

Comprehensive Annual Financial Report



City of Redondo Beach, California
For the year ending June 30, 2011

City of Redondo Beach

Redondo Beach, California

Comprehensive Annual Financial Report

For the year ended June 30, 2011

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, 2011

Table of Contents

	<u>Page</u>
 <u>INTRODUCTORY SECTION</u>	
Table of Contents	i
Letter of Transmittal	v
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	xviii
List of Principal Officials	xix
Organization Chart.....	xx
 <u>FINANCIAL SECTION</u>	
Independent Auditors’ Report	1
Management’s Discussion and Analysis	3
 Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	26
Statement of Activities and Changes in Net Assets	28
 Fund Financial Statements:	
Government Fund Financial Statements:	
Balance Sheet.....	34
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.....	37
Statement of Revenues, Expenditures and Changes in Fund Balances.....	38
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets	40

City of Redondo Beach
Comprehensive Annual Financial Report
For the year ended June 30, 2011

Table of Contents, Continued

	<u>Page</u>
Proprietary Fund Financial Statements:	
Statement of Net Assets.....	44
Statement of Revenues, Expenses and Changes in Net Assets.....	46
Statement of Cash Flows	48
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets.....	52
Notes to the Financial Statements.....	53
Required Supplementary Information:	
Budgetary Information.....	114
Defined Pension Plan.....	118
Other Postemployment Benefits	119
Modified Approach for City Streets Infrastructure Capital Assets.....	120
Supplementary Information:	
Major Governmental Funds:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Capital Improvements Projects Capital Project Fund.....	128
Public Financing Authority Debt Service Fund.....	129
Redevelopment Agency Debt Service Fund.....	130
Non-Major Governmental Funds:	
Combining Balance Sheet	134
Combined Statement of Revenues, Expenditures and Changes in Fund Balances.....	138
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Traffic Congestion Relief Special Revenue Fund.....	141
State Gas Tax Special Revenue Fund.....	142
Parks and Recreation Facilities Special Revenue Fund	143

City of Redondo Beach
Comprehensive Annual Financial Report
For the year ended June 30, 2011

Table of Contents, Continued

	<u>Page</u>
Supplementary Information, Continued:	
Narcotic Seizure/Forfeiture Special Revenue Fund	144
Proposition A Special Revenue Fund	145
Proposition C Special Revenue Fund	146
Measure R Special Revenue Fund	147
Local Transit Special Revenue Fund	148
Air Quality Improvement Special Revenue Fund	149
Storm Drain Special Revenue Fund.....	150
Street Landscaping and Lighting District Special Revenue Fund.....	151
Workforce Investment Act Special Revenue Fund.....	152
Community Development Block Grant Special Revenue Fund	153
Disaster Recovery Special Revenue Fund	154
Housing Authority Special Revenue Fund.....	155
Subdivision Park Trust Special Revenue Fund.....	156
Parking Authority Debt Service Fund.....	157
Pier Parking Structure Rehabilitation Capital Projects Fund.....	158
Redevelopment Agency Capital Projects Fund	159
Internal Service Funds:	
Combining Statement of Net Assets.....	162
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	163
Combining Statement of Cash Flows	164
Fiduciary Funds:	
Combining Statement of Fiduciary Net Assets.....	168
Combining Statement of Changes in Assets and Liabilities	169
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters	
Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	171

City of Redondo Beach
Comprehensive Annual Financial Report
For the year ended June 30, 2011

Table of Contents, Continued

	<u>Page</u>
<u>STATISTICAL SECTION</u>	
Net Assets by Component	174
Changes in Net Assets	175
Fund Balances of Governmental Funds.....	178
Changes in Fund Balances of Governmental	179
Assessed Value and Estimated Actual Value of Taxable Property	170
Direct and Overlapping Property Tax Rates.....	181
Principal Property Taxpayers	182
Property Tax Levies and Collections	183
Ratios of Outstanding Debt by Type.....	184
Direct and Overlapping Governmental Activities Debt	185
Legal Debt Margin Information	186
Pledged-Revenue Coverage	187
Demographic and Economic Statistics.....	188
Principal Employers	189
Full-time City Government Employees by Function	190
Operating Indicators by Function	191
Capital Assets Statistics by Function	192
Redondo Beach Redevelopment Agency, South Bay Center Redevelopment Project:	
- Certification of Continuing Disclosure.....	193
- Historical Project Area Valuations	194
- Revenue vs. Levy Analysis	195
- Top Ten Taxable Property Owners	196
- Recent Appeals History	197
Redondo Beach Redevelopment Agency, Harbor Center:	
- Certification of Continuing Disclosure	198
- Historical Project Area Valuations	199
- Top Ten Taxable Property Owners	200
Redondo Beach Public Financing Authority, Wastewater System Financing Project:	
- Certification of Continuing Disclosure	201
- Sewer Rates per Month.....	202
- Sewer Connections by Type of Customer	203



Financial Services

415 Diamond Street, P.O. Box 270
Redondo Beach, California 90277-0270
www.redondo.org

tel 310 318-0683
fax 310 937-6666

December 21, 2011

Honorable Mayor, City Council and
Citizens 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, 2011. 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 citizens of Redondo Beach and the financial community. For the citizens, 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 66,970 as of January 1, 2011, remaining relatively flat with 2010. The City remains a highly residential, non-industrial community. It is a highly-educated, upscale community where the median cost of a home is \$613,000.

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 and services known as the Riviera Village is located at the south end. 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, DHL Global Forwarding, Nordstrom, Cheesecake Factory, U.S. Post Office, Von's, Crown Plaza-Redondo Beach, 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 Parking Authority of the City of Redondo Beach, and the Redevelopment 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 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 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

Since the recession officially ended in June 2009, Redondo Beach has fared better than most cities in Southern California. Locally, during FY 2010-2011, Redondo Beach realized a moderate increase of 1.79% in real property assessed valuations. Hotel occupancy rates remained flat at 75%; however, revenue increased modestly by \$63,164 due to a slight escalation in room rates. Utility users' tax revenue declined 4.68% in FY 2010-2011 from the prior year, resulting from reduced business activity caused by the recession and energy savings that decreased consumption. Still, Redondo Beach continues to exceed the countywide average in total taxable retail sales, ranking 32 out of 89 cities. Redondo Beach experienced a slight decrease in its unemployment rate from 7.2% in FY 2009-2010 to 7.0% in FY 2010-2011, which is well below the Los Angeles County and State of California FY 2010-2011 unemployment rates of 12.4% and 12.8%, respectively.

Economic Development

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.

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

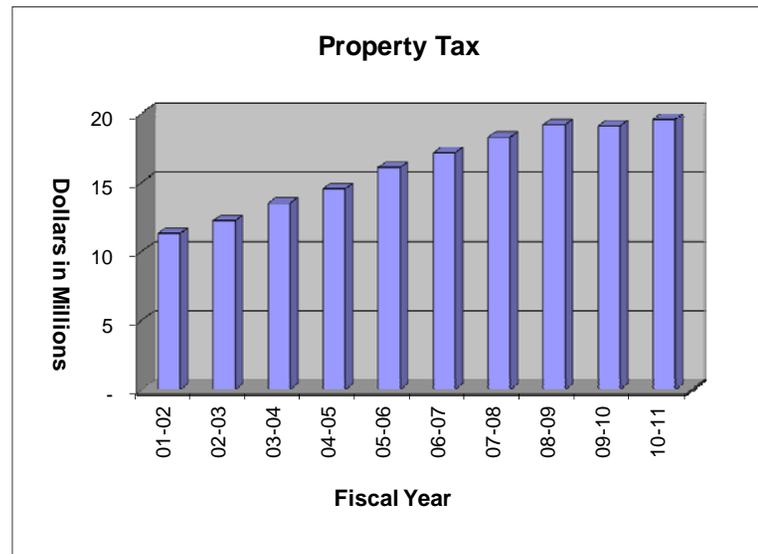
- Revitalizing the Harbor and Pier area with development of a new 45 room boutique hotel, renovation of the pier entry leasehold, enhanced signage, and public improvements, which have already been completed.
- Reinforcing the desirability of the Riviera Village as a destination for shopping, dining, and services through improved signage and enhanced streetscapes.
- Encouraging the continued success of the South Bay Galleria and Artesia Boulevard business districts with a relatively new Living Spaces replacing Expo Design Center, and the construction of the South Bay Marketplace with Nordstrom Rack, Panera Bread, Sprouts Market, Total Wine, Ulta Beauty, and an Islands restaurant.
- Attracting business opportunities through the use of economic development incentive agreements, such as that used to secure the future relocation of Internap Network Services.
- Ensuring growth in the business community through business retention, thereby enhancing the community's overall economic base.
- Making investments in infrastructure, such as new Harbor Patrol and Recreation and Community Services facilities and road improvements to support the local economy.

The City has experienced slight increases in many of its major revenue categories. Five of the City's largest revenue sources are property tax, sales tax, utility users' tax, motor vehicle in lieu tax, and transient occupancy tax. These major 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 16.6% of the tax rate from the County of Los Angeles - Auditor/Controller's Office.

Although property tax revenues and real estate sales continue to reflect a general malaise in the housing market, City property tax valuations, while slowing from prerecession levels, continue to be positive. With Redondo Beach being a desirable location, coupled with continued low mortgage interest rates, the FY 2010-2011 citywide assessed valuation increased \$212 million, or 1.79%, to \$12.04 billion. The City's assessed valuation is derived 79.5% from single-family residential properties, 8.4% from commercial properties, 3.6% from industrial properties, and the remaining 8.5% from vacant and institutional properties. During FY 2010-2011, property tax revenue increased 2.73%, or \$520,775, to \$19.58 million. Since the recession officially ended in June 2009, the pace of economic growth and the annual increase in property tax revenue appears to be recovering; however, the growth rates are still below those experienced before the recession due to a weak labor market, tightened credit conditions, and supply demand factors.

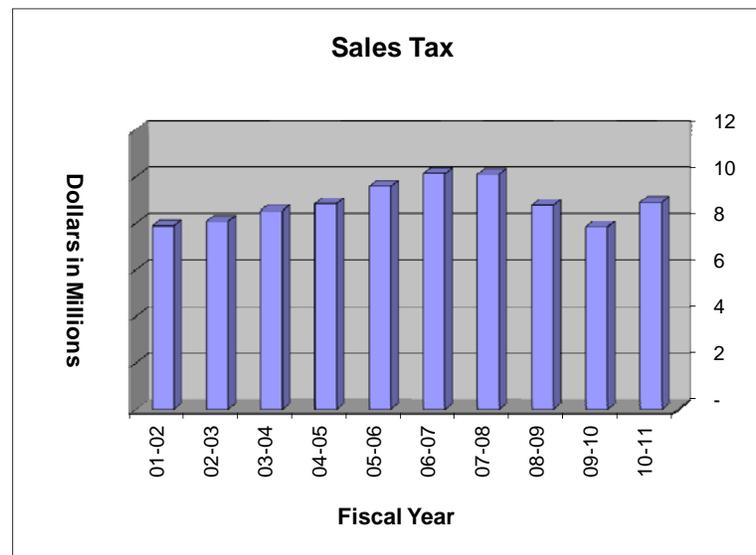


Sales Tax

The City's second largest revenue source is sales tax. Sales tax in Los Angeles County is 9.75% 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-seven percent of the City's FY 2010-2011 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".

From FY 2002-2003 through FY 2007-2008, local sales tax revenue had shown a consistent strengthening trend reflecting a booming economy that increased sales tax revenues 25.15% over the five-year period. However, with the onset of the 2008 recession and slow economic growth that followed, the City experienced a 22.37% decrease in sales tax revenue from FY 2008-2009 through FY 2009-2010. During FY 2010-2011, the City received \$8.90 million in sales tax revenue, reflecting a substantial increase of \$1.06 million, or 13.56%, from FY 2009-2010. This increase is comprised of three parts: \$458,663 due to same store sales, \$410,689 due to a substantial rise in "triple flip" backfill funds noted above, and \$193,620 due to retailers coming on line in the fiscal year. For this year, sales tax revenue consisted of \$6.75 million in local sales tax revenue and \$2.15 million in State "triple flip" funds. Stagnant population growth, local competition, persistently low consumer confidence, and continued high unemployment continue to threaten this key tax-based operating revenue.

The City is committed to re-establishing a strong local economy through both business retention and business expansion, thereby enhancing the community's overall economic base. Although sales related to current retail vendors are likely to remain flat or show slight increases as the pace of economic growth remains disappointingly slow, the City anticipates a slight increase in sales tax revenue in the coming years as Living Spaces, Nordstrom Rack, Panera Bread, Sprouts Market, Total Wine, Ulta Beauty, and an Islands restaurant add to the sales tax base. The City continues to closely monitor progress with respect to the streamlined sales tax project, designed to simplify and modernize sales and use tax collection and administration for both traditional "Main Street" and remote sellers for all types of commerce, with particular attention to internet sales transactions.

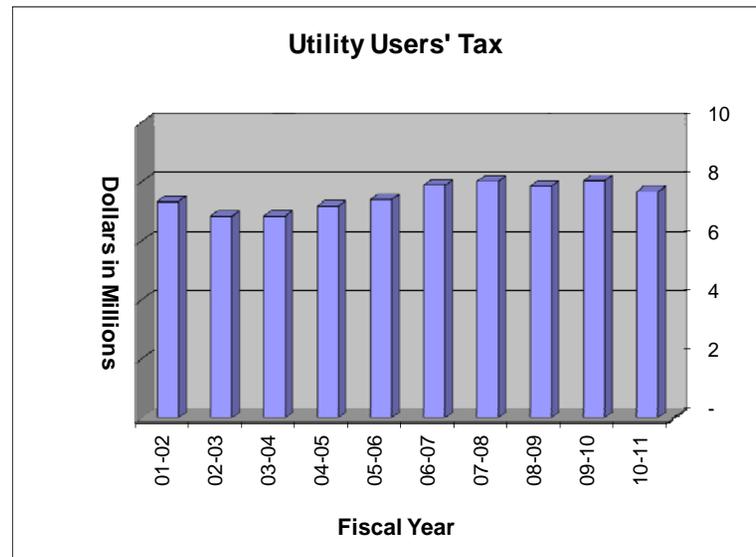


Utility Users' Tax

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 consists of approximately 38% telecommunications and 35% electricity. Each city sets its UUT rate, and Redondo Beach's is 4.75%.

The high level of UUT revenue for FY 2001-2002 when compared to FY 2002-2003 reflects the impact of the energy shortage in California and the corresponding dramatic short term increase in energy rates. UUT revenue was reduced in FY 2002-2003 due to utility rate reductions and State mandated energy rebates to consumers. Although there were increases in UUT telecommunications revenue in FY 2003-2004 due to the application of UUT to wireless communications services, these increases were offset by reductions in energy-related UUT sources, flattening the overall performance of UUT for FY 2003-2004. Redondo Beach's UUT rate of 4.75% has not increased since 1987; however, the booming economy during the period of FY 2005-2006 through FY 2007-2008 resulted in increased business activity that added to UUT growth. As the economy recessed in FY 2008-2009, so did UUT.

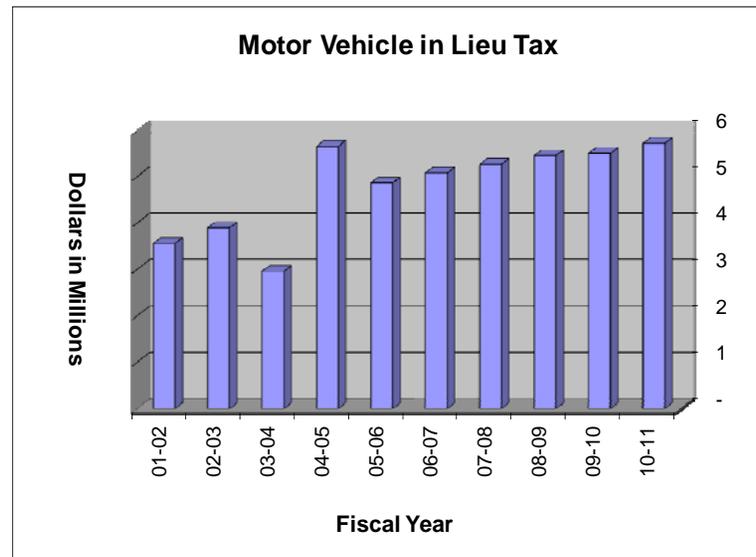
UUT revenue for FY 2010-2011 totaled \$7.67 million, reflecting a decrease from the prior year of \$376,077, or 4.68%, a result of reduced business activity caused by the recession and energy savings that decreased consumption. With 38%, or \$2.91 million of the City's UUT revenue derived from telecommunications services, the City successfully protected the long-term viability of telecommunications-based UUT revenue by placing a measure on the March 2009 ballot to modernize the City's UUT ordinance. This important ballot measure was strongly endorsed by the citizens, who passed it by 75%.



Motor Vehicle in Lieu Tax (previously Vehicle License Fees)

The City's fourth largest revenue source is motor vehicle in lieu tax (MVIL) and is imposed by the State on ownership of a registered vehicle for the privilege of operating the 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 (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. Therefore, the State backfills the additional 1.35% out of its General Fund in the form of property tax revenue. For each year the vehicle is owned, the assessed fee declines in accordance with a depreciation schedule reflecting the decreased value of the vehicle.

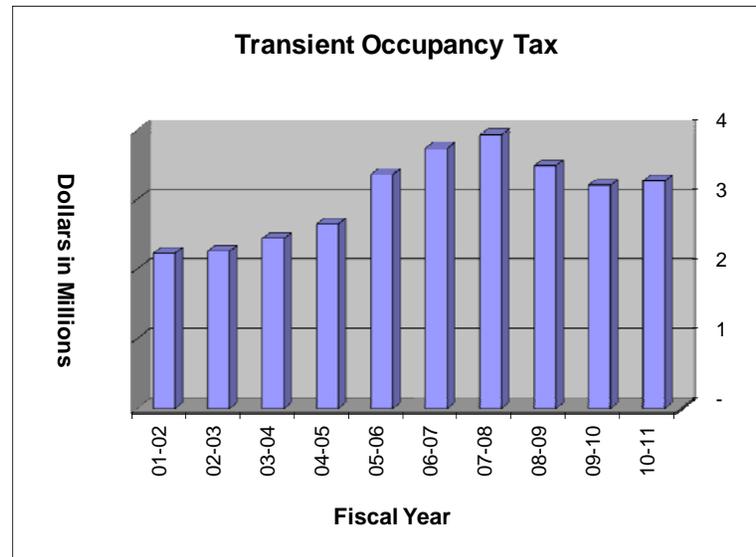
Since FY 2001-2002, the City experienced a steady increase in Vehicle Licenses Fee (VLF) until FY 2003-2004, when revenue decreased by \$937,000 as a result of State budgetary realignment reducing the VLF apportionment to a tax rate of 0.65%. In FY 2003-2004, the State Budget Act of 2004 substantially 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 was changed to Motor Vehicle in Lieu Tax. In FY 2004-2005, the MVIL revenue increased by \$2.7 million to \$5.7 million. This increase was attributed to the State's advance repayment of \$1.1 million in MVIL 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 MVIL revenue, primarily due to the growth in the property tax portion of the vehicle license fees. In FY 2010-2011, MVIL revenue totaled \$5.71 million, increasing \$209,300 from prior year. This increase comprises gains in property tax in lieu and VLF revenues of \$97,138 and \$112,162, respectively. The total MVIL revenue of \$5.71 million consists of \$5.40 million of additional property tax revenue and \$310,907 in VLF revenue.



Transient Occupancy Tax

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 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.

In FY 2001-2002, TOT revenue was less than normal due to the adverse impact of 9/11, causing it to decline 15.7% from prior fiscal year. From FY 2003-2004 through FY 2007-2008, TOT revenues more than recovered from the adverse impacts of 9/11, reflecting a booming economy that increased TOT revenues 61.2% over the five-year period. In 2008, Redondo Beach tourism demand did not escape the affect of the global recession. From FY 2007-2008 to FY 2009-2010, TOT revenues decreased 18.5%, or \$728,964. Although FY 2010-2011 occupancy rates remained flat when compared to prior year, TOT revenue slightly increased \$63,164 to \$3.27 million due to marginally higher room rates. The City anticipates occupancy and room rates to remain flat in the upcoming fiscal year with no significant impact to TOT revenues.



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 2010-2011 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. Maintenance and rehabilitation of the City’s capital assets is an ongoing effort, and we anticipate our long-range planning 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 2010-2011, the City spent \$668,500 on its multi-year residential street rehabilitation program. For FY 2011-2012, the City has budgeted \$750,000 to continue the residential resurfacing effort. In addition, the FY 2011-2012 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 2010-2011, the City spent \$960,000 resurfacing City arterials. For FY 2011-2012, the City budget includes over \$1.9 million for additional arterial resurfacing, \$90,000 for implementing traffic calming measures, and \$193,000 for sidewalk, curb and gutter improvements.
- ♦ *Esplanade Streetscape Improvements* – The City completed a signature streetscape improvement project along the Esplanade in FY 2010-2011. The \$2.8 million project included street resurfacing, new sidewalks and seat wall, landscaping, and new storm drains. The project was recognized by the American Public Works Association as a Project of the Year.

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 Task Force completed an extensive list of short and long-term action recommendations, with several items considered in the City’s Capital Improvement Program. The FY 2011-2012 budget includes \$35,000 to implement the last of the Task Force’s recommendations – the harbor trash skimmer project.
- ♦ *Alta Vista Diversion and Re-use* – During FY 2010-2011, the City completed construction on the Alta Vista Diversion and Re-use project. The \$2.2 million project is funded with Federal stimulus funds.
- ♦ *Storm Drain Line Replacement* – In FY 2010-2011, the City spent \$119,000 on storm drain improvements and replacements. The FY 2011-2012 budget includes \$200,000 for additional storm drain improvements.

Sewer Improvements

- ♦ *Sewer Line Replacement* - In FY 2010-2011, the City spent over \$750,000 on upgrades to the City’s sewer facilities system. The FY 2011-2012 budget includes \$4.6 million in continuing funding for sewer facility improvements.

