensed in the year incurred. For all other assets, depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Asset	Years
Buildings and Improvements	45
Equipment	5-20
Vehicles	4-20
Infrastructure	5-60



**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

H. *Capital Assets, (Continued)*

The City defines infrastructure as the physical assets that allow the City to function. These assets include:

- Streets system
- Site amenities such as parking and landscaped areas used by the City in the conduct of its business
- Underground utilities

Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, etc. Subsystem detail is not presented in these financial statements; however, the City maintains detailed information on these subsystems.

In June 2014, a physical assessment of all pavement segments was conducted to assess the existing surface condition of each of the individual pavement segments. Upon completion of the study, a Pavement Quality Index (PQI) was calculated for each segment in the City's pavement network to reflect the overall pavement condition. Ratings ranged from 0 to 100. A PQI of 0 would correspond to badly deteriorated pavement with virtually no remaining life; a PQI of 100 would correspond to pavement with proper engineering design and construction at the beginning of its life cycle. During the year, the comprehensive survey is updated to reflect the pavement's current condition.

The following conditions were defined:

<u>Condition</u>	<u>Rating</u>
Very Good	90-100
Good	70-89
Fair	50-69
Poor	0-49

In line with the Capital Improvement Program and as presented to the City Council on December 17, 2002, City policy is to achieve an average rating of 80 for all streets beginning in fiscal year 2008. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. For 2012, 2013 and 2014, the City's street system was rated at a PQI of 84 on the average.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

H. *Capital Assets, (Continued)*

For a detailed description of the Modified Approach, see the Required Supplementary Information section of this report.

For all other infrastructure systems, the City elected to use the Basic Approach for infrastructure reporting. As such, the City records the assets at historical cost and depreciates them over their useful lives, and regularly evaluates them for impairment. Expenditures that extend the life of the asset are capitalized.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

In the fund financial statements, capital assets are not presented. Consequently, capital assets are a reconciling item and are shown in the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.

I. *Interest Payable*

In the government-wide financial statements, interest payable on long-term debt is recognized as the liability is incurred for governmental fund types and proprietary fund types.

In the fund financial statements, governmental fund types do not recognize interest payable, while proprietary fund types recognize the interest payable when the liability is incurred.

J. *Unearned Revenue*

In the government-wide financial statements, unearned revenue is recognized for transactions in which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the government-wide financial statements are long-term loans receivable and prepaid charges for services.

In the fund financial statements, unearned revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unearned revenue for transactions in which revenues have not been earned, or in which funds are not available to meet current financial obligations. Typical transactions in which unearned revenue is recorded are grants received but not yet earned or available.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

K. *Compensated Absences Payable*

Only the short-term liability for compensated absences (the amount due to employees for future absences, such as vacation and compensatory time, which are attributable to services already rendered) is reported as a current liability in the governmental funds and only if they have matured, for example, as a result of employee resignations and retirements; the long-term liability is reported in the government-wide financial statements. The short-term liability is the amount that will be liquidated with current financial resources and is expected to be paid during the next fiscal year. All of the liability for compensated absences applicable to proprietary funds is reported in those funds.

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Employees may accrue from two to three times their annual accrual rate. Upon termination an employee will be paid for any unused accrued vacation pay. Sick leave is payable when an employee is unable to work because of illness. Unused sick leave is forfeited upon termination.

L. *Claims and Judgments Payable*

The short-term and long-term claims are reported as liabilities in the Self-Insurance Program Internal Service Fund. The short-term liability which will be liquidated with *current financial resources* is the amount of the settlement reached, but unpaid, related to claims and judgments entered.

M. *Long-Term Debt*

Government-Wide Financial Statements

Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

M. *Long-Term Debt, (Continued)*

Fund Financial Statements

The fund financial statements do not present long-term debt. Consequently, long-term debt is a reconciling item and is shown in the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.

Bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount.

N. *Net Position*

In the Government-Wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

O. *Fund Balances*

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

Nonspendable - Nonspendable fund balances are items that are not expected to be converted to cash, such as prepaid items and inventories, or items that are required to be maintained intact, such as principal of an endowment or revolving loan funds.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued)

O. *Fund Balances, (Continued)*

Restricted - Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by external resources providers, such as grant providers, constitutionally, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed - Committed fund balances include amounts that can be used only for the specific purposes when the City Council passes a resolution that places specific constraints on how the resources may be used. The City Council can modify or rescind the resolution at any time through passage of an additional resolution.

Assigned - Assigned fund balances comprise amounts intended to be used by the government for specific purposes, but are neither restricted nor committed. Intent is expressed when the City council approves which resources should be assigned to expenditures of particular purposes during the adoption of the annual budget. The City Manager uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's fund financial statements.

Unassigned - Unassigned fund balance is a residual (surplus) classification used for the General Fund only and includes amounts not contained in the other classifications. Unassigned amounts in the General Fund are technically available for any purpose. If a governmental fund, other than the General Fund, has a fund balance deficit, it will be reported as a negative amount in the unassigned classification in that fund.

**Spending Policy**

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which all restricted, committed, assigned and unassigned fund balances are available, the City's policy is to apply in the following order, except for instances wherein an ordinance specifies the source:

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

O. *Fund Balances, (Continued)*

- Restricted
- Committed
- Assigned
- Unassigned

P. *Property Taxes*

Under California law, property taxes are assessed and collected by the counties on up to 1% of assessed property value, plus other increases approved by the voters. Property taxes collected are pooled and then allocated to the cities based on complex formulas.

	January 1	Lien Date
	June 30	Levy Date
	November 1 and February 1	Due Dates
	December 10 and April 10	Collection Date
November 20, 2013	Unsecured, redemptions, and SB813 taxes	
December 20, 2013	Homeowners' exemption, secured, and SB813 taxes	
January 18, 2014	Homeowners' exemption, secured, and SB813 taxes	
February 20, 2014	Redemptions, secured, and SB813 taxes	
March 20, 2014	Unsecured and SB813 taxes	
April 18, 2014	Secured and SB813 taxes	
May 20, 2014	Redemptions, homeowners' exemption, secured, and SB813 taxes	
June 20, 2014	Homeowners' exemption and SB813 taxes	
July 18, 2014	Secured and SB813 taxes	
August 20, 2014	Secured, redemptions, unsecured, and SB813 taxes	

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

*Q. Use of Estimates*

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

*R. New GASB Pronouncement*

Effective July 1, 2013, the City adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Deferred amounts resulting from the refundings of debt are reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Accordingly, the City's deferred amount on refunding of debt has been classified as a deferred outflow of resources in the statement of net position in conformity with GASB 65. GASB 65 amended prior guidance with respect to the treatment of debt issuance costs. Under GASB 65, debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred rather than reported as an asset on the statement of net position and recognized as an expense in a systematic and rational manner over the duration of the related debt. Accordingly, as noted in Note 20 of the financial statements, the City has restated beginning net position for any unamortized debt issuance costs previously reported on the statement of net position in conformity with GASB 65.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of expenditures over appropriations in individual funds was as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Major Funds:			
Public Financing Authority Debt Service:			
Housing and community development	\$ 199,958	\$ 368,498	\$ (168,540)
Principal retirement	80,879	665,000	(584,121)
Interest and fiscal charges	60,236	240,736	(180,500)
Non-Major Fund:			
Subdivision park trust	-	8,513	(8,513)

B. Deficit Fund Balance

The following funds had a deficit balance as of June 30, 2014:

Major Funds:	
Other Intergovernmental Grants	\$ (1,551,713)
Non-Major Funds:	
Community Development Block Grant	(87,504)
Disaster Recovery	(12,349)

The deficit fund balances are expected to be recovered through grant and other revenues and inter-fund transfers.



**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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**3. CASH AND INVESTMENTS**

Cash and investments are presented on the Statement of Net Position as follows at June 30, 2014:

	Government-Wide Statement of Net Position			Fiduciary Funds	
	Governmental	Business-		Statement of	
	Activities	Type	Total	Net Position	Total
		Activities			
Cash and investments	\$ 58,133,852	\$ 28,752,176	\$ 86,886,028	\$ 896,541	\$ 87,782,569
Restricted cash and investments with fiscal agents	1,606,547	3,637	1,610,184	-	1,610,184
Total	<u>\$ 59,740,399</u>	<u>\$ 28,755,813</u>	<u>\$ 88,496,212</u>	<u>\$ 896,541</u>	<u>\$ 89,392,753</u>

Cash, cash equivalents, and investments consisted of the following at June 30, 2014:

Cash and cash equivalents:	
Petty cash	\$ 15,500
Demand deposits - City	9,744,135
Demand deposits - Successor Agency	716,025
Total cash and cash equivalents	<u>10,475,660</u>
Investments:	
Local Agency Investment Fund (LAIF) - City	29,177,291
Local Agency Investment Fund (LAIF) - Successor Agency	30,776
Time deposits	250,000
Negotiable certificates of deposit	4,227,292
Corporate Bonds	15,768,030
US Government Securities	993,360
Federal Agency Securities	26,860,160
Total investments	<u>77,306,909</u>
Total cash and investments	<u>87,782,569</u>
Cash and investments with fiscal agent	1,610,184
Total	<u>\$ 89,392,753</u>

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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3. CASH AND INVESTMENTS, (Continued)

A. *Cash Deposits*

The carrying amounts of the City's cash deposits were \$9,744,135 at June 30, 2014. Bank balances at June 30, 2014, were \$11,038,194 which were fully insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The fair value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

B. *Investments*

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

- United States Treasury Bills, Notes and Bonds
- Obligations issued by the Federal Government
- Bankers' Acceptances with a maturity of 180 days or less
- Time Certificates of Deposits
- Negotiable Certificates of Deposit
- Commercial Paper with a maturity of 270 days or less
- Local Agency Investment Fund (LAIF) limited to \$50,000,000 by LAIF

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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3. CASH AND INVESTMENTS, (Continued)

B. *Investments, (Continued)*

- Medium-Term Notes (5 year maturity or more) of domestic Corporations or Depository Institutions
- Mutual Funds
- Guaranteed Investment Contracts not to exceed \$5 million annually
- Certificate of Deposit Placement Services
- Collateralized Bank Deposits

The City investment policy applies to all financial assets, investment activities and debt issues of the City (including funds which are invested by trustees appointed under debt trust indentures, with direction from the City Treasurer).

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2014, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes Debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/ or that have embedded forwards or options.

Asset-Backed Securities Generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2014, the City and the Successor Agency had \$29,208,067 invested in LAIF, which had invested 1.86% of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.00029875 was used to calculate the fair value of the investments in LAIF.

C. *Deposit and Investment Risk*

Credit Risk

The City's investment policy limits investments in medium-term notes (MTN's) to those rated "AA" or higher by Standard and Poor's (S&P) or by Moody's. As of June 30, 2014, all MTN's were rated "A" or higher by Moody's. As of June 30, 2014, the City's Federal Agency investments were rated "AA+" by Moody's and S&P. All securities were investment grade and were in accordance with State and City law. Investments in U.S. government securities are not considered to have credit risk; therefore, their credit quality is not disclosed. As of June 30, 2014, the City's investments in external investment pools are unrated.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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3. CASH AND INVESTMENTS, (Continued)

C. *Deposit and Investment Risk, (Continued)*

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2014, none of the City's deposits or investments was exposed to custodial credit risk.

Concentration of Credit Risk

The City's investment policy imposes restrictions on the maximum percentage it can invest in a single type of investment. Investments in Federal Agencies have the implied guarantee of the United States government. While all the City's investments are in compliance with the City's investment policy as of June 30, 2014, in accordance with GASB Statement No. 40, if a City has invested more than 5% of its total investments in any one issuer, they are exposed to concentration of credit risk.

The City has invested more than 5% of the total investment value with the following issuers:

		% of Total Investments
Federal National Mortgage Association	\$ 8,929,090	12%
Federal Home Loan Mortgage Corp.	7,975,890	10%
	<u>\$ 16,904,980</u>	<u>22%</u>

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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3. CASH AND INVESTMENTS, (Continued)

C. *Deposit and Investment Risk, (Continued)*

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that at least 50% of the City's portfolio shall mature in three years or less; and at least 25% in one year or less. The only exception to these maturity limits shall be the investment of the gross proceeds of tax exempt bonds. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2014, the City had the following investments and remaining maturities:

Investment Types	Investment Maturities				Fair value
	Up to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	
External Investment Pools -					
Local Agency Investment Fund	\$ 29,208,067	\$ -	\$ -	\$ -	\$ 29,208,067
Time deposits	250,000	-	-	-	250,000
Negotiable certificate of deposits	1,243,106	749,493	743,965	1,490,728	4,227,292
US Treasury Notes			993,360		993,360
Federal Agencies					
Federal Farm Credit Bank	-	-	1,002,120	1,995,000	2,997,120
Federal Home Loan Bank	-	-	2,003,480	4,954,580	6,958,060
Federal Home Loan Mortgage Corp.	-	-	4,003,970	3,971,920	7,975,890
Federal National Mortgage Assoc.	-	-	1,993,100	6,935,990	8,929,090
Corporate Bonds	1,532,950	6,127,030	8,108,050	-	15,768,030
Total Investments	<u>\$ 32,234,123</u>	<u>\$ 6,876,523</u>	<u>\$ 18,848,045</u>	<u>\$ 19,348,218</u>	<u>\$ 77,306,909</u>

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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4. RECEIVABLES

The following is a summary of receivables net of allowances for uncollectible amounts at June 30, 2014:

	Government-Wide Statement of Net Position		Fiduciary Funds Statement of Net Position	Total
	Governmental Activities	Business-Type Activities		
Accounts receivable	\$ 470,934	\$ 753,634	\$ 181,443	\$ 1,406,011
Interest receivable	113,152	52,551	242	165,945
Taxes receivable	4,496,450	-	-	4,496,450
Loans receivable	4,224,042	132,658	-	4,356,700
Total	<u>\$ 9,304,578</u>	<u>\$ 938,843</u>	<u>\$ 181,685</u>	<u>\$ 10,425,106</u>

A. *Fund Financial Statements*

At June 30, 2014, the Fund Financial Statements show the following receivables:

Accounts Receivable

Accounts receivable consisted of amounts accrued in separate funds in the ordinary course of operations. The total amount of accounts receivable for each major fund and non-major fund in the aggregate as of June 30, 2014, was as follows:

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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4. RECEIVABLES, (Continued)

A. *Fund Financial Statements, (Continued)*

**Governmental Funds:**

General Fund	\$ 367,671
Other Governmental Grants - Special Revenue Fund	6,520
Public Financing Authority - Debt Service Fund	15,949
Non-Major Funds	66,021
Total Governmental Funds	<u>456,161</u>

**Proprietary Funds:**

Harbor Tidelands - Enterprise Fund	399,672
Harbor Uplands - Enterprise Fund	170,102
Wastewater Fund - Enterprise Fund	56,065
Solid Waste - Enterprise Fund	103,484
Transit - Enterprise Fund	24,311
Internal Service Funds	14,773
Total Proprietary Funds	<u>768,407</u>

**Fiduciary Funds**

Agency Funds	41,453
Redevelopment Obligation Retirement Fund	139,990
Total Fiduciary	<u>181,443</u>
<b>Total Accounts Receivable</b>	<u><u>\$ 1,406,011</u></u>

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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4. RECEIVABLES, (Continued)

B. *Interest Receivable*

Interest receivable consists of interest from investments pooled by the City and is distributed among the funds according to their ending cash balances. The interest receivable as of June 30, 2014, was as follows:

**Governmental Funds:**

General Fund	\$ 92,059
Other Governmental Grants - Special Revenue Fund	566
Public Financing Authority - Debt Service Fund	90
Non-Major Funds	20,475
Total Governmental Funds	<u>113,190</u>

**Proprietary Funds:**

Harbor Tidelands - Enterprise Fund	28,253
Harbor Uplands - Enterprise Fund	4,319
Wastewater	19,237
Transit - Enterprise Fund	742
Total Proprietary Funds	<u>52,551</u>

**Fiduciary Funds**

Agency Funds	231
Redevelopment Obligation Retirement Fund	11
Total Fiduciary Funds	<u>242</u>
<b>Total</b>	<u><u>\$ 165,983</u></u>



**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

4. RECEIVABLES, (Continued)

C. *Taxes Receivable*

At June 30, 2014, the City had the following taxes receivable:

	Governmental Funds		Total
	General Fund	Non-Major Governmental Funds	
<b>Type of Taxes:</b>			
Property Taxes	\$ 773,339	\$ -	\$ 773,339
Sales Taxes	1,249,300	-	1,249,300
Transient Occupancy Taxes	488,509	-	488,509
Utility Users Taxes	591,239	-	591,239
Franchise Tax	299,299	-	299,299
Public Safety Augmentation Fund Taxes	119,858	-	119,858
Triple Flip	915,047	-	915,047
Other	-	59,859	59,859
Total taxes	<u>\$ 4,436,591</u>	<u>\$ 59,859</u>	<u>\$ 4,496,450</u>

D. *Loans Receivable*

At June 30, 2014, the City had the following loans receivable:

	Governmental Funds		Proprietary Funds	
	General Fund	Non-Major Governmental Funds	Harbor Tidelands Enterprise Fund	Total
Home Rehabilitation Loans	\$ -	\$ 767,806	\$ -	\$ 767,806
Housing Assistance Loan	-	476,563	-	476,563
Senior Housing Program	-	2,952,500	-	2,952,500
Computer Program	27,173	-	-	27,173
Harbor Area Business Loans	-	-	132,658	132,658
Total	<u>\$ 27,173</u>	<u>\$ 4,196,869</u>	<u>\$ 132,658</u>	<u>\$ 4,356,700</u>

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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4. RECEIVABLES, (Continued)

D. *Loans Receivable, (Continued)*

Home Rehabilitation Loans

At June 30, 2014, the City was owed, in its Low and Moderate Income Housing Asset Special Revenue Fund, \$767,806 for various home rehabilitation loans made by the City. The terms of repayment vary. Because the notes do not meet the City's availability criteria for revenue recognition, the City has classified the balance the revenue related to these loans as deferred inflow of resources in the government funds. Revenue is recognized in the year of repayment. All loans are secured by trust deeds.

Housing Assistance Loans

At June 30, 2014, the City was owed, in its Community Development Block Grant Special Revenue Fund, \$476,563 for various housing assistance loans made by the City. The terms of repayment vary. Because the notes do not meet the City's availability criteria for revenue recognition, the City has classified the balance the revenue related to these loans as deferred inflow of resources related to these loans. Revenue is recognized in the year of repayment. All loans are secured by trust deeds.

Computer Loan Program

The City has a computer loan program for employees to purchase computers. The maximum loan amount per employee is \$1,500 with a repayment term maximum of two years. Repayments from the employees are made through payroll deductions. At June 30, 2014, the loan receivable balance was \$27,173.

Senior Housing Program

On June 21, 1995, the Agency loaned \$2,200,000 to the Corporate Fund for Housing (a California non-profit public benefit corporation), the McCandless senior housing complex. The loan term is for 45 years and bears interest at 2% per annum. Any portion of the Agency loan remaining unpaid upon the 45th anniversary of completion shall be forgiven. Repayments will be made from residual receipts of the housing complex. The loan is secured by the Agency Deed of Trust. At June 30, 2014, the loan receivable included accrued interest of \$752,500.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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4. RECEIVABLES, (Continued)

D. *Loans Receivable, (Continued)*

Harbor Area Business Loans

At June 30, 2014, the City's Harbor Tidelands Enterprise Fund was owed \$132,658 for repairs made on behalf of two harbor area businesses subsequent to the storms of 1988. The terms of the twenty-eight year \$488,871 first contract call for interest at 1.6% per annum. Principal and accrued interest are payable annually with \$100,529 outstanding at June 30, 2014. The terms of the twenty-seven year \$104,844 second contract call for interest at 4.7% per annum. Principal and accrued interest are payable annually with \$32,129 outstanding at June 30, 2014.

5. INTERFUND TRANSACTIONS

A. *Government-Wide Financial Statements*

Internal Balances

At June 30, 2014, the City had the following internal receivables and payables for covering cash shortfalls:

	Internal Balances Receivable Business-Type Activities
Internal Balances Payable Governmental Activities	\$ 236,933

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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5. INTERFUND TRANSACTIONS, (Continued)

A *Government-Wide Financial Statements, (Continued)*

Transfers

The City had the following transfers as of June 30, 2014:

	Transfers In Business-Type Activities
Transfers Out Governmental Activities	\$ 1,350,534

B. *Fund Financial Statements*

Due to/from Other Funds

The City had the following due to/from other funds as of June 30, 2014:

	Due from Other Funds			
	General Fund	Non-Major Governmental Funds	Harbor Tidelands Enterprise Fund	Total
Due to Other Funds				
General Fund	\$ -	\$ 1,000,834	\$ -	\$ 1,000,834
Other Intergovernmental Grants	941,643	-	-	941,643
Public Financing Authority	368,451	-	236,933	605,384
Non-Major Governmental Funds	292,758	-	-	292,758
Total	\$ 1,602,852	\$ 1,000,834	\$ 236,933	\$ 2,840,619

The \$1,000,834 due to the General Fund consists of \$1,000,000 for capital improvement project funding and \$834 for repayment of over-reimbursement of expenditures made on the Housing Authority's behalf.

The \$941,643 due to the Other Intergovernmental Grants Fund was for interfund activities from the General Fund to cover the negative cash balance.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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5. INTERFUND TRANSACTIONS, (Continued)

B. *Fund Financial Statements, (Continued)*

Due to/from Other Funds, (Continued)

The \$605,384 due to the Public Financing Authority consists of \$368,451 for Kincaid's loan payment from the General Fund and \$236,933 for Kincaid's Restaurant rental income in excess of the Public Financing Authority's obligations passed through to the Harbor Tidelands Fund.

The \$292,758 due to the non-major governmental funds consists of \$191,077 for reimbursement of expenditures made on behalf of the Housing Authority and \$101,681 to cover negative

Advances to Other Funds

The City had the following long-term advance to other funds as of June 30, 2014:

	Advance to Other Funds
	General Fund
Advance from Other Funds Public Financing Authority	\$ 1,114,781

During the 2009-10 fiscal year, the City made a loan to the Authority for the internal refinancing of the remaining loan principal to repay First California Bank for the South Bay Bank loan. As of June 30, 2014, the amount owed on the loan was \$1,114,781.

Advances to Other Government

During the previous fiscal years, the Financing Authority made loans to the Redevelopment Agency for various bonds. However, due to the dissolution of the Agency in fiscal year 2011-2012, the balance of the loans previously made to the redevelopment agency was transferred to the Successor Agency of the former redevelopment agency, pursuant to ABx1 26 and AB 1484. Therefore, the balance was moved in from an Advance to Other Funds to a Due from Other Governments in the Public Financing Authority Debt Service Fund. The Agency's remaining balances as of June 30, 2014 was \$6,005,000.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

5. INTERFUND TRANSACTIONS, (Continued)

B. Fund Financial Statements, (Continued)

Transfers

The City had the following transfers as of June 30, 2014:

Transfers Out	Transfers In					Total
	General Fund	Other Intergovernmental Grants	Non-Major Funds	Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ 2,797	\$ 2,593,002	\$ 222,917	\$ 130,069	\$ 2,948,785
Other Intergovernmental Grants	736	-	-	-	-	736
Enterprise Funds:						
Harbor Tidelands	83,835	-	-	6,998	-	90,833
Non-Major Governmental Funds	-	-	-	1,211,452	-	1,211,452
Internal Service Funds	88,470	-	-	-	-	88,470
Total	<u>\$ 173,041</u>	<u>\$ 2,797</u>	<u>\$ 2,593,002</u>	<u>\$ 1,441,367</u>	<u>\$ 130,069</u>	<u>\$ 4,340,276</u>

The General Fund transferred out a total of \$2,948,785 to various funds consisting of \$867,935 to cover expenditures in the Street Landscaping and Lighting District in a Non-Major Governmental Fund, \$1,000,000 to a Non-Major Governmental Fund for capital improvement project funding, and \$1,080,850 were for midyear compensation restoration in various funds.

Internal Service Funds transferred \$88,470 to the General Fund for Fire Department overtime.

Transfers between the Harbor Tidelands Enterprise Fund and the General Fund of \$83,835 were for the property tax in lieu fee.

Transfers from the Non-Major Governmental Funds in the amount of \$1,211,452 consisted of transit subsidies to the Transit Fund.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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6. CAPITAL ASSETS

The City elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its street pavement system. As a result, no accumulated depreciation or depreciation expense has been recorded for this system. A more detailed discussion of the "Modified Approach" is presented in the Required Supplementary Information section of this report. All other capital assets including other infrastructure systems were reported using the Basic Approach whereby accumulated depreciation and depreciation expense have been recorded.

A. *Government-Wide Financial Statements*

At June 30, 2014, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets:			
Land	\$ 16,522,947	\$ 11,323,255	\$ 27,846,202
Construction in progress	4,640,963	902,229	5,543,192
Work in progress	1,003,491	-	1,003,491
Infrastructure - streets	54,054,036	-	54,054,036
Total non-depreciable assets	76,221,437	12,225,484	88,446,921
Depreciable assets:			
Buildings and improvements	46,208,955	30,708,383	76,917,338
Furniture and equipment	8,353,367	648,679	9,002,046
Automotive equipment	14,169,256	3,553,460	17,722,716
Leased equipment	2,052,274	26,981,712	29,033,986
Infrastructure	73,621,468	-	73,621,468
Total depreciable assets	144,405,320	61,892,234	206,297,554
Less accumulated depreciation for:			
Buildings and improvements	(18,124,475)	(15,939,609)	(34,064,084)
Furniture and equipment	(7,001,621)	(647,028)	(7,648,649)
Automotive equipment	(8,344,697)	(2,070,259)	(10,414,956)
Leased equipment	(1,388,352)	(11,100,327)	(12,488,679)
Infrastructure	(46,708,575)	-	(46,708,575)
Total accumulated depreciation	(81,567,720)	(29,757,223)	(111,324,943)
Total depreciable assets, net	62,837,600	32,135,011	94,972,611
Total capital assets, net	\$ 139,059,037	\$ 44,360,495	\$ 183,419,532

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

6. CAPITAL ASSETS, (Continued)

A. *Government-Wide Financial Statements, (Continued)*

The following is a summary of changes in the capital assets for governmental activities during the fiscal year:

	Balance at July 1, 2013	Additions	Deletions	Reclassifications	Balance at June 30, 2014
Non-depreciable assets:					
Land	\$ 16,522,947	\$ -	\$ -	\$ -	\$ 16,522,947
Construction in progress	5,717,382	433,517	(668,648)	(841,288)	4,640,963
Work in progress	1,003,491	-	-	-	1,003,491
Infrastructure - streets	54,054,036	-	-	-	54,054,036
Total non-depreciable assets	<u>77,297,856</u>	<u>433,517</u>	<u>(668,648)</u>	<u>(841,288)</u>	<u>76,221,437</u>
Depreciable assets:					
Buildings and improvements	45,979,533	95,330	-	134,092	46,208,955
Furniture and equipment	8,179,300	174,067	-	-	8,353,367
Automotive equipment	13,264,780	1,104,688	(200,212)	-	14,169,256
Leased equipment	2,052,274	-	-	-	2,052,274
Infrastructure	72,930,070	-	(15,798)	707,196	73,621,468
Total depreciable assets	<u>142,405,957</u>	<u>1,374,085</u>	<u>(216,010)</u>	<u>841,288</u>	<u>144,405,320</u>
Less accumulated depreciation for:					
Buildings and improvements	(16,982,445)	(1,142,030)	-	-	(18,124,475)
Furniture and equipment	(6,554,869)	(446,752)	-	-	(7,001,621)
Automotive equipment	(7,382,830)	(1,157,523)	195,656	-	(8,344,697)
Leased equipment	(721,477)	(666,875)	-	-	(1,388,352)
Infrastructure	(45,081,415)	(1,642,961)	15,801	-	(46,708,575)
Total accumulated depreciation	<u>(76,723,036)</u>	<u>(5,056,141)</u>	<u>211,457</u>	<u>-</u>	<u>(81,567,720)</u>
Total depreciable assets, net	<u>65,682,921</u>	<u>(3,682,056)</u>	<u>(4,553)</u>	<u>841,288</u>	<u>62,837,600</u>
Governmental activities capital assets, net	<u>\$ 142,980,777</u>	<u>\$ (3,248,539)</u>	<u>\$ (673,201)</u>	<u>\$ -</u>	<u>\$ 139,059,037</u>



**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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6. CAPITAL ASSETS, (Continued)

A. *Government-Wide Financial Statements, (Continued)*

Depreciation expense was charged to functions/programs of governmental activities for the fiscal year ended June 30, 2014 as follows:

**Governmental Activities:**

General government	\$	158,302
Public safety		208,235
Public works		2,437,736
Culture and leisure services		764,366
Housing and community development		2,546

**Internal Service Funds:**

Vehicle Replacement		681,556
Building Occupancy		2,280
Information Technology		729,426
Emergency Communications		71,694

<b>Total depreciation expense</b>	<b>\$</b>	<b>5,056,141</b>
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**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

6. CAPITAL ASSETS, (Continued)

A. *Government-Wide Financial Statements, (Continued)*

The following is a summary of changes in the capital assets for business-type activities for the year ended June 30, 2014:

	Balance at July 1, 2013	Additions	Deletions	Reclassifications	Balance at June 30, 2014
Nondepreciable assets:					
Land	\$ 11,323,255	\$ -	\$ -	\$ -	\$ 11,323,255
Construction in progress	684,062	599,600	(4,995)	(376,438)	902,229
Total non-depreciable	<u>12,007,317</u>	<u>599,600</u>	<u>(4,995)</u>	<u>(376,438)</u>	<u>12,225,484</u>
Depreciable assets:					
Buildings and improvements	30,708,383	-	-	-	30,708,383
Furniture and equipment	648,679	-	-	-	648,679
Automotive equipment	3,688,786	-	(135,326)	-	3,553,460
Infrastructure	25,487,615	1,130,635	(12,976)	376,438	26,981,712
Total depreciable assets	<u>60,533,463</u>	<u>1,130,635</u>	<u>(148,302)</u>	<u>376,438</u>	<u>61,892,234</u>
Less accumulated depreciation:					
Buildings and improvements	(15,266,076)	(673,533)	-	-	(15,939,609)
Furniture and equipment	(645,613)	(1,415)	-	-	(647,028)
Automotive equipment	(2,055,975)	(66,723)	52,439	-	(2,070,259)
Infrastructure	(10,769,976)	(343,328)	12,977	-	(11,100,327)
Total accumulated depreciation	<u>(28,737,640)</u>	<u>(1,084,999)</u>	<u>65,416</u>	<u>-</u>	<u>(29,757,223)</u>
Total depreciable assets, net	<u>31,795,823</u>	<u>45,636</u>	<u>(82,886)</u>	<u>376,438</u>	<u>32,135,011</u>
Business-type activities capital assets, net	<u>\$ 43,803,140</u>	<u>\$ 645,236</u>	<u>\$ (87,881)</u>	<u>\$ -</u>	<u>\$ 44,360,495</u>

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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6. CAPITAL ASSETS, (Continued)

Depreciation expense for business-type activities for the fiscal year ended June 30, 2014 was charged as follows:

Harbor Tidelands	\$	520,454
Harbor Uplands		295,849
Wastewater		201,673
Solid Waste		16,224
Transit		50,799
<b>Total depreciation expense</b>	<b>\$</b>	<b>1,084,999</b>

B. Fund Financial Statements

In the governmental fund financial statements, capital assets are not presented. Consequently, capital assets are a reconciling item and are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

7. COMPENSATED ABSENCES PAYABLE

The following is a summary of compensated absences payable transactions for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Classification	
					Amounts Due Within One Year	Amounts Due in More than One Year
<b>Governmental Activities:</b>						
Compensated absences payable	\$ 2,460,733	\$ 1,923,119	\$ 1,992,227	\$ 2,391,625	\$ 119,143	\$ 2,272,482
<b>Business-Type Activities</b>						
Compensated absences payable	377,919	327,759	392,176	313,502	15,473	298,029
<b>Total</b>	<b>\$ 2,838,652</b>	<b>\$ 2,250,878</b>	<b>\$ 2,384,403</b>	<b>\$ 2,705,127</b>	<b>\$ 134,616</b>	<b>\$ 2,570,511</b>

The long-term portion of compensated absences payable has been accrued for the Governmental Activities on the Government-Wide Financial Statement. Also, compensated absences are generally liquidated by the General Fund. There is no fixed payment schedule to pay these liabilities.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

**8. LONG-TERM DEBT**

The following is a summary of long-term debt transactions for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due Within One Year	Amounts Due in More than One Year
<b>Governmental Activities:</b>						
PFA 2008 Refunding Revenue Bonds	\$ 4,845,000	\$ -	\$ (665,000)	\$ 4,180,000	\$ 695,000	\$ 3,485,000
Unamortized bond premium	113,928	-	(22,786)	91,142	22,786	68,356
Capital Leases	884,092	-	(439,196)	444,896	256,756	188,140
<b>Total governmental activities</b>	<b>\$ 5,843,020</b>	<b>\$ -</b>	<b>\$ (1,126,982)</b>	<b>\$ 4,716,038</b>	<b>\$ 974,542</b>	<b>\$ 3,741,496</b>
<b>Business-Type Activities:</b>						
Wastewater Revenue Bond 2004, Series A	\$ 8,500,000	\$ -	\$ (8,500,000)	\$ -	\$ -	\$ -
Unamortized bond discount	(49,857)	-	49,857	-	-	-
Wastewater Revenue Refunding 2014, Series A	-	7,230,000	-	7,230,000	225,000	7,005,000
Unamortized bond premium	-	525,117	-	525,117	-	525,117
Boating and Waterways						
Construction Loan 88-21-84	761,874	-	(95,009)	666,865	99,284	567,581
Boating and Waterways						
Construction Loan 89-21-147	1,889,980	-	(201,491)	1,688,489	210,558	1,477,931
<b>Total business-type activities</b>	<b>\$ 11,101,997</b>	<b>\$ 7,755,117</b>	<b>\$ (8,746,643)</b>	<b>\$ 10,110,471</b>	<b>\$ 534,842</b>	<b>\$ 9,575,629</b>

The following amount was reported as deferred outflow of resources at the end of June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Deferred outflow of resources</b>				
Deferred loss on refunding	\$ -	\$ 514,155	\$ -	\$ 514,155

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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8. LONG-TERM DEBT, (Continued)

Public Financing Authority 2008 Refunding Revenue Bonds

The Financing Authority issued refunding revenue bonds dated January 2008, totaling \$7,645,000. The proceeds of the bonds were used to refund the Financing Authority's 1996 Revenue Bonds and pay the costs of issuance of the bonds. As of June 30, 2014, the balance outstanding was \$4,180,000, with an unamortized premium of \$91,142.

The Bonds shall bear interest at rates between 3.00% and 4.00% and is payable on each January 1 and July 1, commencing July 1, 2008. The bonds are payable from a pledge of revenues consisting primarily of payments to be made by the City of Redondo Beach under a lease agreement. Principal is due annually beginning on July 1, 2008, in amounts ranging from \$385,000 to \$805,000. The bonds mature on July 1, 2019. The bonds are subject to optional and mandatory early redemption provisions.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2014, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 695,000	\$ 153,300	\$ 848,300
2016	715,000	125,100	840,100
2017	745,000	95,900	840,900
2018	775,000	65,500	840,500
2019	805,000	33,900	838,900
2020	445,000	8,900	453,900
Total	<u>\$ 4,180,000</u>	<u>\$ 482,600</u>	<u>\$ 4,662,600</u>

The following is a summary of the 2008 Refunding Revenue unamortized premium outstanding at June 30, 2014:

Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<u>\$ 113,928</u>	<u>\$ -</u>	<u>\$ (22,786)</u>	<u>\$ 91,142</u>

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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8. LONG-TERM DEBT, (Continued)

Capital Leases

The City has entered into various lease purchase agreements for equipment. These leases have been classified as capital leases. The related assets have been capitalized in the government-wide financial statements at the initial present value of the lease payments. The balance outstanding at June 30, 2014, was \$444,896.

The total leased assets by major asset class consisted of the following:

	<u>June 30, 2014</u>
Equipment under capitalized lease, at cost	2,052,274
Accumulated depreciation	<u>(1,388,352)</u>
Equipment under capitalized lease, net	<u><u>\$ 663,922</u></u>

The annual debt service requirements outstanding at June 30, 2014 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2015	\$ 256,756
2016	92,293
2017	94,866
2018	981
Total	<u><u>\$ 444,896</u></u>

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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8. LONG-TERM DEBT, (Continued)

Wastewater Revenue Bonds, 2014, Series A

On March 25, 2014, the City issued \$7,230,000 of Wastewater Revenue Refunding Bonds for the purpose of refunding \$7,230,000 of then-outstanding 2004 Wastewater Revenue Refunding Bonds. The purpose of the bonds was to finance certain improvements and related facilities that constitute part of the Wastewater Enterprise Fund. The serial bonds in the amount of \$4,795,000 mature through May 1, 2029, and bear a variable interest rate ranging from 3% to 5.00% per annum. Term bonds in the amount of \$2,435,000 mature through May 1, 2034, and bear interest at the rate of 4.00%. The serial bonds maturing on or after May 1, 2015, are subject to optional redemption provisions. The term bonds are subject to optional and mandatory redemption provisions. The bonds are payable solely from and secured by a pledge of and lien upon the net revenues of the Wastewater Enterprise Fund. As of June 30, 2014, the balance outstanding was \$7,230,000, with an unamortized bond discount of \$525,117. First installment payment of principal and interest is due May 1, 2015.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2014, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 225,000	\$ 322,459	\$ 547,459
2016	245,000	301,988	546,988
2017	255,000	289,738	544,738
2018	265,000	279,538	544,538
2019	280,000	268,938	548,938
2020-2024	1,565,000	1,165,238	2,730,238
2025-2029	1,960,000	769,263	2,729,263
2030-2034	2,435,000	299,600	2,734,600
Total	<u>\$ 7,230,000</u>	<u>\$ 3,696,762</u>	<u>\$ 10,926,762</u>

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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8. LONG-TERM DEBT, (Continued)

The following is a summary of the 2014 Revenue Bond Series A unamortized discount outstanding at June 30, 2014:

Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
\$ -	\$ 525,117	\$ -	\$ 525,117

The economic gain realized in the refunding was approximately \$978,914 and the net cash resulting from the refunding was as follows:

	2014 Series A
Cash flow requirements to service old debt	\$ 13,677,316
Less: Cash flow requirements for new debt	11,380,394
Net cash from refunding	\$ 2,296,922
Present value savings net of cash paid/economic gain	\$ 978,914

Boating and Waterways Construction Loan 88-21-84

On July 25, 1988, the City entered into a \$2,000,000 loan agreement with the California Department of Boating and Waterways (Contract No. 88-21- 84). Proceeds of the loan were used to finance harbor dredging, storm recovery repairs and hazard-mitigation projects. The loan bears interest at 4.5%. As of June 30, 2014, the balance outstanding was \$666,865.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 99,284	\$ 30,009	\$ 129,293
2016	103,752	25,541	129,293
2017	108,421	20,872	129,293
2018	113,300	15,993	129,293
2019	118,398	10,895	129,293
2020	123,710	5,567	129,277
Total	\$ 666,865	\$ 108,877	\$ 775,742



**City of Redondo Beach**  
**Notes to the Financial Statements**  
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8. LONG-TERM DEBT, (Continued)

Boating and Waterways Construction Loan 89-21-147

In 1989, the City entered into a \$4,500,000 construction loan agreement with the California Department of Boating and Waterways (Contract No. 89- 21-147) at an interest rate of 4.5%. Proceeds of the loan were used to finance the City's cost-sharing obligations in connection with the Federal breakwater improvement program, storm repairs and hazard-mitigation projects. As of June 30, 2014, the balance outstanding was \$1,688,489.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 210,558	\$ 75,982	\$ 286,540
2016	220,033	66,507	286,540
2017	229,935	56,605	286,540
2018	240,282	46,258	286,540
2019	251,094	35,446	286,540
2020-2021	536,587	36,485	573,072
Total	<u>\$ 1,688,489</u>	<u>\$ 317,283</u>	<u>\$ 2,005,772</u>

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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9. NON-CITY OBLIGATIONS

The following bond issues are not reported in the City's financial statements because these are special obligations payable solely from and secured by specific revenue sources described in the resolutions and official statements of the respective issues. Neither the faith and credit nor the taxing power of the City, the Agency, the State of California or any political subdivision thereof, is pledged for payment of these bonds.

	<u>Original Amount</u>	<u>Outstanding June 30, 2014</u>
A. Multifamily Housing Revenue Bonds /Notes Heritage Pointe Project Series 2004A	\$ 11,390,000	\$ 10,890,000
B. Multifamily Housing Revenue Refunding Bonds/SEASONS at Redondo Beach Series 2008A	\$ 6,425,000	\$ 2,959,069

10. OPERATING LEASE INCOME

A. *Harbor Tidelands and Uplands Enterprise Operating Leases*

The Harbor Tidelands and Harbor Uplands Enterprise Funds were created by to provide small boat harbor facilities to the general public. The Harbor Tidelands and Harbor Uplands Enterprise Funds operate as landlords, assigning or leasing facilities and land area. Principal sources of income are from rental of land and facilities.

A major portion of the operating revenue of the Harbor Tidelands and Uplands Enterprise Funds arise from long-term leases of land, pier space, waterways and other facilities which require the lessees to make substantial investments in leasehold improvements. These leases are accounted for as operating leases.

The total cost of the assets leased was \$10,406,895, less accumulated depreciation of \$974,006. The balance as of June 30, 2014 was \$9,432,889.

**City of Redondo Beach**  
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10. OPERATING LEASE INCOME, (Continued)

A. *Harbor Tidelands and Uplands Enterprise Operating Leases, (Continued)*

The following is a schedule, by year, of minimum future lease rentals on non-cancellable operating leases as of June 30, 2014:

Year Ending June 30,	Minimum Future Lease Rentals
2015	\$ 5,713,956
2016	5,623,956
2017	5,623,956
2018	3,608,906
2019	3,515,156
2020-2024	16,222,970
2025-2029	14,278,735
2030-2034	13,271,221
2035-2039	12,926,279
2040-2044	12,466,499
2045-2049	9,822,659
2050-2054	9,822,659
2055-2059	9,822,659
2060-2064	7,165,575
2065-2069	2,573,837
Totals	<u>\$ 132,459,023</u>

The above accounts do not include lease rental income based on a percentage of lessee's gross revenues that may be received under the leases.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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**11. RISK MANAGEMENT**

The City is exposed to risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters; and currently reports all of its risk management activities in its Self-Insurance Program Internal Service Fund.

The City has adopted a self-insurance workers' compensation program, which is administered by a third-party agent, AdminSure. The self-insurance coverage for each claim is limited to \$750,000. Excess coverage of up to \$5,000,000 for each claim is provided by the Independent Cities Risk Management Authority (ICRMA), an insurance pool, in which a consortium of cities has agreed to share risks and losses. As of June 30, 2014, the estimated claims payable for workers' compensation was \$13,046,446, which included claims incurred but not reported (IBNR). The current year's portion of the claims was \$893,705.

For general liability claims, the City is also self-insured up to \$500,000 for each occurrence. The self-insurance program is administered by a third-party agent, AdminSure. Each claim in excess of the self-insured retention of up to \$2,000,000 is covered by the ICRMA. There is also excess coverage in the amount of \$18 million.

As of June 30, 2014, the estimated claims payable for general liability was \$2,535,294, which included IBNR. The current year's portion was \$128,992. Governmental activities claims and judgments are generally liquidated by the General Fund.

	Liability on June 30, 2014
General Liability	\$ 2,535,294
Workers' Compensation	13,046,446
Total	<u>\$ 15,581,740</u>

Settled claims have not exceeded any of the City's coverage amounts in: any of the last three fiscal years and there were no reductions in the City's coverage during the year.

The estimated claims payable for workers' compensation and general liability is based on estimates provided by the third-party administrator, the City Attorney, the Risk Management staff, and ICRMA's actuary.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

11. RISK MANAGEMENT, (Continued)

Changes in the reported liability resulted from the following:

Year Ended June 30,	Balance July 01, 2013	Additions	Deletions	Amounts Balance June 30, 2014	Amounts Due Within One Year	Due in More than One Year
2012	\$ 14,904,404	\$ 401,768	\$ (477,351)	\$ 14,828,821	\$ 820,938	\$ 14,007,883
2013	14,828,821	608,744	889,729	16,327,294	802,585	15,524,709
2014	16,327,294	1,671,249	(2,416,803)	15,581,740	1,022,697	14,559,043

Effective July 17, 1990, the City became a member of the Independent Cities Risk Management Authority (ICRMA), a public entity risk pool currently operating as a common risk management and insurance program for 29 California cities. The City pays an annual premium to the pool for its excess general liability insurance coverage. The agreement for formation of the ICRMA provides that the pool will be self-sustaining through member premiums. The City continues to carry insurance from commercial companies for all other risks of loss, including coverage for property, earthquake and flood, automobile, physical damage and special events.

Condensed Financial Information of the ICRMA

Condensed audited financial information of ICRMA as of June 30, 2013 (most recent information available) is as follows:

	Total
<b>Assets</b>	<b>\$ 72,145,529</b>
Liabilities of member cities	\$ 35,455,671
Net assets	36,689,858
<b>Total liabilities and net assets</b>	<b>\$ 72,145,529</b>
Revenues	\$ 21,237,298
Cost and expenses	19,845,022
Net income	1,392,276
Net assets - July 1, 2011	35,297,582
Net assets - June 30, 2012	\$ 36,689,858

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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12. EMPLOYEE RETIREMENT PLANS

A. *Pension Plan*

Plan Description – The City contributes to the California Public Employees’ Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS’ annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California, 95814. The City has a multiple-tier retirement plan with benefits varying by plan.

Funding Policy – Active plan members are required by State statute to contribute a percentage of their annual covered salary. The following table details the contribution percentages and the portion of those percentages paid by the City, as employer, on their behalf and for their accounts. The City’s portion amounted to \$2,263,704 for the year ended June 30, 2014.