Facility Improvements

- ♦ *North Branch Library* – Construction on the new \$4.5 million 12,600 square foot North Branch Library was completed in September. The environmentally friendly state-of-the art facility received a LEED Gold Certification from the U.S. Green Building Council.
- ♦ *City Facility Improvements* - In FY 2010-2011, the City completed several projects to improve City facilities. Improvements to the Aviation Gymnasium were completed at a cost of \$125,000 and a new fleet garage roof was installed at the public works yard at a cost of \$125,000. In addition, the Recreation and Community Services Department was relocated adjacent to the North Branch Library in a \$460,000 project.
- ♦ *Park Improvements* – In FY 2010-2011, the City completed approximately \$170,000 of improvements at Dale Page and Dominguez Parks. The FY2011-2012 budget includes \$344,000 for improvements in North Redondo Beach Parks including LaPaz Parkette and Perry Park.
- ♦ *Major Public Facilities* – Construction on the new Harbor Patrol Facility began in May. Other major facilities currently under design or out to bid include the new Transit Center and the Seaside Lagoon Restroom Facilities.

CASH MANAGEMENT POLICIES AND PRACTICES

Under the direction of the elected City Treasurer, cash temporarily idle during the year is invested in securities as specified in the City's investment policy. The Treasurer's cash management philosophy is to buy and hold both Federal Agency instruments and high-grade Corporate Medium-Term notes within a structured investment maturity ladder of one to five years. Complimenting these investment instruments, the Treasurer ensures sufficient investment portfolio liquidity by maintaining, on average, approximately 33% of the portfolio's assets in the state managed Local Agency Investment Fund (LAIF).

All investments comply with state law and the City's Statement of Investment Policy, which is reviewed and approved by the City Council and the Budget and Finance Commission on an annual basis. In addition, the City's Statement of Investment Policy was recertified for excellence by the Association of Public Treasurers of the United States and Canada (APT-US&C) in July 2011. This recertification insures that the investment policy is in full legal and reporting compliance.

The policy's established investment performance benchmark is the one-year moving average of the Constant Maturity Treasury (CMT) index. In the periodic purchase of investments, the rate of return provided by LAIF, and the yield on the U.S. Treasury Security of closest maturity to the purchased investment, also serve as investment performance indicators. The Treasurer is required to submit a quarterly investment report to the City Council and Budget and Finance Commission that provides a summary of the status of the current portfolio and material transactions.

In order to ensure liquidity within the investment portfolio, the City maintains \$21 million in LAIF, on average during a fiscal year. The yield provided by LAIF over the past year has decreased in line with the overall decline in interest rates available in the marketplace. Excess investment funds above the liquidity threshold are placed primarily in Federal Agency investments within the one-to-five-year investment maturity range. The continued reduction in market interest rates experienced during fiscal year 2010-2011 constrained investment opportunities that would have served to improve the overall investment yield on the portfolio. As of June 30, 2011, the City's idle funds were invested as follows:

Investment	Market Value*	% of Portfolio	Yield to Maturity
Federal Agency Issues - Coupon	\$ 20,011,350	31.7%	1.83%
LAIF	26,000,000	41.3%	0.39%
Corporate Medium-Term Notes	17,313,772	27.0%	4.23%
Total Investments/Averages	\$ 63,325,122	100.0%	1.88%
Average Term of Investments			1.74 years

*As required by GASB 31, the City recorded the unrealized gain on certain investments to account for the market value on June 30, 2011. The amount, \$315,463, represents 0.50% of the current market value of the investments within the City's investment portfolio – an insignificant unrealized increase in the City's overall level of financial resources. This unrealized gain in the value of investments results from structural improvements and lower interest rates within the financial marketplace over the past year impacting the market valuation of the City's Federal Agency and Corporate Medium Term Notes. The value of the City's fixed income investments have an inverse relationship to market interest rates, i.e., when market rates rise, investment valuations fall. As stated in the City's Investment Policy, the City utilizes a buy and hold investment strategy, whereby fixed income investments are held to maturity. This results in the return of the full value of the original investment, including associated interest, at the maturity date of the investment. Investment Portfolio value is enhanced by maintaining a well diversified mix of investments consisting of AAA rated Federal Agency Issues, AA rated Corporate Medium-Term Notes, liquid investments within the state's LAIF Investment pool, and participation, when qualified, in the California Statewide Communities Development Authority Tax and Revenue Anticipation Note (TRAN) financing program.

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 2010-2011, the self-insurance retention (SIR) is \$750,000 for workers' compensation and \$500,000 for liability. Excess coverage up to \$100,000,000 for each workers' compensation claim is provided by a third-party private insurer, and excess liability up to \$20,000,000 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 that a city is not yet aware of, 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, 2011, the City recorded the following:

Workers' Compensation Claim

Claims payable totaled \$11,803,030 representing an increase of \$916,451, or 8.42%, from the prior period. This increase is attributable to an increase in reserves based on future legislation or ballot initiatives that may change statutory benefit levels and the outcomes of future administrative proceedings and litigation.

Liability Claims

Claims payable totaled \$ 3,101,374 representing an increase of \$533,640, or 20.78%, from the prior period. This increase is attributable to higher reserves based on future legislation that may affect the tort liability system, and the outcomes of litigation and settlement negotiations primarily related to AES and the Police Department firing range.

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 fiscal year 2010-2011, reimbursement to EDD was \$74,160.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The City provides three 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). 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 2010-2011, the City contributed the employees' required contributions on their behalf and for their account.

After a number of years of rate volatility given a variety of causes, the CalPERS Board adopted a Rate Stabilization Plan in April, 2005. This Rate Stabilization Plan provides for a more manageable ability to fund pension obligations over short and long terms. The Rate Stabilization Plan features an asset smoothing method, an amortization period for gains and losses, and a minimum contribution when the Plan has a surplus. The Rate Stabilization Plan resulted in a reduction in the City's PERS employer contribution rates, after a number of years with significant increases. The rate for safety employees in fiscal year 2010-2011 was 32.713%, up from 32.091% in 2009-2010, with the miscellaneous employees' rate increasing from 11.671% to 11.804%. Rates are projected to increase from 2010-2011 levels for the 2011-2012 fiscal year to 38.386% for safety employees and 14.080% for miscellaneous employees.

The total contribution paid by the City toward pension benefits was \$9.65 million, which includes the employer and employer-paid member contributions, along with prior-period adjustments determined by CalPERS. Approximately 81.5%, or \$7.78 million, was charged to the General Fund. The anticipated total contribution, excluding prior-period CalPERS adjustments, for fiscal year 2011-2012 is estimated to be approximately \$11.7 million, and is expected to significantly increase in fiscal year 2012-2013.

Aside from contributing to CalPERS, the City also contributes to Social Security. The fiscal year 2010-2011 total cost for Social Security and Medicare coverage was \$1.59 million, of which \$991,943, or 62.45%, is from the General Fund. Safety employees do not participate in Social Security and Medicare, except for those employees hired after 1986, which 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 fiscal year 2010-2011, the City contributed \$1,427,060 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, 2011, the City was providing benefits to 106 participants.

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, 2010. 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 2010-2011, 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 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, Caporicci & Larson Certified Public Accountants, a subsidiary of Marcum LLP, 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,



WILLIAM P. WORKMAN
City Manager



DIANA MORENO
Financial Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Redondo
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

CITY OF REDONDO BEACH

MAYOR AND CITY COUNCIL



Michael A. Gin
Mayor



Steve Aspel
Councilmember
District 1



Bill Brand
Councilmember
District 2



Pat Aust
Councilmember
District 3



Steven Diels
Councilmember
District 4



Matt Kilroy
Councilmember
District 5

CITY OFFICIALS

William P. Workman
City Manager

Peter Grant
Assistant City Manager



Michael Webb
City Attorney



Eleanor Manzano
City Clerk



Ernie O'Dell
City Treasurer

Maggie Healy
Director of Recreation & Community Services

Daniel P. Madrigal
Fire Chief

Steve Huang
City Engineer/Chief Building Official

Pete Carmichael
Harbor, Business and Transit Director

Chris Benson
Information Technology Director

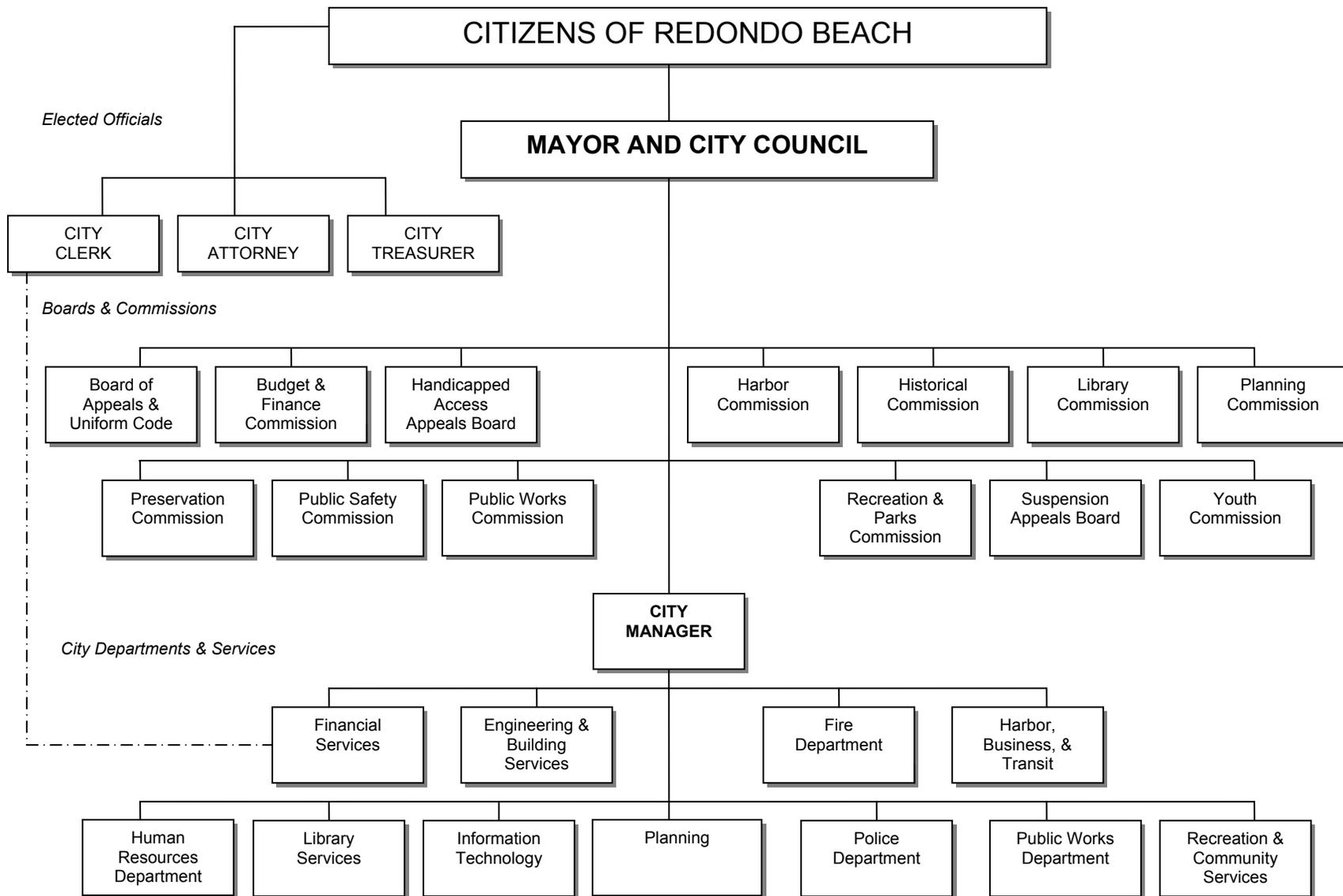
Aaron Jones
Planning Director

W. Joseph Leonardi
Chief of Police

Jean Scully
Director of Library Services

Michael Witzansky
Public Works Director

Diana Moreno
Financial Services Director



ORGANIZATIONAL CHART
FY 2010-2011

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained further in Note 18, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation.

As described in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

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

As described in Note 17 to the financial statements, the City has restated its Transit Fund in the Government-Wide Financial Statements and the Fund Financial Statements in the previous year. Accordingly, the City has restated its net assets at July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules, and schedules of funding progress 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 express no opinion on them.



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
December 21, 2011

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, 2011. 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 Assets - Assets of the City exceeded its liabilities at fiscal year ending June 30, 2011 by \$220.0 million - assets for governmental activities exceeded liabilities by \$157.7 million and assets for business-type activities exceeded liabilities by \$62.3 million.

Changes in Net Assets - The City's net assets increased \$4.8 million in fiscal year 2010-2011. Net assets of governmental activities increased \$5.6 million, while net assets of business-type activities decreased \$868,883.

- ♦ *Fund Highlights*

Governmental Funds - At the close of fiscal year 2010-2011, the City's total governmental funds reported a fund balance of \$31.0 million, an increase of \$1.8 million from the prior year. Highlighted below are this year's six major funds included in this grouping.

General Fund - The fund balance of the General fund (includes Special Revenue – PERS Reserve Fund of \$4.0 million) on June 30, 2011 was \$13.7 million, an increase of \$3.8 million from the prior year.

Special Revenue – Other Intergovernmental Grants Fund - The fund balance of the Special Revenue – Other Intergovernmental Grants fund on June 30, 2011 was a negative \$3.0 million, increasing the negative fund balance by \$683,332 when compared to prior year.

Special Revenue – Redevelopment Agency Fund – The fund balance of the Special Revenue – Redevelopment Agency Fund on June 30, 2011 was \$2.9 million, a decrease of \$10.4 million from the prior year.

Special Revenue – Affordable Housing Fund – The fund balance of the Special Revenue – Affordable Housing Fund on June 30, 2011 was \$10.4 million. This fund was created during fiscal year 2010-2011 and, therefore, does not have a prior year fund balance.

Capital Projects – Capital Improvement Projects Fund - The fund balance of the Capital Projects – Capital Improvement Projects Fund on June 30, 2011, was \$4.7 million, a decrease of \$1.6 million from the prior year.

Debt Service – Public Financing Authority Fund - The fund balance of the Debt Service – Public Financing Authority Fund on June 30, 2011, was \$8.1 million, a decrease of \$291,083 from the prior year.

Debt Service - Redevelopment Agency Fund - The fund balance of the Debt Service - Redevelopment Agency Fund on June 30, 2011, was a negative \$15.0 million, decreasing the negative fund balance by \$740,493 when compared to 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 Assets*

The Statement of Net Assets presents summarized information of all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City 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 Assets*

The Statement of Activities and Changes in Net Assets presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 new this year - 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), the Redevelopment Agency of the City of Redondo Beach (RDA), 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 26 governmental funds, of which seven 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 seven major funds are: General Fund, Special Revenue – Other Intergovernmental Grants Fund, Special Revenue – Redevelopment Agency Fund, Special Revenue – Affordable Housing Fund, Capital Projects – Capital Improvement Projects Fund, Debt Service - Public Financing Authority Fund, and Debt Service - Redevelopment Agency 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, graphics and printing, 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 Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
Current and Other Assets	\$ 63,939,007	\$ 63,085,693	\$ 36,203,044	\$ 35,999,882	\$ 100,142,051	\$ 99,085,575
Capital Assets, net depre	141,193,839	136,160,683 *	40,272,197	41,309,463 *	181,466,036	177,470,146
Total assets	205,132,846	199,246,376	76,475,241	77,309,345	281,608,087	276,555,721
Long-Term Liabilities						
Outstanding	40,640,634	38,765,368	12,421,556	12,890,738	53,062,190	51,656,106
Other Liabilities	6,738,720	8,354,326	1,782,357	1,215,666	8,521,077	9,569,992
Total Liabilities	47,379,354	47,119,694	14,203,913	14,106,404	61,583,267	61,226,098
Investments in Capital Assets						
Net of Related Debt	140,306,635	136,139,997 *	34,790,325	37,589,322 *	175,096,960	173,729,319
Restricted	29,890,049	16,803,437	-	-	29,890,049	16,803,437
Unrestricted	(12,443,192)	(816,752)	27,481,003	25,550,889	15,037,811	24,734,137
Total Net Assets, as Restated	\$ 157,753,492	\$ 152,126,682	\$ 62,271,328	\$ 63,140,211	\$ 220,024,820	\$ 215,266,893

Total Assets:

Current and Other Assets include: Cash and Investments; Accounts Receivable and Receivables for Taxes, Interest, and Loans; Prepaid costs;

Unamortized debt issuance costs; Deposits; Due from other governments; and Restricted assets of Cash with fiscal agent; and Internal Balances (Due to/from and Advances between the business activities and governmental activities).

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

Total Liabilities:

Long-Term Liabilities 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; Due to other governments.

* NOTE: Balances were adjusted to reflect reclassification of the Transit Fund from Governmental Activities to Business-Type Activities.

Net Assets

The chart above reflects the City's combined net assets (governmental and business-type activities) of \$220.0 million at the close of fiscal year ending June 30, 2011.

The largest portion of the City's total net assets (79.6%) 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 assets (20.4%) represent resources that are either unrestricted or subject to external restrictions (e.g., certain capital projects, community development, debt services).

Changes in Net Assets

Also noted in the chart above, the City's fiscal year 2010-2011 total net assets increased by \$4.8 million, or 2.2%, from the prior year. The governmental activities net assets increased \$5.6 million, or 3.7%, while the business-type activities net assets decreased \$868,883, or 1.4%.

The increase in net assets of governmental activities of \$5.6 million was due to an increase in total assets of \$5.9 million offset by a slight increase in liabilities of \$259,660. Within total assets, the increase in capital assets, net of accumulated depreciation, was primarily attributable to the completion of the North Branch Library, Fleet Garage Roof Replacement, and Aviation Gym Equipment Replacement, all of which are new capital assets with essentially no depreciation. These capital asset additions also resulted in a corresponding increase in Investments in Capital Assets, Net of Related Debt. Other liabilities, specifically accounts payable, decreased mainly due to the timing of payments to vendors. Long-term liabilities, specifically claims and judgments payable, increased due to higher reserves related to workers' compensation and general liability claims. Increases in workers' compensation claims are attributable to an increase in reserves based on future legislation or ballot initiatives that may change statutory benefit levels and the outcomes of future administrative proceedings and litigation. 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 and settlement negotiations primarily related to AES and the Police Department firing range. The substantial increase in restricted, and corresponding decrease in unrestricted, is due to the implementation of Governmental Accounting Standards Board (GASB) Statement 54. GASB 54 requires the portion of fund balance classified as restricted in the fund financial statements be classified as restricted net assets in the government-wide statements.

Business-type activities showed a 1.4% decrease in net assets primarily due to the reclassification of transit operations from a governmental activity to a business-type activity to better account for services which are operated in a manner similar to a private business. In fiscal year 2010-2011, \$2.0 million of bond proceeds was withdrawn from the original bond amount and reimbursed to the City for capital invested in wastewater infrastructure in prior years. When bond proceeds are withdrawn, debt is then tied to the infrastructure reducing investments in capital assets net of related debt. Conversely, cash is increased with the draw down, but this cash at year-end is considered unrestricted.

City of Redondo Beach's Changes in Net Assets
Fiscal Year Ended June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		Total	
	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
Revenues:						
Program revenues:						
Charges for services	\$ 17,075,115	\$ 16,592,335	\$ 15,565,861	\$ 15,138,056	\$ 32,640,976	\$ 31,730,391
Operating grants and contributions	8,928,050	8,715,661	1,231,111	17,769	10,159,161	8,733,430
Capital grants and contributions	6,976,620	6,605,139	-	-	6,976,620	6,605,139
Total program revenues	<u>32,979,785</u>	<u>31,913,135</u>	<u>16,796,972</u>	<u>15,155,825</u>	<u>49,776,757</u>	<u>47,068,960</u>
General revenues:						
Property taxes	28,320,076	29,598,821	-	-	28,320,076	29,598,821
Sales taxes	8,902,151	7,839,179	-	-	8,902,151	7,839,179
Utilities users taxes	7,667,130	8,043,207	-	-	7,667,130	8,043,207
Motor vehicle license	310,907	198,745	-	-	310,907	198,745
Transient occupancy taxes	3,267,209	3,204,045	-	-	3,267,209	3,204,045
Franchise taxes	1,816,314	1,673,632	-	-	1,816,314	1,673,632
Business license taxes	1,240,024	1,256,462	-	-	1,240,024	1,256,462
Use of money and property ¹	3,585,902	5,118,217	408,915	801,184	3,994,817	5,919,401
Other revenues	1,601,333	1,089,627	307,915	176,052	1,909,248	1,265,679
Gain (loss) on sale of capital asset	54,076	26,396	-	(16,398)	54,076	9,998
Total general revenues	<u>56,765,122</u>	<u>58,048,331</u>	<u>716,830</u>	<u>960,838</u>	<u>57,481,952</u>	<u>59,009,169</u>
Total revenue	<u>89,744,907</u>	<u>89,961,466</u>	<u>17,513,802</u>	<u>16,116,663</u>	<u>107,258,709</u>	<u>106,078,129</u>
Expenses:						
General government	7,951,800	7,618,055	-	-	7,951,800	7,618,055
Public safety	41,849,863	40,737,832	-	-	41,849,863	40,737,832
Public works	12,381,276	17,980,811	-	-	12,381,276	17,980,811
Cultural and leisure services	7,002,619	6,543,884	-	-	7,002,619	6,543,884
Housing and community development	13,159,622	16,227,602	-	-	13,159,622	16,227,602
Interest on long-term debt	1,014,572	1,077,588	-	-	1,014,572	1,077,588
Harbor Tidelands	-	-	5,415,810	5,372,721	5,415,810	5,372,721
Harbor Uplands	-	-	4,571,399	4,441,227	4,571,399	4,441,227
Wastewater	-	-	2,476,972	3,364,549	2,476,972	3,364,549
Solid Waste	-	-	3,574,516	2,207,319	3,574,516	2,207,319
Transit	-	-	3,102,333	-	3,102,333	-
Total expenses	<u>83,359,752</u>	<u>90,185,772</u>	<u>19,141,030</u>	<u>15,385,816</u>	<u>102,500,782</u>	<u>105,571,588</u>
Change in net assets before transfers	<u>6,385,155</u>	<u>(224,306)</u>	<u>(1,627,228)</u>	<u>730,847</u>	<u>4,757,927</u>	<u>506,541</u>
Transfers	(758,345)	79,000	758,345	(79,000)	-	-
Change in net assets	5,626,810	(145,306)	(868,883)	651,847	4,757,927	506,541
Net assets, beginning of year as restated	<u>152,126,682</u>	<u>153,875,358</u>	<u>63,140,211</u>	<u>60,884,994</u>	<u>215,266,893</u>	<u>214,760,352</u>
Net assets, end of year	<u>\$ 157,753,492</u>	<u>\$ 153,730,052</u>	<u>\$ 62,271,328</u>	<u>\$ 61,536,841</u>	<u>\$ 220,024,820</u>	<u>\$ 215,266,893</u>

¹ Includes investment earnings

Levels of revenues and expenditures also impact current assets and other liabilities and, therefore, cause changes in net assets. As reflected above, total revenues increased in fiscal year 2010-2011 by \$1.2 million, or 1.1%. Increases in revenue are reflected mainly in:

- charges for services due to a \$1.3 million reclassification of parking citation revenue from use of money and property, growth in parking meter fees, and higher enrollment in recreation and community services programs;
- operating grants and contributions due to the receipt of two ARRA grants reimbursing the City for the following two projects: Inglewood Avenue Resurfacing and Prospect Avenue Resurfacing; and
- sales tax due to three components: \$458,663 due to same store sales, \$410,689 due to a substantial rise in “triple flip” backfill funds noted above, and \$193,620 due to retailers coming on line in the fiscal year.