<b>Pension Plan</b>	<b>Employee Contribution Percentage</b>	<b>City Portion</b>	<b>Employee Portion</b>
Miscellaneous Tier 1	7.00%	7.00%	0.00%
Miscellaneous Tier 2	7.00%	0.00%	7.00%
Miscellaneous Tier 3	6.50%	0.00%	6.50%
Fire Tier 1	9.00%	9.00%	0.00%
Fire Tier 2	9.00%	4.50%	4.50%
Fire Tier 3	11.25%	0.00%	11.25%
Police Tier 1	9.00%	9.00%	0.00%
Police Tier 2	9.00%	9.00%	0.00%
Police Tier 3	11.25%	11.25%	0.00%

[1] Employees hired on or before June 25, 2012

[2] Employees hired after June 25, 2012 and classic members of the PERS system

[3] Employees hired on or after January 1, 2013 and new to the PERS system

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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12. EMPLOYEE RETIREMENT PLANS, (Continued)

B. *Pension Plan, (Continued)*

The City is required to contribute for fiscal year 2013-14 at an actuarially determined rate of 14.938% and 40.631%, and of annual covered payroll for Tier through Tier 3 miscellaneous and safety employees.

Annual Pension Cost - For 2013-14, the City's annual pension cost of \$10,058,722 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.30% to 14.20% for miscellaneous employees and safety employees depending on age, service, and type of employment, and (c) 2.75% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets used for funding purposes is obtained through an asset smoothing technique where investment gains and losses are partially recognized in the year they are incurred, with the remainder recognized in subsequent year. The average remaining amortization period at June 30, 2012, was 22 years for miscellaneous and 31 years for safety employees for prior and current service unfunded liability.

**THREE-YEAR TREND INFORMATION FOR PERS**

Fiscal Year	Annual Pension (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 10,085,958	100%	\$ -
6/30/2013	10,090,495	100%	-
6/30/2014	10,058,722	100%	-

**City of Redondo Beach**  
**Notes to the Financial Statements**  
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12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. Pension Plan, (Continued)

*Funding Status as of the Most Recent Actuarial Date:*

The amounts reflected herein represent the City's portion as reported by CalPERS.

	(A)	(B)	<u>Safety Plan</u> (C)	(D)	(E)	(F)
			Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability				
6/30/2012	\$ 221,979,385	\$ 275,846,014	\$ 53,866,629	80.5%	\$ 14,774,809	364.6%

	(A)	(B)	<u>Miscellaneous Plan</u> (C)	(D)	(E)	(F)
			Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability				
6/30/2012	\$ 134,807,780	\$ 154,308,469	\$ 19,500,689	87.4%	\$ 18,705,038	104.3%



**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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12. EMPLOYEE RETIREMENT PLANS, (Continued)

B. *Other Post Employment Benefits*

*Plan Descriptions and Eligibility.* In addition to the pension benefits described above, the City provides certain health insurance benefits, in accordance with memorandums of understanding, to retired employees through the California Employers' Retiree Benefit Trust (CERBT) Fund, which is an agent multiple-employer plan administered by CalPERS. The City provides medical insurance for all employees who retire with a minimum of 20 years of full-time public agency service. The City shall pay the single retiree medical premium rate, for qualified retirees, for a medical insurance plan in which the retiree is enrolled from among those medical plans provided by the City. These contributions of the City for such medical premiums shall cease on the date the retiree becomes eligible to enroll in the Federal Medicare program and/or any Medicare supplemental plans. At June 30, 2014, approximately 194 employees are eligible to receive post-employment benefits.

*Funding Policy.* The required contribution of the City is based on a percentage of PERSable payroll. For fiscal year 2014, the City contributed \$1,340,110 to the plan.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual Other Postemployment Benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution (ARC) of the Employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB Obligation to the Plan:

	Total
Annual required contribution	\$ 1,340,110
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	1,340,110
Contributions made	(1,340,110)
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ -

**City of Redondo Beach**  
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12. EMPLOYEE RETIREMENT PLANS, (Continued)

B. Other Post Employment Benefits, (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 1,340,110	\$ 1,340,110	100%	\$ -

*Funded Status and Funding Progress.* As of June 30, 2013, the most recent actuarial valuation date, the plan was 23.4 percent funded. The Actuarial Accrued Liability for benefits was \$17,146,000, and the actuarial value of assets was \$4,006,000, resulting in a UAAL of \$13,140,000. The actual covered payroll (annual payroll of active employees covered by the plan) was \$32,356,000 and the ratio of VAAL to the covered payroll was 40.61%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend rate. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The table below shows a one-year analysis of the actuarial value of assets as a percentage of the actuarial accrual liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 2013.

	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date	Actuarial Asset Value (A)	Actuarial Accrued Liability Entry Age (B)	Unfunded Actuarial Accrued Liability (A-B)	Funded Ratio (A/B)	Actual Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll (C/E)
6/30/2013	\$ 4,006,000	\$ 17,146,000	\$ (13,140,000)	23.4%	\$ 32,356,000	-40.61%

12. EMPLOYEE RETIREMENT PLANS, (Continued)

B. *Other Post Employment Benefits, (Continued)*

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 7.25% investment rate of return which is based on the expected return on funds invested by CalPERS, and an annual healthcare cost trend rate of actual premiums, which is reduced over eight years to an ultimate rate of 5.0% for 2021 and thereafter. The actuarial assumption for inflation was 3 percent, and the aggregate payroll increases was 3.25 percent used in the actuarial valuation. The initial UAAL is being amortized as level percentage of projected payroll over a 30 year closed period (25 years remaining for fiscal year 2013/2014). Subsequent increases/ decreases in UAAL due to actuarial gains/losses or changes in assumptions or methods are amortized over 15 year closed periods. The average remaining amortization period may be no more than 30 years.

13. COMMITMENTS AND CONTINGENCIES

A. *Lawsuits*

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

B. *Federal and State Grant Programs*

The City participates in Federal and State grant programs. These programs are subject to audit. No cost disallowance is expected as a result of any audits. Expenditures which may be disallowed, if any, by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

13. COMMITMENTS AND CONTINGENCIES, (Continued)

C. *Commitments*

As of June 30, 2014, in the opinion of City management, there were no outstanding matters that would have a significant effect on the financial position of the funds of the City.

D. *Contingencies*

The regional water quality Control Board has filed regulatory notice of violations against the City regarding issues with Seaside Lagoon water quality discharges to the harbor. The City has appealed the violations to the State Water Board. At this time, potential fines, assessments, and settlements are estimated as likely not to exceed \$51,000.

The City Council approved an Asset Management Plan for the Waterfront on December 18, 2007, and the Harbor Enterprise Business Plan on August 24, 2010. These documents, serve as the blueprint for the City's waterfront revitalization efforts. One of the central strategies in the Asset Management Plan is the consolidation of underutilized pier area leaseholds into larger, single leasehold to promote the highest and best use of these properties through new private sector investment.

In February 2012, the City entered into an agreement for the Pier Plaza Leasehold and financing from Compass Bank is in the form of a Lease, Leaseback through which the City receives an upfront one-time payment from Compass (lease) in exchange for a regular monthly payment of interest and principal from the City over twenty years (leaseback), much like a traditional loan. The purchase price for the leasehold is \$8.4 million. The money is provided at an interest rate which is fixed at 4.22% for seven years after which time the rate is variable. The seven year fixed term is arranged through a SWAP agreement with Compass Bank through which the City pays a slightly higher interest rate 4.22% in exchange for the certainty of the fixed rate for the seven year term.

In April 2012, the City entered into an agreement for the International Boardwalk Leasehold and received financing with Compass Bank in the form of a Lease, Leaseback through which the City receives an upfront one-time payment from Compass (lease) in exchange for a regular monthly payment of interest and principal from the City over twenty years (leaseback), much like a traditional loan. The property being leased for this transaction is the Plaza Parking structure that sits adjacent to the International Boardwalk. The Letter Agreement for Purchase document covers the broader terms of the transaction. The purchase price for the leasehold is \$2.9 million. The money is provided at an interest rate which will be fixed at approximately 4.25% for seven years after which time the rate is variable. The seven year fixed term is arranged through a SWAP agreement with Compass Bank through which the City pays a slightly higher interest rate (4.25%) in exchange for the certainty of the fixed rate for the seven year term. The SWAP agreement is laid out in more detail in the ISDA Master Agreement and Schedule to the ISDA Master Agreement.

13. COMMITMENTS AND CONTINGENCIES, (Continued)

In May 2014, the City entered into an agreement for the Redondo Beach Marina Leasehold and received financing with Compass Bank in the form of a Lease, Leaseback through which the City receives an upfront one-time payment from Compass (lease) in exchange for a regular monthly payment of interest and principal from the City over thirteen years, with a five year extension option (leaseback), much like a traditional loan. The property being leased for this transaction is known as the Redondo Beach Marina an approximately 13 acre land and water parcel adjacent to the Pier and King Harbor in the City's Waterfront. The total amount financed is \$12.5 million. The money is provided at an interest rate which will be fixed at 4.1% for five years after which time the rate is variable. The fixed term is arranged through a SWAP agreement with Compass Bank through which the City pays a slightly higher interest rate (4.1%) in exchange for the certainty of the fixed rate for the term. The SWAP agreement is laid out in more detail in the ISDA Master Agreement and Schedule to the ISDA Master Agreement.

The City's General Fund serves as the backstop in the event the Leaseholds fail to perform according to the terms as set forth in the agreements. The combined outstanding balance on the Pier Plaza, International Boardwalk, and Redondo Beach Marina leaseholds as of June 30, 2014, was \$22,503,436.

14. POLLUTION REMEDIATION OBLIGATIONS

The Department of Toxic Substances Control (DTSC) has filed regulatory Notice of Violations against the City regarding the Redondo Beach Police Department's gun range concerning issues with lead bullet fragments. Cleanup, potential fines, assessments, and settlements incurred by the City to date are approximately \$282,000. Additional cleanup and settlements currently are estimated to be \$150,000. This liability has been accrued in the General Fund.

**City of Redondo Beach**  
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**15. CLASSIFICATION OF FUND BALANCES**

The City adopted the provisions of GASB Statement No. 54, Fund Balance and Governmental Fund Type Definitions. GASB 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund statements conform to this classification.

		Special Revenue	Debt Service		
	General	Other	Public	Nonmajor	Total
	Fund	Intergovernmental	Financing	Governmental	Governmental
		Grants	Authority	Funds	Funds
<b>Nonspendable</b>					
Prepaid costs	\$ 55,082	\$ -	\$ -	\$ -	\$ 55,082
Notes and loans receivable	27,173	-	-	2,952,500	2,979,673
<b>Total nonspendable</b>	<b>82,255</b>	<b>-</b>	<b>-</b>	<b>2,952,500</b>	<b>3,034,755</b>
<b>Restricted</b>					
Debt service	-	-	6,450,252	5,689	6,455,941
Public safety	-	-	-	1,138,537	1,138,537
Public works	-	-	-	3,306,685	3,306,685
Low and moderate income housing	-	-	-	1,636,516	1,636,516
Housing and community development	-	-	-	7,321,372	7,321,372
<b>Total restricted</b>	<b>-</b>	<b>-</b>	<b>6,450,252</b>	<b>13,408,799</b>	<b>19,859,051</b>
<b>Committed</b>					
Contingency	6,188,191	-	-	-	6,188,191
<b>Total committed</b>	<b>6,188,191</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,188,191</b>
<b>Assigned</b>					
Capital improvement projects	-	-	-	4,267,426	4,267,426
General government	213,276	-	-	-	213,276
Public safety	82,916	-	-	-	82,916
Cultural and leisure services	56,212	-	-	-	56,212
Public works	233,868	-	-	-	233,868
Carryover assignments	1,238,210	-	-	2,689,517	3,927,727
Compensated absences	595,252	-	-	-	595,252
Petty cash	15,550	-	-	-	15,550
Self-insurance program	2,982,500	-	-	-	2,982,500
Compensation restoration	2,000,000	-	-	-	2,000,000
CalPERS	4,607,962	-	-	-	4,607,962
<b>Total assigned</b>	<b>12,025,746</b>	<b>-</b>	<b>-</b>	<b>6,956,943</b>	<b>18,982,689</b>
<b>Unassigned</b>	<b>2,674,597</b>	<b>(1,551,713)</b>	<b>-</b>	<b>(99,891)</b>	<b>1,022,993</b>
<b>Total fund balance</b>	<b>\$ 20,970,789</b>	<b>\$ (1,551,713)</b>	<b>\$ 6,450,252</b>	<b>\$ 23,218,351</b>	<b>\$ 49,087,679</b>

16. DISSOLUTION OF CALIFORNIA REDEVELOPMENT AGENCIES

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 (Bill) that provides for the dissolution of all redevelopment agencies in the State of California. Most cities in California had established a redevelopment agency that was included in the reporting entity of the City as a blended component unit (since the City council, in many cases, also served as the governing board for those agencies).

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. If the City declines to accept the role of successor agency, other local agencies may elect to perform this role. If no local agency accepts the role of successor agency the Governor is empowered by the Bill to establish a local “designated local authority” to perform this role. On January 10, 2012 the City Council met and created a Successor Agency in accordance with the Bill as part of the City’s resolution number 12-01.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated tax revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency is reported in the governmental funds of the City. After the date of dissolution, activities of the dissolved redevelopment agency are reported in a fiduciary trust fund (private purpose trust fund) in the fiduciary statements of the City.

**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

17. SUCCESSOR AGENCY LONG-TERM DEBT

In accordance with the provisions of Assembly Bill X1 26 (Bill) and the California Supreme Court's decision to uphold the Bill, the obligations of the former redevelopment agency became vested with the funds established for the successor agency upon the date of dissolution, February 1, 2012. Former tax increment revenues pledged to fund the debts of the former redevelopment agency will be distributed to the Successor Agency subject to the reapportionment of such revenues as provided by the Bill.

The debt of the Successor Agency as of June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due Within One Year	Amounts Due in More than One Year
Successor Agency:						
County Deferral Loan - 1983 tax Increment Deferral	\$ 6,934,419	\$ -	\$ -	\$ 6,934,419	\$ -	\$ 6,934,419
County Deferral Loan - 1984 tax Increment Deferral	7,400,570	-	(246,203)	7,154,367	-	7,154,367
Bank of America Loan	693,000	-	(99,000)	594,000	99,000	495,000
City Loan - Principal - Harbor Center	4,288,426	-	(4,288,426)	-	-	-
City Loan - Interest - Harbor Center	3,615,309	-	(3,615,309)	-	-	-
City Loan - South Bay Center	6,280,000	-	(275,000)	6,005,000	300,000	5,705,000
<b>Total</b>	<b>\$ 29,211,724</b>	<b>\$ -</b>	<b>\$ (8,523,938)</b>	<b>\$ 20,687,786</b>	<b>\$ 399,000</b>	<b>\$ 20,288,786</b>



**City of Redondo Beach**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2014**

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17. SUCCESSOR AGENCY LONG-TERM DEBT, (Continued)

**1983 Tax Increment Deferral** - On November 15, 1983, the Agency and the County of Los Angeles (County) entered into an agreement for reimbursement of tax increment funds. It was recognized that the South Bay Center Project Area needed to utilize a substantial portion of the annual tax increment in the early years to finance its redevelopment activities. Therefore, the County taxing entities agreed to defer receipt of tax increment reimbursement from the Agency. This deferral is debt of the Agency to be repaid only from the Agency's share of future tax increment. There is no fixed payment schedule to repay this loan and is non-interest bearing. The balance outstanding at June 30, 2014, was \$6,934,419.

**1984 Tax Increment Deferral** - On February 14, 1984, the Agency and the County entered into an agreement for reimbursement of tax increment funds. It was recognized that the Aviation High School Project Area needed to utilize a substantial portion of the annual tax increment in the early years to finance its redevelopment activities. Therefore, the County taxing entities agreed to defer receipt of tax increment reimbursement from the Agency. This deferral is debt of the Agency to be repaid only from the Agency's share of future tax increment. There is no fixed payment schedule to repay this loan and is non-interest bearing. The balance outstanding at June 30, 2014, was \$7,154,367.

**Bank of America Loan** - On December 1, 2012, the Agency entered into a note payable with Bank of America to pay off the City loan to Public Finance Agency of \$693,000. The note principal balance is payable annually in installments of \$99,000, and interest payments are made semi-annually at 5.75%. The final financing commitment expires September 1, 2019. The balance outstanding at June 30, 2014, was \$594,000.

18. RISKS & UNCERTAINTIES

A. Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

B. Successor Agency

Deductions (expenses) incurred by the Successor Agency for the year ended June 30, 2014 (and subsequent years in which the Successor Agency is in operation) are subject to review by various State agencies and the County in which the Successor Agency resides. If any expenses incurred by the Successor Agency are disallowed by the State agencies or County, the City, acting as the Successor Agency could be liable for the repayment of the disallowed costs from either its own funds or by the State withholding remittances normally paid to the City. The amount, if any, of expenses that may be disallowed by the State agencies or County cannot be determined at this time, although the Successor Agency expects such amounts, if any, to be immaterial.

19. EXTRAORDINARY ITEM

On June 19, 1990, the Agency entered into a cooperation agreement with the City in connection with the Harbor Center Project Area. The Agency agreed to repay amounts advanced by the Harbor Tidelands and Harbor Uplands Funds of the City with interest at the current rate of LAIF. In 2009, the California State Lands Commission and the City entered into an agreement providing that, whenever the Harbor Center Redevelopment Project Area had tax increment revenues in excess of what was required for bond payments and operating expenses, the excess revenues would be used to repay the debt to the Harbor Tidelands Fund. With the dissolution of the Redevelopment Agency in February 2012, the debt was transferred to the City as Successor Agency. In October 2012, the City received a letter from the California State Department of Finance (DOF) with its determination of the agreement as unenforceable. The City engaged in several meet and confer sessions with the DOF to debate the enforceability of the agreement, but the DOF rejected the City's arguments and upheld its prior determination. Therefore, in April 2014, the agreement with the State Lands Commission was amended to eliminate language from the 2009 agreement with the City, and the advance between the City and the Successor Agency was written off. The amount of the write off was \$7,903,737.

20. CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 1, the City implemented GASB Statement No. 65 effective July 1, 2013. GASB 65, among other provisions, amended prior guidance with respect to the treatment of debt issuance costs. Under GASB 65, debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred rather than reported as an asset on the statement of net position and recognized as an expense in a systematic and rational manner over the duration of the related debt. The City's unamortized balance of debt issuance costs at the beginning of the year was \$137,689. GASB 65 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Redondo Beach**  
**Required Supplementary Information**  
**For the year ended June 30, 2014**

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1. BUDGETARY INFORMATION

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The Annual Budget serves from July 1 to June 30, and is a vehicle that openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

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

1. The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year.
2. The City Council's policy is to adopt an annual line-item budget for the general, special revenue, debt service, and capital projects funds.
3. Public hearings are conducted prior to its adoption by the Council.
4. Supplemental appropriations, when required during the period, are also approved by the Council. Intradepartmental budget changes are approved by the City Manager.
5. Expenditures may not exceed appropriations at the departmental level, which is the legal level of control.
6. Budgets are created in accordance with GAAP.3.32.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general, special revenue, debt service, and capital projects funds. Unexpended and unencumbered appropriations of these governmental funds automatically lapse at the end of the fiscal year. Encumbrances outstanding at year-end are reported as a reservation of fund balances. They do not constitute expenditures or estimated liabilities. Budgets were legally adopted for all governmental funds with the exception of Parking Authority Debt Service Fund and Pier Parking Structure Rehabilitation Capital Projects Fund.

The following are the budget comparison schedules for General Fund and Other Intergovernmental Grants Special Revenue Fund

# CITY OF REDONDO BEACH

Required Supplementary Information

For the year ended June 30, 2014

## 1. BUDGETARY INFORMATION, Continued

### *Budget Comparison Schedule, General Fund*

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE - BEGINNING</b>	\$ 17,558,142	\$ 17,558,142	\$ 17,558,142	\$ -
<b>RESOURCES (INFLOWS):</b>				
Taxes	53,415,000	54,007,029	55,958,439	1,951,410
Interdepartmental	6,656,858	7,143,371	7,143,371	-
Licenses and permits	1,196,082	1,394,962	1,504,502	109,540
Intergovernmental	-	50,280.00	52,313	2,033
Charges for services	5,187,459	5,448,813	6,221,182	772,369
Use of money and property	1,375,364	1,375,364	1,408,163	32,799
Fines and forfeitures	1,545,900	1,545,900	1,790,361	244,461
Miscellaneous	1,591,822	1,538,578	1,312,061	(226,517)
Transfers in	522,305	1,460,481	173,041	(1,287,440)
<b>Amount available for appropriation</b>	<b>89,048,932</b>	<b>91,522,920</b>	<b>93,121,575</b>	<b>1,598,655</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
General government:				
Major and city council	618,116	1,257,919	909,350	348,569
City clerk and administration	692,175	1,017,235	770,230	247,005
City treasurer	445,605	425,464	422,788	2,676

# CITY OF REDONDO BEACH

## Required Supplementary Information

For the year ended June 30, 2014

City attorney	2,692,141	2,873,803	2,583,252	290,551
City manager	1,597,154	1,760,329	1,609,085	151,244
Human resources	864,812	1,106,481	912,086	194,395
Finance	2,890,968	2,978,817	1,950,518	1,028,299
Public safety:				
Police	29,633,622	31,060,258	28,472,995	2,587,263
Fire	14,573,924	15,025,906	14,217,748	808,158
Housing and community development:				
Housing and community development	3,426,111	3,604,784	3,140,208	464,576
Public works:				
Public services	5,221,612	5,476,191	5,424,739	51,452
Cultural and leisure services:				
Park, recreation, and community services	8,636,581	8,957,499	8,789,002	168,497
Transfers out	1,093,089	3,112,113	2,948,785	163,328
	<u>72,385,910</u>	<u>78,656,799</u>	<u>72,150,786</u>	<u>6,506,013</u>
<b>Total charges to appropriations</b>				
	<u>72,385,910</u>	<u>78,656,799</u>	<u>72,150,786</u>	<u>6,506,013</u>
 <b>FUND BALANCE - ENDING</b>	 \$ 16,663,022	 \$ 12,866,121	 \$ 20,970,789	 \$ 8,104,668

# CITY OF REDONDO BEACH

Required Supplementary Information

For the year ended June 30, 2014

## 1. BUDGETARY INFORMATION, Continued

*Budget Comparison Schedule, Other Intergovernmental Grants Special Revenue Fund*

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	\$ (1,044,377)	\$ (1,044,377)	\$ (1,044,377)	\$ -
<b>RESOURCES (INFLOWS):</b>				
Intergovernmental	2,999,504	3,865,747	548,606	(3,317,141)
Transfers in	-	2,797	2,797	-
<b>Amount available for appropriation</b>	<b>1,955,127</b>	<b>2,824,167</b>	<b>(492,974)</b>	<b>(3,317,141)</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Public safety:				
Police	127,220	915,024	649,668	265,356
Fire	48,000	153,050	146,090	6,960
Public works:				
Public services	70,099	79,889	71,688	8,201
Capital outlay	2,754,185	10,489,108	190,557	10,298,551
Transfers out	-	-	736	(736)
<b>Total charges to appropriations</b>	<b>2,999,504</b>	<b>11,637,071</b>	<b>1,058,739</b>	<b>10,578,332</b>
<b>FUND BALANCE (DEFICIT) - ENDING</b>	<b>\$ (1,044,377)</b>	<b>\$ (8,812,904)</b>	<b>\$ (1,551,713)</b>	<b>\$ 7,261,191</b>

**City of Redondo Beach**  
**Required Supplementary Information**  
**For the year ended June 30, 2014**

2. DEFINED PENSION PLAN

A schedule of funding progress for the past three actuarial valuations is presented below.