These increases were offset by decreases in property tax, UUT, and use of money and property. The substantial decrease in property tax is due to taxpayer refunds in the South Bay Center and Aviation High School Redevelopment project areas and a reduction in property transfer tax. UUT decreased due to reduced business activity caused by the prior recession and energy savings that decreased consumption. The substantial decrease in use of money and property is due to the reclassification of \$1.3 million in parking citations to charges for services mentioned above.

Citywide total expenses decreased \$3.1 million, or 2.9%, when compared to fiscal year 2009-2010. The substantial decrease in public works is due to the completion of the North Branch Library, Fleet Garage Roof Replacement, and Aviation Gym Equipment Replacement projects. The decrease in housing and community development is due to the reclassification of transit operations from a governmental activity to a business-type activity. This decrease is offset by the \$3.1 million increase in Transit below. Offsetting these decreases are increases in general government, public safety, and cultural and leisure services expenses. 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 workers’ compensation and general liability claims. Increases in workers’ compensation claims are attributable to an increase in reserves based on future legislation or ballot initiatives that may change statutory benefit levels and the outcomes of future administrative proceedings and litigation. 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 and settlement negotiations primarily related to AES and the Police Department firing range.

Transfers into the business-type activities from the governmental activities are mostly comprised of an \$837,345 transfer from the Proposition A Fund to the Transit Fund to cover transit expenditures, offset by a \$79,000 transfer from the Harbor Tidelands Fund to the General Fund for payment of the property tax in lieu fee.

Governmental Activities

As reflected in the Changes in Net Assets schedule above, the total governmental activity expenses were \$83.4 million in fiscal year 2010-2011; and total revenues from governmental activities were \$89.7 million, of which 36.7% were derived from program revenues consisting of charges for services and grants.

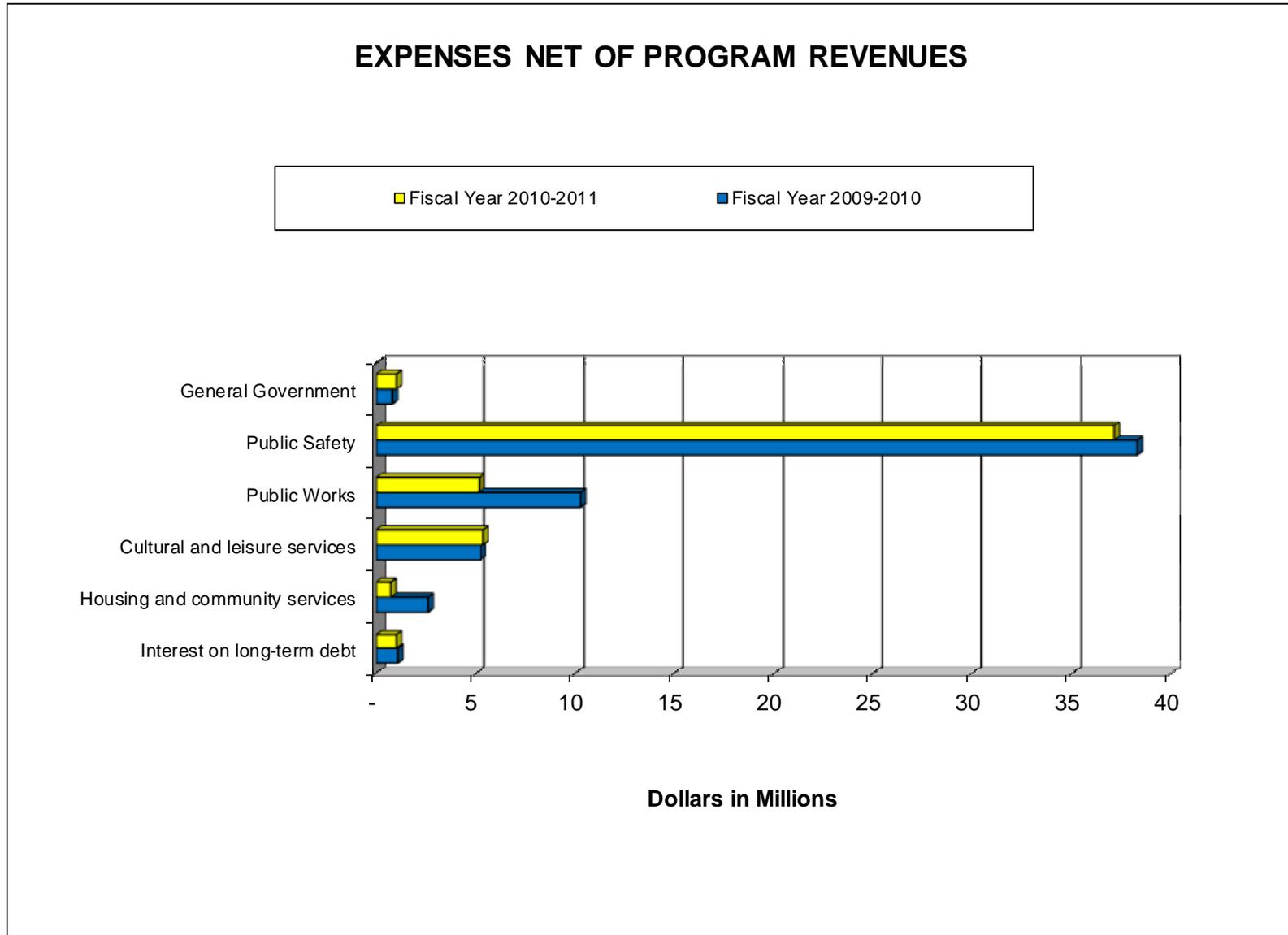
On the following chart, the governmental activity expenses net of program revenues, decreased \$7.9 million, or 13.5%, in fiscal year 2010-2011. Net expenses related to public safety decreased due reduced personnel expenses and the reclassification of parking citation revenue, although the decrease was moderated by an increase in the allocation of escalations in workers' compensation and general liability claims. Public works net expenses decreased considerably due to the substantial completion of, and therefore reduced construction expenses related to, the North Branch Library, Council Chambers Audio/Video Upgrade, Franklin and Anderson Park projects, combined with reductions in personnel expenses. The decrease in housing and community development net expenses are primarily due to the reclassification of transit operations from a governmental activity to a business-type activity to better account for services which are operated in a manner similar to a private business. Interest on long-term debt decreased due to the FY 09-10 termination of the Public Financing Authority's loan with South Bay Bank. The loan was then refinanced with the City and is reflected as a long-term advance.

Offsetting the above decreases are modest increases in general government and cultural and leisure services expenses. 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 more than offsetting rises in workers' compensation and general liability claims.

Governmental Activities:	Impact to Net Assets		Percent Increase (Decrease)
	2010-2011	2009-2010	
<i>Expenses Net of Program Revenues*</i>			
General government	\$ (1,010,323)	\$ (813,713)	24.2%
Public safety	(37,072,886)	(38,289,774)	(3.2%)
Public works	(5,154,946)	(10,254,869)	(49.7%)
Cultural and leisure services	(5,393,751)	(5,247,332)	2.8%
Housing and community development	(733,489)	(2,589,361)	(71.7%)
Interest on long-term debt	(1,014,572)	(1,077,588)	(5.8%)
Total Governmental Activity Expenses			
Net of Program Revenues	<u>\$ (50,379,967)</u>	<u>\$ (58,272,637)</u>	(13.5%)

*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.



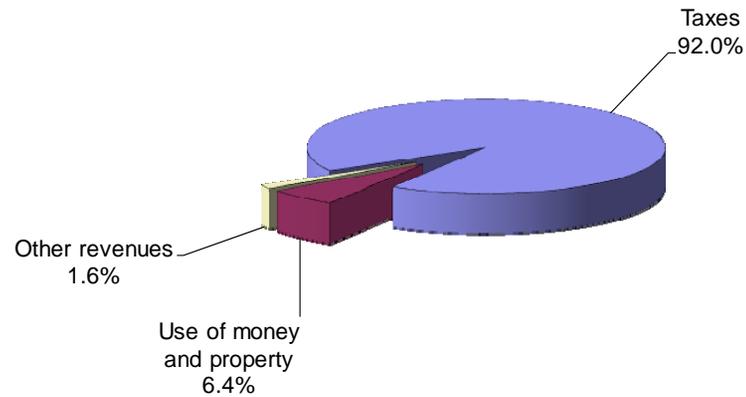
General Revenues Related to Governmental Activities

<u>General Revenues</u>	<u>2010-2011</u>	<u>2009-2010</u>
Taxes	\$ 51,523,811	\$ 51,825,291
Use of money and property ¹	3,585,902	5,118,217
Other revenues ²	897,064	1,183,823
Total General Revenues	<u>\$ 56,006,777</u>	<u>\$ 58,127,331</u>

¹ Includes investment earnings
² Includes gain (loss) on sale of assets and transfers

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. Total general 28.9% over the prior year. The largest decrease was experienced in use of money and property, primarily resulting from the reclassification of \$1.3 million in parking citations to charges for services. This reclassification is also the reason for the substantial drop in total general revenues.

GENERAL REVENUES



Business-Type Activities

The City has five business-type activities: Harbor Tidelands, Harbor Uplands, Solid Waste, Wastewater, and new this year - Transit. Transit, formerly a special revenue fund, was reclassified as a business-type activity during fiscal year 2010-2011 to better account for services which are operated in a manner similar to a private business. The total net assets of the business-type activities decreased by \$868,883 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 2010-2011, the total net assets of the Harbor Tidelands increased \$289,631 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 2010-2011, the total net assets of Harbor Uplands decreased by \$835,837 from prior year. The major causes for the decrease were due to reductions in harbor rentals, lower investment earnings, and Pier Parking Structure repairs.

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. The total net assets of Wastewater increased \$59,193 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. The total net assets of Solid Waste increased \$133,801 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 2010-2011, the total net assets of Transit decreased \$515,671 from prior year. NOTE: The first year a fund moves from a non-enterprise to an enterprise fund requires a one-time recognition of prior years depreciation expense. For Transit, this amount was \$1.1 million. If this adjustment were not required, total net assets of transit would have decreased only \$272,440.

INTERNAL SERVICE FUNDS

The City has seven internal service funds, as well as overhead. The internal service funds are: Vehicle Replacement, Building Occupancy, Information Technology, Self-Insurance Program, Printing and Graphics, 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.

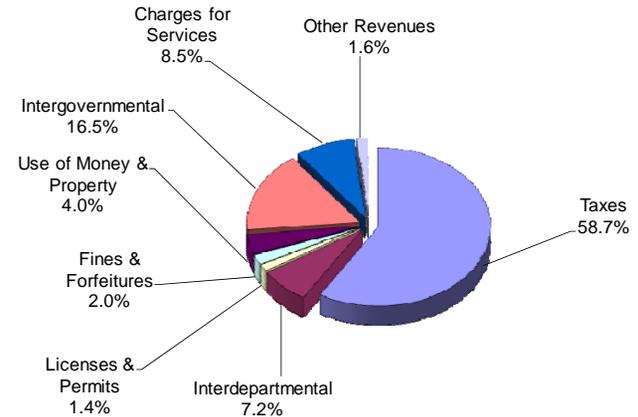
Governmental Funds

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, 2011, 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.

**GOVERNMENTAL FUNDS
SOURCE OF REVENUE
FISCAL YEAR 2010-2011**

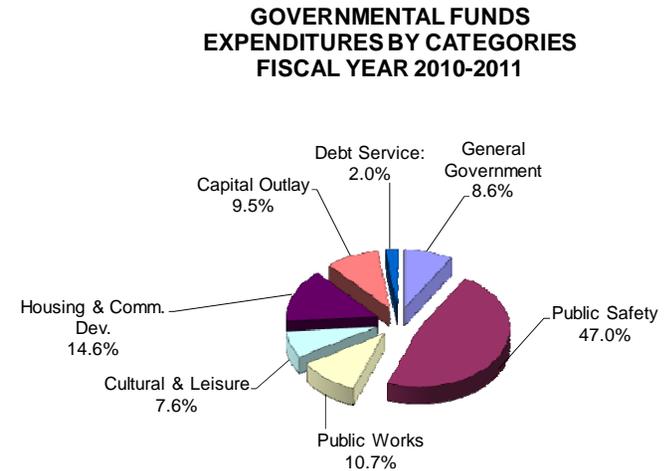
Source of Revenue	Amount FY 10-11	Percent of Total	Increase (Decrease) FY 09-10	Percent Increase (Decrease)
Taxes	\$ 51,768,825	58.7%	\$ 1,822,326	3.6%
Interdepartmental	6,383,731	7.2%	(297,546)	(4.5%)
Licenses & permits	1,248,916	1.4%	318,393	34.2%
Fines & forfeitures	1,785,067	2.0%	(90,220)	(4.8%)
Use of money & property	3,512,619	4.0%	(1,417,226)	(28.7%)
Intergovernmental	14,545,341	16.5%	(1,074,649)	(6.9%)
Charges for services	7,485,670	8.5%	206,506	2.8%
Other revenues	1,447,680	1.6%	447,764	44.8%
Total	\$ 88,177,849	100.0%	\$ (84,652)	(0.1%)



Total governmental fund revenues decreased \$84,652, or 0.1%, from fiscal year 2009-2010. The largest source of revenue was taxes, which increased \$1.8 million, or 3.6%, which was primarily due to increases in property tax, sales tax, and motor vehicle in lieu tax resulting from greater assessed values and growth in same store sales. Interdepartmental decreased \$297,546, or 4.5%, due to reductions in personnel costs. Licenses and permits revenue substantially increased \$318,393, or 34.2%, due entirely to increases in building, electric, plumbing, mechanical, and street and curb permit fees. Fines and forfeitures decreased \$90,220, or 4.8%, due primarily to reductions in parking citations and vehicle code fines. Use of money and property revenue substantially decreased \$1,417,226, or 28.7%, due to declines in investment earnings and rents and percentages. Intergovernmental decreased \$1.1 million, or 6.9%, due to the reclassification of Transit operations from a governmental fund to an enterprise fund. Charges for services increased \$206,506, or 2.8%, due to increases in parking meter fees and plan check fees. Other revenues increased \$447,764, or 44.8%, due primarily to a contribution from the Redondo Beach Library Foundation towards the construction of the North Branch Library.

The following schedule is a summary of governmental fund expenditures by function for fiscal year ended June 30, 2011, 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.

Expenditures	Amount FY 10-11	Percent Total	Increase (Decrease) FY 09-10	Percent Increase (Decrease)
Current:				
General government	\$ 7,582,969	8.6%	\$ (318,389)	(4.0%)
Public safety	41,450,374	47.0%	(514,260)	(1.2%)
Public works	9,450,771	10.7%	613,071	6.9%
Cultural and leisure services	6,671,934	7.6%	(755,489)	(10.2%)
Housing and community development	12,882,944	14.6%	(3,509,497)	(21.4%)
Capital outlay	8,384,700	9.5%	(3,177,915)	(27.5%)
Debt service	1,795,378	2.0%	(1,765,717)	(49.6%)
Total	\$ 88,219,070	100.0%	\$ (9,428,196)	(9.7%)



Total governmental fund expenditures decreased \$9.4 million, or 9.7%, from fiscal year 2009-2010. As mentioned earlier, the variances are attributable to:

- General government decreased by \$318,389, or 4.0%, and Public safety decreased by \$514,260, or 1.2%, and due to reduced personnel costs resulting from a citywide hiring freeze, employee concessions, and elimination of funding for selected filled and vacant positions.
- Cultural and leisure services decreased by \$755,489, or 10.2%, due to reduced personnel costs, as well as reduced building occupancy costs resulting from the closure of the Franklin Center Playhouse and dance rooms.
- Housing and community development decreased by \$3.5 million, or 21.4%, due to the reclassification of transit operations from a governmental fund to an enterprise fund.
- Capital outlay expenditures substantially decreased by \$3.2 million, or 27.5%, primarily due to substantial completion of and, therefore, reduced construction expenses related to the North Branch Library, Council Chambers Audio/Video Upgrade, Franklin and Anderson Park projects, and the reclassification of transit operations from a governmental fund to an enterprise fund.
- Debt service expenditures decreased by \$1.8 million, or 49.6%. The substantial decrease is due to the fiscal year 2009-2010 termination of the Public Financing Authority's loan with South Bay Bank. The loan was then refinanced with the City and is reflected as a long-term advance.

The seven major funds are Special Revenue – Other Intergovernmental Grants Fund, Special Revenue – Redevelopment Agency Fund, Special Revenue – Affordable Housing Fund, Capital Projects – Capital Improvement Projects Fund, Debt Service - Public Financing Authority Fund, Debt Service - Redevelopment Agency Fund, and General Fund.

Special Revenue – Other Intergovernmental Grants Fund - The fund balance of the Special Revenue – Other Intergovernmental Grants fund on June 30, 2011 was a negative \$3.0 million, increasing the negative fund balance by \$683,332 when compared to prior year. The increase in negative fund balance is due to an increase in capital outlay related to ARRA funded street improvement projects, such as the LED Streetlight Replacement Project and the Esplanade Streetscapes Project, for which we have not yet been reimbursed.

Special Revenue – Redevelopment Agency Fund – The fund balance of the Special Revenue – Redevelopment Agency Fund on June 30, 2011 was \$2.9 million, a decrease of \$10.4 million from the prior year. The decrease is due to a transfer of Low and Moderate Income Housing Funds to the Special Revenue – Affordable Housing Fund. The primary purpose of the transfer is to allow the Redevelopment Agency to fulfill affordable housing obligations imposed by the Community Redevelopment Law of California (CRL).

Special Revenue – Affordable Housing Fund – The fund balance of the Special Revenue – Affordable Housing Fund on June 30, 2011 was \$10.4 million, and does not have a prior year fund balance. This fund was created during fiscal year 2010-2011 through the transfer of Low and Moderate Income Housing Funds to allow the Redevelopment Agency to fulfill affordable housing obligations imposed by the Community Redevelopment Law of California (CRL).

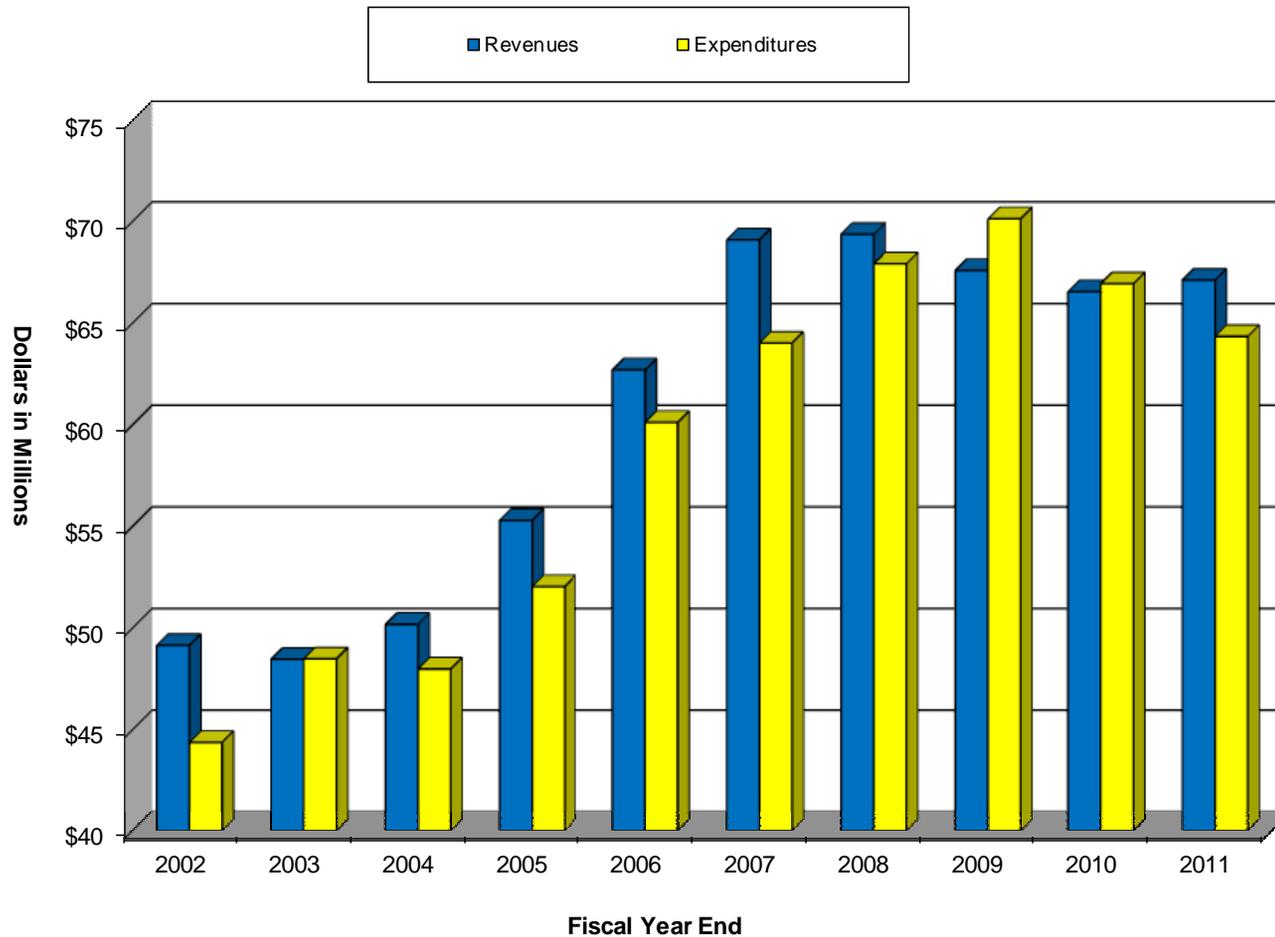
Capital Projects – Capital Improvement Projects Fund - The fund balance of the Capital Projects – Capital Improvement Projects Fund on June 30, 2011, was \$4.7 million, a decrease of \$1.6 million from the prior year. Although expenses decreased in fiscal year 2010-2011 due to substantial completion of North Branch Library, Council Chambers Audio/Video Upgrade, Franklin and Anderson Park projects, the fund balance decreased \$1.6 million. The reason for this is the ending balance of fiscal year 2009-2010 and, therefore, the beginning balance in fiscal year 2010-2011 was lower than the prior year, while revenues remained flat.