Safety Plan						
	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
		Entry Age	Actuarial			Actuarial
Actuarial	Actuarial	Actuarial	Accrued	Funded		Liability as
Valuation	Asset	Accrued	Liability	Ratio	Covered	Percentage of
Date	Value	Liability	(B-A)	(A/B)	Payroll	Covered Payroll
						(C/E)
6/10/2010	\$ 209,481,432	\$ 259,321,750	\$ 49,840,318	80.8%	\$ 15,615,232	319.2%
6/30/2011	217,038,991	268,946,368	51,907,377	80.7%	14,954,415	347.1%
6/30/2012	221,979,385	275,846,014	53,866,629	80.5%	14,774,809	364.6%

Miscellaneous Plan						
	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
		Entry Age	Actuarial			Actuarial
Actuarial	Actuarial	Actuarial	Accrued	Funded		Liability as
Valuation	Asset	Accrued	Liability	Ratio	Covered	Percentage of
Date	Value	Liability	(B-A)	(A/B)	Payroll	Covered Payroll
						(C/E)
6/30/2010	\$ 124,366,166	\$ 141,617,233	\$ 17,251,067	87.8%	\$ 19,612,331	88.0%
6/30/2011	129,874,269	148,638,920	18,764,651	87.4%	18,657,247	100.6%
6/30/2012	134,807,780	154,308,469	19,500,689	87.4%	18,705,038	104.3%



**City of Redondo Beach**  
**Required Supplementary Information**  
**For the year ended June 30, 2014**

3. OTHER POST EMPLOYMENT BENEFITS

Schedule of Funding Progress for the City's Plan

	(A)	(B)	(C)	(D)	(E)	(F)
			(Unfunded)			(Unfunded)
		Entry Age	Overfunded			Overfunded
	Actuarial	Actuarial	Actuarial	Funded		Actuarial
Valuation	Asset	Accrued	Accrued	Ratio	Covered	Liability as
Date	Value	Liability	Liability	(A/B)	Payroll	Percentage of
	(A)	(B)	(A-B)			(C/E)
6/30/2010	\$ 1,918,000	\$ 17,882,000	\$ (15,964,000)	10.7%	\$ 31,700,000	50.36%
6/30/2011	4,245,000	20,086,000	(15,841,000)	21.1%	30,485,000	-51.96%
6/30/2013	4,006,000	17,146,000	(13,140,000)	23.4%	32,356,000	-40.61%

**City of Redondo Beach**  
**Required Supplementary Information**  
**For the year ended June 30, 2014**

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4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. GASB Statement No. 34 defines infrastructure assets as " ... long-lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets ... " Major infrastructure systems include the street system, storm water system, sewer system, and traffic control system. Each major infrastructure system can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, etc. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its Streets Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) condition assessments which summarize results using a measurement scale; and (3) estimated annual amounts budgeted to maintain and preserve an established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City commissioned a physical assessment of the street conditions as of June 30, 2014. The study assisted the City by providing inspection data used to evaluate pavement condition. This helped to establish a City-defined target level of pavement performance, while optimizing the expenditure of limited fiscal resources. The entire pavement network within the City is composed of approximately 125 centerline miles of paved surfaces. The City's street system can be grouped by function class as follows: 22 centerline miles of arterial, 5 centerline miles of collector and 98 centerline miles of residential.

The June 2014 physical assessment of all pavement segments was conducted to assess the existing surface condition of each of the individual pavement segments. Upon completion of the study, a Pavement Quality Index (PQI) was calculated for each segment in the City's pavement network to reflect the overall pavement condition. Ratings ranged from 0 and 100. A PQI of 0 would correspond to badly deteriorated pavement with virtually no remaining life; a PQI of 100 would correspond to pavement with proper engineering design and construction at the beginning of its life cycle. During the year, the comprehensive survey is updated to reflect the pavement's current condition.

**City of Redondo Beach**  
**Required Supplementary Information**  
**For the year ended June 30, 2014**

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4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, (Continued)

The following conditions were defined:

<u>Condition</u>	<u>Rating</u>
Very Good	90-100
Good	70-89
Fair	50-69
Poor	0-49

In line with the Capital Improvement Program and as presented to City Council on December 17, 2002, City policy is to achieve an average rating of 80 for all streets by fiscal year 2008. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds.

The condition assessments for the most recent years since implementation are as follows:

<u>Year</u>	<u>PQI rate</u>	<u>Condition</u>	<u>% of Streets</u>
2012	82	Very Good	33%
		Good	54%
		Fair	7%
		Poor	6%
2013	83	Very Good	35%
		Good	53%
		Fair	7%
		Poor	5%
2014	84	Very Good	46%
		Good	41%
		Fair	8%
		Poor	5%

**City of Redondo Beach**  
**Required Supplementary Information**  
**For the year ended June 30, 2014**

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4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, (Continued)

The City expended \$1,032,438 on street improvement projects for the fiscal year ended June 30, 2014. These capital improvements expenditures enhanced the condition of many streets and delayed deterioration on others. The estimated expenditures required to maintain and improve the overall condition of the streets from July 1, 2013 through June 30, 2015 is a minimum of \$5,300,000.

A schedule of budget verses actual for the most recent years since implementation, which preserved City streets at the current 84 rating is presented below.

<u>Fiscal Year</u>	<u>Final Budget</u>	<u>Funded by Capital Improvement Project Fund</u>	<u>Funded by Other Funds</u>	<u>Total Expenditures</u>
2009-2010	\$ 11,788,643	\$ 1,413,430	\$ 3,017,149	\$ 4,430,579
2010-2011	9,260,708	688,073	4,607,518	5,295,591
2011-2012	8,874,102	246,152	996,761	1,242,913
2012-2013	10,212,651	496,766	2,159,576	2,656,342
2013-2014	13,367,675	94,308	938,130	1,032,438

As of June 30, 2014, 14% of City streets were rated below the targeted average condition level of 80. However, as noted above, the City is investing in this infrastructure assets as part of the five-year Capital Improvement Program and will continue to rehabilitate and maintain its streets in order to achieve this goal.

**City of Redondo Beach**  
**Required Supplementary Information**  
**For the year ended June 30, 2014**

4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, (Continued)

Project	Project #	Budget	Capital Improvement Project Fund Expenditures	Other Fund Expenditures	Total Expenditures
Bus Shelters & Benches	40120	\$ 367,257	\$ -	\$ 7,581	\$ 7,581
Pavement Management Study	40170	-	-	49	49
Residential Street Rehabilitation	40190	1,488,323	-	605,537	605,537
Citywide Curb Ramp Improvements	40399	507,222	32,187	252,504	284,691
Traffic Calming Project	40470	51,271	31,301	-	31,301
Bicycle Trans Plan Implementation	40510	245,056	-	4,121	4,121
Riviera Village Improvements	40640	96,870	5,804	-	5,804
PCH/Torrance Blvd Right Hand Turn Lane	40650	90,000	12,062	-	12,062
Harbor Dr. Resurfacing - Beryl to Herondo	40720	665,053	-	19,578	19,578
190th St Resurfacing - PCH to Prospect	40750	3,100	-	165	165
PV Boulevard/PCH WB Rt Turn Lane	40790	318,151	-	17,723	17,723
PCH/Torrance Boulevard NB Rt Turn Lane	40810	540,980	-	875	875
Beryl/190th Signal Study	40850	22,727	-	4,220	4,220
Beryl St. Improvements - Flagler to 190th	40860	50,633	-	23,840	23,840
Prospect Resurfacing - Pearl to Emerald	40890	122,192	405	183	588
North Harbor Drive Cycle track Project	40900	2,057,000	-	283	283
Aviation Blvd Resurfacing - MBB to Marine	40930	525,000	-	1,472	1,472
PV Blvd/Catalina Intersection Improvements	40970	150,000	12,550	-	12,550
		<u>\$ 7,300,835</u>	<u>\$ 94,309</u>	<u>\$ 938,131</u>	<u>\$ 1,032,440</u>

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## **SUPPLEMENTARY INFORMATION**

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**MAJOR GOVERNMENTAL FUND BUDGETARY  
COMPARISON SCHEDULES**

# CITY OF REDONDO BEACH

## Major Governmental Fund Budgetary Comparison Schedule

### Public Financing Authority Debt Service Fund

For the year ended June 30, 2014

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	\$ 6,818,696	\$ 6,818,696	\$ 6,818,696	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	341,073	341,073	905,787	564,714
Miscellaneous	-	-	3	3
<b>Amount available for appropriation</b>	<u>7,159,769</u>	<u>7,159,769</u>	<u>7,724,486</u>	<u>564,717</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Housing and community development	199,958	199,958	368,498	(168,540)
Debt Service:				
Principal retirement	80,879	80,879	665,000	(584,121)
Interest and fiscal charges	<u>60,236</u>	<u>60,236</u>	<u>240,736</u>	<u>(180,500)</u>
<b>Total charges to appropriations</b>	<u>341,073</u>	<u>341,073</u>	<u>1,274,234</u>	<u>(933,161)</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 6,818,696</u>	<u>\$ 6,818,696</u>	<u>\$ 6,450,252</u>	<u>\$ (368,444)</u>

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

**State Gas Tax Fund** - To account for the City's share of State gas tax allocations. Gasoline taxes must be used for maintenance and improvement of City streets.

**Parks and Recreation Facilities Fund** - To account for revenues assessed on the construction of new residential units. Revenue is used solely for the acquisition, improvement and expansion of public parks and recreational facilities.

**Narcotic Seizure/Forfeiture Fund** - To account for the City's portion of monies seized during arrests and expenditures for related enforcement activities.

**Proposition A Fund** - To account for the operations of transit-related projects funded by a voter-approved, one-half cent sales tax levied within Los Angeles County.

**Proposition C Fund** - To account for the operations of transit-related projects funded by a voter-approved, one-half cent sales tax levied within Los Angeles County.

**Measure R Fund** - To account for monies received from the sales tax approved pursuant to Assembly Bill 2321, Measure R Ordinance of the Los Angeles County Metropolitan Transportation Authority for public transportation purposes.

**Local Transportation Article 3 Fund** - To account for the operation of transportation services in the City and the Dial-A-Ride Program which provides transportation to Redondo Beach and Hermosa Beach residents.

**Air Quality Improvement Fund** - To account for monies received from the South Coast Air Quality Management District, which are used to reduce air pollution from motor vehicles.

**Storm Drain Improvement Fund** - To account for the receipt of the storm drain impact fees and the related National Pollutant Discharge Elimination System implementation and enforcement costs.

**Street Landscaping and Lighting District Fund** - To account for the costs of establishing, improving and maintaining street landscaping and lighting in certain areas of the City. Costs of the projects are estimated and property owners are assessed their proportionate share.

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS, (continued)

**Community Development Block Grant Fund** - To account for Community Development Block Grant revenues and expenditures. Such revenues are restricted to the revitalization of low and moderate income areas within the City.

**Disaster Recovery Fund** - To account for monies received from agencies of the Federal and State governments for disaster recovery assistance.

**Housing Authority Fund** - To account for revenues and expenditures relating to low-cost housing for individuals meeting criteria established by the U.S. Department of Housing and Urban Development (HUD).

**Subdivision Park Trust Fund** - To account for revenues and expenditures relating to Quimby Fees.

**Low-Mod Income Housing Asset Fund** - To account for all transferred housing assets of the dissolved Redevelopment Agency and funds generated from those housing assets.

### DEBT SERVICE FUND

**Parking Authority Fund** - To account for debt service activity of the Parking Authority.

### CAPITAL PROJECTS FUNDS

**Pier Parking Structure Rehabilitation Fund** - To account for capital improvements to the Pier Parking Structure.

**Capital Improvement Projects Fund** - To account for capital improvements of the City.

**City of Redondo Beach**  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014

	Special Revenue						
	State	Parks and	Narcotic	Proposition	Proposition	Measure	Local Transportation
	Gas	Recreation	Seizure /	Proposition	Proposition	Measure	Local Transportation
	Tax	Facilities	Forfeiture	A	C	R	Article 3
<b>ASSETS</b>							
Pooled cash and invesments	\$ 2,356,730	\$ 60,781	\$ 1,135,361	\$ 1,292,287	\$ 4,724,464	\$ 1,232,744	\$ -
Receivables:							
Accounts	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-
Interest	4,055	-	3,461	3,809	8,902	83	-
Notes and loans	-	-	-	-	-	-	-
Due from other governments	-	-	10,997	-	-	-	34,000
Due from other funds	-	-	-	-	-	-	-
Advance to other governments	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 2,360,785</b>	<b>\$ 60,781</b>	<b>\$ 1,149,819</b>	<b>\$ 1,296,096</b>	<b>\$ 4,733,366</b>	<b>\$ 1,232,827</b>	<b>\$ 34,000</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 23,355	\$ -	\$ 11,282	\$ -	\$ 10,120	\$ 23,615	\$ -
Due to other funds	-	-	-	-	-	-	33,200
<b>Total liabilities</b>	<b>23,355</b>	<b>-</b>	<b>11,282</b>	<b>-</b>	<b>10,120</b>	<b>23,615</b>	<b>33,200</b>
<b>Deferred inflow of resources:</b>							
Unavailable revenue	-	-	-	-	-	-	-
<b>Fund balances (Deficit):</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	2,337,430	60,781	1,138,537	1,296,134	4,723,246	1,209,212	800
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	(38)	-	-	-
<b>Total fund balances</b>	<b>2,337,430</b>	<b>60,781</b>	<b>1,138,537</b>	<b>1,296,096</b>	<b>4,723,246</b>	<b>1,209,212</b>	<b>800</b>
<b>Total liabilities, deferred inflow of reosources and fund balances</b>	<b>\$ 2,360,785</b>	<b>\$ 60,781</b>	<b>\$ 1,149,819</b>	<b>\$ 1,296,096</b>	<b>\$ 4,733,366</b>	<b>\$ 1,232,827</b>	<b>\$ 34,000</b>

# City of Redondo Beach

## Combining Balance Sheet

### Non-Major Governmental Funds, Continued

June 30, 2014

	Special Revenue						
	Air Quality Improvement	Storm Drain Improvement	Street Landscaping and Lighting District	Community Development Block Grant	Disaster Recovery	Housing Authority	Subdivision Park Trust
<b>ASSETS</b>							
Pooled cash and investments	\$ 70,150	\$ 394,803	\$ 98,126	\$ -	\$ -	\$ 1,048,809	\$ 513,671
Receivables:							
Accounts	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-
Interest	118	-	-	-	-	-	-
Notes and loans	-	-	-	476,563	-	-	-
Due from other governments	21,712	-	21,764	-	-	-	-
Due from other funds	-	-	-	-	-	834	-
Advance to other governments	-	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 91,980</u>	<u>\$ 394,803</u>	<u>\$ 119,890</u>	<u>\$ 476,563</u>	<u>\$ -</u>	<u>\$ 1,049,643</u>	<u>\$ 513,671</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ -	\$ -	\$ 119,890	\$ 31,369	\$ -	\$ 2,274	\$ -
Due to other funds	-	-	-	56,132	12,349	191,077	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>119,890</u>	<u>87,501</u>	<u>12,349</u>	<u>193,351</u>	<u>-</u>
<b>Deferred Inflow of Resources:</b>							
Unavailable revenue	-	-	-	476,566	-	-	-
<b>Fund balances (Deficit):</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	91,980	394,803	-	-	-	856,292	513,671
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	(87,504)	(12,349)	-	-
<b>Total fund balances</b>	<u>91,980</u>	<u>394,803</u>	<u>-</u>	<u>(87,504)</u>	<u>(12,349)</u>	<u>856,292</u>	<u>513,671</u>
<b>Total liabilities, deferred inflow of reosources and fund balances</b>	<u>\$ 91,980</u>	<u>\$ 394,803</u>	<u>\$ 119,890</u>	<u>\$ 476,563</u>	<u>\$ -</u>	<u>\$ 1,049,643</u>	<u>\$ 513,671</u>

# City of Redondo Beach

## Combining Balance Sheet

### Non-Major Governmental Funds, Continued

June 30, 2014

	Special Revenue	Debt Service	Capital Projects		
			Pier		
	Low-Mod Income	Parking	Parking	Capital	Total
	Housing Asset	Authority	Structure	Improvement	Non-Major
			Rehabilitation	Projects	Funds
<b>ASSETS</b>					
Pooled cash and investments	\$ 244,487	\$ 5,686	\$ 830	\$ 5,950,980	\$ 19,129,909
Receivables:					
Accounts	-	-	-	66,021	66,021
Taxes	-	-	-	59,859	59,859
Interest	6	3	-	-	20,437
Notes and loans	3,720,306	-	-	-	4,196,869
Due from other governments	-	-	-	-	88,473
Due from other funds	-	-	-	1,000,000	1,000,834
Advance to other governments	535,731	-	-	-	535,731
<b>Total assets</b>	<b>\$ 4,500,530</b>	<b>\$ 5,689</b>	<b>\$ 830</b>	<b>\$ 7,076,860</b>	<b>\$ 25,098,133</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 120,747	\$ 342,652
Due to other funds	-	-	-	-	292,758
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120,747</b>	<b>635,410</b>
<b>Deferred Inflow of Resources:</b>					
Unavailable revenue	767,806	-	-	-	1,244,372
<b>Fund balances (Deficit):</b>					
Nonspendable	2,952,500	-	-	-	2,952,500
Restricted	780,224	5,689	-	-	13,408,799
Assigned	-	-	830	6,956,113	6,956,943
Unassigned	-	-	-	-	(99,891)
<b>Total fund balances</b>	<b>3,732,724</b>	<b>5,689</b>	<b>830</b>	<b>6,956,113</b>	<b>23,218,351</b>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<b>\$ 4,500,530</b>	<b>\$ 5,689</b>	<b>\$ 830</b>	<b>\$ 7,076,860</b>	<b>\$ 25,098,133</b>

# City of Redondo Beach

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

### Non-Major Governmental Funds

For the year ended June 30, 2014

	Special Revenue						
	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure / Forfeiture	Proposition A	Proposition C	Measure R	Local Transportation Article 3
<b>REVENUES:</b>							
Use of money and property	\$ 24,330	\$ -	\$ 22,799	\$ 26,842	\$ 62,380	\$ 1,031	\$ -
Intergovernmental	2,044,384	-	-	1,143,831	947,895	708,066	34,000
Charges for services	-	29,200	-	-	-	-	-
Fines and forfeitures	-	-	45,805	-	-	-	-
Miscellaneous	3,375	-	-	-	-	-	-
<b>Total revenues</b>	<b>2,072,089</b>	<b>29,200</b>	<b>68,604</b>	<b>1,170,673</b>	<b>1,010,275</b>	<b>709,097</b>	<b>34,000</b>
<b>EXPENDITURES:</b>							
Current:							
Public safety	-	-	153,864	-	-	-	-
Public works	1,284,728	-	-	-	-	23,615	-
Housing and community development	-	-	-	-	43,691	-	-
Capital outlay	283	-	17,172	-	30,125	609,494	33,024
<b>Total expenditures</b>	<b>1,285,011</b>	<b>-</b>	<b>171,036</b>	<b>-</b>	<b>73,816</b>	<b>633,109</b>	<b>33,024</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	787,078	29,200	(102,432)	1,170,673	936,459	75,988	976
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	37,255	-	-	-	-	-	-
Transfers out	-	-	-	(1,211,452)	-	-	-
<b>Total other financing sources (uses)</b>	<b>37,255</b>	<b>-</b>	<b>-</b>	<b>(1,211,452)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>824,333</b>	<b>29,200</b>	<b>(102,432)</b>	<b>(40,779)</b>	<b>936,459</b>	<b>75,988</b>	<b>976</b>
<b>Fund Balances (deficit):</b>							
Beginning of year	1,513,097	31,581	1,240,969	1,336,875	3,786,787	1,133,224	(176)
End of year	\$ 2,337,430	\$ 60,781	\$ 1,138,537	\$ 1,296,096	\$ 4,723,246	\$ 1,209,212	\$ 800



# City of Redondo Beach

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

### Non-Major Governmental Funds, Continued

For the year ended June 30, 2014

	Special Revenue						
	Air Quality Improvement	Storm Drain Improvement	Street Landscaping and Lighting District	Community Development Block Grant	Disaster Recovery	Housing Authority	Subdivision Park Trust
<b>REVENUES:</b>							
Use of money and property	\$ 643	\$ -	\$ 787	\$ -	\$ -	\$ 442	\$ 2,344
Intergovernmental	-	-	-	453,957	-	5,163,582	-
Charges for services	83,597	47,974	1,525,234	-	1,440	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Miscellaneous	-	-	13,247	-	3,375	-	240,000
<b>Total revenues</b>	<b>84,240</b>	<b>47,974</b>	<b>1,539,268</b>	<b>453,957</b>	<b>4,815</b>	<b>5,164,024</b>	<b>242,344</b>
<b>EXPENDITURES:</b>							
Current:							
Public safety	-	-	-	-	13,520	-	-
Public works	-	-	2,432,565	-	-	-	-
Housing and community development	47,971	-	-	123,470	-	5,381,709	8,513
Capital outlay	-	-	-	220,476	-	-	90,752
<b>Total expenditures</b>	<b>47,971</b>	<b>-</b>	<b>2,432,565</b>	<b>343,946</b>	<b>13,520</b>	<b>5,381,709</b>	<b>99,265</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>36,269</b>	<b>47,974</b>	<b>(893,297)</b>	<b>110,011</b>	<b>(8,705)</b>	<b>(217,685)</b>	<b>143,079</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	969	-	899,256	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>969</b>	<b>-</b>	<b>899,256</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>37,238</b>	<b>47,974</b>	<b>5,959</b>	<b>110,011</b>	<b>(8,705)</b>	<b>(217,685)</b>	<b>143,079</b>
<b>Fund Balances (deficit):</b>							
Beginning of year	54,742	346,829	(5,959)	(197,515)	(3,644)	1,073,977	370,592
End of year	\$ 91,980	\$ 394,803	\$ -	\$ (87,504)	\$ (12,349)	\$ 856,292	\$ 513,671

# City of Redondo Beach

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

### Non-Major Governmental Funds, Continued

For the year ended June 30, 2014

	Special Revenue	Debt Service	Capital Projects		Total
	Low-Mod Income Housing Asset	Parking Authority	Pier Parking Structure Rehabilitation	Capital Improvement Projects	Non-Major Funds
<b>REVENUES:</b>					
Use of money and property	\$ 44,018	\$ (6)	\$ 3	\$ -	\$ 185,613
Intergovernmental	-	-	-	-	10,495,715
Charges for services	-	-	-	493,070	2,180,515
Fines and forfeitures	-	-	-	-	45,805
Miscellaneous	244,135	-	-	-	504,132
<b>Total revenues</b>	<b>288,153</b>	<b>(6)</b>	<b>3</b>	<b>493,070</b>	<b>13,411,780</b>
<b>EXPENDITURES:</b>					
Current:					
Public safety	-	-	-	-	167,384
Public works	-	-	-	124,805	3,865,713
Housing and community development	2,207	-	-	-	5,607,561
Capital outlay	-	-	-	57,082	1,058,408
<b>Total expenditures</b>	<b>2,207</b>	<b>-</b>	<b>-</b>	<b>181,887</b>	<b>10,699,066</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	285,946	(6)	3	311,183	2,712,714
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	1,655,522	2,593,002
Transfers out	-	-	-	-	(1,211,452)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,655,522</b>	<b>1,381,550</b>
<b>Net change in fund balances</b>	<b>285,946</b>	<b>(6)</b>	<b>3</b>	<b>1,966,705</b>	<b>4,094,264</b>
<b>Fund Balances (deficit):</b>					
Beginning of year	3,446,778	5,695	827	4,989,408	19,124,087
End of year	\$ 3,732,724	\$ 5,689	\$ 830	\$ 6,956,113	\$ 23,218,351

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### State Gas Tax Special Revenue Fund

For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE - BEGINNING</b>	\$ 1,513,097	\$ 1,513,097	\$ 1,513,097	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	7,600	7,600	24,330	16,730
Intergovernmental	1,979,006	1,979,006	2,044,384	65,378
Miscellaneous	4,000	4,000	3,375	(625)
Transfers in	-	37,255	37,255	-
<b>Amount available for appropriation</b>	<b>3,503,703</b>	<b>3,540,958</b>	<b>3,622,441</b>	<b>81,483</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Public works	1,414,696	1,661,417	1,284,728	376,689
Capital outlay	1,067,000	1,067,000	283	1,066,717
<b>Total charges to appropriations</b>	<b>2,481,696</b>	<b>2,728,417</b>	<b>1,285,011</b>	<b>1,443,406</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 1,022,007</b>	<b>\$ 812,541</b>	<b>\$ 2,337,430</b>	<b>\$ 1,524,889</b>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Parks and Recreation Facilities Special Revenue Fund

For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE - BEGINNING</b>	\$ 31,581	\$ 31,581	\$ 31,581	\$ -
<b>RESOURCES (INFLOWS):</b>				
Charges for services	15,000	18,700	29,200	10,500
<b>Amount available for appropriation</b>	46,581	50,281	60,781	10,500
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Capital Outlay	13,100	13,100	-	13,100
<b>Total charges to appropriations</b>	13,100	13,100	-	13,100
<b>FUND BALANCE - ENDING</b>	<u>\$ 33,481</u>	<u>\$ 37,181</u>	<u>\$ 60,781</u>	<u>\$ 23,600</u>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Narcotic Seizure/Forfeiture Special Revenue Fund

For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE - BEGINNING</b>	\$ 1,240,969	\$ 1,240,969	\$ 1,240,969	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	8,300	8,300	22,799	14,499
Fines and forfeitures	41,000	41,000	45,805	4,805
<b>Amount available for appropriation</b>	<b>1,290,269</b>	<b>1,290,269</b>	<b>1,309,573</b>	<b>19,304</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Public safety	64,890	316,886	153,864	163,022
Capital outlay	-	67,397	17,172	50,225
<b>Total charges to appropriations</b>	<b>64,890</b>	<b>384,283</b>	<b>171,036</b>	<b>213,247</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 1,225,379</b>	<b>\$ 905,986</b>	<b>\$ 1,138,537</b>	<b>\$ 232,551</b>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Proposition A Special Revenue Fund

For the year ended June 30, 2014

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE - BEGINNING</b>	\$ 1,336,875	\$ 1,336,875	\$ 1,336,875	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	8,000	8,000	26,842	18,842
Intergovernmental	1,140,517	1,140,517	1,143,831	3,314
<b>Amount available for appropriation</b>	<b>2,485,392</b>	<b>2,485,392</b>	<b>2,507,548</b>	<b>22,156</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Transfers out	1,370,381	1,370,739	1,211,452	159,287
<b>Total charges to appropriations</b>	<b>1,370,381</b>	<b>1,370,739</b>	<b>1,211,452</b>	<b>159,287</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 1,115,011</b>	<b>\$ 1,114,653</b>	<b>\$ 1,296,096</b>	<b>\$ 181,443</b>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Proposition C Special Revenue Fund

For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE - BEGINNING</b>	\$ 3,786,787	\$ 3,786,787	\$ 3,786,787	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	24,000	24,000	62,380	38,380
Intergovernmental	946,029	946,029	947,895	1,866
<b>Amount available for appropriation</b>	<u>4,756,816</u>	<u>4,756,816</u>	<u>4,797,062</u>	<u>40,246</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Housing and community development	61,764	62,112	43,691	18,421
Capital outlay	783,282	4,229,853	30,125	4,199,728
<b>Total charges to appropriations</b>	<u>845,046</u>	<u>4,291,965</u>	<u>73,816</u>	<u>4,218,149</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 3,911,770</u>	<u>\$ 464,851</u>	<u>\$ 4,723,246</u>	<u>\$ 4,258,395</u>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Measure R Special Revenue Fund

For the year ended June 30, 2014

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE - BEGINNING</b>	\$ 1,133,224	\$ 1,133,224	\$ 1,133,224	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	3,900	3,900	1,031	(2,869)
Intergovernmental	709,520	709,520	708,066	(1,454)
<b>Amount available for appropriation</b>	<b>1,846,644</b>	<b>1,846,644</b>	<b>1,842,321</b>	<b>(4,323)</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Public works	140,000	140,000	23,615	116,385
Capital outlay	470,000	1,557,051	609,494	947,557
<b>Total charges to appropriations</b>	<b>610,000</b>	<b>1,697,051</b>	<b>633,109</b>	<b>1,063,942</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 1,236,644</b>	<b>\$ 149,593</b>	<b>\$ 1,209,212</b>	<b>\$ (1,068,265)</b>



# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Local Transportation Article 3 Special Revenue Fund

For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	\$ (176)	\$ (176)	\$ (176)	\$ -
<b>RESOURCES (INFLOWS):</b>				
Intergovernmental	42,509	42,509	34,000	(8,509)
<b>Amount available for appropriation</b>	42,333	42,333	33,824	(8,509)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Capital outlay	42,035	42,035	33,024	9,011
<b>Total charges to appropriations</b>	42,035	42,035	33,024	9,011
<b>FUND BALANCE - ENDING</b>	<u>\$ 298</u>	<u>\$ 298</u>	<u>\$ 800</u>	<u>\$ 502</u>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Air Quality Improvement Special Revenue Fund

For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE - BEGINNING</b>	\$ 54,742	\$ 54,742	\$ 54,742	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	1,100	1,100	643	(457)
Charges for services	78,000	78,000	83,597	5,597
Transfers in	-	969	969	
<b>Amount available for appropriation</b>	<b>133,842</b>	<b>134,811</b>	<b>139,951</b>	<b>5,140</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Housing and community development	68,318	70,158	47,971	22,187
<b>Total charges to appropriations</b>	<b>68,318</b>	<b>70,158</b>	<b>47,971</b>	<b>22,187</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 65,524</b>	<b>\$ 64,653</b>	<b>\$ 91,980</b>	<b>\$ 27,327</b>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Storm Drain Improvement Special Revenue Fund

For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE - BEGINNING</b>	\$ 346,829	\$ 346,829	\$ 346,829	\$ -
<b>RESOURCES (INFLOWS):</b>				
Charges for services	35,000	35,000	47,974	12,974
<b>Amount available for appropriation</b>	381,829	381,829	394,803	12,974
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Capital outlay	-	274,381	-	274,381
<b>Total charges to appropriations</b>	-	274,381	-	274,381
<b>FUND BALANCE - ENDING</b>	<u>\$ 381,829</u>	<u>\$ 107,448</u>	<u>\$ 394,803</u>	<u>\$ 287,355</u>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Street Landscaping and Lighting District Special Revenue Fund

For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	\$ (5,959)	\$ (5,959)	\$ (5,959)	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	-	-	787	787
Charges for services	1,541,500	1,541,500	1,525,234	(16,266)
Miscellaneous	35,000	35,000	13,247	(21,753)
Transfers in	993,089	1,024,409	899,256	(125,153)
<b>Amount available for appropriation</b>	<b>2,563,630</b>	<b>2,594,950</b>	<b>2,432,565</b>	<b>(162,385)</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Public works	2,569,589	2,596,515	2,432,565	163,950
<b>Total charges to appropriations</b>	<b>2,569,589</b>	<b>2,596,515</b>	<b>2,432,565</b>	<b>163,950</b>
<b>FUND BALANCE (DEFICIT) - ENDING</b>	<b>\$ (5,959)</b>	<b>\$ (1,565)</b>	<b>\$ -</b>	<b>\$ 1,565</b>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Community Development Block Grant Special Revenue Fund

For the year ended June 30, 2014

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	\$ (197,515)	\$ (197,515)	\$ (197,515)	\$ -
<b>RESOURCES (INFLOWS):</b>				
Intergovernmental	253,024	377,923	453,957	76,034
<b>Amount available for appropriation</b>	55,509	180,408	256,442	76,034
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Housing and community development	129,902	169,948	123,470	46,478
Capital outlay	225,065	541,100	220,476	320,624
<b>Total charges to appropriations</b>	354,967	711,048	343,946	367,102
<b>FUND BALANCE (DEFICIT) - ENDING</b>	<u>\$ (299,458)</u>	<u>\$ (530,640)</u>	<u>\$ (87,504)</u>	<u>\$ 443,136</u>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Disaster Recovery Special Revenue Fund

For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>FUND BALANCE (DEFICIT) - BEGINNING</b>	\$ (3,644)	\$ (3,644)	\$ (3,644)	\$ -
<b>RESOURCES (INFLOWS):</b>				
Charges for services	1,200	1,200	1,440	240
Miscellaneous	-	3,374	3,375	1
<b>Amount available for appropriation</b>	<b>(2,444)</b>	<b>930</b>	<b>1,171</b>	<b>241</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Public Safety	17,060	17,060	13,520	3,540
<b>Total charges to appropriations</b>	<b>17,060</b>	<b>17,060</b>	<b>13,520</b>	<b>3,540</b>
<b>FUND BALANCE (DEFICIT) - ENDING</b>	<b>\$ (19,504)</b>	<b>\$ (16,130)</b>	<b>\$ (12,349)</b>	<b>\$ 3,781</b>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Housing Authority Special Revenue Fund

For the year ended June 30, 2014

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE - BEGINNING</b>	\$ 1,073,977	\$ 1,073,977	\$ 1,073,977	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	-	-	442	442
Intergovernmental	6,061,709	6,061,709	5,163,582	(898,127)
<b>Amount available for appropriation</b>	<u>7,135,686</u>	<u>7,135,686</u>	<u>6,238,001</u>	<u>(897,685)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Housing and community development	6,089,578	6,080,009	5,381,709	698,300
<b>Total charges to appropriations</b>	<u>6,089,578</u>	<u>6,080,009</u>	<u>5,381,709</u>	<u>698,300</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,046,108</u>	<u>\$ 1,055,677</u>	<u>\$ 856,292</u>	<u>\$ (199,385)</u>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Subdivision Park Trust Special Revenue Fund

For the year ended June 30, 2014

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE - BEGINNING</b>	\$ 370,592	\$ 370,592	\$ 370,592	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	-	-	2,344	2,344
Miscellaneous	150,000	187,500	240,000	52,500
<b>Amount available for appropriation</b>	<b>520,592</b>	<b>558,092</b>	<b>612,936</b>	<b>54,844</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current:				
Housing and community development	-	-	8,513	(8,513)
Capital outlay	100,000	294,984	90,752	204,232
<b>Total charges to appropriations</b>	<b>100,000</b>	<b>294,984</b>	<b>99,265</b>	<b>195,719</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 420,592</b>	<b>\$ 263,108</b>	<b>\$ 513,671</b>	<b>\$ 250,563</b>



# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Low-Mod Income Housing Asset Special Revenue Fund

For the year ended June 30, 2014

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE - BEGINNING</b>	\$ 3,446,778	\$ 3,446,778	\$ 3,446,778	\$ -
<b>RESOURCES (INFLOWS):</b>				
Use of money and property	-	-	44,018	44,018
Miscellaneous	5,500	5,500	244,135	238,635
<b>Amount available for appropriation</b>	<b>3,452,278</b>	<b>3,452,278</b>	<b>3,734,931</b>	<b>282,653</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Personnel services	5,500	5,500	2,207	3,293
<b>Total charges to appropriations</b>	<b>5,500</b>	<b>5,500</b>	<b>2,207</b>	<b>3,293</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 3,446,778</b>	<b>\$ 3,446,778</b>	<b>\$ 3,732,724</b>	<b>\$ 285,946</b>

# CITY OF REDONDO BEACH

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

### Capital Improvement Projects Capital Projects Fund

For the year ended June 30, 2014

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>FUND BALANCE - BEGINNING</b>	\$ 4,989,408	\$ 4,989,408	\$ 4,989,408	\$ -
<b>RESOURCES (INFLOWS):</b>				
Charges for services	459,500	459,500	493,070	33,570
Miscellaneous	500	500	-	(500)
Transfers in	-	655,522	1,655,522	1,000,000
<b>Amount available for appropriation</b>	<b>5,449,408</b>	<b>6,104,930</b>	<b>7,138,000</b>	<b>1,033,070</b>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Current				
Public works	127,009	129,634	124,805	4,829
Capital outlay	1,355,400	4,497,229	57,082	4,440,147
<b>Total charges to appropriations</b>	<b>1,482,409</b>	<b>4,626,863</b>	<b>181,887</b>	<b>4,444,976</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 3,966,999</b>	<b>\$ 1,478,067</b>	<b>\$ 6,956,113</b>	<b>\$ 5,478,046</b>

## INTERNAL SERVICE FUNDS

**Vehicle Replacement Fund** - To account for the cost of maintaining and replacing City vehicles. Such costs are billed to City departments at a rate that provides the future acquisition and operating costs of City vehicles.

**Building Occupancy Fund** - To account for the cost of maintaining and improving City buildings. Such costs are billed to City departments at a rate which provides for the annual maintenance and improvement costs.

**Information Technology Fund** - To account for the cost of maintaining and replacing City computer and telecommunications equipment. Such costs are billed to City departments at a rate which provides for the annual maintenance and replacement costs.

**Self-Insurance Program Fund** - To account for the costs of providing liability, workers' compensation and unemployment insurance to all City departments. Such costs are billed to City departments at a rate which provides for the annual insurance costs.

**Emergency Communications Fund** - To account for the cost of maintaining and replacing various City communication equipment, primarily for Public Safety. Such costs are billed to the City's designated departments at a rate that provides for the annual maintenance and replacement costs.

**Major Facilities Repair Fund** - To account for monies received from user departments within the City for major facilities repair costs.

**CITY OF REDONDO BEACH**  
Combining Statement of Net Position  
All Internal Service Funds  
June 30, 2014

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Emergency Communications	Major Facilities Repair	Total
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 5,503,670	\$ -	\$ -	\$ 11,890,438	\$ 979,759	\$ 568,643	\$ 18,942,510
Accounts receivable	14,273	-	-	-	500	-	14,773
Due from other funds	996,499	-	-	-	-	-	996,499
Total current assets	6,514,442	-	-	11,890,438	980,259	568,643	19,953,782
Noncurrent assets:							
Capital assets - net of accumulated depreciation	3,341,785	10,523	772,856	-	318,867	-	4,444,031
Total noncurrent assets	3,341,785	10,523	772,856	-	318,867	-	4,444,031
<b>Total assets</b>	<b>9,856,227</b>	<b>10,523</b>	<b>772,856</b>	<b>11,890,438</b>	<b>1,299,126</b>	<b>568,643</b>	<b>24,397,813</b>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	626,437	142,849	117,778	114,514	1,181	-	1,002,759
Accrued compensated absences	976	2,216	4,343	885	6,071	-	14,491
Due to other funds	-	332,805	663,694	-	-	-	996,499
Accrued claims and judgments	-	-	-	1,022,697	-	-	1,022,697
Bonds, notes, and capital leases	-	-	256,756	-	-	-	256,756
Total current liabilities	627,413	477,870	1,042,571	1,138,096	7,252	-	3,293,202
Noncurrent liabilities:							
Accrued compensated absences	18,805	42,688	83,644	17,052	116,928	-	279,117
Accrued claims and judgments	-	-	-	14,559,043	-	-	14,559,043
Bonds, notes, and capital leases	-	-	188,140	-	-	-	188,140
Total noncurrent liabilities	18,805	42,688	271,784	14,576,095	116,928	-	15,026,300
<b>Total liabilities</b>	<b>646,218</b>	<b>520,558</b>	<b>1,314,355</b>	<b>15,714,191</b>	<b>124,180</b>	<b>-</b>	<b>18,319,502</b>
<b>NET POSITION (DEFICIT)</b>							
Net investment in capital assets	3,341,785	10,523	327,960	-	318,867	-	3,999,135
Unrestricted	5,868,224	(520,558)	(869,459)	(3,823,753)	856,079	568,643	2,079,176
<b>Total net position</b>	<b>\$ 9,210,009</b>	<b>\$ (510,035)</b>	<b>\$ (541,499)</b>	<b>\$ (3,823,753)</b>	<b>\$ 1,174,946</b>	<b>\$ 568,643</b>	<b>\$ 6,078,311</b>

# CITY OF REDONDO BEACH

## Combining Statement of Revenues, Expenditures and Change in Net Position

### All Internal Service Funds

For the year ended June 30, 2014

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Emergency Communications	Major Facilities Repair	Total
<b>OPERATING REVENUES:</b>							
Sales and service charges	\$ 2,778,022	\$ 2,400,525	\$ 2,308,441	\$ 4,848,964	\$ 2,730,838	\$ 129,023	\$ 15,195,813
Miscellaneous	69,103	-	843	-	-	-	69,946
<b>Total operating revenues</b>	<b>2,847,125</b>	<b>2,400,525</b>	<b>2,309,284</b>	<b>4,848,964</b>	<b>2,730,838</b>	<b>129,023</b>	<b>15,265,759</b>
<b>OPERATING EXPENSES:</b>							
Administrative and general expenses	260,844	1,224,889	1,473,502	124,964	186,666	-	3,270,865
Personnel services	1,188,700	985,008	752,060	788,885	1,921,902	-	5,636,555
Contractual services	170,078	468,494	614,333	4,297,148	596,680	-	6,146,733
Depreciation	681,556	2,280	729,426	-	71,694	-	1,484,956
<b>Total operating expenses</b>	<b>2,301,178</b>	<b>2,680,671</b>	<b>3,569,321</b>	<b>5,210,997</b>	<b>2,776,942</b>	<b>-</b>	<b>16,539,109</b>
<b>OPERATING INCOME (LOSS)</b>	<b>545,947</b>	<b>(280,146)</b>	<b>(1,260,037)</b>	<b>(362,033)</b>	<b>(46,104)</b>	<b>129,023</b>	<b>(1,273,350)</b>
<b>NONOPERATING REVENUES AND EXPENSES:</b>							
Gain on sale of capital assets	12,657	-	-	-	-	-	12,657
<b>Total nonoperating revenues (expenses)</b>	<b>12,657</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,657</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>558,604</b>	<b>(280,146)</b>	<b>(1,260,037)</b>	<b>(362,033)</b>	<b>(46,104)</b>	<b>129,023</b>	<b>(1,260,693)</b>
Transfers in	17,796	37,517	28,689	6,608	39,459	-	130,069
Transfers out	-	-	-	(88,470)	-	-	(88,470)
<b>Change in net position</b>	<b>576,400</b>	<b>(242,629)</b>	<b>(1,231,348)</b>	<b>(443,895)</b>	<b>(6,645)</b>	<b>129,023</b>	<b>(1,219,094)</b>
<b>NET POSITION (DEFICIT)</b>							
Beginning of year	8,633,609	(267,406)	689,849	(3,379,858)	1,181,591	439,620	7,297,405
End of year	<u>\$ 9,210,009</u>	<u>\$ (510,035)</u>	<u>\$ (541,499)</u>	<u>\$ (3,823,753)</u>	<u>\$ 1,174,946</u>	<u>\$ 568,643</u>	<u>\$ 6,078,311</u>

# CITY OF REDONDO BEACH

## Combining Statement of Cash Flows

### All Internal Service Funds

For the year ended June 30, 2014

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Emergency Communications	Major Facilities Repair	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Cash received from customers and users	\$ 1,850,040	\$ 2,400,525	\$ 2,972,978	\$ 4,849,997	\$ 2,730,424	\$ 129,023	\$ 14,932,987
Cash payments to suppliers for goods and services	(23,542)	(1,448,745)	(2,356,020)	(5,539,767)	(794,531)	-	(10,162,605)
Cash payments to employees for services	(1,188,336)	(989,297)	(756,661)	(784,905)	(1,902,874)	-	(5,622,073)
<b>Net cash provided (used) by operating activities</b>	<b>638,162</b>	<b>(37,517)</b>	<b>(139,703)</b>	<b>(1,474,675)</b>	<b>33,019</b>	<b>129,023</b>	<b>(851,691)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>							
Transfers in	17,796	37,517	28,689	6,608	39,459	-	130,069
Transfers out	-	-	-	(88,470)	-	-	(88,470)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>17,796</b>	<b>37,517</b>	<b>28,689</b>	<b>(81,862)</b>	<b>39,459</b>	<b>-</b>	<b>41,599</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Acquisition and construction of capital assets	(1,104,689)	-	(26,163)	-	(24,103)	-	(1,154,955)
Principal paid on capital debt	-	-	(439,196)	-	-	-	(439,196)
Proceeds from sales of capital assets	17,212	-	-	-	-	-	17,212
<b>Net cash used by capital and related financing activities</b>	<b>(1,087,477)</b>	<b>-</b>	<b>(465,359)</b>	<b>-</b>	<b>(24,103)</b>	<b>-</b>	<b>(1,576,939)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(431,519)</b>	<b>-</b>	<b>(576,373)</b>	<b>(1,556,537)</b>	<b>48,375</b>	<b>129,023</b>	<b>(2,387,031)</b>
<b>CASH AND CASH EQUIVALENTS:</b>							
Beginning of year	5,935,189	-	576,373	13,446,975	931,384	439,620	21,329,541
End of year	<u>\$ 5,503,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,890,438</u>	<u>\$ 979,759</u>	<u>\$ 568,643</u>	<u>\$ 18,942,510</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>							
Operating income (loss)	\$ 545,947	\$ (280,146)	\$ (1,260,037)	\$ (362,033)	\$ (46,104)	\$ 129,023	\$ (1,273,350)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	681,556	2,280	729,426	-	71,694	-	1,484,956
Changes in operating assets and liabilities:							
(Increase) decrease in accounts receivable	(585)	-	-	1,033	(500)	-	(52)
(Increase) decrease in due from other funds	(996,499)	-	-	-	-	-	(996,499)
(Increase) decrease in prepaid expenses	-	-	-	-	86	-	86
Increase (decrease) in accounts payable	407,379	(67,174)	(268,185)	(372,101)	(11,185)	-	(311,266)
Increase (decrease) in accrued liabilities	-	-	-	(745,554)	-	-	(745,554)
Increase (decrease) in due to other funds	-	311,812	663,694	-	-	-	975,506
Increase (decrease) in compensated absences	364	(4,289)	(4,601)	3,980	19,028	-	14,482
<b>Total adjustments</b>	<b>92,215</b>	<b>242,629</b>	<b>1,120,334</b>	<b>(1,112,642)</b>	<b>79,123</b>	<b>-</b>	<b>421,659</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 638,162</b>	<b>\$ (37,517)</b>	<b>\$ (139,703)</b>	<b>\$ (1,474,675)</b>	<b>\$ 33,019</b>	<b>\$ 129,023</b>	<b>\$ (851,691)</b>

## FIDUCIARY FUNDS

### AGENCY FUNDS

The agency funds are used to account for assets held by the City as an agent. Agency funds include the following:

**Deposits Fund** - To account for monies received and disbursed by the City in its capacity as an agent, including refundable deposits and payroll.