Debt Service – Public Financing Authority Fund - The fund balance of the Debt Service – Public Financing Authority Fund on June 30, 2011, was \$8.1 million, a decrease of \$291,083 from the prior year. The decrease is primarily due to lower investment earnings and a reduction in rents and percentages.

Debt Service - Redevelopment Agency Fund - The fund balance of the Debt Service - Redevelopment Agency Fund on June 30, 2011, was a negative \$15.0 million, decreasing the negative fund balance by \$740,493 when compared to prior year. The decrease in negative fund balance is due to a one-time balloon payment in fiscal year 2009-2010 to the State's Supplemental Educational Revenue Augmentation Fund (SERAF) as required by Assembly Trailer Bill ABX4 26. Redondo Beach's Redevelopment Agency's required payments were \$1.4 million in fiscal year 2009-2010 and \$288,991 in fiscal year 2010-2011.

General Fund - The following graph illustrates the ten-year trend of General Fund revenues and expenditures. Interfund transfers have been excluded from this graphic presentation. The discussion which follows focuses on changes from fiscal year 2009-2010 to fiscal year 2010-2011.

**REVENUES VS. EXPENDITURES
General Fund – Last Ten Years**



Impacts of both increases and decreases to General Fund revenues resulted in a net increase of \$565,594, or 0.8%, from fiscal year 2009-2010. The majority of the increase in revenue was due to growth in taxes, specifically property tax, sales tax, and motor vehicle in lieu tax resulting from greater assessed values and increases in same store sales. The increase in these revenues was slightly offset by a decrease in revenues related to lower investment earnings.

General Fund expenditures decreased by \$2.6 million, or 3.9%. As mentioned earlier, decreases were due primarily to reduced personnel costs resulting from a citywide hiring freeze, employee concessions, and elimination of funding for selected filled and vacant positions.

General Fund Balance

The fund balance of the General Fund, which includes net transfers in of \$989,167, as of June 30, 2011 was \$13.7 million (includes Special Revenue – PERS Reserve Fund of \$4.0 million), an increase of \$3.8, when compared to the prior year. The City Council approved the constraints of the General Fund balance reflected below.

GENERAL FUND CONSTRAINTS

	<u>FY 08-09</u>	<u>FY 09-10</u>	<u>FY 10-11</u>
General Fund Contingency	\$ 5,673,587	\$ 5,570,473	\$ 5,595,596
Compensated Absences	1,004,104	972,424	1,088,635
Carryover Designations	814,129	990,746	1,283,994
Encumbrances	517,416	431,762	428,183
Legal Fees	-	313,000	313,000
Self-Insurance Program Fund Allocation	1,010,000	-	350,000
Health Ins Premium Increases	180,000	160,000	65,000
MUNIS Upgrades	-	-	50,000
Future Years' Appropriations	653,982	-	-
AB1805 - Booking Fees Paid to Sheriff	-	5,000	-
PERS	-	1,333,167	4,007,236
Unassigned Balance	37,327	21,644	25,258

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 2010-2011 budget totaled \$67.8 million, including net amendments of \$924,293 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:

- Appropriation of \$88,082 for the Police Officers Association wage and benefit concessions.
- Reduced appropriation of \$6,240 in regards to the Alta Vista tennis court resurfacing.
- Appropriation of \$380,000 for employee concession restoration.
- Appropriation of \$186,750 for employee recognition rewards.
- Funding of prior-year encumbrances of \$413,313.
- Funding of carry-over appropriations of \$1,308,746.
- Reduced mid-year appropriations by \$1,464,358.

Budget amendments were funded from/credited to available fund balance. During the year, however, revenues exceeded budgetary estimates by approximately \$1.0 million and expenditures were \$3.0 million less than budgetary estimates, primarily due to 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, 2011, net capital assets of the governmental and business-type activities totaled \$141.2 million and \$40.3 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, 2010 the City's street system was rated at a PQI of 85.

The City's budget for street maintenance for the fiscal year ended June 30, 2011 was \$9.3 million. Actual expenditures were \$5.3 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 expenditure required to maintain and improve the overall condition of the streets from July 1, 2011 through June 30, 2013 is a minimum of \$5.2 million.

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

Description	Original Cost	Accumulated Depreciation	Book Value
Capital Assets - Governmental Activities			
Land	\$ 16,522,947	\$ -	\$ 16,522,947
Buildings and Improvements	43,430,667	(14,879,753)	28,550,914
Equipment, Vehicles, Machinery	19,203,480	(13,014,712)	6,188,769
Work in Progress	1,003,491	-	1,003,491
Construction in Progress	4,442,544	-	4,442,544
Infrastructure	125,972,010	(41,486,846)	84,485,163
Total	\$ 210,575,140	\$ (69,381,311)	\$ 141,193,829
Capital Assets - Business-Type Activities			
Land	\$ 11,323,255	\$ -	\$ 11,323,255
Buildings and Improvements	28,006,413	(14,036,339)	13,970,074
Equipment, Vehicles, Machinery	3,796,782	(2,211,156)	1,585,626
Infrastructure	23,532,845	(10,139,603)	13,393,242
Total	\$ 66,659,295	\$ (26,387,098)	\$ 40,272,197

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 2010-2011 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	\$ 16,935,000	0.14%	\$ 252.87

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 refinance the Redevelopment Agency's Pier Reconstruction bonds and 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 2011-2012 finds the City's finances have stabilized, but at a much lower level than we would have forecast. 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, high housing defaults, high pension and health care costs, high regional and global competition, high state and federal deficits, high business failures, and high doubt in government. General Fund revenues from outside sources are projected to increase \$1.0 million from the fiscal year 2010-2011 midyear budget. Budgetary expectations reflect:

- Property Tax revenue for fiscal year 2011-2012 is projected to increase by \$400,000, or 2.2%, to \$19,000,000, excluding property tax in lieu of VLF and homeowners' exemptions. This increase has its roots in a recovering economy reflecting improvement in the housing market. As well, to comply with Proposition 13, the fiscal year 2011-2012 includes a positive CPI adjustment, while the midyear FY 2010-11 includes a negative. The positive fiscal year 2011-2012 CPI adjustment also favorably impacts the State's allocation of a specific amount of sales tax currently classified as property tax. Redondo Beach's housing market has been 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 \$433,062, or 5.1%, to \$9,013,062. Sales tax revenue is generally up due to new businesses replacing closures and an increase in consumer spending. Continued increases in consumer spending are expected with a decline in the Los Angeles county unemployment rate and an increase in personal income. This projection is conservatively based on analysis of current trends, including annual adjustments to the State "triple flip" sales tax apportionment, receipts from the City's largest sales tax sources, levels of consumer disposable income, heightened regional sales tax competition and the ups and downs of consumer confidence.
- Utility Users' Tax (UUT) revenue is projected to increase by \$300,000 to \$8,000,000, mainly attributable to an increase in energy costs and a growth in overall demand. 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 \$70,000, or 3.8%, to \$1,895,000 for fiscal year 2011-2012. 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 48% of the overall franchise fee revenue estimate for fiscal year 2011-2012, while projected revenue from the electricity franchise represents 22%. The franchise revenue generated from the sale and transport of natural gas utilized to power the local AES power plant represents 26% 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 2011-2012 are projected to decrease by \$100,000, or 12.3%, to \$710,000. 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.

Budgeted General Fund appropriations decreased 0.4%, or \$251,363, to \$67,165,356, from the midyear budget. Personnel costs increased 5.0%, primarily due to the Public Employees Retirement System (PERS) employer contribution rate increases from 11.804% to 14.080% for the miscellaneous group and from 32.713% to 38.386% for public safety. When added to the employee contribution rates of 7% and 9% for the miscellaneous and public safety groups, respectively, the total rates used in calculating the fiscal year 2011-2012 personnel amounts are 21.080% and 47.386%. Internal service fund allocations remained the same; however, the allocation will be adjusted at the midyear review. There is a significant decrease in maintenance and operations expenditures of 26.4% from the midyear budget due to the prior year's final budget reflecting carryover appropriations of \$1.4 million, including carryover encumbrances of about \$432,000. Carryovers are not included in the fiscal year 2011-2012 budget. While longer term projections indicate that the City must continue to keep a tight rein on spending, no reductions in City services are anticipated.

Since the recession officially ended in June 2009, Redondo Beach has fared better than most cities in Southern California. Locally, during fiscal year 2010-2011, Redondo Beach realized a moderate increase of 1.79% in real property assessed valuations. Hotel occupancy rates remained flat at 75%; however, revenue increased modestly by \$63,164 due to a slight escalation in room rates. Utility users' tax revenue declined 4.68% in FY 2010-2011 from the prior year, resulting from reduced business activity caused by the recession and energy savings that decreased consumption. Still, Redondo Beach continues to exceed the countywide average in total taxable retail sales, ranking 32 out of 89 cities. Redondo Beach experienced a slight decrease in its unemployment rate from 7.2% in FY 2009-2010 to 7.0% in fiscal year 2010-2011, which is well below the Los Angeles County and State of California fiscal year 2010-2011 unemployment rates of 12.4% and 12.8%, respectively.

All sectors of the national and regional economy are still feeling the impact of the past recession. Fortunately, the South Bay region is fairing better than many 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

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS



BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

GOVERNMENT-WIDE FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Redondo Beach
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 56,477,950	\$ 22,119,471	\$ 78,597,421
Receivables:			
Accounts	1,002,104	531,839	1,533,943
Interest	411,262	111,083	522,345
Taxes	4,455,324	145,434	4,600,758
Notes and loans	4,329,195	212,733	4,541,928
Internal balances	(8,479,499)	8,479,499	-
Due from other governments	3,542,297	230,780	3,773,077
Prepaid items	307,826	12,796	320,622
Deferred charges	192,763	292,406	485,169
Restricted cash and investments with fiscal agents	1,699,785	4,067,003	5,766,788
Capital assets:			
Nondepreciable	76,023,018	11,323,255	87,346,273
Depreciable, net	65,170,821	28,948,942	94,119,763
Total capital assets	141,193,839	40,272,197	181,466,036
Total assets	205,132,846	76,475,241	281,608,087

City of Redondo Beach
Statement of Net Assets
June 30, 2011

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Accounts payable	3,860,787	1,229,499	5,090,286
Accrued liabilities	2,209,313	-	2,209,313
Pollution remediation liability	150,000	-	150,000
Accrued interest	122,000	-	122,000
Unearned revenue	267,450	390,069	657,519
Deposits payable	76,179	162,789	238,968
Due to other governments	52,991	-	52,991
Noncurrent liabilities:			
Due within one year:			
Compensated absences payable	18,889	21,219	40,108
Claims and judgments payable	742,843	-	742,843
Other long-term debt	1,035,852	494,139	1,529,991
Due in more than one year:			
Compensated absences payable	2,614,442	287,843	2,902,285
Claims and judgments payable	14,161,561	-	14,161,561
Other long-term debt	22,067,047	11,618,355	33,685,402
Total noncurrent liabilities	40,640,634	12,421,556	53,062,190
Total liabilities	47,379,354	14,203,913	61,583,267
NET ASSETS			
Invested in capital assets, net of related debt	140,306,635	34,790,325	175,096,960
Restricted for:			
Debt service	8,113,368	-	8,113,368
Public safety	1,124,089	-	1,124,089
Public works	5,693,470	-	5,693,470
Housing and community development	14,959,122	-	14,959,122
Total restricted	29,890,049	-	29,890,049
Unrestricted	(12,443,192)	27,481,003	15,037,811
Total net assets	\$ 157,753,492	\$ 62,271,328	\$ 220,024,820

See accompanying Notes to the Financial Statements.

City of Redondo Beach
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
Primary government:								
Governmental activities:								
General government	\$ 7,951,800	\$ 6,941,477	\$ -	\$ -	\$ 6,941,477	\$ (1,010,323)	\$ -	\$ (1,010,323)
Public safety	41,849,863	4,133,005	375,173	268,799	4,776,977	(37,072,886)	-	(37,072,886)
Public works	12,381,276	1,834,052	1,377,466	4,014,812	7,226,330	(5,154,946)	-	(5,154,946)
Cultural and leisure services	7,002,619	1,553,477	55,391	-	1,608,868	(5,393,751)	-	(5,393,751)
Housing and community development	13,159,622	2,613,104	7,120,020	2,693,009	12,426,133	(733,489)	-	(733,489)
Interest on long-term debt	1,014,572	-	-	-	-	(1,014,572)	-	(1,014,572)
Total governmental activities	83,359,752	17,075,115	8,928,050	6,976,620	32,979,785	(50,379,967)	-	(50,379,967)
Business-type activities:								
Harbor tidelands	5,415,810	5,475,085	-	-	5,475,085	-	59,275	59,275
Harbor uplands	4,571,399	3,672,769	-	-	3,672,769	-	(898,630)	(898,630)
Wastewater	2,476,972	2,444,086	-	-	2,444,086	-	(32,886)	(32,886)
Solid waste	3,574,516	3,454,839	1,742	-	3,456,581	-	(117,935)	(117,935)
Transit	3,102,333	519,082	1,229,369	-	1,748,451	-	(1,353,882)	(1,353,882)
Total business-type activities	19,141,030	15,565,861	1,231,111	-	16,796,972	-	(2,344,058)	(2,344,058)
Total primary government	\$ 102,500,782	\$ 32,640,976	\$ 10,159,161	\$ 6,976,620	\$ 49,776,757	(50,379,967)	(2,344,058)	(52,724,025)

City of Redondo Beach
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2011

General Revenues and Transfers:

Taxes:

Property taxes	28,320,076	-	28,320,076
Transient occupancy taxes	3,267,209	-	3,267,209
Sales taxes	8,902,151	-	8,902,151
Franchise taxes	1,816,314	-	1,816,314
Business licenses taxes	1,240,024	-	1,240,024
Utilities users taxes	7,667,130	-	7,667,130
Other taxes	-	-	-
Motor vehicle license in lieu - unrestricted	310,907	-	310,907
Use of money and property	3,585,902	408,915	3,994,817
Other	1,601,333	307,915	1,909,248
Gain (loss) on sale of assets	54,076	-	54,076
Transfers	(758,345)	758,345	-
Total general revenues and transfers	<u>56,006,777</u>	<u>1,475,175</u>	<u>57,481,952</u>
Change in net assets	5,626,810	(868,883)	4,757,927
Net assets - beginning of year, as restated	<u>152,126,682</u>	<u>63,140,211</u>	<u>215,266,893</u>
Net assets - end of year	<u>\$ 157,753,492</u>	<u>\$ 62,271,328</u>	<u>\$ 220,024,820</u>

See accompanying Notes to the Financial Statements.

This page intentionally left blank.

FUND FINANCIAL STATEMENTS



FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

This page intentionally left blank.

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.

Redevelopment Agency Special Revenue Fund - To account for the accumulation of resources for, and the payment of, interest and principal on tax allocation bonds and other debt issued to finance redevelopment activities within the project areas and to account for the general redevelopment operations of the Redevelopment Agency of the City.

Affordable Housing Special Revenue Fund - To account for the accumulation of resources for, and payments related to, property acquisition, site development, developer selection, and construction of an affordable housing project.

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

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.

Redevelopment Agency Debt Service Fund - To account for the accumulation of resources for, and the payment of, interest and principal on tax allocation bonds and other debt issued to finance redevelopment activities within the projects areas.

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

City of Redondo Beach
Balance Sheet
Governmental Funds
June 30, 2011

	Special Revenue Funds				Capital	Debt Service Funds		Total Non-Major Funds	Total Governmental Funds
	General	Other Intergovernmental Grants	Redevelopment Agency	Affordable Housing	Projects Fund Capital Improvement Projects	Public Financing Authority	Redevelopment Agency		
ASSETS									
Pooled cash and investments	\$ 10,507,808	\$ -	\$ 9,891,113	\$ -	\$ 4,062,980	\$ 264,579	\$ 1,428,196	\$ 10,251,440	\$ 36,406,116
Receivables:									
Accounts	890,602	12,706	-	-	51,035	12,679	-	5,822	972,844
Interest	290,464	1,966	62,031	-	-	193	-	56,608	411,262
Taxes	4,052,640	-	29,758	-	-	-	93,741	279,185	4,455,324
Notes and loans	23,335	-	-	3,829,297	-	-	-	476,563	4,329,195
Prepaid costs	143,700	-	-	-	-	-	-	1,012	144,712
Due from other funds	2,162,569	-	6,244	7,500,000	1,000,000	148,105	-	19,496	10,836,414
Due from other governments	182,074	3,303,614	-	-	-	-	-	56,609	3,542,297
Advances to other funds	1,345,656	-	535,731	-	-	7,690,345	-	-	9,571,732
Restricted assets:									
Cash and investments with fiscal agents	-	-	-	-	-	1,699,785	-	-	1,699,785
Total assets	\$ 19,598,848	\$ 3,318,286	\$ 10,524,877	\$ 11,329,297	\$ 5,114,015	\$ 9,815,686	\$ 1,521,937	\$ 11,146,735	\$ 72,369,681
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 876,343	\$ 1,049,884	\$ -	\$ -	\$ 427,392	\$ 1,012	\$ -	\$ 963,512	\$ 3,318,143
Accrued liabilities	2,209,313	-	-	-	-	-	-	-	2,209,313
Pollution remediation liability	150,000	-	-	-	-	-	-	-	150,000
Unearned revenue	249,580	-	-	-	-	-	-	17,870	267,450
Deposits payable	76,179	-	-	-	-	-	-	-	76,179
Due to other funds	1,535,821	1,706,836	7,630,419	-	-	341,895	359,961	321,806	11,896,738
Due to other governments	-	-	-	-	-	-	52,991	-	52,991
Deferred revenue	847,153	3,589,492	-	965,774	-	19,417	-	476,566	5,898,402
Advances from other funds	-	-	-	-	-	1,345,656	16,155,251	-	17,500,907
Total liabilities	5,944,389	6,346,212	7,630,419	965,774	427,392	1,707,980	16,568,203	1,779,754	41,370,123

City of Redondo Beach
Balance Sheet
Governmental Funds
June 30, 2011

	Special Revenue Funds				Capital	Debt Service Funds		Total Non-Major Funds	Total Governmental Funds
	General	Other Intergovernmental Grants	Redevelopment Agency	Affordable Housing	Projects Fund Capital Improvement Projects	Public Financing Authority	Redevelopment Agency		
Fund Balances:									
Nonspendable	167,035	-	-	-	-	-	-	1,012	168,047
Restricted	-	-	2,894,458	10,363,523	-	8,107,706	-	8,524,280	29,889,967
Committed	5,595,596	-	-	-	-	-	-	-	5,595,596
Assigned	7,891,828	-	-	-	1,645,977	-	-	1,019,856	10,557,661
Unassigned	-	(3,027,926)	-	-	3,040,646	-	(15,046,266)	(178,167)	(15,211,713)
Total fund balances	13,654,459	(3,027,926)	2,894,458	10,363,523	4,686,623	8,107,706	(15,046,266)	9,366,981	30,999,558
Total liabilities and fund balances	\$ 19,598,848	\$ 3,318,286	\$ 10,524,877	\$ 11,329,297	\$ 5,114,015	\$ 9,815,686	\$ 1,521,937	\$ 11,146,735	\$ 72,369,681

See accompanying Notes to the Financial Statements.

This page intentionally left blank.

City of Redondo Beach
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2011

Total Fund Balances - Total Governmental Funds \$ 30,999,558

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

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the governmental funds. Except for the internal service funds reported below, the capital assets were as follows:

	Government-Wide Statement of Net Assets	Internal Service Funds	
Non-depreciable	\$ 76,023,018	\$ -	76,023,018
Depreciable, net	65,170,821	(4,558,481)	60,612,340
Total capital assets	\$ 141,193,839	\$ (4,558,481)	136,635,358

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. (122,000)

Bond issuance costs from issuing debt were expenditures in the fund financial statements. However, they were deferred and subject to capitalization and amortization in the Government-Wide Financial Statements. 192,763

Revenues were recorded as deferred revenue in the governmental funds because they did not represent current financial resources at June 30, 2011. However, they were recognized as revenues in the Government-Wide Financial Statements. 5,898,402

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 Assets. 8,723,369

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

	Government-Wide Statement of Net Assets	Internal Service Funds	
Other long-term debt - due within one year	\$ (1,778,695)	\$ 1,009,706	(768,989)
Other long-term debt - due in more than one year	(36,228,608)	14,781,902	(21,446,706)
Compensated absences payable - due within one year	(18,889)	18,889	-
Compensated absences payable - due in more than one year	(2,614,442)	256,179	(2,358,263)
Total long-term liabilities	\$ (40,640,634)	\$ 16,066,676	(24,573,958)

Net Assets of Governmental Activities \$ 157,753,492

See accompanying Notes to the Financial Statements.

City of Redondo Beach
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2011

	General	Special Revenue Funds			Capital	Debt Service Funds		Total Non-Major Funds	Total Governmental Funds
		Other Intergovernmental Grants	Redevelopment Agency	Affordable Housing	Projects Fund	Public Financing Authority	Redevelopment Agency		
					Capital Improvement Projects				
REVENUES:									
Taxes	\$ 49,801,850	\$ -	\$ 715,817	\$ -	\$ -	\$ -	\$ 1,251,158	\$ -	\$ 51,768,825
Interdepartmental	6,383,731	-	-	-	-	-	-	-	6,383,731
Licenses and permits	1,248,916	-	-	-	-	-	-	-	1,248,916
Intergovernmental	379,064	3,554,377	-	-	-	-	-	10,611,900	14,545,341
Charges for services	5,330,324	-	-	-	197,112	-	-	1,958,234	7,485,670
Use of money and property	1,892,907	-	279,964	-	-	979,147	-	360,601	3,512,619
Fines and forfeitures	1,785,067	-	-	-	-	-	-	-	1,785,067
Miscellaneous	299,411	-	-	-	819,041	-	-	329,228	1,447,680
Total revenues	67,121,270	3,554,377	995,781	-	1,016,153	979,147	1,251,158	13,259,963	88,177,849
EXPENDITURES:									
Current:									
General government	7,582,969	-	-	-	-	-	-	-	7,582,969
Public safety	40,887,642	427,785	-	-	-	-	-	134,947	41,450,374
Housing and community development	4,394,044	44,000	995,615	-	-	200,697	86,017	7,162,571	12,882,944
Public works	4,809,766	259,902	-	-	288,419	-	-	4,092,684	9,450,771
Cultural and leisure services	6,671,934	-	-	-	-	-	-	-	6,671,934
Capital outlay	3,700	3,491,022	-	-	2,818,055	-	-	2,071,923	8,384,700
Debt service:									
Principal retirement	-	-	-	-	-	725,000	52,554	-	777,554
Interest and fiscal charges	-	-	-	-	-	344,533	673,291	-	1,017,824
Total expenditures	64,350,055	4,222,709	995,615	-	3,106,474	1,270,230	811,862	13,462,125	88,219,070
EXCESS (DEFICIENCY) OF REVENUES									
OVER (UNDER) EXPENDITURES	2,771,215	(668,332)	166	-	(2,090,321)	(291,083)	439,296	(202,162)	(41,221)

City of Redondo Beach
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2011

	Special Revenue Funds				Capital	Debt Service Funds		Total Non-Major Funds	Total Governmental Funds
	General	Other		Affordable Housing	Projects Fund Capital Improvement Projects	Public Financing Authority	Redevelopment Agency		
		Intergovernmental Grants	Redevelopment Agency						
OTHER FINANCING SOURCES (USES):									
Transfers in	4,120,630	-	-	10,363,523	1,952,990	-	-	904,271	17,341,414
Transfers out	(3,131,463)	(15,000)	(10,363,523)	-	(1,486,750)	-	-	(837,345)	(15,834,081)
Other debt issued	-	-	-	-	-	-	301,197	-	301,197
Total other financing sources (uses)	989,167	(15,000)	(10,363,523)	10,363,523	466,240	-	301,197	66,926	1,808,530
Net change in fund balances	3,760,382	(683,332)	(10,363,357)	10,363,523	(1,624,081)	(291,083)	740,493	(135,236)	1,767,309
FUND BALANCES:									
Beginning of year	9,894,077	(2,344,594)	13,257,815	-	6,310,704	8,398,789	(15,786,759)	9,502,217	29,232,249
End of year	<u>\$ 13,654,459</u>	<u>\$ (3,027,926)</u>	<u>\$ 2,894,458</u>	<u>\$ 10,363,523</u>	<u>\$ 4,686,623</u>	<u>\$ 8,107,706</u>	<u>\$ (15,046,266)</u>	<u>\$ 9,366,981</u>	<u>\$ 30,999,558</u>

See accompanying Notes to the Financial Statements.

City of Redondo Beach

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 1,767,309

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:

	Funds Capital Outlay	Government-Wide Expenses	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost 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.	\$ 8,384,700	\$ (14,223)	8,398,923
The net effect of sales transactions involving capital assets is to decrease net assets.			-
	Government-Wide Statement of Net Assets	Internal Service Funds	
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds.	\$ (4,640,453)	\$ 1,211,184	(3,429,269)
Long-term compensated absences was reported in the Government-Wide Statement of Activities and Changes in Net Assets, 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.			(64,566)
Issuance of long-term debt (e.g. bonds, leases) provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets: Other debt issued			(301,197)
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 Assets: Principal retirement			777,554

City of Redondo Beach

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in

Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets

For the year ended June 30, 2011

Amortization expense was reported in the Government-Wide Statement of Activities and Changes in Net Assets, 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	18,989
Amortization of deferred charges	(27,537)

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, 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.

11,800

Certain revenues were recorded as deferred revenue in the governmental funds because they were not available as current financial resources. However, they were included as revenue in the Governmental-Wide Statement of Activities and Changes in Net Assets under the full accrual basis.

1,359,329

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.

(2,884,525)

Change in Net Assets of Governmental Activities

\$ 5,626,810

This page intentionally left blank.

PROPRIETARY FUND FINANCIAL STATEMENTS

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

Transit 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 Assets
Proprietary Funds
June 30, 2011

	Business-Type Activities - Enterprise Funds						Governmental
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	Activities Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 13,736,120	\$ 2,406,435	\$ 5,009,026	\$ 910,955	\$ 56,935	\$ 22,119,471	\$ 20,071,834
Receivables:							
Accounts	222,287	132,600	34,989	54,196	87,767	531,839	29,260
Interest	93,238	16,762	-	100	983	111,083	-
Taxes	-	-	68,411	77,023	-	145,434	-
Notes and loans	212,733	-	-	-	-	212,733	-
Due from other funds	550,324	-	-	-	-	550,324	510,000
Due from other governments	-	-	-	4,613	226,167	230,780	-
Prepaid items	8,761	504	133	489	2,909	12,796	163,114
Deferred charges	-	-	292,406	-	-	292,406	-
Restricted:							
Cash with fiscal agent	-	-	4,067,003	-	-	4,067,003	-
Total current assets	<u>14,823,463</u>	<u>2,556,301</u>	<u>9,471,968</u>	<u>1,047,376</u>	<u>374,761</u>	<u>28,273,869</u>	<u>20,774,208</u>
Noncurrent assets:							
Advances to other funds	5,831,198	2,097,977	-	-	-	7,929,175	-
Capital assets:							
Non-depreciable	3,776,802	7,546,453	-	-	-	11,323,255	-
Depreciable, net	<u>13,474,223</u>	<u>5,112,149</u>	<u>8,838,433</u>	<u>87,705</u>	<u>1,436,432</u>	<u>28,948,942</u>	<u>4,558,481</u>
Total capital assets	<u>17,251,025</u>	<u>12,658,602</u>	<u>8,838,433</u>	<u>87,705</u>	<u>1,436,432</u>	<u>40,272,197</u>	<u>4,558,481</u>
Total noncurrent assets	<u>23,082,223</u>	<u>14,756,579</u>	<u>8,838,433</u>	<u>87,705</u>	<u>1,436,432</u>	<u>48,201,372</u>	<u>4,558,481</u>
Total assets	<u>37,905,686</u>	<u>17,312,880</u>	<u>18,310,401</u>	<u>1,135,081</u>	<u>1,811,193</u>	<u>76,475,241</u>	<u>25,332,689</u>

City of Redondo Beach
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-Type Activities - Enterprise Funds						Governmental
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	Activities Internal Service Funds
LIABILITIES							
Current liabilities:							
Accounts payable	204,180	408,003	162,219	88,640	366,457	1,229,499	542,644
Accrued liabilities	-	-	-	-	-	-	-
Deposits payable	122,994	39,795	-	-	-	162,789	-
Due to other funds	-	-	-	-	-	-	-
Unearned revenue	-	-	24,788	21,808	343,473	390,069	-
Accrued compensated absences	9,333	5,030	4,389	1,535	932	21,219	18,889
Accrued claims and judgments	-	-	-	-	-	-	742,843
Bonds, notes, and capital leases	271,513	-	222,626	-	-	494,139	266,863
Total current liabilities	608,020	452,828	414,022	111,983	710,862	2,297,715	1,571,239
Noncurrent liabilities:							
Accrued claims and judgments	-	-	-	-	-	-	14,161,561
Accrued compensated absences	126,618	68,244	59,530	20,819	12,632	287,843	256,179
Bonds, notes, and capital leases	2,935,586	-	8,682,769	-	-	11,618,355	620,341
Total noncurrent liabilities	3,062,204	68,244	8,742,299	20,819	12,632	11,906,198	15,038,081
Total liabilities	3,670,224	521,072	9,156,321	132,802	723,494	14,203,913	16,609,320
NET ASSETS							
Invested in capital assets, net of related debt	16,607,545	12,658,602	4,000,041	87,705	1,436,432	34,790,325	3,671,277
Unrestricted	17,627,917	4,133,206	5,154,039	914,574	(348,733)	27,481,003	5,052,092
Total net assets	\$ 34,235,462	\$ 16,791,808	\$ 9,154,080	\$ 1,002,279	\$ 1,087,699	\$ 62,271,328	\$ 8,723,369

See accompanying Notes to the Financial Statements.

City of Redondo Beach

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

For the year ended June 30, 2011

	Business-Type Activities - Enterprise Funds						Governmental
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	Activities Internal Service Funds
OPERATING REVENUES:							
Sales and service charges	\$ -	\$ -	\$ 2,444,086	\$ 3,454,839	\$ 519,082	\$ 6,418,007	\$ 14,484,493
Harbor rentals	4,570,792	2,034,674	-	-	-	6,605,466	-
Use of property	904,293	1,638,095	-	-	-	2,542,388	-
Miscellaneous	28,443	8,075	18,795	251,736	866	307,915	153,653
Total operating revenues	5,503,528	3,680,844	2,462,881	3,706,575	519,948	15,873,776	14,638,146
OPERATING EXPENSES:							
Personnel services	2,654,955	1,667,312	698,092	716,558	326,083	6,063,000	4,391,678
Contractual services	445,374	512,045	108,014	2,561,533	1,984,278	5,611,244	6,582,655
Administrative and general expenses	1,713,079	2,113,898	1,006,480	291,753	562,304	5,687,514	3,125,552
Depreciation expense	446,391	278,144	204,736	4,672	229,668	1,163,611	1,211,184
Total operating expenses	5,259,799	4,571,399	2,017,322	3,574,516	3,102,333	18,525,369	15,311,069
OPERATING INCOME (LOSS)	243,729	(890,555)	445,559	132,059	(2,582,385)	(2,651,593)	(672,923)
NONOPERATING REVENUES (EXPENSES):							
Intergovernmental	-	-	-	1,742	1,221,884	1,223,626	-
Investment income	280,913	54,718	73,284	-	-	408,915	-
Interest expense	(156,011)	-	(459,650)	-	-	(615,661)	-
Gain (loss) on sale of fixed assets	-	-	-	-	7,485	7,485	54,076
Total nonoperating revenues (expenses)	124,902	54,718	(386,366)	1,742	1,229,369	1,024,365	54,076

City of Redondo Beach

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

For the year ended June 30, 2011

	Business-Type Activities - Enterprise Funds						Governmental
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	Activities Internal Service Funds
INCOME (LOSS) BEFORE TRANSFERS	368,631	(835,837)	59,193	133,801	(1,353,016)	(1,627,228)	(618,847)
Transfers in	-	-	-	-	837,345	837,345	865,716
Transfers out	(79,000)	-	-	-	-	(79,000)	(3,131,394)
Total transfers	(79,000)	-	-	-	837,345	758,345	(2,265,678)
Change in net assets	289,631	(835,837)	59,193	133,801	(515,671)	(868,883)	(2,884,525)
NET ASSETS:							
Beginning of year, as restated (Note 17)	33,945,831	17,627,645	9,094,887	868,478	1,603,370	63,140,211	11,607,894
End of year	<u>\$ 34,235,462</u>	<u>\$ 16,791,808</u>	<u>\$ 9,154,080</u>	<u>\$ 1,002,279</u>	<u>\$ 1,087,699</u>	<u>\$ 62,271,328</u>	<u>\$ 8,723,369</u>

See accompanying Notes to the Financial Statements.

City of Redondo Beach
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2011

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit		
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received from customers and users	\$ 5,541,762	\$ 3,662,729	\$ 2,466,400	\$ 3,747,911	\$ 1,048,278	\$ 16,467,080	\$ 14,618,987
Cash payments to suppliers for goods and services	(2,219,859)	(2,376,452)	(1,080,590)	(3,039,169)	(2,732,671)	(11,448,741)	(8,854,105)
Cash payments to employees for services	(2,754,438)	(1,760,372)	(712,360)	(734,537)	(322,714)	(6,284,421)	(4,560,156)
Net cash provided (used) by operating activities	567,465	(474,095)	673,450	(25,795)	(2,007,107)	(1,266,082)	1,204,726
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers in	-	-	-	-	837,345	837,345	(2,265,678)
Transfers out	(79,000)	-	-	-	-	(79,000)	-
Repayment received from other funds	20,573	-	-	-	-	20,573	(510,000)
Repayment made to other funds	-	-	-	-	(295,548)	(295,548)	-
Advance to other funds	184,266	(9,607)	-	-	-	174,659	-
Subsidy from grants	-	-	-	6,015	1,515,743	1,521,758	-
Net cash provided (used) by noncapital financing activities	125,839	(9,607)	-	6,015	2,057,540	2,179,787	(2,775,678)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	(89,644)	-	-	(36,701)	-	(126,345)	(1,337,416)
Principal paid on capital debt	(259,821)	-	(199,912)	-	-	(459,733)	866,518
Interest paid on capital debt	(156,011)	-	(459,650)	-	-	(615,661)	-
Proceeds from sales of capital assets	-	-	-	-	7,485	7,485	54,076
Net cash provided (used) by capital and related financing activities	(505,476)	-	(659,562)	(36,701)	7,485	(1,194,254)	(416,822)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Loan collections	23,294	-	-	-	-	23,294	-
Interest received	295,873	58,838	73,284	(100)	(983)	426,912	-
Net cash provided (used) by investing activities	319,167	58,838	73,284	(100)	(983)	450,206	-
Net increase (decrease) in cash and cash equivalents	506,995	(424,864)	87,172	(56,581)	56,935	169,657	(1,987,774)

City of Redondo Beach
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2011

	Business-Type Activities - Enterprise Funds					Governmental	
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	Activities Internal Service Funds
CASH AND CASH EQUIVALENTS:							
Beginning of year	13,229,125	2,831,299	8,988,857	967,536	-	26,016,817	22,059,608
End of year	<u>\$ 13,736,120</u>	<u>\$ 2,406,435</u>	<u>\$ 9,076,029</u>	<u>\$ 910,955</u>	<u>\$ 56,935</u>	<u>\$ 26,186,474</u>	<u>\$ 20,071,834</u>
FINANCIAL STATEMENT PRESENTATION:							
Cash and cash equivalents	\$ 13,736,120	\$ 2,406,435	\$ 5,009,026	\$ 910,955	\$ 56,935	\$ 22,119,471	\$ 20,071,834
Cash with fiscal agent	-	-	4,067,003	-	-	4,067,003	-
Total cash and cash equivalents and cash with fiscal agent	<u>\$ 13,736,120</u>	<u>\$ 2,406,435</u>	<u>\$ 9,076,029</u>	<u>\$ 910,955</u>	<u>\$ 56,935</u>	<u>\$ 26,186,474</u>	<u>\$ 20,071,834</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:							
Operating income (loss)	\$ 243,729	\$ (890,555)	\$ 445,559	\$ 132,059	\$ (2,582,385)	\$ (2,651,593)	\$ (672,923)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	446,391	278,144	204,736	4,672	229,668	1,163,611	1,211,184
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	36,815	(18,115)	47	10,254	233,565	262,566	(19,159)
(Increase) decrease in taxes receivable	-	-	(1,559)	9,274	-	7,715	-
(Increase) decrease in prepaid expense	(8,636)	1,871	(133)	11	(2,659)	(9,546)	(162,001)
Increase (decrease) in accounts payable	(52,770)	247,620	34,037	(185,894)	(183,430)	(140,437)	(433,987)
Increase (decrease) in deposits payable	1,419	-	-	-	-	1,419	-
Increase (decrease) in accrued liabilities	(97,098)	(72,534)	(22,060)	(22,798)	(10,195)	(224,685)	(157,916)
Increase (decrease) in claims and judgments	-	-	-	-	-	-	1,450,090
Increase (decrease) in compensated absences	(2,385)	(20,526)	7,792	4,819	13,564	3,264	(10,562)
Increase (decrease) in unearned revenue	-	-	5,031	21,808	294,765	321,604	-
Total adjustments	<u>323,736</u>	<u>416,460</u>	<u>227,891</u>	<u>(157,854)</u>	<u>575,278</u>	<u>1,385,511</u>	<u>1,877,649</u>
Net cash provided (used) by operating activities	<u>\$ 567,465</u>	<u>\$ (474,095)</u>	<u>\$ 673,450</u>	<u>\$ (25,795)</u>	<u>\$ (2,007,107)</u>	<u>\$ (1,266,082)</u>	<u>\$ 1,204,726</u>

See accompanying Notes to the Financial Statements.

This page intentionally left blank.

FIDUCIARY FUND FINANCIAL STATEMENTS

Agency 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.

City of Redondo Beach
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2011

	Agency Funds
	<u> </u>
ASSETS	
Pooled cash and investments	\$ 179,257
Receivables:	
Accounts	52,412
Interest	808
	<u> </u>
Total assets	\$ 232,477
	<u><u> </u></u>
LIABILITIES	
Accounts payable	\$ 71,941
Accrued liabilities	(683,050)
Deposits payable	828,187
Deferred revenue	15,399
	<u> </u>
Total liabilities	\$ 232,477
	<u><u> </u></u>

See accompanying Notes to the Financial Statements.

NOTES TO FINANCIAL STATEMENTS



City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2011

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 considered to be financially accountable. 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 Redevelopment Agency of the City of Redondo Beach (Agency) was established on April 30, 1962, pursuant to the State of California Health and Safety Code, Section 33000. Its purpose is to prepare and carry out plans for the improvement, rehabilitation, and development for blighted areas within the territorial limits of the City. The Agency has the same governing board as the City, which also performs all accounting and administrative functions for the Agency.

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, Continued
For the year ended June 30, 2011

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 Assets and a Statement of Activities and Changes in Net Assets. 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 and liabilities, including capital assets (as well as infrastructure assets) and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function 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, Continued
For the year ended June 30, 2011

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 Assets 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 Assets, 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

The City applies all applicable GASB pronouncements (including all National Council on Governmental Accounting (NCGA) Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, to the business-type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989 except those that conflict with or contradict GASB pronouncements.

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, Continued
For the year ended June 30, 2011

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.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred 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 deferred 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.
- Redevelopment Agency Special Revenue Fund – accounts for the accumulation of, and the payments of, redevelopment activities within the project areas and to account for the general redevelopment operation of the Agency.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

- Affordable Housing Special Revenue Fund – accounts for the accumulation of resources for, and payments related to, property acquisition, site development, developer selection, and construction of an affordable housing project.
- Capital Improvement Projects Capital Projects Fund – accounts for capital improvements for the City.
- 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.
- Redevelopment Agency Debt Service Fund – accounts for the accumulation of resources for, and the payment of, interest and principal on tax allocation bonds and other debt issued to finance redevelopment activities within the project areas.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, 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 and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, the City applies all GASB pronouncements currently in effect as well as Financial Accounting Standard Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989.

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.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

The City reports all of its 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.
- Wastewater Fund - accounts 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 Fund - accounts for the revenues and expenses related to the City's comprehensive solid waste program, including AB 939 funds.
- Transit Fund - accounts for the transportation activities of the City.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Fiduciary Net Assets. The City's fiduciary funds represent agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for using the accrual basis of accounting.

C. Use of Restricted/Unrestricted Net Assets

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.

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.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash, Cash Equivalents and Investments, Continued

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.

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.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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

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 in the Government-Wide Financial Statements. 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, Continued
For the year ended June 30, 2011

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 2011, a comprehensive survey 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 by fiscal year 2008-09. 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 2003, the City established the standard of 70; for 2009, 2010, and 2011, the City's street system was rated at a PQI of 82 on the average.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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.

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 Assets.

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 and Deferred 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.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Unearned Revenue and Deferred Revenue, Continued

In the fund financial statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred 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 deferred revenue is recorded are grants received but not yet earned or available.

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 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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 Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

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.

Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

N. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - 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 Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

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.

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.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. Fund Balances, Continued

Committed – Committed fund balances include amounts that can be used only for the specific purposes determined by formal action of the government’s highest level of decision making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. The City Council is considered the highest authority for the City.

Assigned – Assigned fund balances comprise amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds, other than the General Fund, assigned fund balance represents all amounts that are not classified as restricted or committed. Resources in governmental funds other than the General Fund are to be used for the specific purpose of that fund.