**Assessment District 92-1 Fund** - To account for monies held for debt service transactions of the Manhattan Beach Boulevard Assessment District (District 92-1) Bonds for which the City is not obligated.

# City of Redondo Beach

## Combining Statement of Fiduciary Net Position

### Agency Funds

June 30, 2014

	Deposits	Assessment District 92-1	Total Agency Funds
<b>ASSETS:</b>			
Pooled cash and investments	\$ 216,214	\$ 178,012	\$ 394,226
Receivables:			
Accounts	41,453	-	41,453
Interest	231	-	231
Total Assets	<u>\$ 257,898</u>	<u>\$ 178,012</u>	<u>\$ 435,910</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 330,363	\$ -	\$ 330,363
Deposits payable	(72,465)	178,012	105,547
Total Liabilities	<u>\$ 257,898</u>	<u>\$ 178,012</u>	<u>\$ 435,910</u>



# City of Redondo Beach

## Combining Statement of Changes in Fiduciary Net Position

### Agency Funds

For the year ended June 30, 2014

	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Deposits				
<b>ASSETS:</b>				
Pooled cash and investments	\$ 519,094	\$ 3,809,795	\$ (4,112,675)	\$ 216,214
Receivables:				
Accounts	5,469	653,038	(617,054)	41,453
Interest	502	232	(503)	231
Total Assets	<u>\$ 525,065</u>	<u>\$ 4,463,065</u>	<u>\$ (4,730,232)</u>	<u>\$ 257,898</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 323,043	\$ 3,302,920	\$ (3,295,600)	\$ 330,363
Deposits payable	202,022	3,228,716	(3,503,203)	(72,465)
Total Liabilities	<u>\$ 525,065</u>	<u>\$ 6,531,636</u>	<u>\$ (6,798,803)</u>	<u>\$ 257,898</u>
Assessment District 92-1				
<b>ASSETS:</b>				
Pooled cash and investments	\$ 178,012	\$ -	\$ -	\$ 178,012
Total Assets	<u>\$ 178,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,012</u>
<b>LIABILITIES:</b>				
Deposits payable	\$ 178,012	\$ -	\$ -	178,012
Total Liabilities	<u>\$ 178,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,012</u>

# City of Redondo Beach

## Combining Statement of Changes in Fiduciary Net Position

### Agency Funds

For the year ended June 30, 2014

	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Total - All Agency Funds				
<b>ASSETS:</b>				
Pooled cash and investments	\$ 697,106	\$ 3,809,795	\$ (4,112,675)	\$ 394,226
Receivables:				
Accounts	5,469	653,038	(617,054)	41,453
Interest	502	232	(503)	231
Total Assets	<u>\$ 703,077</u>	<u>\$ 4,463,065</u>	<u>\$ (4,730,232)</u>	<u>\$ 435,910</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 323,043	\$ 3,302,920	\$ (3,295,600)	\$ 330,363
Deposits payable	380,034	3,228,716	(3,503,203)	105,547
Total Liabilities	<u>\$ 703,077</u>	<u>\$ 6,531,636</u>	<u>\$ (6,798,803)</u>	<u>\$ 435,910</u>



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

Honorable Mayor and Members of the City Council  
of the City of Redondo Beach  
Redondo Beach, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redondo Beach, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2014.

### Internal Control Over Financial Reporting

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

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

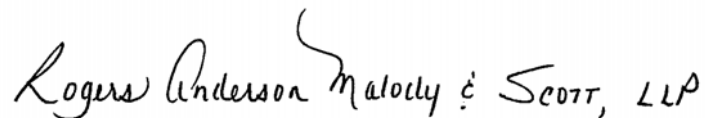
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

#### Compliance and Other Matters

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

#### Purpose of this Report

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

A handwritten signature in black ink that reads "Rogers Anderson Maloney & Scott, LLP". The signature is written in a cursive, flowing style.

December 16, 2014

## Overview of the Five Categories Presented in the City's Statistical Section

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b><i>Financial Trends</i></b>	
Presented are schedules containing trend information to assist in the reader's understanding of how the City's financial performance has changed over time.	156
<b><i>Revenue Capacity</i></b>	
Presented are schedules to assist the reader's assessment of the factors affecting the City's ability to generate revenue through property taxes.	161
<b><i>Debt Capacity</i></b>	
Presented are schedules to assist the reader's understanding of the City's current level of outstanding debt and its ability to issue additional debt in the future.	165
<b><i>Demographic and Economic Information</i></b>	
Presented are schedules to assist the reader's understanding of the socioeconomic environment within which the City operates and to help make comparisons over time and with other governments.	169
<b><i>Operating &amp; Other Information</i></b>	
Presented are schedules to assist the reader's understanding of how the City's financial information relates to the services provided by the City and the activities it performs.	171

**City of Redondo Beach**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
Net investment in capital assets	\$ 131,738,853	\$ 131,382,820	\$ 135,153,851	\$ 134,543,764	\$ 135,170,376	\$ 137,743,367	\$ 140,306,635	\$ 143,049,830	\$ 142,096,684	\$ 138,614,141
Restricted	32,636,751	29,022,856	34,504,525	34,884,364	17,828,013	16,803,437	29,890,049	17,861,803	17,703,725	19,059,951
Unrestricted	(22,641,897)	(15,492,009)	(16,364,199)	(14,805,067)	876,969	(766,752)	(12,443,192)	21,623,137	24,173,154	28,918,308
Total governmental activities net position	<u>141,733,707</u>	<u>144,913,667</u>	<u>153,294,177</u>	<u>154,623,061</u>	<u>153,875,358</u>	<u>153,780,052</u>	<u>157,753,492</u>	<u>182,534,770</u>	<u>183,973,563</u>	<u>186,592,400</u>
Business-type activities:										
Net investment in capital assets	39,409,701	39,151,202	38,139,435	36,923,208	35,414,035	35,985,952	34,790,325	34,957,595	38,936,171	35,646,484
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	19,380,216	20,013,129	22,770,297	25,271,647	25,564,850	25,550,889	27,481,003	24,616,381	28,210,687	27,250,666
Total business-type activities net position	<u>58,789,917</u>	<u>59,164,331</u>	<u>60,909,732</u>	<u>62,194,855</u>	<u>60,978,885</u>	<u>61,536,841</u>	<u>62,271,328</u>	<u>59,573,976</u>	<u>67,146,858</u>	<u>62,897,150</u>
Primary government:										
Net investment in capital assets	171,148,554	170,534,022	173,293,286	171,466,972	170,584,411	173,729,319	175,096,960	178,007,425	181,032,855	174,260,625
Restricted	32,636,751	29,022,856	34,504,525	34,884,364	17,828,013	16,803,437	29,890,049	17,861,803	17,703,725	19,059,951
Unrestricted	(3,261,681)	4,521,120	6,406,098	10,466,580	26,441,819	24,784,137	15,037,811	46,239,518	52,383,841	56,168,974
Total primary government net position	<u>\$ 200,523,624</u>	<u>\$ 204,077,998</u>	<u>\$ 214,203,909</u>	<u>\$ 216,817,916</u>	<u>\$ 214,854,243</u>	<u>\$ 215,316,893</u>	<u>\$ 220,024,820</u>	<u>\$ 242,108,746</u>	<u>\$ 251,120,421</u>	<u>\$ 249,489,550</u>

Source: City of Redondo Beach Comprehensive Annual Financial Report, Government-Wide Financial Statements

**City of Redondo Beach**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
Government activities:										
General government	\$ 10,427,561	\$ 10,638,910	\$ 10,019,467	\$ 10,234,450	\$ 9,234,672	\$ 7,618,055	\$ 7,951,800	\$ 8,560,957	\$ 11,974,780	\$ 10,177,409
Public Safety	32,490,257	35,772,948	38,269,521	40,835,961	42,293,976	40,737,832	41,849,863	43,020,839	43,141,036	44,022,014
Housing and community development	11,797,139	11,749,944	12,194,088	14,063,015	17,696,101	16,227,602	13,159,622	13,822,831	10,085,882	10,115,114
Cultural and leisure services	8,204,892	8,812,584	9,499,827	10,143,340	7,586,649	6,543,884	7,002,619	7,389,274	10,933,176	10,042,640
Public works	14,212,509	12,936,637	14,986,259	13,601,505	12,538,423	17,930,811	12,381,276	10,589,076	11,588,895	11,817,281
Interest on long-term debt	1,956,707	2,122,317	1,696,368	2,419,799	1,747,427	1,077,588	1,014,572	637,624	266,651	194,200
AB 1484 demand payment	-	-	-	-	-	-	-	9,914,969	-	-
Total governmental activities expenses	79,089,065	82,033,340	86,665,530	91,298,070	91,097,248	90,135,772	83,359,752	93,935,570	87,990,420	86,368,658
Business-type activities:										
Harbor Tidelands	5,142,991	4,447,965	4,902,841	5,075,571	5,360,523	5,372,721	5,415,810	7,689,071	4,998,098	5,040,308
Harbor Uplands	4,071,680	4,466,239	4,503,160	5,416,019	5,288,345	4,441,227	4,571,399	3,952,061	3,657,127	4,051,432
Solid Waste	3,001,525	3,225,121	3,493,852	3,129,337	3,228,498	3,364,549	3,574,516	3,431,017	3,610,925	3,580,040
Transit	-	-	-	-	-	-	3,102,333	3,113,076	3,288,696	3,346,989
Wastewater	1,350,156	2,686,646	2,122,793	1,853,206	2,092,245	2,207,319	2,476,972	3,196,442	1,880,835	2,557,592
Total business-type activities expenses	13,566,352	14,825,971	15,022,646	15,474,133	15,969,611	15,385,816	19,141,030	21,381,667	17,435,681	18,576,361
Total primary government expenses	92,655,417	96,859,311	101,688,176	106,772,203	107,066,859	105,521,588	102,500,782	115,317,237	105,426,101	104,945,019
<b>Component Units:</b>										
<b>Program Revenues</b>										
Governmental activities:										
Charges for Services:										
General government	218,476	4,732,359	6,434,951	6,337,391	4,798,599	6,804,342	6,941,477	10,416,465	11,315,431	7,539,299
Public Safety	1,357,045	1,353,696	1,290,081	1,437,688	2,669,185	2,097,003	4,133,005	4,448,833	4,466,605	4,942,725
Housing and community development	5,091,922	5,425,840	4,989,531	5,186,896	4,056,523	4,556,546	2,613,104	1,743,286	2,246,976	2,858,612
Cultural and leisure services	1,743,838	1,864,303	1,842,631	1,747,849	1,219,916	1,211,155	1,553,477	1,615,347	1,770,757	5,942,540
Public works	1,866,308	1,879,095	1,771,922	1,733,379	4,518,076	1,923,289	1,834,052	2,127,381	2,170,823	2,386,890
Operating grants and contributions	14,385,755	11,403,631	12,366,720	14,480,137	9,137,687	8,715,661	8,928,050	8,590,969	9,925,853	8,052,877
Capital grants and contributions	715,672	2,856,548	4,916,505	4,863,545	3,486,113	6,605,139	6,976,620	4,582,744	705,357	294,342
Total governmental activities program revenues	25,379,016	29,515,472	33,612,341	35,786,885	29,886,099	31,913,135	32,979,785	33,525,025	32,601,802	32,017,285

**City of Redondo Beach**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Charges for services:										
Harbor Tidelands	4,976,742	4,797,346	5,067,315	6,084,834	5,270,090	5,408,349	5,475,085	5,290,706	5,572,625	5,870,760
Harbor Uplands	3,526,424	3,858,007	4,103,636	4,400,815	4,038,226	3,935,048	3,672,769	4,009,954	3,760,715	4,311,358
Solid Waste	2,462,684	3,184,481	3,481,133	2,845,736	2,992,476	3,356,843	3,454,839	3,312,471	3,396,353	3,369,217
Transit	-	-	-	-	-	-	519,082	676,020	349,454	352,756
Wastewater	2,487,868	2,135,108	1,842,479	1,739,468	2,293,090	2,437,816	2,444,086	2,575,279	3,764,711	4,568,330
Operating grants and contributions	49,717	73,035	68,841	70,150	162,512	17,769	1,231,111	1,395,363	1,672,668	1,754,397
Capital grants and contributions	-	-	-	-	-	-	-	-	2,545,504	-
Total business-type activities program revenues	13,503,435	14,047,977	14,563,404	15,141,003	14,756,394	15,155,825	16,796,972	17,259,793	21,062,030	20,226,818
Total primary government program revenues	38,882,451	43,563,449	48,175,745	50,927,888	44,642,493	47,068,960	49,776,757	50,784,818	53,663,832	52,244,103
Net (expense)/revenue										
Governmental activities	(53,710,049)	(52,517,868)	(53,053,189)	(55,511,185)	(61,211,149)	(58,222,637)	(50,379,967)	(60,410,545)	(55,388,618)	(54,351,373)
Business-type activities	(62,917)	(777,994)	(459,242)	(333,130)	(1,213,217)	(229,991)	(2,344,058)	(4,121,874)	3,626,349	1,650,457
Total primary government net expense	(53,772,966)	(53,295,862)	(53,512,431)	(55,844,315)	(62,424,366)	(58,452,628)	(52,724,025)	(64,532,419)	(51,762,269)	(52,700,916)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities										
Taxes										
Property taxes, levied for general purpose	19,524,448	25,617,618	27,136,137	27,311,112	28,612,395	29,598,821	28,320,076	28,335,561	30,728,698	30,175,663
Transient occupancy taxes	2,648,323	3,354,138	3,738,839	3,933,009	3,485,290	3,204,045	3,267,209	3,533,501	3,693,144	3,970,786
Sales taxes	9,408,574	9,906,235	10,205,436	9,635,626	9,329,872	7,839,179	8,902,151	9,594,901	10,228,355	10,450,402
Franchise taxes	1,761,441	1,767,452	1,685,711	1,807,308	1,970,548	1,673,632	1,816,314	1,950,934	1,796,606	1,973,182
Business licenses taxes	1,323,345	1,376,117	1,289,608	1,385,726	1,293,056	1,256,462	1,240,024	1,203,591	1,018,677	1,296,531
Utility users taxes	7,184,530	7,398,984	7,878,429	8,018,564	7,848,157	8,043,207	7,667,130	7,422,089	7,711,580	7,412,250
Other taxes	-	-	-	-	-	11,200	-	-	8,703	1,840
Motor vehicle in lieu	5,653,644	453,645	429,612	293,685	205,403	198,745	310,907	33,693	34,912	28,894
Investment earnings	2,595,528	3,349,037	4,687,909	4,264,527	4,948,736	5,118,217	3,585,902	3,371,724	1,212,032	1,251,129
Other revenues	1,980,160	1,340,746	1,626,971	443,706	1,599,388	1,078,427	1,601,333	2,831,748	1,499,306	1,885,242
Gain (loss) on sale of capital assets	-	-	-	34,735	28,288	26,396	54,076	73,574	35,578	12,657
Transfers	473,040	-	-	(146,710)	1,142,313	79,000	(758,345)	(1,017,605)	(1,202,508)	(1,350,534)
Gain (loss) on dissolution of Redevelopment Agency	-	-	-	-	-	-	-	27,858,112	-	-
Total governmental activities	52,553,033	54,563,972	58,678,652	56,981,288	60,463,446	58,127,331	56,006,777	85,191,823	56,765,083	57,108,042
Business-type activities:										
Investment earnings	810,422	839,082	1,439,428	1,329,922	944,480	801,184	408,915	241,958	69,851	331,919
Loss on disposal of capital assets	-	-	-	-	-	(16,398)	-	-	-	(79,277)
Other revenues	1,032,553	204,761	138,877	141,621	195,080	176,052	307,915	181,532	2,674,174	400,396
Transfers	(473,040)	-	-	146,710	(1,142,313)	(79,000)	758,345	1,017,605	1,202,508	1,350,534
Write-off of advance	-	-	-	-	-	-	-	-	-	(7,903,737)
Total business-type activities	1,369,935	1,043,843	1,578,305	1,618,253	(2,753)	881,838	1,475,175	1,441,095	3,946,533	(5,900,165)
Total primary government	53,922,968	55,607,815	60,256,957	58,599,541	60,460,693	59,009,169	57,481,952	86,632,918	60,711,616	51,207,877
<b>Change in Net Position</b>										
Governmental activities	(1,157,016)	2,046,104	5,625,463	1,470,103	(747,703)	(95,306)	5,626,810	24,781,278	1,376,465	2,756,669
Business-type activities	1,307,018	265,849	1,119,063	1,285,123	(1,215,970)	651,847	(868,883)	(2,680,779)	7,572,882	(4,249,708)
Totally primary government	\$ 150,002	\$ 2,311,953	\$ 6,744,526	\$ 2,755,226	\$ (1,963,673)	\$ 556,541	\$ 4,757,927	\$ 22,100,499	\$ 8,949,347	\$ (1,493,039)

Source: City of Redondo Beach Comprehensive Annual Financial Report, Government-Wide Financial Statements



**City of Redondo Beach**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011 *	2012 *	2013 *	2014*
General fund										
Reserved	\$ 1,229,239	\$ 759,733	\$ 781,710	\$ 902,881	\$ 634,743	\$ 514,549	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Designated	9,144,315	9,383,713	10,143,013	11,363,952	9,353,252	9,321,572	-	-	-	-
Undesignated	1,028,448	2,680,196	214,115	314,926	37,327	(75,211)	-	-	-	-
Nonspendable	-	-	-	-	-	-	167,035	76,547	120,831	82,255
Committed	-	-	-	-	-	-	5,595,596	5,712,942	5,889,783	6,188,191
Assigned	-	-	-	-	-	-	7,891,828	7,601,191	11,275,445	12,025,746
Unassigned	-	-	-	-	-	-	-	-	272,083	2,674,597
Total general fund	<u>11,402,002</u>	<u>12,823,642</u>	<u>11,138,838</u>	<u>12,581,759</u>	<u>10,025,322</u>	<u>9,760,910</u>	<u>13,654,459</u>	<u>13,390,680</u>	<u>17,558,142</u>	<u>20,970,789</u>
All other governmental funds										
Reserved	3,156,012	7,519,312	21,109,217	21,158,335	15,551,248	13,938,764	-	-	-	-
Unreserved, reported in:										
Special revenue funds	5,941,612	4,485,135	8,108,628	7,429,282	4,494,765	5,265,375	-	-	-	-
Capital projects funds	2,085,674	1,763,987	1,581,516	1,614,077	5,052	5,054	-	-	-	-
Debt service funds	4,819	5,021	5,028	5,028	1,222,686	1,165,476	-	-	-	-
Designated, reported in:										
Special revenue funds	-	2,070,751	2,948,322	3,567,481	2,696,956	2,043,237	-	-	-	-
Capital projects funds	5,233,040	6,250,116	6,326,050	8,926,207	9,891,290	-	-	-	-	-
Undesignated, reported in:										
Special revenue funds	3,215,250	218	(2,831,086)	(2,368,822)	5,803,471	7,103,415	-	-	-	-
Capital projects funds	2,629,467	1,424,414	4,050,994	3,414,086	2,317,151	5,365,603	-	-	-	-
Debt service funds	(3,278,401)	(3,714,945)	(13,958,851)	(12,990,180)	(14,007,225)	(15,428,315)	-	-	-	-
Nonspendable	-	-	-	-	-	-	1,012	57,995	2,924,877	2,952,500
Nonspendable, reported in:										
Special revenue funds	-	-	-	-	-	-	-	2,898,234	-	-
Restricted	-	-	-	-	-	-	8,524,280	10,472,386	11,416,269	13,408,799
Restricted, reported in:										
Special revenue funds	-	-	-	-	-	-	13,257,981	-	6,818,696	6,450,252
Debt service funds	-	-	-	-	-	-	8,107,706	7,362,829	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	3,503,086	3,133,179	6,956,943
Assigned, reported in:										
Capital projects funds	-	-	-	-	-	-	1,645,977	-	-	-
Special revenue funds	-	-	-	-	-	-	-	535,731	-	-
Unassigned	-	-	-	-	-	-	841,689	3,170,437	1,649,762	(99,891)
Unassigned, reported in:										
Special revenue funds	-	-	-	-	-	-	(3,027,926)	(1,319,919)	(1,044,377)	(1,551,713)
Capital projects funds	-	-	-	-	-	-	3,040,646	-	-	-
Debt service funds	-	-	-	-	-	-	(15,046,266)	-	-	-
Total all other governmental funds	<u>\$ 18,987,473</u>	<u>\$ 19,804,009</u>	<u>\$ 27,339,818</u>	<u>\$ 30,755,494</u>	<u>\$ 27,975,394</u>	<u>\$ 19,458,609</u>	<u>\$ 17,345,099</u>	<u>\$ 26,680,779</u>	<u>\$ 24,898,406</u>	<u>\$ 28,116,890</u>

NOTE: \*The change of fund balance descriptions is due to the implementation of GASB 54 in fiscal year 2010/2011.