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 fund balance:

- Restricted
- Committed
- Assigned
- Unassigned

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 Dates

Distribution Dates:

November 20, 2010	Unsecured, redemptions, and SB813 taxes
December 18, 2010	Homeowners' exemption, secured, and SB813 taxes
January 20, 2011	Homeowners' exemption, secured, and SB813 taxes
February 19, 2011	Redemptions, secured, and SB813 taxes
March 19, 2011	Secured and SB813 taxes
April 20, 2011	Secured and SB813 taxes
	Redemptions, homeowners' exemption, secured, and
May 20, 2011	SB813 taxes
June 18, 2011	Homeowners' exemption, SB813 taxes
July 20, 2011	Secured and SB813 taxes
August 20, 2011	Secured, redemptions, unsecured, and SB813 taxes

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.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

Fund	Appropriations	Expenditures	Excess
Major Funds:			
General Fund:			
Transfers out	\$ 2,779,571	\$ 3,131,463	\$ (351,892)
Redevelopment Agency - Special Revenue:			
Transfers out	-	10,363,523	(10,363,523)
Other Intergovernmental Grants:			
Public works	87,331	259,902	(172,571)
Capital Improvements:			
Public works	118,761	288,419	(169,658)
Public Financing Authority:			
Principal retirement	461,535	725,000	(263,465)
Redevelopment Agency - Debt Service:			
Housing and community development	46,400	86,017	(39,617)
Non-Major Funds:			
Traffic Congestion Relief:			
Public works	-	5,270	(5,270)
Proposition C:			
Housing and community development	853	33,405	(32,552)
Local Transit:			
Public works	-	8,737	(8,737)
Air Quality Improvement:			
Housing and community development	63,665	71,570	(7,905)
Community Development Block Grant:			
Housing and community development	329,763	329,873	(110)
Disaster Recovery:			
Housing and community development	17,060	34,292	(17,232)
Housing Authority:			
Housing and community development	5,537,160	6,046,958	(509,798)
Subdivision Park Trust:			
Housing and community development	-	29,557	(29,557)
Redevelopment Agency - Capital Projects:			
Housing and community development	591,727	616,916	(25,189)

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, Continued

B. Deficit Fund Balance

The unrestricted net assets had a deficit balance of (\$12,443,192) for the governmental activities at June 30, 2011.

The following funds had a deficit balance as of June 30, 2011:

Major Funds:		
Other Intergovernmental Grants	\$	(3,027,926)
Redevelopment Agency - Debt Service Fund		(15,046,266)
Non-Major Funds:		
Traffic Congestion Relief		(6,500)
Local Transit		(15)
Street Landscaping & Lighting District		(755)
Community Development Block Grant		(169,967)

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, Continued
For the year ended June 30, 2011

3. CASH AND INVESTMENTS

Cash and investments are presented on the Statement of Net Assets as follows at June 30, 2011:

	Government-Wide Statement of Net Assets			Fiduciary Funds	
	Governmental	Business-	Total	Statement of	Total
	Activities	Type Activities		Net Assets	
Cash and investments	\$ 56,477,950	\$ 22,119,471	\$ 78,597,421	\$ 179,257	\$ 78,776,678
Restricted cash and investments with fiscal agents	1,699,785	4,067,003	5,766,788	-	5,766,788
Total	\$ 58,177,735	\$ 26,186,474	\$ 84,364,209	\$ 179,257	\$ 84,543,466

Cash, cash equivalents, and investments consisted of the following at June 30, 2011:

Cash and cash equivalents:	
Petty cash	\$ 17,300
Demand deposits	3,967,412
Total cash and cash equivalents	3,984,712
Investments:	
Local Agency Investment Fund (LAIF)	32,303,876
Corporate Bonds	20,485,340
U.S. Government Securities	22,002,750
Total investments	74,791,966
Total cash and investments	78,776,678
Cash and investments with fiscal agent	5,766,788
Total	\$ 84,543,466

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

3. CASH AND INVESTMENTS, Continued

A. Cash Deposits

The carrying amounts of the City's cash deposits were \$3,967,412 at June 30, 2011. Bank balances at June 30, 2011, were \$5,329,168 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)
- ◆ Medium-Term Notes (5 year maturity or less) of domestic Corporations or Depository Institutions
- ◆ Mutual Funds
- ◆ Guaranteed Investment Contracts not to exceed \$5 million annually

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

3. CASH AND INVESTMENTS, Continued

B. Investments, Continued

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, 2011, 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, 2011, the City had \$32,303,876 invested in LAIF, which had invested 5.01% of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.001576470 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, 2011, all MTN's were rated "B" or higher by Moody's. As of June 30, 2011, the City's Federal Agency investments were rated "Aaa" 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, 2011, the City's investments in external investment pools are unrated.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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, 2011, 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, 2011, 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:

Federal Home Loan Bank	\$ 6,013,720	8.04%
Federal Home Loan Mortgage Corp.	\$ 4,995,500	6.68%
Federal National Mortgage Association	\$ 8,985,240	12.01%

Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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, 2011, 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	More than 5 years	
External Investment Pools -						
Local Agency Investment Fund	\$ 32,303,876	\$ -	\$ -	\$ -	\$ -	\$ 32,303,876
Non-U.S. Securities	-	-	-	980,170	-	980,170
Federal Agencies -						
Federal Farm Credit Bank	-	-	-	2,008,290	-	2,008,290
Federal Home Loan Bank	-	-	1,001,110	5,012,610	-	6,013,720
Federal Home Loan Mortgage Corp.	-	-	3,007,010	1,988,490	-	4,995,500
Federal National Mortgage Assoc.	-	-	1,000,090	7,985,150	-	8,985,240
Corporate Bonds	3,023,720	4,092,860	6,313,680	6,074,910	-	19,505,170
Total Investments	<u>\$ 35,327,596</u>	<u>\$ 4,092,860</u>	<u>\$ 11,321,890</u>	<u>\$ 24,049,620</u>	<u>\$ -</u>	<u>\$ 74,791,966</u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

4. RECEIVABLES

The following is a summary of receivables net of allowances for uncollectible amounts at June 30, 2011:

	Government-Wide Statement of Net Assets		Fiduciary Funds	Total
	Governmental Activities	Business-Type Activities	Statement of Net Assets	
Accounts Receivable	\$ 1,002,104	\$ 531,839	\$ 52,412	\$ 1,586,355
Interest Receivable	411,262	111,083	808	523,153
Taxes Receivable	4,455,324	145,434	-	4,600,758
Loans Receivable	4,329,195	212,733	-	4,541,928
Total	\$ 10,197,885	\$ 1,001,089	\$ 53,220	\$ 11,252,194

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

4. RECEIVABLES, Continued

A. Fund Financial Statements

At June 30, 2011, 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, 2011, was as follows:

Governmental Funds:	
General Fund	\$ 890,602
Other Intergovernmental Grants - Special Revenue	12,706
Capital Improvement Projects - Capital Projects	51,035
Public Financing Authority - Debt Service	12,679
Non-Major Funds	<u>5,822</u>
Total Governmental Funds	<u>972,844</u>
Proprietary Funds:	
Harbor Tidelands - Enterprise Fund	222,287
Harbor Uplands - Enterprise Fund	132,600
Wastewater - Enterprise Fund	34,989
Solid Waste - Enterprise Fund	54,196
Transit - Enterprise Fund	87,767
Internal Service Funds	<u>29,260</u>
Total Proprietary Funds	<u>561,099</u>
Fiduciary Funds:	
Agency Funds	<u>52,412</u>
Total Fiduciary Funds	<u>52,412</u>
Total Accounts Receivable	<u><u>\$ 1,586,355</u></u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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, 2011, was as follows:

Governmental Funds:	
General Fund	\$ 290,464
Other Intergovernmental Grants - Special Revenue	1,966
Redevelopment Agency Fund - Special Revenue	62,031
Public Financing Authority - Debt Service	193
Non-Major Funds	56,608
Total Governmental Funds	<u>411,262</u>
Proprietary Funds:	
Harbor Tidelands - Enterprise Fund	93,238
Harbor Uplands - Enterprise Fund	16,762
Solid Waste - Enterprise Fund	100
Transit - Enterprise Fund	983
Total Proprietary Funds	<u>111,083</u>
Fiduciary Funds:	
Agency Funds	<u>808</u>
Total	<u><u>\$ 523,153</u></u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

4. RECEIVABLES, Continued

C. Taxes Receivable

At June 30, 2011, the City had the following taxes receivable:

	Governmental Funds				Proprietary Funds		Total
	General Fund	Redevelopment Agency Fund Special Revenue	Redevelopment Agency Fund Debt Service	Non-Major Governmental Funds	Waste-Water	Solid Waste	
Type of Taxes:							
Property Taxes	\$ 1,036,839	\$ 29,758	\$ 93,741	\$ 78,403	\$ 68,411	\$ 77,023	\$ 1,384,175
Sales Taxes	1,065,800	-	-	-	-	-	1,065,800
Transient Occupancy Taxes	316,892	-	-	-	-	-	316,892
Utility Users Taxes	634,308	-	-	-	-	-	634,308
Transfer Taxes	106,444	-	-	-	-	-	106,444
Gas Taxes	-	-	-	200,782	-	-	200,782
Motor Vehicle License	33,692	-	-	-	-	-	33,692
PSAF	98,811	-	-	-	-	-	98,811
Triple Flip	759,854	-	-	-	-	-	759,854
Total taxes	\$ 4,052,640	\$ 29,758	\$ 93,741	\$ 279,185	\$ 68,411	\$ 77,023	\$ 4,600,758

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

4. RECEIVABLES, Continued

D. Loans Receivable

At June 30, 2011, the City had the following loans receivable:

	Governmental Funds			Proprietary	Total
	General Fund	Affordable Housing Special Revenue Fund	Non-Major Governmental Funds	Harbor Tidelands Enterprise Fund	
Home Rehabilitation Loans	\$ -	\$ 965,774	\$ 183,213	\$ -	\$ 1,148,987
Rental Rehab Program	-	-	271,682	-	271,682
Landlord Program	-	-	21,668	-	21,668
Senior Housing Program	-	2,863,523	-	-	2,863,523
Computer Loan Program	23,335	-	-	-	23,335
Harbor Area Business Loans	-	-	-	212,733	212,733
Total	\$ 23,335	\$ 3,829,297	\$ 476,563	\$ 212,733	\$ 4,541,928

Home Rehabilitation Loans

At June 30, 2011, the City was owed, in its Redevelopment Agency Special Revenue Fund, \$965,774 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 deferred the revenue related to these loans 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, 2011, 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 deferred the revenue related to these loans. Revenue is recognized in the year of repayment. All loans are secured by trust deeds.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

4. RECEIVABLES, Continued

D. Loans Receivable, Continued

Harbor Area Business Loans

At June 30, 2011, the City's Harbor Tidelands Enterprise Fund was owed \$162,765 for repairs made on behalf of a harbor area business subsequent to the storms of 1988. The terms of the twenty-eight year \$488,871 contract call for interest at 1.6% per annum. Principal and accrued interest are payable annually.

In addition, the City's Harbor Tidelands Enterprise Fund was owed another \$49,968 for repairs made on behalf of a harbor area business subsequent to the storms of 1988. The terms of the twenty-seven year \$104,844 contract call for interest at 4.7% per annum. Principal and accrued interest are payable annually.

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, 2011, the loan receivable included accrued interest of \$663,523.

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, 2011, the loan receivable balance was \$23,335.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

5. INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Internal Balances

At June 30, 2011, the City had the following internal receivables and payables for covering cash shortfalls:

	Internal Balances Receivable
	Business-Type Activities
Internal Balances Payable	
Governmental Activities	\$ 8,479,499

Transfers

The City had the following transfers as of June 30, 2011:

	Transfers In
	Business-Type Activities
Transfers Out	
Governmental Activities	\$ 758,345

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements

Due to/from Other Funds

The City had the following due to/from other funds as of June 30, 2011:

	Due from Other Funds								
	General Fund	Redevelopment Agency Fund Special Revenue	Affordable Housing Special Revenue	Capital Improvement Projects	Public Financing Authority	Non-Major Governmental Funds	Harbor Tidelands Enterprise Fund	Internal Service Funds	Total
General Fund	\$ -	\$ 6,244	\$ -	\$ 1,000,000	\$ 81	\$ 19,496	\$ -	\$ 510,000	\$ 1,535,821
Other Intergovernmental Grants	1,706,836	-	-	-	-	-	-	-	1,706,836
Redevelopment Agency Fund - Special Revenue	130,419	-	7,500,000	-	-	-	-	-	7,630,419
Public Financing Authority	3,508	-	-	-	-	-	338,387	-	341,895
Redevelopment Agency Fund - Debt Service	-	-	-	-	148,024	-	211,937	-	359,961
Non-Major Governmental Funds	321,806	-	-	-	-	-	-	-	321,806
Total	\$ 2,162,569	\$ 6,244	\$ 7,500,000	\$ 1,000,000	\$ 148,105	\$ 19,496	\$ 550,324	\$ 510,000	\$ 11,896,738

The General Fund has a due from the Other Intergovernmental Grants Fund of \$1,706,836, and from the Non-Major Governmental Funds of \$145,724 for temporary cash deficits.

The General Fund has a due from the Redevelopment Agency - Special Revenue Fund of \$130,419 to reimburse the City for expenditures made on the Agency's behalf.

The General Fund has a due from the Financing Authority of \$3,508 to reimburse the City for expenditures made on the Financing Authority's behalf.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

The General Fund has a due from Non-Major Governmental Funds of \$176,082 to reimburse the City for expenditures made on the Housing Authority's behalf.

The Redevelopment Agency - Special Revenue Fund has a due from the General Fund of \$6,244 for reimbursement of expenditures made on the Agency's behalf.

The Affordable Housing Special Revenue Fund has a due from the Redevelopment Agency - Special Revenue Fund of \$7,500,000 for the transfer of assets from the Agency to the City based on a cooperation agreement.

The Capital Improvement Projects Fund has a due from the General Fund of \$1,000,000 to fund future capital improvement projects.

The Financing Authority has a due from other funds of \$148,024 which consists of debt service payments paid on the Agency's behalf. The Financing Authority also has a due from other funds of \$81 from the General Fund which relates to reimbursement of expenditures incurred on the behalf of other funds.

The Non-Major Governmental Funds has a due from General Fund of \$19,280 for reimbursement of expenditures made on the Housing Authority's behalf, and \$216 for reimbursement of expenditures made on the Agency's behalf.

The Harbor Tidelands Enterprise Fund has a due from the Financing Authority of \$338,387 which was a result of Kincaid's Restaurant rental income in excess of Financing Authority obligations passed through to the Harbor Tidelands.

The Harbor Tidelands Enterprise Fund has a due from the Redevelopment Agency Debt Service Fund of \$211,937 for payments made by the Agency on the 1990 cooperation agreement in connection with the Harbor Center Project Area.

The Self-Insurance Program Internal Service Fund has a due from the General Fund of \$510,000 for the Recreation and Community Services Department relocation loan repayment.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Long-Term Advances

The City had the following long-term advances as of June 30, 2011:

	Advances To Other Funds					Total
	Governmental Funds			Enterprise Funds		
	General Fund	RDA Special Revenue	Public Financing Authority	Harbor Tidelands	Harbor Uplands	
Advances From Other Funds						
Redevelopment Agency						
Debt Service Fund	\$ -	\$ 535,731	\$ 7,690,345	\$ 5,831,198	\$ 2,097,977	\$ 16,155,251
Public Financing Authority	1,345,656	-	-	-	-	1,345,656
	<u>\$ 1,345,656</u>	<u>\$ 535,731</u>	<u>\$ 7,690,345</u>	<u>\$ 5,831,198</u>	<u>\$ 2,097,977</u>	<u>\$ 17,500,907</u>

During the previous 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, 2011, the amount owed on the loan was \$1,345,656.

During the current and previous fiscal year, the Agency's Low and Moderate Income Housing Special Revenue Fund loaned the Agency's Aviation High School Tax Increment Debt Service Fund monies for the purposes of paying the Agency's allocation of the Supplemental Education Revenue Augmentation Fund (SERAF) for fiscal years 2009-2010 and 2010-2011. As of June 30, 2011, the amount owed on those loans was \$535,731.

During the current and previous fiscal years, the Financing Authority has made loans to the Agency for various bonds. The Agency's balances as of June 30, 2011, were as follows:

1996 Revenue Bond	\$ 6,765,000
2001 Pier Refinancing Bond	925,345
Total	<u>\$ 7,690,345</u>

During the current and previous fiscal years, the City has made loans to the Agency. These loans bear interest at rates up to 12% per annum depending upon when the loan was initiated. The City may demand payment of all or a portion of the principal balance at any time as funds become available; however, such demands are not anticipated within the next fiscal year. As of June 30, 2011, loans and accrued unpaid interest owed on those loans were \$7,929,175.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Transfers

The City had the following transfers as of June 30, 2011:

		Transfers In						
		General Fund	Affordable Housing Fund	Capital Improvement Projects	Non-Major Governmental Funds	Transit Enterprise Fund	Internal Service Funds	Total
Transfers Out	General Fund	\$ -	\$ -	\$ 1,442,990	\$ 822,757	\$ -	\$ 865,716	\$ 3,131,463
	Redevelopment Agency - Special Revenue Fund	-	10,363,523	-	-	-	-	10,363,523
	Other Intergovernmental Grants Fund	-	-	-	15,000	-	-	15,000
	Capital Improvement Projects Fund	1,486,750	-	-	-	-	-	1,486,750
	Non-Major Governmental Funds	-	-	-	-	837,345	-	837,345
	Enterprise Funds: Harbor Tidelands	79,000	-	-	-	-	-	79,000
	Internal Service Funds	2,554,880	-	510,000	66,514	-	-	3,131,394
	Total	<u>\$ 4,120,630</u>	<u>\$ 10,363,523</u>	<u>\$ 1,952,990</u>	<u>\$ 904,271</u>	<u>\$ 837,345</u>	<u>\$ 865,716</u>	<u>\$ 19,044,475</u>

The General Fund transferred out a total of \$3,131,463 to various funds consisting of \$1,442,990 to fund future capital improvement projects in the Capital Improvement Projects Fund, \$822,757 to cover expenditures in the Street Landscaping and Lighting District Non-major governmental fund, \$510,000 to the Self-Insurance Program Internal Service Fund for the Recreation and Community Services Department relocation loan repayment, and \$355,716 to the Vehicle Replacement Internal Service Fund for mid-year budgeted transfers.

The Redevelopment Agency Special Revenue Fund transferred out a total of \$10,363,523 to transfer assets from the Agency to the City based on a cooperation agreement related to affordable housing.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

The Other Intergovernmental Grants Fund transferred out \$15,000 to the Street Landscaping and Lighting District Non-major governmental fund for the street median retrofit program grant.

The Capital Improvement Projects Fund transferred out a total of \$1,486,750 to the General Fund consisting of \$186,750 to fund capital improvement projects and \$1,300,000 to return funds not needed for fiscal year 2010-2011 capital improvement projects.

Transfers were made within Non-major governmental funds of \$837,345 which consisted of Proposition A revenues to cover Transit Enterprise Fund expenditures.

Transfers between the Harbor Tidelands Enterprise Fund and the General Fund of \$79,000 were for the property tax in lieu fee.

The Internal Service Funds transferred out a total of \$3,131,394 to various funds consisting of \$2,554,880 to the General Fund to return funds not needed due to the purchase of only high priority vehicles and designation of unspent funds for future unfunded employee retirement costs, \$66,514 for the transfer of handyperson vehicle to the Community Development Block Grant Non-major governmental fund, and \$510,000 to the Capital Improvement Projects Fund for the Recreation and Community Services Department relocation costs.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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, 2011, 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	4,442,544	-	4,442,544
Work in progress	1,003,491	-	1,003,491
Infrastructure - streets	54,054,036	-	54,054,036
Total non-depreciable assets	<u>76,023,018</u>	<u>11,323,255</u>	<u>87,346,273</u>
Depreciable assets:			
Buildings and improvements	43,430,667	28,006,415	71,437,082
Furniture and equipment	8,427,486	648,679	9,076,165
Automotive equipment	9,567,269	3,148,105	12,715,374
Leased equipment	1,208,735	-	1,208,735
Infrastructure	71,917,974	23,532,843	95,450,817
Total depreciable assets	<u>134,552,131</u>	<u>55,336,042</u>	<u>189,888,173</u>
Less accumulated depreciation:			
Buildings and improvements	(14,879,753)	(14,036,339)	(28,916,092)
Furniture and equipment	(6,110,572)	(640,425)	(6,750,997)
Automotive equipment	(6,545,130)	(1,570,735)	(8,115,865)
Leased equipment	(359,009)	-	(359,009)
Infrastructure	(41,486,846)	(10,139,601)	(51,626,447)
Total accumulated depreciation	<u>(69,381,310)</u>	<u>(26,387,100)</u>	<u>(95,768,410)</u>
Total depreciable assets, net	<u>65,170,821</u>	<u>28,948,942</u>	<u>94,119,763</u>
Total capital assets	<u>\$ 141,193,839</u>	<u>\$ 40,272,197</u>	<u>\$ 181,466,036</u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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 July 1, 2010	Prior Period Adjustment (Note 17)	Additions	Deletions	Reclassifications	Balance June 30, 2011
Non-depreciable assets:						
Land	\$ 16,522,947	\$ -	\$ -	\$ -	\$ -	\$ 16,522,947
Construction in progress	3,654,123	-	4,241,423	-	(3,453,002)	4,442,544
Work in progress	1,003,491	-	-	-	-	1,003,491
Infrastructure - streets	54,054,036	-	-	-	-	54,054,036
Total non-depreciable assets	75,234,597	-	4,241,423	-	(3,453,002)	76,023,018
Depreciable assets:						
Buildings and improvements	38,780,752	-	1,196,913	-	3,453,002	43,430,667
Furniture and equipment	9,058,064	(814,629)	226,947	(42,896)	-	8,427,486
Automotive equipment	12,015,025	(1,934,755)	110,387	(623,388)	-	9,567,269
Leased equipment	55,051	-	1,153,684	-	-	1,208,735
Infrastructure	69,118,022	-	2,813,160	(13,208)	-	71,917,974
Total depreciable assets	129,026,914	(2,749,384)	5,501,091	(679,492)	3,453,002	134,552,131
Less accumulated depreciation:						
Buildings and improvements	(13,839,481)	-	(1,040,272)	-	-	(14,879,753)
Furniture and equipment	(6,292,161)	605,132	(466,439)	42,896	-	(6,110,572)
Automotive equipment	(6,884,688)	478,152	(755,807)	617,213	-	(6,545,130)
Leased equipment	(33,030)	-	(325,979)	-	-	(359,009)
Infrastructure	(39,448,098)	-	(2,051,956)	13,208	-	(41,486,846)
Total accumulated depreciation	(66,497,458)	1,083,284	(4,640,453)	673,317	-	(69,381,310)
Total depreciable assets, net	62,529,456	(1,666,100)	860,638	(6,175)	3,453,002	65,170,821
Governmental activities capital assets, net	\$ 137,764,053	\$ (1,666,100)	\$ 5,102,061	\$ (6,175)	\$ -	\$ 141,193,839

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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, 2011 as follows:

Governmental Activities:	
General government	\$ 157,865
Public safety	184,450
Public works	2,899,530
Culture and leisure services	177,870
Housing and community development	9,554
Internal Service Funds:	
Vehicle Replacement	703,362
Building Occupancy	3,139
Information Technology	415,001
Printing and Graphics	19,266
Communications Equipment Replacement	70,416
Total depreciation expense	\$ 4,640,453

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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, 2011:

	Balance July 1, 2010	Prior Period Adjustment (Note 17)	Additions	Deletions	Balance June 30, 2011
Non-depreciable assets:					
Land	\$ 11,323,255	\$ -	\$ -	\$ -	\$ 11,323,255
Total non-depreciable assets	11,323,255	-	-	-	11,323,255
Depreciable assets:					
Buildings and improvements	27,969,309	-	37,106	-	28,006,415
Furniture and equipment	648,679	-	-	-	648,679
Automotive equipment	362,019	2,749,384	36,702	-	3,148,105
Infrastructure	23,480,306	-	52,537	-	23,532,843
Total depreciable assets	52,460,313	2,749,384	126,345	-	55,336,042
Less accumulated depreciation:					
Buildings and improvements	(13,418,724)	-	(617,615)	-	(14,036,339)
Furniture and equipment	(637,724)	-	(2,701)	-	(640,425)
Automotive equipment	(248,170)	(1,083,284)	(239,281)	-	(1,570,735)
Infrastructure	(9,835,587)	-	(304,014)	-	(10,139,601)
Total accumulated depreciation	(24,140,205)	(1,083,284)	(1,163,611)	-	(26,387,100)
Total depreciable assets, net	28,320,108	1,666,100	(1,037,266)	-	28,948,942
Business-type activities capital assets, net	\$ 39,643,363	\$ 1,666,100	\$ (1,037,266)	\$ -	\$ 40,272,197

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Depreciation expense for business-type activities for the fiscal year ended June 30, 2011 was charged as follows:

Harbor Tidelands	\$ 446,391
Harbor Uplands	278,144
Wastewater	204,736
Solid Waste	4,672
Transit	229,668
Total depreciation expense	<u><u>\$ 1,163,611</u></u>

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 Assets.

7. COMPENSATED ABSENCES PAYABLE

The following is a summary of compensated absences payable transactions for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Classification	
					Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:						
Compensated absences payable	\$ 2,579,327	\$ 4,016,551	\$ (3,962,547)	\$ 2,633,331	\$ 18,889	\$ 2,614,442
Business-Type Activities:						
Compensated absences payable	305,798	639,859	(636,595)	309,062	21,219	287,843
Total	<u><u>\$ 2,885,125</u></u>	<u><u>\$ 4,656,410</u></u>	<u><u>\$ (4,599,142)</u></u>	<u><u>\$ 2,942,393</u></u>	<u><u>\$ 40,108</u></u>	<u><u>\$ 2,902,285</u></u>

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, Continued
For the year ended June 30, 2011

8. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Classification	
					Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:						
PFA 2001 Refunding Revenue Bonds	\$ 2,010,000	\$ -	\$ (135,000)	\$ 1,875,000	\$ 135,000	\$ 1,740,000
PFA 2008 Refunding Revenue Bonds	6,690,000	-	(590,000)	6,100,000	615,000	5,485,000
Unamortized bond premium	170,895	-	(18,989)	151,906	18,989	132,917
County Deferral Loans	13,840,146	301,197	(52,554)	14,088,789	-	14,088,789
Capital Leases	20,686	1,090,346	(223,828)	887,204	266,863	620,341
Total governmental activities	\$ 22,731,727	\$ 1,391,543	\$ (1,020,371)	\$ 23,102,899	\$ 1,035,852	\$ 22,067,047
Business-Type Activities:						
Wastewater Revenue Bond 2004, Series A	\$ 9,175,000	\$ -	\$ (215,000)	\$ 8,960,000	\$ 225,000	\$ 8,735,000
Unamortized bond discount	(56,980)	-	2,375	(54,605)	(2,374)	(52,231)
Boating and Waterways						
Construction Loan 88-21-84	1,023,048	-	(83,255)	939,793	87,002	852,791
Boating and Waterways						
Construction Loan 89-21-147	2,443,872	-	(176,566)	2,267,306	184,511	2,082,795
Total business-type activities	\$ 12,584,940	\$ -	\$ (472,446)	\$ 12,112,494	\$ 494,139	\$ 11,618,355

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

8. LONG-TERM DEBT, Continued

Public Financing Authority 2001 Refunding Revenue Bonds

The Financing Authority issued refunding revenue bonds dated November 1, 2001, totaling \$2,965,000. The purpose of the bonds was to fund a loan by the Financing Authority to the Agency pursuant to a loan agreement (Loan), dated November 1, 2001, by and between the Financing Authority and Agency. The proceeds of the Loan are used to provide funds to refinance certain redevelopment activities of the Agency within or benefit of the Agency's Harbor Center Redevelopment Project Area (Project Area) and to refund the Agency's outstanding Tax Allocation and Revenue Bonds issued in 1993. As of June 30, 2011, the balance outstanding was \$1,875,000.

The interest on the bonds was payable at a fixed interest rate until September 2, 2006 and then converted to an adjustable interest rate. The interest rate as of June 30, 2010 was 0.33%. Interest on the bonds during the initial interest period and from and after the conversion date, is payable on each March 1 and September 1, commencing March 1, 2002 and after the initial interest period is payable on the first day of each month, commencing November 1, 2006. The bonds are payable from and secured by a pledge of tax revenues within the Project Area. Principal is due annually beginning on September 1, 2002, in amounts ranging from \$65,000 to \$195,000. The bonds mature on September 1, 2022. The bonds are subject to optional and mandatory early redemption provisions.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 135,000	\$ 2,063	\$ 137,063
2013	140,000	1,909	141,909
2014	150,000	1,760	151,760
2015	155,000	1,595	156,595
2016	160,000	1,425	161,425
2017-2021	875,000	4,389	879,389
2022-2023	260,000	358	260,358
Total	\$ 1,875,000	\$ 13,497	\$ 1,888,497

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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, 2011, the balance outstanding was \$6,100,000, with an unamortized premium of \$151,906.

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 and 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, 2011, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 615,000	\$ 231,700	\$ 846,700
2013	640,000	206,600	846,600
2014	665,000	180,500	845,500
2015	695,000	153,300	848,300
2016	715,000	125,100	840,100
2017-2019	2,770,000	204,200	2,974,200
Total	\$ 6,100,000	\$ 1,101,400	\$ 7,201,400

The following is a summary of the 2008 Refunding Revenue unamortized premium outstanding at June 30, 2011:

Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
\$ 170,895	\$ -	\$ (18,989)	\$ 151,906

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

8. LONG-TERM DEBT, Continued

For the 2001 and 2008 Refunding Bonds, the City has pledged, as security for bonds it has issued through the Financing Authority, a portion of the tax increment revenue, including Low and Moderate Income Housing set-aside that it receives. The City has committed to appropriate each year, from these resources, amounts sufficient to cover the principal and interest requirements on the debt. The remaining principal and interest on such debt is reflected in bond issues described above and amounted to \$9,089,897. For the current year, the total tax increment revenue and the required 20% Low and Moderate Income Housing set-aside recognized by the City was \$2,863,270 and \$715,817, respectively. Principal and interest paid for the current year and total tax increment revenues were \$1,069,533 and \$3,579,087, respectively, 29.88%.

County Deferral Loans

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
1983 Tax Increment Deferral	\$ 6,986,973	\$ -	\$ (52,554)	\$ 6,934,419
1984 Tax Increment Deferral	6,853,173	301,197	-	7,154,370
Total	\$ 13,840,146	\$ 301,197	\$ (52,554)	\$ 14,088,789

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, 2011, 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, 2011, was \$7,154,370.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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, 2011, was \$887,204.

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

	<u>June 30, 2011</u>
Equipment	<u>\$ 1,208,735</u>
Equipment under capitalized lease, at cost	1,208,735
Accumulated depreciation	<u>(359,009)</u>
Equipment under capitalized lease, net	<u><u>\$ 849,726</u></u>

The annual debt service requirements outstanding at June 30, 2011 were as follows:

<u>For the Years</u> <u>Ending June 30,</u>	<u>Payment</u> <u>Amount</u>
2012	\$ 266,863
2013	263,576
2014	272,970
2015	<u>83,795</u>
Total	<u><u>\$ 887,204</u></u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

8. LONG-TERM DEBT, Continued

Wastewater Revenue Bonds, 2004, Series A

The City issued revenue bonds dated May 12, 2004, totaling \$10,335,000. The purpose of the bonds was to finance certain improvements and related facilities that constitute part of the Wastewater Enterprise Fund. The bond proceeds used are capital related. The serial bonds in the amount of \$5,230,000 mature through May 1, 2024, and bear a variable interest rate ranging from 2.50% to 5.00% per annum. Term bonds in the amount of \$5,105,000 mature through May 1, 2034, and bear interest at the rate of 5.00%. 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, 2011, the balance outstanding was \$8,960,000, with an unamortized bond discount of \$54,605. Principal and interest paid for the current year and total revenues for the Wastewater Fund were \$674,650 and \$2,536,165, respectively, 26.60%.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2011, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 225,000	\$ 435,963	\$ 660,963
2013	235,000	426,963	661,963
2014	245,000	417,269	662,269
2015	255,000	406,856	661,856
2016	265,000	395,700	660,700
2017-2021	1,525,000	1,781,125	3,306,125
2022-2026	1,935,000	1,368,250	3,303,250
2027-2031	2,475,000	833,750	3,308,750
2032-2034	1,800,000	183,000	1,983,000
Total	\$ 8,960,000	\$ 6,248,876	\$ 15,208,876

The following is a summary of the 2004 Revenue Bond Series A unamortized discount outstanding at June 30, 2011:

Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
\$ (56,980)	\$ -	\$ 2,375	\$ (54,605)

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

8. LONG-TERM DEBT, Continued

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, 2011, the balance outstanding was \$939,793.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 87,002	\$ 42,291	\$ 129,293
2013	90,917	38,376	129,293
2014	95,009	34,284	129,293
2015	99,284	30,009	129,293
2016	103,752	25,541	129,293
2017-2020	463,829	53,327	517,156
Total	\$ 939,793	\$ 223,828	\$ 1,163,621

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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, 2011, the balance outstanding was \$2,267,306.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 184,511	\$ 102,029	\$ 286,540
2013	192,814	93,726	286,540
2014	201,491	85,049	286,540
2015	210,558	75,982	286,540
2016	220,033	66,507	286,540
2017-2021	1,257,899	174,794	1,432,693
Total	\$ 2,267,306	\$ 598,087	\$ 2,865,393

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.

	Original Amount	Outstanding June 30, 2011
A. Multifamily Housing Revenue Bonds <i>/Notes Heritage Pointe Project:</i>		
Series 2004A	\$ 11,390,000	\$ 10,890,000
B. Multifamily Housing Revenue Refunding <i>Bonds/SEASONS at Redondo Beach</i>		
Series 2008A	\$ 6,425,000	\$ 4,741,774

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

10. OPERATING LEASES

A. Harbor Tidelands and Uplands Enterprise Operating Leases

The Harbor Uplands Enterprise Fund was created by ordinance of the City Council on July 11, 1960. Its purpose is 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 arises 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 \$871,637 for those assets giving a carrying amount of \$9,535,258 at June 30, 2011.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

10. OPERATING LEASES, 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, 2011:

Year Ending June 30,	Minimum Future Lease Rentals
2012	\$ 3,237,069
2013	3,053,410
2014	3,053,410
2015	3,269,410
2016	3,281,410
2017-2021	15,830,298
2022-2026	13,422,706
2027-2031	11,549,666
2032-2036	9,928,824
2037-2041	9,973,302
2042-2046	8,262,582
2047-2051	6,862,902
2052-2056	6,862,902
2057-2061	6,862,902
2062-2066	1,772,657
2067-2069	468,000
Total	\$ 107,691,450

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

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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, 2011, the estimated claims payable for workers' compensation was \$11,803,030, which included claims incurred but not reported (IBNR) of \$7,609,368. The current year's portion of the claims was \$651,113.

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, 2011, the estimated claims payable for general liability was \$3,101,374, which included Incurred But Not Reported (IBNR) estimates of \$1,023,251. The current year's portion was \$91,730. Governmental activities claims and judgments are generally liquidated by the general fund.

	Liability on June 30, 2011
General Liability	\$ 3,101,374
Workers' Compensation	11,803,030
Total	<u>\$ 14,904,404</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, Continued
For the year ended June 30, 2011

11. RISK MANAGEMENT, Continued

Changes in the reported liability resulted from the following:

Year Ended June 30,	Liability on July 1,	Additions	Deletions	Liability on June 30,	Amounts Due Within One Year	Amounts Due in More than One Year
2009	\$ 17,441,721	\$ 620,390	\$ (1,898,488)	\$ 16,163,623	\$ 2,690,237	\$ 13,473,386
2010	16,163,623	521,697	(3,231,006)	13,454,314	2,988,028	10,466,286
2011	13,454,314	312,812	1,137,278	14,904,404	742,843	14,161,561

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, 2011 (most recent information available) is as follows:

Assets	Total
	\$ 59,190,967
Liabilities of member cities	\$ 26,400,993
Net assets	32,789,974
Total liabilities and net assets	\$ 59,190,967
Revenues	\$ 23,270,487
Cost and expenses	21,743,908
Net income	1,526,579
Net assets - July 1, 2010	31,263,395
Net assets - June 30, 2011	\$ 32,789,974

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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.

Funding Policy - Active plan members are required by State statute to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The City, as employer, makes the contributions required of City employees on their behalf and for their account, which amounted to \$2,583,831 for the year ended June 30, 2011. The City is required to contribute for fiscal year 2010-2011 at an actuarially determined rate of 11.804% and 32.713% of annual covered payroll for miscellaneous and safety employees, respectively.

Annual Pension Cost - For 2010-2011, the City's annual pension cost of \$9,646,142 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.25% to 14.45% for miscellaneous employees and from 3.25% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2008, was 21 years for miscellaneous and 32 years for safety employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	10,576,990	100%	\$ -
6/30/10	10,024,453	100%	-
6/30/11	9,646,142	100%	-

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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.

<u>Safety Plan</u>						
(A)	(B)	(C)	(D)	(E)	(F)	
Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
6/30/2010	\$ 209,481,432	\$ 259,321,750	\$ 49,840,318	80.8%	\$ 15,615,232	319.2%

<u>Miscellaneous Plan</u>						
(A)	(B)	(C)	(D)	(E)	(F)	
Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
6/30/2010	\$ 124,366,166	\$ 141,617,233	\$ 17,251,067	87.8%	\$ 19,612,331	88.0%

* Most recent information available

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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, 2011, approximately 106 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 2011, the City contributed \$1,427,060 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:

	<u>Total</u>
Annual required contribution	\$ 1,427,060
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>1,427,060</u>
Contributions made	<u>(1,427,060)</u>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u><u>\$ -</u></u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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 2011 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Contribution</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 1,427,060	\$ 1,427,060	100.0%	\$ -

Funded Status and Funding Progress. As of June 30, 2010, the most recent actuarial valuation date, the plan was 10.7 percent funded. The Actuarial Accrued Liability for benefits was \$17,882,000, and the actuarial value of assets was \$1,918,000, resulting in an UAAL of \$15,964,000. The covered payroll (annual payroll of active employees covered by the plan) was \$31,700,000 and the ratio of UAAL to the covered payroll was 50.36%.

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, 2010.

	(A)	(B)	(C)	(D)	(E)	(F)
	Actuarial Asset Value (A)	Actuarial Accrued Liability Entry Age (B)	(Unfunded) Actuarial Accrued Liability (A - B)	Funded Ratio (A / B)	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll (C / E)
<u>Actuarial Valuation Date</u>	<u>Asset Value (A)</u>	<u>Actuarial Liability Entry Age (B)</u>	<u>(Unfunded) Actuarial Liability (A - B)</u>	<u>Funded Ratio (A / B)</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Liability as Percentage of Covered Payroll (C / E)</u>
6/30/2010	\$ 1,918,000	\$ 17,882,000	\$ (15,964,000)	10.7%	\$ 31,700,000	50.36%

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

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, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 7.75% investment rate of return which is based on the expected return on funds invested by CalPERS, and an annual healthcare cost trend rate of 9.5% initially, which is reduced over nine 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 from June 30, 2006 valuation is being amortized as level percentage of projected payroll over a 30 year closed period (26 years remaining for fiscal year 2012/2013). 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.

C. Commitments

As of June 30, 2011, 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.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

13. COMMITMENTS AND CONTINGENCIES, Continued

D. Contingencies

The Regional Water Quality Control Board (RWQCB) has filed regulatory Notice of Violations against the City regarding issues with Seaside Lagoon water quality discharges to the harbor. The RWQCB granted the City a moratorium on the water quality discharge standards. Thus, at this time, potential fines, assessments, and settlements are currently estimated to be \$0.

The RWQCB has filed regulatory Notice of Violations against the City regarding issues with storm drain water quality discharges to the ocean. As the RWQCB has granted the City's request for an abeyance to ascertain jurisdictional issues, any potential fines, assessments, and settlements are currently estimated to be \$0.

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 \$96,000. Cleanup is expected to be completed in fiscal year 2011-2012 with additional cleanup and settlements currently estimated to be \$150,000. This liability has been accrued in the General Fund.

15. DECLARATION OF FISCAL EMERGENCY

On August 4, 2009, the City declared a fiscal emergency. The City had faced an approximate \$5.5 million General Fund operating deficit for the 2009-2010 fiscal year due to the unprecedented downturn in the national and regional economies. The City declared another fiscal emergency on June 22, 2010 for the 2010-2011 fiscal year and also declared another fiscal emergency on June 28, 2011 for the 2011-2012 fiscal year. The City projected an approximate \$3.8 million General Fund operating deficit for the 2011-12 fiscal year. The City Council instituted in fiscal year 2010-11 various austerity measures including a flexible hiring freeze, employee concessions, full-time position deauthorizations, a reduction in capital investments, and a return of capital project funding. The fiscal year 2011-12 budget balancing is based on requesting continued employee compensation concessions, a drawdown on the PERS set-aside fund, and minor revenue enhancements. The City Council, through passage of the resolutions declaring a fiscal emergency, determined that immediate and comprehensive action must be taken to ensure, to the maximum extent possible, that the essential services of the City are not jeopardized.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

16. CLASSIFICATION OF FUND BALANCES

The City has 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 new classification.

	General Fund	Special Revenue			Capital Projects	Debt Service		Nonmajor Governmental Funds	Total Governmental Funds
		Other Intergovernmental Grants	Redevelopment Agency	Affordable Housing	Capital Improvement Projects	Public Financing Authority	Redevelopment Agency		
Nonspendable									
Prepaid costs	\$ 23,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,012	\$ 24,347
Notes and loans receivable	143,700	-	-	-	-	-	-	-	143,700
Total nonspendable	<u>167,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,012</u>	<u>168,047</u>
Restricted									
Debt service	-	-	-	-	-	8,107,706	-	5,662	8,113,368
Public safety	-	-	-	-	-	-	-	1,124,089	1,124,089
Public works	-	-	-	-	-	-	-	810,704	810,704
Low & moderate income housing	-	-	2,894,458	-	-	-	-	-	2,894,458
Affordable housing	-	-	-	10,363,523	-	-	-	-	10,363,523
Housing and community development	-	-	-	-	-	-	-	6,583,825	6,583,825
Total restricted	<u>-</u>	<u>-</u>	<u>2,894,458</u>	<u>10,363,523</u>	<u>-</u>	<u>8,107,706</u>	<u>-</u>	<u>8,524,280</u>	<u>29,889,967</u>
Committed									
Contingency	5,595,596	-	-	-	-	-	-	-	5,595,596
Total committed	<u>5,595,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,595,596</u>
Assigned									
Capital improvement projects	1,000,000	-	-	-	1,645,977	-	-	1,019,856	3,665,833
General government	718,165	-	-	-	-	-	-	-	718,165
Public safety	19,533	-	-	-	-	-	-	-	19,533
Housing and community development	45,181	-	-	-	-	-	-	-	45,181
Cultural and leisure services	510,000	-	-	-	-	-	-	-	510,000
Public works	90,604	-	-	-	-	-	-	-	90,604
Carryover assignments	1,283,994	-	-	-	-	-	-	-	1,283,994
Compensated absences	1,088,635	-	-	-	-	-	-	-	1,088,635
Self-insurance program	350,000	-	-	-	-	-	-	-	350,000
CalPERS	2,785,716	-	-	-	-	-	-	-	2,785,716
Total assigned	<u>7,891,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,645,977</u>	<u>-</u>	<u>-</u>	<u>1,019,856</u>	<u>10,557,661</u>
Unassigned	<u>-</u>	<u>(3,027,926)</u>	<u>-</u>	<u>-</u>	<u>3,040,646</u>	<u>-</u>	<u>(15,046,266)</u>	<u>(178,167)</u>	<u>(15,211,713)</u>
Total fund balance	<u>\$ 13,654,459</u>	<u>\$ (3,027,926)</u>	<u>\$ 2,894,458</u>	<u>\$ 10,363,523</u>	<u>\$ 4,686,623</u>	<u>\$ 8,107,706</u>	<u>\$ (15,046,266)</u>	<u>\$ 9,366,981</u>	<u>\$ 30,999,558</u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

17. PRIOR PERIOD ADJUSTMENT

A. Government-Wide Financial Statements

The City recorded the following prior-period adjustments in the Government-Wide Financial Statements. The adjustments occurred because of the reclassification of the transit activities from a Special Revenue Fund to an Enterprise Fund due to the adoption and implementation of GASB 54. Adjustments to the Governmental Activities include the \$1,603,370 reduction of Net Assets. Adjustments to the Business-Type Activities include an increase of \$1,603,370 of Net Assets. Accordingly, the net assets as of July 1, 2010, have been restated as follows:

Government-Wide Financial Statements	Net Assets, as Previously Reported	Prior Period Adjustments	Net Assets, As Restated
Governmental Activities:			
Net assets	\$ 153,730,052	\$ (1,603,370)	\$ 152,126,682
Total governmental activities	153,730,052	(1,603,370)	152,126,682
Business-Type Activities:			
Net assets	61,536,841	1,603,370	63,140,211
Total business-type activities	61,536,841	1,603,370	63,140,211
Total government-wide	<u>\$ 215,266,893</u>	<u>\$ -</u>	<u>\$ 215,266,893</u>

B. Funds Financial Statements

The City recorded the following prior-period adjustment in the Funds Financial Statements. The adjustment to the Proprietary Funds includes a \$1,666,100 addition in Capital Assets in the Transit Enterprise Fund. The adjustment occurred because of the reclassification of the transit activities from a Special Revenue Fund to an Enterprise Fund. Accordingly, the net assets as of July 1, 2010, have been restated as follows:

Proprietary Funds	Net Assets, as Previously Reported	Prior Period Adjustments Capital Assets	Net Assets, As Restated
Transit Fund	\$ (62,730)	\$ 1,666,100	\$ 1,603,370
Total	<u>\$ (62,730)</u>	<u>\$ 1,666,100</u>	<u>\$ 1,603,370</u>

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

18. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Redondo Beach intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 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 Assembly Bill X1 26.