Source: City of Redondo Beach Comprehensive Annual Financial Report, Governmental Fund Financial Statements

**City of Redondo Beach**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues:</b>										
Taxes	\$ 47,416,940	\$ 49,809,201	\$ 52,569,593	\$ 53,052,490	\$ 52,330,017	\$ 49,946,499	\$ 51,768,825	\$ 51,875,943	\$ 55,882,844	\$ 55,958,439
Interdepartmental	-	4,298,260	6,314,753	6,314,750	6,655,458	6,681,277	6,383,731	6,249,628	6,656,858	7,143,371
Licenses and permits	1,713,598	2,006,686	1,660,339	1,306,025	1,006,075	930,523	1,248,916	1,343,422	1,259,505	1,504,502
Intergovernmental	13,322,228	14,196,236	15,771,721	16,660,368	13,991,411	15,619,990	14,545,341	16,339,864	13,380,088	11,096,634
Charges for services	7,738,642	8,673,373	7,627,197	6,814,267	6,947,073	7,279,164	7,485,670	7,486,013	7,461,642	8,401,697
Use of money and property	3,834,831	3,458,204	5,228,621	6,279,652	5,680,333	4,929,845	3,512,619	3,760,501	3,146,954	2,499,563
Fines and forfeitures	942,598	889,437	1,117,196	1,984,683	1,845,838	1,875,287	1,785,067	1,634,786	1,663,966	1,836,166
Other revenues	697,856	760,816	787,722	559,093	1,703,984	999,916	1,447,680	2,948,048	1,062,143	1,816,196
Total Revenues	75,666,693	84,092,213	91,077,142	92,971,328	90,160,189	88,262,501	88,177,849	91,638,205	90,514,000	90,256,568
<b>Expenditures:</b>										
Current:										
General government	10,291,155	10,531,849	9,878,387	9,033,018	8,693,889	7,901,358	7,582,969	8,085,175	9,285,279	9,157,309
Public safety	31,357,941	35,109,834	38,254,942	40,909,913	42,869,798	41,964,634	41,450,374	42,244,015	42,480,962	43,653,885
Housing and community development	11,134,350	11,341,953	11,960,230	13,970,479	17,569,049	16,392,441	12,882,944	13,549,748	9,360,093	9,116,267
Cultural and leisure services	7,446,505	8,658,356	9,120,765	9,780,910	7,372,691	7,427,423	6,671,934	5,282,197	8,567,569	8,789,002
Public works	7,404,995	9,409,898	10,218,116	11,046,771	9,554,993	8,787,700	9,450,771	7,395,866	9,212,829	9,362,140
AB 1484 demand payment	-	-	-	-	-	-	-	9,914,969	-	-
Capital outlay	10,024,176	3,356,314	5,318,230	4,121,712	5,683,727	11,562,615	8,384,700	5,491,358	6,357,661	1,248,965
Debt service:										
Principal	420,069	1,984,826	757,671	1,526,811	3,448,829	2,492,055	777,554	1,750,000	1,380,000	665,000
Interest	1,958,332	2,130,871	1,698,884	2,902,761	1,738,532	1,069,040	1,017,824	641,376	270,903	240,736
Debt issuance costs	-	-	-	-	-	-	-	-	-	-
Total Expenditures	80,037,523	82,523,901	87,207,225	93,292,375	96,931,508	97,597,266	88,219,070	94,354,704	86,915,296	82,233,304
Excess of Revenues Over (Under) Expenditures	(4,370,830)	1,568,312	3,869,917	(321,047)	(6,771,319)	(9,334,765)	(41,221)	(2,716,499)	3,598,704	8,023,264
<b>Other Financing Sources (Uses):</b>										
Transfers in	3,194,254	3,296,665	6,611,051	11,074,552	5,482,661	2,707,679	17,341,414	11,497,255	3,223,702	2,768,840
Transfers out	(6,007,674)	(4,496,995)	(7,853,397)	(6,630,271)	(4,595,668)	(2,743,425)	(15,834,081)	(13,478,178)	(4,437,317)	(4,160,973)
Refunding bonds issued	-	-	-	7,645,000	700,000	-	-	-	-	-
Other debts issued	926,685	736,338	476,292	648,720	547,789	589,314	301,197	246,200	-	-
Bond premium	-	-	-	227,862	-	-	-	-	-	-
Refunding bonds redeemed	-	-	-	(7,645,000)	(700,000)	-	-	-	-	-
Gain (loss) on Redevelopment Agency dissolution	-	-	-	-	-	-	-	13,523,123	-	-
Total Other Financing Sources (Uses)	(1,886,735)	(463,992)	(766,054)	5,320,863	1,434,782	553,568	1,808,530	11,788,400	(1,213,615)	(1,392,133)
Net Change in Fund Balances	\$ (6,257,565)	\$ 1,104,320	\$ 3,103,863	\$ 4,999,816	\$ (5,336,537)	\$ (8,781,197)	\$ 1,767,309	\$ 9,071,901	\$ 2,385,089	\$ 6,631,131
Debt service as a percentage of noncapital expenditures	3.52%	5.48%	3.09%	5.23%	6.03%	4.32%	2.30%	2.77%	2.09%	1.13%

Source: City of Redondo Beach Comprehensive Annual Financial Report, Government-Wide Financial Statements

**City of Redondo Beach**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	City				Redevelopment				Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Exemptions	Taxable Assessed Value	
2005	7,919,761,315	349,465,981	(43,088,228)	8,226,139,068	277,594,347	59,467,281	-	337,061,628	0.228%
2006	8,791,344,602	347,996,542	(69,771,516)	9,069,569,628	272,239,842	58,002,148	(537,132)	329,704,858	0.273%
2007	9,681,892,573	375,435,811	(47,879,656)	10,009,448,728	347,940,107	55,919,195	(547,874)	403,311,428	0.261%
2008	10,414,844,031	363,370,583	(75,561,247)	10,702,653,367	371,338,622	62,307,947	(771,134)	432,875,435	0.245%
2009	10,967,218,597	377,551,863	(67,013,974)	11,277,756,486	371,987,381	64,908,544	(158,162)	436,737,763	0.244%
2010	11,070,789,692	362,332,212	(66,883,744)	11,366,238,160	409,520,646	55,988,588	(866,778)	464,642,456	0.250%
2011	11,088,815,868	609,276,121	(82,655,891)	11,615,436,098	397,519,636	31,015,873	(864,841)	427,670,668	0.235%
2012	11,385,441,715	432,094,319	(56,430,405)	11,761,105,629	389,564,455	54,640,221	(658,821)	443,545,855	0.232%
2013	11,606,153,109	503,602,130	(59,615,627)	12,050,139,612	441,667,976	37,592,938	(671,996)	478,588,918	0.245%
2014	12,119,561,792	479,888,191	(86,536,840)	12,512,913,143	453,832,698	38,326,859	(352,000)	491,807,557	0.232%

NOTES: \* The City of Redondo Beach has elected to present only nine years of data for this schedule. Collection of data prior to fiscal year 1999/2000 was not accessible.

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: HdL Coren & Cone, Los Angeles County Auditor-Controller/Tax Division 2013-14 Combined Tax Rolls

**City of Redondo Beach**  
**Direct and Overlapping Property Tax Rates**  
**(Rate per \$100 of taxable value)**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
City basic rate	0.16617	0.16617	0.16617	0.16617	0.16539	0.16539	0.16539	0.16539	0.16539	0.16539
Redevelopment agency	1.00697	1.00604	1.00541	1.00450	1.00430	1.00430	1.00370	1.00370	-	-
Overlapping Rates:										
Los Angeles County	0.00092	0.00080	0.00066	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Flood Control	0.00024	0.00005	0.00005	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Metropolitan Water District	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350
Community College	0.01656	0.01838	0.03570	0.01647	0.01703	0.01487	0.01614	0.01688	0.01849	0.01750
Unified School District	0.02765	0.03336	0.02970	0.02844	0.04714	0.05519	0.06977	0.08610	0.08162	0.09242
Total Direct Rate	0.18176	0.18234	0.21166	0.18715	0.18608	0.18774	0.18818	0.18575	0.18746	0.15783

Notes: General fund tax rates are representative and based upon the direct and overlapping rates for the largest general fund tax rate area (TRA) by net taxable value.

Total Direct Rate is the weighted average of all individual direct rates applied by the City of Redondo Beach.

RDA rate is based on the largest RDA tax rate area(TRA) and includes only rate(s) from indebtedness adopted prior to 1969 per California State statute.

RDA direct and overlapping rates are applied only to the incremental property values.

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

Source: HdL Coren & Cone, Los Angeles County Assessor 2013/2014 Tax Rate Table

**City of Redondo Beach**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**

Taxpayer	2014		2005	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Northrop Gruman Space and Mission (formerly TRW Inc.)	\$ 511,257,190	3.93%	\$ 193,185,240	2.26%
South Bay Center SPE LLC	197,906,507	1.52%	156,365,041	1.83%
AES Redondo Beach, LLC	159,452,370	1.23%	209,989,680	2.45%
The Kobe Group INC	75,794,844	0.58%	-	
Noble House Recp Hotel Venture LLC	63,330,777	0.49%	-	
LPF Redondo Beach INC	45,669,852	0.35%	-	
HPT IHG 2 Properties Trust	44,531,038	0.34%	28,027,508	0.33%
MKEG P LLC	38,486,407	0.30%	-	
Lightning Propco I LLC	35,196,909	0.27%	-	
Target Corporation	33,923,544	0.26%	-	
TRW, INC	-	-	158,781,668	1.85%
Portofino Partners	-	-	32,001,647	0.37%
Space Technology Lab INC	-	-	30,431,020	0.36%
Haagen Redondo LLC	-	-	23,702,969	0.28%
Metropolitan Investments LLC	-	-	22,982,528	0.27%
Craig R Casner	-	-	19,084,664	0.22%
	<u>\$ 1,205,549,438</u>	<u>9.27%</u>	<u>\$ 874,551,965</u>	<u>10.21%</u>

NOTE: The amounts shown above include assessed value date for both the City and the Successor Agency (former Redevelopment Agency).

Source: HdL Coren & Cone, Los Angeles County Assessor 2013/2014 Combined Tax Rolls

**City of Redondo Beach**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	19,327,612	18,856,789	97.56%	459,220	19,316,009	99.94%
2006	19,954,589	19,442,404	97.43%	455,758	19,898,162	99.72%
2007	21,893,557	21,130,547	96.51%	477,535	21,608,082	98.70%
2008	23,253,318	22,214,291	95.53%	646,294	22,860,585	98.31%
2009	24,948,068	23,904,011	95.82%	1,156,615	25,060,626	100.45%
2010	25,278,747	24,462,121	96.77%	1,204,949	25,667,070	101.54%
2011	25,809,271	25,195,837	97.62%	1,083,378	26,279,214	101.82%
2012	26,025,500	25,493,811	97.96%	799,155	26,292,966	101.03%
2013	27,652,911	27,193,269	98.34%	789,478	27,982,747	101.19%
2014	30,354,898	28,953,089	95.38%	487,130	29,440,219	96.99%

Source: County of Los Angeles Auditor-Controller

**City of Redondo Beach**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities						Business-type Activities			Total Primary Government	Percentage of Personal Income *	Per Capita
	Tax Allocation Bonds	Revenue Bonds	Refunding Revenue Bonds	Loans	Capital Leases	County AB 1484	Wastewater Revenue Bonds	Construction Loans	Capital Leases			
2005	4,285,000	9,150,000	2,615,000	13,701,886	26,295	-	10,086,150	4,399,037	-	44,263,368	12.78%	657
2006	3,085,000	8,965,000	2,500,000	13,953,397	12,961	-	9,903,524	4,399,037	-	42,818,919	11.60%	638
2007	3,010,000	8,765,000	2,380,000	14,067,018	919	-	9,715,898	4,181,161	-	42,119,996	10.79%	624
2008	2,930,000	-	10,113,873	14,508,927	45,219	-	9,523,272	3,953,480	-	41,074,771	9.94%	609
2009	-	-	9,759,884	14,872,887	33,169	-	9,325,646	3,715,553	-	37,707,139	9.37%	557
2010	-	-	8,870,895	13,840,146	20,686	-	9,118,020	3,466,920	-	35,316,667	8.76%	519
2011	-	-	8,126,906	14,088,789	887,204	-	8,905,394	3,207,098	-	35,215,391	8.37%	526
2012	-	-	6,357,917	-	883,933	7,700,000	8,682,769	2,935,586	-	26,560,205	6.00%	396
2013	-	-	4,958,928	-	884,094	-	8,450,143	2,651,854	-	16,945,019	3.64%	251
2014	-	-	4,271,142	-	444,896	-	7,755,117	2,355,354	-	14,826,509	-	219

NOTES: \* Personal income data was not available from the California Department of Finance subsequent to fiscal year 2012/2013. Percentages reflected are calculated using personal income of the County of Los Angeles.

Source: Note 8 of the Notes to Financial Statements  
California Department of Finance

**City of Redondo Beach**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2014**

City Assessed Valuation		\$	13,004,720,700	
Incremental Valuation			491,807,557	
Total Assessed Valuation		\$	<u>12,512,913,143</u>	
	Percentage Applicable		Outstanding Debt 6/30/14	Estimated Share of Overlapping Debt
Direct Debt:				
Successor Agency Credit Facility	100%		594,000	594,000
2014 Wastewater Revenue Refunding Bonds	100%		7,230,000	7,230,000
Public Financing Authority Unamortized Bond Premium	100%		525,117	525,117
Boating & Waterways Construction Loan 88-21-84	100%		666,865	666,865
Boating & Waterways Construction Loan 89-21-147	100%		1,688,489	1,688,489
Capital Leases	100%		444,894	444,894
Public Financing Authority 2008 Refunding Revenue Bonds	100%		4,180,000	4,180,000
Public Financing Authority 2008 Unamortized Bond Premium	100%		94,939	94,939
Total direct debt		\$	<u>15,424,304</u>	<u>\$ 15,424,304</u>
Overlapping Debt:				
Redondo Beach Unified School District DS 2008 Ser A	100%		46,739,958	46,739,958
Redondo Beach Unified School District DS 2008 Ser B	100%		23,807,474	23,807,474
Redondo Beach Unified School District DS 2008 Ser D BABS	100%		22,765,000	22,765,000
Redondo Beach Unified School District DS 2010 Refunding Series 2000A	100%		13,305,000	13,305,000
Redondo Beach Unified School District DS 2010 Refund 2000CDE	100%		10,880,000	10,880,000
Redondo Beach Unified School District DS 2008 Series E	100%		22,055,520	22,055,520
Redondo Beach Unified School District DS 2008 Series F QSCB	100%		22,900,000	22,900,000
Redondo Beach Unified School District DS 2012 Refunding Bond	100%		9,905,000	9,905,000
Redondo Beach Unified School District DS 2012 Series A	100%		25,000,000	25,000,000
Redondo Beach Unified School District DS 2013 Refunding Series 2000E	100%		8,075,000	8,075,000
* Metropolitan Water District	1.358%		64,271,492	872,793
El Camino CCD DS 2005 REF BONDS	15.194%		27,113,382	4,119,589
El Camino CCD DS 2002 SERIES 2006B	15.194%		84,635,000	12,859,384
El Camino CCS DS 2002 SERIES 2012C	15.194%		180,812,882	27,472,585
El Camino CCD DS 2012 REF BONDS	15.194%		41,490,000	6,303,962
Total overlapping debt		\$	<u>603,755,708</u>	<u>\$ 257,061,265</u>
Total direct and overlapping debt				<u>\$ 272,485,569</u>

NOTE: \* This fund is a portion of a larger agency and is responsible for debt in areas outside the city.

Source: HdL Coren & Cone, Los Angeles County Assessor and Auditor Combined 2013/2014 Lien Date Tax Rolls



**City of Redondo Beach**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

**Legal Debt Margin Calculation for Fiscal Year 2014**

Assessed value	\$ 13,004,720,700
Debt Limit (15% of assessed value)	1,950,708,105
Debt applicable to limit	-
Legal debt margin	<u><u>\$ 1,950,708,105</u></u>

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 1,284,480,104	\$ 1,409,891,173	\$ 1,561,914,023	\$ 1,670,329,320	\$ 1,757,174,137	\$ 1,774,632,092	\$ 1,775,420,369	\$ 1,830,697,723	\$ 1,879,309,280	\$ 1,950,708,105
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	1,284,480,104	1,409,891,173	1,561,914,023	1,757,174,137	1,757,174,137	1,774,632,092	1,775,420,369	1,830,697,723	1,879,309,280	1,950,708,105
Total net debt applicable to the limit as a percentage of debt limit	<u><u>0%</u></u>	<u><u>0%</u></u>	<u><u>0%</u></u>	<u><u>0%</u></u>	<u><u>0%</u></u>	<u><u>0%</u></u>	<u><u>0%</u></u>	<u><u>0%</u></u>	<u><u>0%</u></u>	<u><u>0%</u></u>

Source: County of Los Angeles Auditor-Controller

**City of Redondo Beach**  
**Pledged-Revenue Coverage**  
**Last Nine Fiscal Years**

Fiscal Year Ended June 30,	Wastewater Revenue Bonds					
	Wastewater Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2005*	\$ 2,258,072	\$ 723,265	\$ 1,534,806	\$ 180,000	\$ 462,798	2.39%
2006*	1,739,414	783,193	956,221	185,000	478,063	1.44
2007	1,609,643	798,094	811,549	190,000	472,513	1.22
2008	1,632,533	841,186	791,347	195,000	466,813	1.20
2009	2,238,654	1,036,836	1,201,818	200,000	476,050	1.78
2010	2,371,716	1,106,781	1,264,934	210,000	468,050	1.87
2011	2,376,530	1,023,182	1,353,348	215,000	459,650	2.01
2012	2,469,073	1,241,772	1,227,301	225,000	451,050	1.82
2013	3,469,675	1,201,797	2,267,878	235,000	442,050	3.35
2014**	4,311,350	1,214,545	3,096,805	-	208,634	14.84

NOTE: \* Calculation of coverage was revised to reflect the proper coverage calculation under the bond covenant. The Redondo Beach Public Financing Authority issued the Wastewater System Financing Project Revenue Bonds in fiscal year 2003/2004.

\*\* The 2014 Wastewater Refunding Revenue Bonds was issued in fiscal year 20013-14 and replaced the 2004 Wastewater Revenue Bonds.

**City of Redondo Beach**  
**Demographic and Economic Statistics**  
**June 30, 2014**

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<b>Calendar Year</b>	<b>Population</b>	<b>Personal Income * (in millions)</b>	<b>Per Capita Personal Income *</b>	<b>Unemployment Rate **</b>
2005	67,325	346,423	51,455	5.0%
2006	67,112	369,174	55,009	4.4%
2007	67,495	390,296	57,826	4.7%
2008	67,488	413,317	61,243	6.6%
2009	67,646	402,281	40,867	10.8%
2010	68,105	403,014	41,025	11.5%
2011	66,970	420,803	42,564	11.9%
2012	67,007	443,006	44,474	11.2%
2013	67,396	466,098	46,530	9.6%
2014	67,717	-	-	8.7%

NOTES: \* Personal income data was not available from the California Department of Finance subsequent to fiscal year 2012/2013. Per Capita Personal Income is based on the metropolitan area of Los Angeles-Long Beach-Santa Ana, CA. Statistics not available subsequent to fiscal year 2012/2013. \*\* Unemployment rate is based on the metropolitan area of Los Angeles-Long Beach-Santa Ana, CA.

Source: California Department of Finance, Demographic Research Unit  
California Department of Finance, Economic Research Unit  
U.S. Department of Labor

**City of Redondo Beach**  
**Principal Employers**  
**Current Year and Nine Years Ago**

Employer	2014		2005
	Employees	Percentage of Total City Employment	Employees
Northrup Grumman (TRW)	4,591	14.14%	6,025
Redondo Beach Unified School District	995	3.06%	416
City of Redondo Beach	430	1.32%	577
Crowne Plaza Redondo Beach	339	1.04%	-
Cheesecake Factory	261	0.80%	243
United States Post Office	260	0.80%	240
Nordstrom, Inc.	251	0.77%	418
Target Store	217	0.67%	240
DHL Global Forwarding	209	0.64%	-
Macy's (Robinson's May)	203	0.63%	276
TRW	-	0.00%	384
Imperial Bank	-	0.00%	253

Source: City of Redondo Beach

**City of Redondo Beach**  
**Full-Time City Government Employees by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	56	56	59	60	58	52	52	49	50	49
Public Safety										
Police										
Officers	105	105	105	105	105	99	96	96	96	96
Civilians	57	57	58	58	59	58	59	59	59	60
Fire										
Firefighters and Officers	65	65	64	64	63	60	60	60	60	60
Civilians	5	5	6	6	5	5	3	3	3	3
Public Works	102	102	104	105	105	106	100	95	111	111
Cultural and Leisure Services	59	58	57	54	45	40	37	37	34	33
Housing & Community Development	33	33	34	35	38	30	31	30	15	15
Harbor, Business, & Transit	7	7	9	9	9	8	6	3	3	3
TOTAL	489	488	496	496	487	458	444	432	431	430

Source: City of Redondo Beach

**City of Redondo Beach**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police										
Physical arrests	3,229	3,402	3,923	2,702	2,641	2,586	2,464	2,200	- *	- *
Traffic citations issued	7,532	9,683	12,339	10,955	10,786	10,658	12,217	4,490	- *	- *
Fire										
Number of runs - rescues	3,386	3,551	3,779	3,932	3,942	4,007	4,016	4,313	4,265	- *
Number of runs - structures & other	868	1,087	1,672	1,676	1,495	1,552	1,315	1,743	1,685	- *
Public Works										
Street rehabilitation (miles)	13.3	3.2	3.7	2.3	4.6	1.9	3.5	-	1.5	3.1
Culture and Leisure Services										
Library										
Number of items borrowed	845,569	852,750	844,947	831,354	858,934	809,968	920,941	933,939	806,890	621,139
Number of visitors	438,310	439,060	445,056	446,346	436,347 **	398,583**	437,529	455,030	370,357	333,869
Recreation and Community Services										
Admissions - Seaside Lagoon	86,562	90,966	82,071	76,578	82,921	63,056	63,799	80,381	70,935	82,414
Number of facility rentals - Seaside Lagoon	579	409	382	395	415	416	412	352	376	387
Housing & Community Development										
Number of permits issued	4,544	3,763	3,951	3,270	1,952	2,257	2,832	3,088	2,651	2,955
Number of plan checks issued	1,667	1,566	1,296	1,101	898	990	1,177	1,036	615	1,471
Number of inspections	20,236	19,378	19,916	17,634	12,755	8,605	6,848	8,514	5,048	4,411
Number of real estate reports	1,342	1,051	883	630	577	769	702	737	904	922
Number of bus boardings - Transit	70,458	169,519	298,206	365,701	393,534	404,983	378,326	403,041	401,827	410,585
Revenue miles - Transit	122,814	232,692	416,435	487,203	452,467	472,604	474,564	475,754	474,140	475,564

NOTE: \* Data not available.

\*\* The number of visitors decreased significantly due to the closure for construction at the North Branch Library for 5 months in fiscal year 2008-09 and then for all of fiscal year 2009-10.

Source: City of Redondo Beach - Financial Services Department

# City of Redondo Beach

## Capital Asset Statistics by Function

### Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-station	1	1	1	1	1	1	1	1	1	1
Fire Stations	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (miles)	127	127	127	127	127	127	127	127	127	127
Streetlights	1892 *	1892*	1892*	1892*	1892*	1892*	1892*	1892*	1892*	1892*
Street Traffic Controllers	84	84	84	84	84	84	84	84	84	84
Sanitary sewers (miles)	150	112	112	112	112	112	112	112	112	112
Culture and Leisure Services										
Parks	15	15	15	15	15	15	15	15	15	15
Parkettes	13	13	13	13	13	13	13	13	13	13
Total Park Acreage	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26
Boat Slips	1509	1509	1509	1509	1509	1509	1509	1509	1509	1509
Harbor acreage:										
Total water area (exclusive of the pier)	107	107	107	107	107	107	107	107	107	107
Total land area	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
Libraries	2	2	2	2	2	2	2	2	2	2
Community Centers	5	5	5	5	5	5	5	5	5	5

NOTE: \* Methodology modification in fiscal year 2004/2005 to reflect city-owned street lights only.

Source: City of Redondo Beach

**City of Redondo Beach**  
**Certification of Continuing Disclosure**  
**Redondo Beach Public Financing Authority 2008 Revenue Bonds**  
**(South Bay Center Redevelopment Project)**  
**June 30, 2014**

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This Certification of Continuing Disclosure is provided by the Redevelopment Agency of the City of Redondo Beach and the Redondo Beach Public Financing Authority through US Bank, as Dissemination Agent pursuant to a Continuing Disclosure Certificate dated February 13, 2008 executed and delivered by the Redevelopment Agency and the Public Financing Authority and the Dissemination Agent in connection with the issuance of \$7,645,000 Revenue Bonds, South Bay Center Redevelopment Project Bonds ("the Bonds"). The Bonds were issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of the Act, and an Indenture of Trust dated as of February 1, 2008 between the Financing Authority and US Bank. The proceeds of the Bonds were issued to provide funds to (i) refund the Authority's Redondo Beach Public Financing Authority 1996 Revenue Bonds (South Bay Center Redevelopment Project), originally issued in the principal amount of \$10,330,000 of which \$8,550,000 remained outstanding, (ii) fund a reserve fund for the Bonds, and (iii) pay the costs of issuance of the Bonds.

This Certification is made pursuant to the requirements of Section 3(a) of the Continuing Disclosure Certificate with respect to the 2013-14 fiscal year.

The Redevelopment Agency and the Public Financing Authority hereby report the following:

1. The audited financial statements of the Redevelopment Agency and the Public Financing Authority for the fiscal year ended June 30, 2014 comprise the book in which this report is included. As such, they contain the amount of all Redevelopment Agency debt outstanding secured by a pledge of tax revenues.
2. During the fiscal year ended June 30, 2014, neither the Redevelopment Agency nor the Public Financing Authority has issued any parity or subordinate debt.
3. During the fiscal year ended June 30, 2014, neither the Redevelopment Agency nor the Public Financing Authority has given or caused to be given notice of the occurrence of any of the following events:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - e. Substitution of credit or liquidity providers, or their failure to perform;
  - f. Adverse tax opinions or events affecting the tax-exempt status of the security;
  - g. Modifications to rights of security holders;
  - h. Bond calls;
  - i. Defeasances;
  - j. Release, substitution, or sale of property securing repayment of the securities; or
  - k. Rating changes.
4. The South Bay Center Redevelopment Plan stipulates the Project Area will not receive more than a cumulative limit of \$65,000,000 in gross tax increment over its life. According to the records of the Los Angeles County Auditor Controller, as of June 30, 2014 the Agency had been apportioned \$44,498,769 in gross tax increment.

By projecting the current tax increment levels using only a two percent inflationary growth rate, the tax increment limit is reached in the final year of the bond issue repayment period.



**City of Redondo Beach**  
**Redondo Beach Redevelopment Agency**  
**South Bay Center Redevelopment Project**  
**Historical Project Area Valuations**  
**June 30, 2014**

	Base Year										
	1983-84	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Secured *</b>											
Land	\$ 9,772,776	\$ 26,977,212	\$ 27,424,247	\$ 51,658,838	\$ 52,688,442	\$ 53,742,204	\$ 56,292,008	\$ 55,363,042	\$ 63,866,252	\$ 65,121,571	\$ 64,955,237
Impts	16,977,265	162,122,684	164,634,061	178,831,940	182,405,613	185,761,187	202,649,015	191,933,851	182,264,908	230,445,447	227,165,770
Pers Prop	-	572,459	1,617	1,514	-	-	-	-	-	-	-
Exemptions	-	-	-	-	-	-	-	-	-	-	-
Total Secured	26,750,041	189,672,355	192,059,925	230,492,292	235,094,055	239,503,391	258,941,023	247,296,893	246,131,160	295,567,018	292,121,007
<b>Unsecured</b>											
Land	-	-	-	-	-	-	-	-	-	-	-
Impts	3,023,006	12,287,632	12,261,701	11,408,416	13,236,695	13,336,333	12,530,739	13,273,687	13,028,973	14,769,340	13,789,880
Pers Prop	1,848,954	13,128,156	13,217,135	12,577,271	13,515,052	14,189,166	12,550,901	12,457,717	10,906,075	15,379,059	17,828,352
Exemptions	-	-	-	-	-	-	(50,000)	(50,000)	-	-	-
Total Unsecured	4,871,960	25,415,788	25,478,836	23,985,687	26,751,747	27,525,499	25,031,640	25,681,404	23,935,048	30,148,399	31,618,232
GRAND TOTAL	31,622,001	<u>215,088,143</u>	<u>217,538,761</u>	<u>254,477,979</u>	<u>261,845,802</u>	<u>267,028,890</u>	<u>283,972,663</u>	<u>272,978,297</u>	<u>270,066,208</u>	<u>325,715,417</u>	<u>323,739,239</u>
Incremental Value:		183,466,142	185,916,760	222,855,978	230,223,801	235,406,889	252,350,662	241,356,296	238,444,207	294,093,416	292,117,238
Incremental Value Change:		1,558,342	2,450,618	36,939,218	7,367,823	5,183,088	16,943,773	(10,994,366)	(2,912,089)	55,649,209	(1,976,178)
% Change:		0.86%	1.34%	19.87%	3.31%	2.25%	7.20%	-4.36%	-1.21%	23.34%	-0.67%

NOTE: Secured values include state assessed non-unitary utility property.

Source: HdL Coren & Cone

**City of Redondo Beach**  
**Redondo Beach Redevelopment Agency**  
**South Bay Center Redevelopment Project**  
**Revenue vs. Levy Analysis**  
**June 30, 2014**

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Original Charge Secured Value	\$ 189,672,355	\$ 192,059,925	\$ 230,492,292	\$ 235,094,055	\$ 239,503,391	\$ 258,941,015	\$ 247,296,893	\$ 246,131,160	\$ 297,200,307	\$ 292,121,007
Adjustments to Original Charge	-	50,417,882	-	-	-	(2,894,618)	-	-	-	-
Base Year Secured Value	<u>(26,750,041)</u>	<u>(26,750,040)</u>	<u>(26,750,040)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>
Incremental Secured Value	162,922,314	215,727,767	203,742,252	208,344,014	212,753,350	229,296,356	220,546,852	219,381,119	270,450,266	265,370,966
Tax Rate	<u>0.0100697</u>	<u>0.0100604</u>	<u>0.0100542</u>	<u>0.0100450</u>	<u>0.0100430</u>	<u>0.0100430</u>	<u>0.0100370</u>	<u>0.0100000</u>	<u>0.0100000</u>	<u>0.0100000</u>
Adjusted Levy	1,640,576	2,170,316	2,048,455	2,092,816	2,136,682	2,302,823	2,213,629	2,193,811	2,704,503	2,653,710
Unitary Revenue	<u>31,324</u>	<u>27,782</u>	<u>27,587</u>	<u>28,887</u>	<u>31,263</u>	<u>30,311</u>	<u>30,206</u>	<u>31,724</u>	<u>31,898</u>	<u>33,847</u>
Total Secured/Unitary Levy	<u>1,671,899</u>	<u>2,198,098</u>	<u>2,076,043</u>	<u>2,121,703</u>	<u>2,167,945</u>	<u>2,333,134</u>	<u>2,243,835</u>	<u>2,225,536</u>	<u>2,736,401</u>	<u>2,687,556</u>
Original Charge Unsecured Value	25,415,788	25,478,836	23,985,683	26,751,747	27,525,499	25,031,637	25,681,404	23,935,048	30,466,133	31,667,073
Adjustments to Original Charge	2,878,283	200,319	848,749	2,200,114	549,859	2,168,472	240,106	-	-	-
Base Year Unsecured Value	<u>(4,871,960)</u>	<u>(4,871,959)</u>	<u>(4,871,959)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>
Incremental Unsecured Value	23,422,111	20,807,196	19,962,473	24,079,901	23,203,398	22,328,149	21,049,550	19,063,088	25,594,173	26,795,113
Tax Rate	<u>0.0100755</u>	<u>0.0100697</u>	<u>0.0100604</u>	<u>0.0100542</u>	<u>0.0100450</u>	<u>0.0100430</u>	<u>0.0100430</u>	<u>0.0100000</u>	<u>0.0100000</u>	<u>0.0100000</u>
Unsecured Adjusted Levy	<u>235,990</u>	<u>209,522</u>	<u>200,831</u>	<u>242,103</u>	<u>233,078</u>	<u>224,242</u>	<u>211,401</u>	<u>190,631</u>	<u>255,942</u>	<u>267,951</u>
Net Total Revenue	<u>1,907,890</u>	<u>2,407,620</u>	<u>2,276,874</u>	<u>2,363,806</u>	<u>2,401,023</u>	<u>2,557,376</u>	<u>2,455,236</u>	<u>2,416,166</u>	<u>2,992,343</u>	<u>2,955,508</u>
Remittance to Agency										
Secured/Unitary Remitted	1,667,891	2,197,703	2,075,997	2,122,507	2,167,741	2,333,113	2,243,814	2,097,340	2,704,482	2,687,556
Unsecured Remitted	230,164	207,367	183,272	239,176	224,182	219,123	206,749	-	252,935	264,298
HGX Payments	-	-	-	-	-	-	-	-	-	-
Total Remittance to Agency:	1,898,055	2,405,070	2,259,268	2,361,683	2,391,923	2,552,236	2,450,563	2,097,340	2,957,417	2,951,854
% of Collection to Levy	99.48%	99.89%	99.23%	99.91%	99.62%	99.80%	99.81%	86.80%	98.83%	99.88%
Grand Total Revenue										
Secured and Unsecured Revenue	1,898,055	2,405,070	2,259,268	2,361,683	2,391,923	2,552,236	2,450,563	2,097,340	2,957,417	2,951,854
SB 813 Supplemental Payments	-	(17,379)	117,362	(2,883)	177,804	(51,122)	-	786	-	-
Redemptions/Open Roll Corrections	2,225	(5,534)	4,532	12,925	1,325	36	13	351	-	-
Taxpayer Refunds	(42)	(23,253)	5	(86)	(628)	(83,212)	(1,476)	30,658	-	(96,843)
Deferral Payments/Adjustments	129,927	(46,423)	(355,390)	(186,859)	(122,005)	(155,747)	(52,554)	-	-	38,608
Total Paid to Agency:	<u>2,030,165</u>	<u>2,312,481</u>	<u>2,025,778</u>	<u>2,184,779</u>	<u>2,448,419</u>	<u>2,262,190</u>	<u>2,396,546</u>	<u>2,129,135</u>	<u>2,957,417</u>	<u>2,893,619</u>
SB 2557 Charges (1)	(31,324)	(28,308)	(29,423)	(31,971)	(31,959)	(38,139)	(39,350)	(37,125)	(43,844)	(42,298)
Housing Set Aside	(406,033)	(517,064)	(405,156)	(436,956)	(489,684)	(452,438)	(479,309)	-	-	-
Tax Sharing Payments	(813,388)	(1,011,111)	(716,814)	(880,699)	(1,103,678)	(1,140,974)	(1,021,920)	(1,147,604)	(1,594,048)	(1,559,661)
Negative Balance from Prior Year	-	-	-	-	-	-	-	-	-	-
Net Grand Total Revenue:	<u>\$ 779,421</u>	<u>\$ 755,998</u>	<u>\$ 874,385</u>	<u>\$ 835,153</u>	<u>\$ 823,098</u>	<u>\$ 630,639</u>	<u>\$ 855,966</u>	<u>\$ 944,407</u>	<u>\$ 1,319,525</u>	<u>\$ 1,291,661</u>

Source: HdL Coren & Cone

**City of Redondo Beach**  
**Redondo Beach Redevelopment Agency**  
**South Bay Center Redevelopment Project**  
**Top Ten Taxable Property Owners**  
**June 30, 2014**

		Secured			Unsecured			Total		
		Value	Parcels	Percent of Secured Actual Value	Value	Parcels	Percent of Unsecured Actual Value	Value	Percent of Total Value	Use Code
1.	South Bay Center SPE LLC Pending Appeals on Parcels	\$ 197,333,279	3	74.36%	\$ 571,257	1	2.14%	\$ 197,904,536	67.75%	Commercial
2.	LPF Redondo Beach Inc. Pending Appeals on Parcels	45,669,852	1	17.21%	-	0		45,669,852	15.63%	Commercial
3.	KHS South Bay LLC Pending Appeals on Parcels	18,082,038	1	6.81%	-	0	0.00%	18,082,038	6.19%	Commercial
4.	1519 Hawthorne Blvd. LLC Pending Appeals on Parcels	17,892,683	1	6.74%	-	0	0.00%	17,892,683	6.13%	Commercial
5.	Walgreen Pending Appeals on Parcels	7,223,748	7	2.72%	491,330	1	1.84%	7,715,078	2.64%	Commercial
6.	Nordstrom Inc 342	-	0	0.00%	6,767,458	2	25.30%	6,767,458	2.32%	Unsecured
7.	Outparcel Investment Partners V LLC	5,915,188	1	2.23%	-	0	0.00%	5,915,188	2.02%	Commercial
8.	SFM	-	0	0.00%	2,380,517	1	8.90%	2,380,517	0.81%	Unsecured
9.	Kohls Department Store Pending Appeals on Parcels	-	0	0.00%	1,792,694	1	6.70%	1,792,694	0.61%	Unsecured
10.	Macy's West Stores Inc.	-	0	0.00%	1,443,805	1	5.40%	1,443,805	0.49%	Unsecured
		\$292,116,788	14	110.08%	\$13,447,061	6	50.28%	\$305,563,849	104.60%	
Project Area Incremental Value:		\$265,370,966			\$26,746,272			\$292,117,238		

Source: HdL Coren & Cone

**City of Redondo Beach**  
**Redondo Beach Redevelopment Agency**  
**South Bay Center Redevelopment Project**  
**Recent Appeals History**

<u>Owner</u>	<u>APN</u>	<u>Appeal Type</u>	<u>Appeal Status</u>	<u>Original Value</u>	<u>Opinion Value</u>	<u>Proposed Change</u>	<u>Proposed % Change</u>
<b>Currently Pending Appeals (FY Appeals)</b>							
<b>2009-10</b>							
Macy's Department Stores Inc.	u	Unsecured	Pending	2,543,455	1,681,900	(861,555)	-33.87%
Guess? Retail Inc. #5622	u	Unsecured	Pending	220,219	110,000	(110,219)	-50.05%
Express LLC #917	u	Unsecured	Pending	189,542	100,000	(89,542)	-47.24%
South Bay Center Spe LLC - Macys Inc.	4082-018-004	Secured	Pending	27,082,027	8,027,470	(19,054,557)	-70.36%
Macy's Department Stores, Inc. dba Macy's	u	Unsecured	Pending	1,053,337	-	(1,053,337)	-100.00%
				31,088,580	9,919,370		
<b>2010-11</b>							
American Multi-Cinema Inc/ AMC Galleria South	u	Unsecured	Pending	1,270,131	625,000	(645,131)	-50.79%
				1,270,131	625,000		
<b>2011-12</b>							
Debbie Smethers	u	Unsecured	Pending	1,382,690	1,032,090	(350,600)	-25.36%
James Kurtzman	4082-018-005	Secured	Pending	17,510,000	8,000,000	(9,510,000)	-54.31%
Erin Stache	u	Unsecured	Pending	1,860,985	930,493	(930,492)	-50.00%
Panda Express Inc.	u	Unsecured	Pending	138,598	-	(138,598)	-100.00%
Living Spaces Furniture LLC	u	Unsecured	Pending	576,279	220,000	(356,279)	-61.82%
1519 Hawthorne Blvd LLC	4082-019-042	Secured	Pending	17,197,890	8,000,000	(9,197,890)	-53.48%
Scott B. Brown	4082-018-004	Secured	Pending	24,799,955	20,000,000	(4,799,955)	-19.35%
LPF Redondo Beach Inc.	4082-019-047	Secured	Pending	54,090,359	30,000,000	(24,090,359)	-44.54%
				117,556,756	68,182,583		
<b>2012-13</b>							
Brandon Carver	u	Unsecured	Pending	1,713,281	748,058	(965,223)	-56.34%
Erin Stache	u	Unsecured	Pending	1,841,724	409,996	(1,431,728)	-77.74%
James Kurtzman	4082-018-005	Secured	Pending	17,510,000	8,000,000	(9,510,000)	-54.31%
Scott B. Brown	4082-018-004	Secured	Pending	25,295,953	12,000,000	(13,295,953)	-52.56%
Living Spaces Furniture Company	4082-018-042	Secured	Pending	17,541,847	12,700,000	(4,841,847)	-27.60%
				63,902,805	33,858,054		
<b>2013-14</b>							
Brandon Carver	u	Unsecured	Pending	949,527	932,418	(17,109)	-1.80%
Forever 21 Retail Inc.	u	Unsecured	Pending	768,830	566,104	(202,726)	-26.37%

**City of Redondo Beach**  
**Redondo Beach Redevelopment Agency**  
**South Bay Center Redevelopment Project**  
**Recent Appeals History**

James Kurtzman	4082-018-005	Secured	Pending	19,550,000	8,000,000	(11,550,000)	-59.08%
Kohl's Department Store Ind.	4082-018-006	Secured	Pending	18,082,038	14,729,748	(3,352,290)	-18.54%
Kohl's Department Store	u	Secured	Pending	17,792,694	400,000	(17,392,694)	-97.75%
LPF Redondo Beach Inc.	4082-019-047	Secured	Pending	45,669,852	39,996,000	(5,673,852)	-12.42%
South Bay Center SPE LLC/Macy's West	4082-018-004	Secured	Pending	24,214,209	12,000,000	(12,214,209)	-50.44%
Tex A Simmons	4082-019-042	Secured	Pending	17,892,683	8,000,000	(9,892,683)	-55.29%
Victoria Arensky	u	Unsecured	Pending	491,330	293,225	(198,105)	-40.32%
Walgreen Company	4081-026-010	Secured	Pending	113,059	75,000	(38,059)	-33.66%
Walgreen Company	4081-026-009	Secured	Pending	244,728	150,000	(94,728)	-38.71%
Walgreen Company	4081-026-011	Secured	Pending	775,797	500,000	(275,797)	-35.55%
Walgreen Company	4081-026-008	Secured	Pending	641,684	400,000	(241,684)	-37.66%
Walgreen Company	4081-026-003	Secured	Pending	4,534,658	3,000,000	(1,534,658)	-33.84%
Walgreen Company	4081-026-013	Secured	Pending	543,792	300,000	(243,792)	-44.83%
Walgreen Company	4081-026-012	Secured	Pending	370,030	200,000	(170,030)	-45.95%
				<b>152,634,911</b>	<b>89,542,495</b>		

**Most Recently Resolved Appeals Among Owners with Pending Appeals**

				<u>Original Value</u>	<u>Board Value</u>	<u>Change</u>	<u>% Change</u>
<b>2009-10</b>							
American Multi-Cinema Inc/AMC Galleria South	u	Unsecured	Denied	1,279,949	1,279,949	-	0.00%
<b>2010-11</b>							
James Kurtzman	4082-018-005	Secured	Allowed	17,510,000	16,200,000	(1,310,000)	-7.48%
Macy S West Stores Inc	u	Unsecured	Allowed	2,531,639	1,834,336	(697,303)	-27.54%
Guess Inc.	u	Unsecured	Allowed	203,843	196,449	(7,394)	-3.63%
<b>2011-12</b>							
Macy S West Stores Inc	u	Unsecured	Allowed	2,163,988	1,605,833	(558,155)	-25.79%

**City of Redondo Beach**  
**Certification of Continuing Disclosure**  
**Redondo Beach Public Financing Authority 2014 Wastewater Refunding Revenue Bonds**  
**(Wastewater System Financing Project)**  
**June 30, 2014**

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This Certification of Continuing Disclosure is provided by the City of Redondo Beach ("the City") and the Redondo Beach Public Financing Authority through US Bank, as Dissemination Agent pursuant to a Continuing Disclosure Certificate dated March 25, 2014 executed and delivered by the City of Redondo Beach and the Public Financing Authority and the Dissemination Agent in connection with the issuance of \$7,230,000 Refunding Revenue Bonds, City of Redondo Beach Wastewater System Financing Project Bonds ("the Bonds"). The Bonds were issued pursuant to an Indenture of Trust dated as of March 25, 2014 between the Financing Authority and US Bank. The proceeds of the Bonds were issued to provide funds to (a) finance the Improvements and related facilities which constitute part of the Wastewater Enterprise of the City, (b) fund capitalized interest on the Bonds through November 1, 2014, (c) fund a reserve fund for the Bonds, and (d) pay the cost of issuance for the Bonds.

This Certification is made pursuant to the requirements of Section 3(a) of the Continuing Disclosure Certificate with respect to the 2013-14 fiscal year.

The City and the Public Financing Authority hereby report the following:

1. The audited financial statements of the City, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, for the fiscal year ended June 30, 2014 comprise the book in which this report is included.
2. During the fiscal year ended June 30, 2014, neither the City nor the Public Financing Authority has given or caused to be given notice of the occurrence of any of the following events:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - e. Substitution of credit or liquidity providers, or their failure to perform;
  - f. Adverse tax opinions or events affecting the tax-exempt status of the security;
  - g. Modifications to rights of security holders;
  - h. Contingent or unscheduled bond calls;
  - i. Defeasances;
  - j. Resale, substitution, or sale of property securing repayment of the securities; or
  - k. Rating changes

**City of Redondo Beach**  
**Sewer Rates Per Month**  
**Last Nine Fiscal Years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Use Classification</b>										
Each single family dwelling unit	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 7.00	\$ 7.12	\$ 7.12	\$ 7.25	\$ 10.25	\$ 13.25
Each unit in a 2-3 unit condo structure	5.00	5.00	5.00	5.00	7.00	7.12	7.12	7.25	10.25	13.25
Each unit in a 2-3 unit apartment structure	3.89	3.89	3.89	3.89	5.45	5.55	5.55	5.65	7.97	10.31
Each unit in a 4 or more unit condo structure	3.89	3.89	3.89	3.89	5.45	5.55	5.55	5.65	7.97	10.31
Each unit in a 4 or more unit apartment structure	2.68	2.68	2.68	2.68	3.75	3.82	3.82	3.88	5.49	7.09
Commercial/Industrial/Institutional parcels	0.43	0.43	0.43	0.43	0.60	0.61	0.61	0.62	0.88	1.13 *

NOTE: The Redondo Beach Public Financing Authority issued the Wastewater System Financing Project Revenue Bonds in fiscal year 2003/2004. A reissue of the Bonds was done in fiscal year 2013/2014 by the Community Financing Authority.

\* Per 100 cubic feet of average monthly water usage. 100 cubic feet of water is equal to 748 gallons, average monthly water usage is established based on the latest actual annual water usage record available to the City. On an annual basis, the city will recalculate the monthly charge by using the latest available annual water usage record of each non-residential user at the same \$1.13 per 100 cubic feet rate to set a new monthly rate. Any water proven to be used for boilers, cooling towers or similar devices that will not be discharged into the sewer system may be deducted from the annual water usage record for rate calculation purposes.

Source: City of Redondo Beach

**City of Redondo Beach**  
**Sewer Connections by Type of Customer**  
**Last Nine Fiscal Years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Type of Customer										
Residential	13,211	13,211	13,211	13,108	13,102	13,107	13,109	13,105	13,106	13,104
Industrial	74	74	74	68	66	61	56	61	61	61
Commercial	510	510	510	451	464	462	466	457	463	463
Institutional	64	64	64	62	89	61	58	61	59	59
Mixed use	44	44	44	42	43	43	42	43	43	43
Total	13,903	13,903	13,903	13,731	13,764	13,734	13,731	13,727	13,732	13,730

NOTE: The Redondo Beach Public Financing Authority issued the Wastewater System Financing Project Revenue Bonds in fiscal year 2003/2004. A reissue of the Bonds was done in fiscal year 2013/2014 by the Community Financing Authority.

Source: City of Redondo Beach