In the event that Assembly Bill X1 26 is upheld, the interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. The City might additionally be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011. In compliance with this ruling, the appeal of the determination of the community remittance payment for fiscal year 2011-2012 was filed on August 11, 2011 and was subsequently approved by the Department of Finance on October 14, 2011. The Agency adopted their EOPS on August 23, 2011 by Resolution No. 597, and the Agency prepared their ROPS on September 20, 2011 by Resolution No. 598.

City of Redondo Beach
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

18. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES, Continued

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an EOPS and draft ROPS prior to September 30, 2011, as required by the statute. Enforceable obligations include bonds, loans, and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in Assembly Bill X1 26.

On September 6, 2011, City Ordinance No. 3084-11 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the City is estimated to be \$843,985 with one half due on January 15, 2012 and the other half due May 15, 2012. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of Assembly Bill X1 26.

REQUIRED SUPPLEMENTAL INFORMATION



REQUIRED SUPPLEMENTARY INFORMATION

City of Redondo Beach
Required Supplementary Information
For the year ended June 30, 2011

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.

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.

The following are the budget comparison schedules for General Fund, Other Intergovernmental Grants Fund and Redevelopment Agency Special Revenue Fund. The City did not formally adopt a budget for the Affordable Housing Special Revenue Fund.

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2011

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balance - Beginning	\$ 9,894,077	\$ 9,894,077	\$ 9,894,077	\$ -
Resources (inflows):				
Taxes	48,280,300	48,543,300	49,801,850	1,258,550
Interdepartmental	6,673,267	6,383,731	6,383,731	-
Licenses and permits	878,370	1,025,370	1,248,916	223,546
Intergovernmental	253,960	251,295	379,064	127,769
Charges for services	4,807,894	5,060,951	5,330,324	269,373
Use of money and property	2,143,660	2,045,160	1,892,907	(152,253)
Fines and forfeitures	1,688,500	1,706,150	1,785,067	78,917
Miscellaneous	1,112,251	1,166,547	299,411	(867,136)
Transfers in	2,053,880	2,620,630	4,120,630	1,500,000
Amount available for appropriation	77,786,159	78,697,211	81,135,977	2,438,766
Charges to appropriations (outflows):				
Current:				
General government	9,003,404	9,984,000	7,582,969	2,401,031
Public safety	40,644,851	41,074,072	40,887,642	186,430
Housing and community development	4,996,583	4,723,911	4,394,044	329,867
Public works	4,917,640	5,247,174	4,809,766	437,408
Cultural and leisure services	7,309,848	6,762,214	6,671,934	90,280
Capital outlay	-	5,347	3,700	1,647
Transfers out	1,012,796	2,779,571	3,131,463	(351,892)
Total charges to appropriations	67,885,122	70,576,289	67,481,518	3,094,771
Fund Balance - Ending	\$ 9,901,037	\$ 8,120,922	\$ 13,654,459	\$ 5,533,537

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2011

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, Other Intergovernmental Grants

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balance - Beginning	\$ (2,344,594)	\$ (2,344,594)	\$ (2,344,594)	\$ -
Resources (inflows):				
Intergovernmental	2,016,443	11,224,303	3,554,377	(7,669,926)
Amount available for appropriation	(328,151)	8,879,709	1,209,783	(7,669,926)
Charges to appropriations (outflows):				
Current:				
Public safety	71,220	702,386	427,785	274,601
Housing and community development	-	58,763	44,000	14,763
Public works	68,041	87,331	259,902	(172,571)
Capital outlay	1,877,182	11,794,533	3,491,022	8,303,511
Transfers out	-	-	15,000	
Total charges to appropriations	2,016,443	12,643,013	4,237,709	8,420,304
Fund Balance - Ending	\$ (2,344,594)	\$ (3,763,304)	\$ (3,027,926)	\$ 735,378

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2011

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, Redevelopment Agency Special Revenue

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund Balance - Beginning	\$ 13,257,815	\$ 13,257,815	\$ 13,257,815	\$ -
Resources (inflows):				
Taxes	871,400	871,400	715,817	(155,583)
Use of money and property	342,659	342,659	279,964	(62,695)
Transfers in	529,238	529,238	-	(529,238)
Amount available for appropriation	15,001,112	15,001,112	14,253,596	(747,516)
Charges to appropriations (outflows):				
Current:				
Housing and community development	1,421,781	1,421,781	995,615	426,166
Transfers out	-	-	10,363,523	(10,363,523)
Total charges to appropriations	1,421,781	1,421,781	11,359,138	(9,937,357)
Fund Balance - Ending	\$ 13,579,331	\$ 13,579,331	\$ 2,894,458	\$ (10,684,873)

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2011

2. DEFINED PENSION PLAN

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

<u>Safety Plan</u>						
(A)	(B)	(C)	(D)	(E)	(F)	
Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
6/30/2008	\$ 195,959,373	\$ 232,567,064	\$ 36,607,691	84.3%	\$ 15,118,770	242.1%
6/30/2009	202,858,694	252,092,246	49,233,552	80.5%	16,436,916	299.5%
6/30/2010	209,481,432	259,321,750	49,840,318	80.8%	15,615,232	319.2%

<u>Miscellaneous Plan</u>						
(A)	(B)	(C)	(D)	(E)	(F)	
Actuarial Valuation Date*	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
6/30/2008	\$ 114,865,498	\$ 124,542,795	\$ 9,677,297	92.2%	\$ 20,641,265	46.9%
6/30/2009	119,584,408	135,652,505	16,068,097	88.2%	20,267,353	79.3%
6/30/2010	124,366,166	141,617,233	17,251,067	87.8%	19,612,331	88.0%

* Latest information available.

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2011

3. OTHER POST EMPLOYMENT BENEFITS

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the City's Plan

	(A)	(B)	(C)	(D)	(E)	(F)
	Actuarial	Actuarial	(Unfunded)	Funded	Covered	Unfunded
	Asset	Accrued	Actuarial	Ratio	Payroll	Actuarial
	Value	Liability	Liability	(A / B)		Liability as
	(A)	Entry Age	(A - B)			Percentage of
Actuarial		(B)				Covered
Valuation						Payroll
Date						(C / E)
6/30/2008	\$ -	\$ 14,474,000	\$ (14,474,000)	0.0%	\$ 36,525,000	39.63%
6/30/2010	1,918,000	17,882,000	(15,964,000)	10.7%	31,700,000	50.36%

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2011

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, 2008. 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.

In June 2011, a comprehensive survey 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. Rating 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, Continued
For the year ended June 30, 2011

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 2002, City policy is to achieve an average rating of 80 for all streets by fiscal year 2008-2009. 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 City established the standard of 70 for the fiscal years of 2007, 2008, and 2009. 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>
2008	84	Very Good	47%
		Good	37%
		Fair	10%
		Poor	6%
2009	79	Very Good	21%
		Good	61%
		Fair	8%
		Poor	10%
2010	83	Very Good	40%
		Good	47%
		Fair	6%
		Poor	7%
2011	85	Very Good	47%
		Good	45%
		Fair	5%
		Poor	3%

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2011

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

The City expended \$5,295,591 on street improvement projects for the fiscal year ended June 30, 2011. These capital improvement 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, 2011 through June 30, 2013 is a minimum of \$5,200,000.

A schedule of budget versus actual for the most recent years since implementation, which preserved City streets at the current 85 rating is presented below.

<u>Fiscal Year</u>	<u>Final Budget</u>	Funded by Capital Improvement <u>Project Fund</u>	Funded by <u>Other Funds</u>	Total <u>Expenditures</u>
2006-2007	\$ 6,493,717	\$ 1,292,207	\$ 569,668	\$ 1,861,875
2007-2008	11,633,589	154,835	2,824,248	2,979,083
2008-2009	10,835,819	1,543,773	2,350,822	3,894,595
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

As of June 30, 2011, 16% of City streets were rated below the targeted average condition level of 80. However, as noted above, the City is 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.

City of Redondo Beach
Required Supplementary Information, Continued
For the year ended June 30, 2011

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

Project	Project #	Budget	Capital Improvement		Total
			Project Fund Expenditures	Other Fund Expenditures	
Bus Shelters & Benches	40120	\$ 590,847	\$ -	\$ 8,770	\$ 8,770
Pavement & Sidewalk Repairs	40140	143,432	-	-	-
Pavement Management Study	40170	199,149	-	1,598	1,598
Residential Street Rehabilitation	40190	942,836	54,036	614,518	668,554
Esplanade - Replacement of Streetlights	40200	210,000	-	-	-
Esplanade Streetscape Improvements	40380	2,970,392	535,785	2,058,874	2,594,659
Citywide Curb Ramp Improvements	40399	153,965	-	119,714	119,714
Torrance Blvd Streetscape Master Plan	40410	6,544	-	-	-
Catalina Corridor Beautification	40450	6,123	-	-	-
Target Community Improvements	40460	6,090	-	-	-
Traffic Calming Project	40470	41,402	-	-	-
School Safety Zone Program	40480	64,717	11,299	49,736	61,035
Bicycle Trans Plan Implementation	40510	77,708	-	-	-
Aviation Blvd Resurf-Carnegie/Harpr	40580	62,644	-	-	-
Catalina/Harbor Advd Traf Sig Mgmt	40600	452,929	71,953	96,144	168,097
Torrance Blvd Streetscape Improv	40630	1,078	-	-	-
Riviera Village Improvements	40640	164,991	15,000	-	15,000
PCH/Torrance Blvd Right Hand Turn Lane	40650	90,000	-	-	-
Inglewood Ave Resurf/Artesia-MBB	40660	1,399	-	1,627	1,627
Prospect Ave Resurf / PV Blvd - Anita	40670	896,366	-	943,802	943,802
Bus Bench Replacement	40700	108,492	-	141,779	141,779
Grant/Artesia Countdown Ped Signal	40710	33,000	-	-	-
Harbor Drive Resurf - Beryl to Herondo	40720	675,000	-	-	-
LED Streetlight Replacement Project	40730	618,000	-	570,956	570,956
North Redondo Beach Bikeway Lighting	40740	180,800	-	-	-
190th St Resurfacing - PCH to Prospect	40750	562,804	-	-	-
		<u>\$ 9,260,708</u>	<u>\$ 688,073</u>	<u>\$ 4,607,518</u>	<u>\$ 5,295,591</u>

This page intentionally left blank.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



SUPPLEMENTARY INFORMATION

This page intentionally left blank.

MAJOR GOVERNMENTAL FUNDS

The following Governmental Funds have been classified as major funds in the accompanying financial statements:

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

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.

Redevelopment Agency Debt Service Fund - To account for the accumulation of resources for, and the payment of, interest and principal on tax allocation bonds and other debt issued to finance redevelopment activities within the projects areas.

City of Redondo Beach

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

Capital Improvement Projects Capital Projects Fund (Major Fund)

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 6,310,704	\$ 6,310,704	\$ 6,310,704	\$ -
RESOURCES (INFLOWS):				
Charges for services	155,000	155,000	197,112	42,112
Miscellaneous	1,339,000	1,339,500	819,041	(520,459)
Transfers in	760,000	1,202,990	1,952,990	750,000
Amount available for appropriation	8,564,704	9,008,194	9,279,847	271,653
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public works	118,727	118,761	288,419	(169,658)
Capital outlay	1,469,000	5,661,119	2,818,055	2,843,064
Transfers out	1,300,000	1,486,750	1,486,750	-
Total charges to appropriations	2,887,727	7,266,630	4,593,224	2,673,406
FUND BALANCE - ENDING	\$ 5,676,977	\$ 1,741,564	\$ 4,686,623	\$ 2,945,059

City of Redondo Beach

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

Public Financing Authority Debt Service Fund (Major Fund)

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 8,398,789	\$ 8,398,789	\$ 8,398,789	\$ -
RESOURCES (INFLOWS):				
Use of money and property	548,475	548,475	979,147	430,672
Transfers in	200,559	200,559	-	(200,559)
Amount available for appropriation	9,147,823	9,147,823	9,377,936	230,113
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	216,053	216,053	200,697	15,356
Debt service:				
Principal retirement	461,535	461,535	725,000	(263,465)
Interest and fiscal charges	801,850	801,850	344,533	457,317
Total charges to appropriations	1,479,438	1,479,438	1,270,230	209,208
FUND BALANCE - ENDING	\$ 7,668,385	\$ 7,668,385	\$ 8,107,706	\$ 439,321

City of Redondo Beach

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

Redevelopment Agency Debt Service Fund (Major Fund)

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ (15,786,759)	\$ (15,786,759)	\$ (15,786,759)	\$ -
RESOURCES (INFLOWS):				
Taxes	1,534,174	1,534,174	1,251,158	(283,016)
Use of money and property	1,120	1,120	-	(1,120)
Other debt issued	666,491	666,491	301,197	(365,294)
Transfer in	-	-	-	-
Amount available for appropriation	(13,584,974)	(13,584,974)	(14,234,404)	(649,430)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	46,400	46,400	86,017	(39,617)
Debt service:				
Principal retirement	395,241	395,241	52,554	342,687
Interest and fiscal charges	743,679	743,679	673,291	70,388
Transfers out	729,797	729,797	-	729,797
Total charges to appropriations	1,915,117	1,915,117	811,862	1,142,872
FUND BALANCE - ENDING	\$ (15,500,091)	\$ (15,500,091)	\$ (15,046,266)	\$ 453,825

NON-MAJOR GOVERNMENTAL FUNDS



NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Traffic Congestion Relief Fund - To account for monies originating from AB 2928, a fiscal year 2000-2001 State budget trailer bill for the transportation finance package. The funds are to be used for maintenance and rehabilitation projects.

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

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS, Continued

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.

Workforce Investment Act Fund - To account for grant revenues and expenditures for various job training and work experience programs.

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 - To account for revenues and expenditures relating to Quimby Fees.

DEBT SERVICE FUND

Parking Authority Fund - To account for the remaining funds from the matured revenue bonds originally issued to purchase land and finance construction of a public parking facility and for the cooperation agreement with the Redevelopment Agency in connection with the Aviation High School Redevelopment Project Area.

CAPITAL PROJECTS FUNDS

Pier Parking Structure Rehabilitation Fund - To account for the costs to rehabilitate the publicly owned pier parking structure.

Redevelopment Agency (Capital Projects) Fund - To account for capital projects within the project areas.

This page intentionally left blank.

City of Redondo Beach
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	Special Revenue							
	Traffic Congestion Relief	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure / Forfeiture	Proposition A	Proposition C	Measure R	Local Transit
ASSETS								
Pooled cash and investments	\$ 483,444	\$ 351,234	\$ 32,376	\$ 1,119,877	\$ 1,614,821	\$ 3,204,997	\$ 277,313	\$ -
Receivables:								
Accounts	-	-	-	-	-	-	-	-
Taxes	-	200,782	-	-	-	-	-	-
Notes and loans	-	-	-	-	-	-	-	-
Accrued interest	3,516	1,265	-	7,579	10,796	21,544	-	-
Prepaid costs	-	82	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	39,699
Due from other funds	-	-	-	-	-	-	-	-
Total assets	\$ 486,960	\$ 553,363	\$ 32,376	\$ 1,127,456	\$ 1,625,617	\$ 3,226,541	\$ 277,313	\$ 39,699
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 493,460	\$ 11,309	\$ 10,530	\$ 3,367	\$ -	\$ 112,127	\$ 80,000	\$ -
Deferred revenue	-	-	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	39,714
Total liabilities	493,460	11,309	10,530	3,367	-	112,127	80,000	39,714
Fund Balances:								
Nonspendable	-	82	-	-	-	-	-	-
Restricted	-	541,972	21,846	1,124,089	1,625,617	3,114,414	197,313	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	(6,500)	-	-	-	-	-	-	(15)
Total fund balances	(6,500)	542,054	21,846	1,124,089	1,625,617	3,114,414	197,313	(15)
Total liabilities and fund balances	\$ 486,960	\$ 553,363	\$ 32,376	\$ 1,127,456	\$ 1,625,617	\$ 3,226,541	\$ 277,313	\$ 39,699

(Continued)

City of Redondo Beach
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Special Revenue							
	Air Quality Improvement	Storm Drain	Street Landscaping and Lighting District	Workforce Investment Act	Community Development Block Grant	Disaster Recovery	Housing Authority	Subdivision Park Trust
ASSETS								
Pooled cash and investments	\$ 154,146	\$ 297,948	\$ 63,987	\$ -	\$ -	\$ 75,035	\$ 1,167,608	\$ 301,404
Receivables:								
Accounts	-	-	5,822	-	-	-	-	-
Taxes	-	-	78,403	-	-	-	-	-
Notes and loans	-	-	-	-	476,563	-	-	-
Accrued interest	1,000	-	-	-	-	-	102	-
Prepaid costs	-	-	340	-	590	-	-	-
Due from other governments	16,376	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	19,281	-
Total assets	\$ 171,522	\$ 297,948	\$ 148,552	\$ -	\$ 477,153	\$ 75,035	\$ 1,186,991	\$ 301,404
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 3,147	\$ 29,216	\$ 149,307	\$ -	\$ 64,544	\$ -	\$ 2,274	\$ 4,231
Deferred revenue	-	-	-	-	476,566	-	-	-
Unearned revenues	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	106,010	-	100,665	-
Total liabilities	3,147	29,216	149,307	-	647,120	-	102,939	4,231
Fund Balances:								
Nonspendable	-	-	340	-	590	-	-	-
Restricted	168,375	268,732	-	-	-	75,035	1,084,052	297,173
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	(1,095)	-	(170,557)	-	-	-
Total fund balances	168,375	268,732	(755)	-	(169,967)	75,035	1,084,052	297,173
Total liabilities and fund balances	\$ 171,522	\$ 297,948	\$ 148,552	\$ -	\$ 477,153	\$ 75,035	\$ 1,186,991	\$ 301,404

(Continued)

City of Redondo Beach
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Debt Service	Capital Projects		Total Non-Major Funds
	Parking Authority	Pier Parking Structure Rehabilitation	Redevelopment Agency	
ASSETS				
Pooled cash and investments	\$ 5,645	\$ 806	\$ 1,100,799	\$ 10,251,440
Receivables:				
Accounts	-	-	-	5,822
Taxes	-	-	-	279,185
Notes and loans	-	-	-	476,563
Accrued interest	17	5	10,784	56,608
Prepaid costs	-	-	-	1,012
Due from other governments	-	-	534	56,609
Due from other funds	-	-	215	19,496
Total assets	\$ 5,662	\$ 811	\$ 1,112,332	\$ 11,146,735
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 963,512
Deferred revenue	-	-	-	476,566
Unearned revenues	-	-	17,870	17,870
Due to other funds	-	-	75,417	321,806
Total liabilities	-	-	93,287	1,779,754
Fund Balances:				
Nonspendable	-	-	-	1,012
Restricted	5,662	-	-	8,524,280
Assigned	-	811	1,019,045	1,019,856
Unassigned	-	-	-	(178,167)
Total fund balances	5,662	811	1,019,045	9,366,981
Total liabilities and fund balances	\$ 5,662	\$ 811	\$ 1,112,332	\$ 11,146,735

(Concluded)

This page intentionally left blank.

City of Redondo Beach
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2011

	Special Revenue							
	Traffic Congestion Relief	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure / Forfeiture	Proposition A	Proposition C	Measure R	Local Transit
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	5,440	333	-	21,192	30,759	61,390	(2,376)	-
Intergovernmental	-	1,677,750	-	-	914,895	760,171	567,242	39,699
Charges for services	-	-	12,800	281,555	-	-	-	-
Miscellaneous	-	3,154	-	-	-	-	-	-
Total revenues	5,440	1,681,237	12,800	302,747	945,654	821,561	564,866	39,699
EXPENDITURES:								
Current:								
Public safety	-	-	-	134,947	-	-	-	-
Public works	5,270	1,677,332	-	-	-	-	-	8,737
Housing and community development	-	-	-	-	-	33,405	-	-
Capital outlay	638,217	-	-	3,154	-	249,880	800,000	30,977
Total expenditures	643,487	1,677,332	-	138,101	-	283,285	800,000	39,714
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(638,047)	3,905	12,800	164,646	945,654	538,276	(235,134)	(15)
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(837,345)	-	-	-
Total other financing sources (uses)	-	-	-	-	(837,345)	-	-	-
Net change in fund balances	(638,047)	3,905	12,800	164,646	108,309	538,276	(235,134)	(15)
FUND BALANCES:								
Beginning of year	631,547	538,149	9,046	959,443	1,517,308	2,576,138	432,447	-
End of year	\$ (6,500)	\$ 542,054	\$ 21,846	\$ 1,124,089	\$ 1,625,617	\$ 3,114,414	\$ 197,313	\$ (15)

(Continued)

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, 2011

	Special Revenue							Subdivision Park Trust
	Air Quality Improvement	Storm Drain	Street Landscaping and Lighting District	Workforce Investment Act	Community Development Block Grant	Disaster Recovery	Housing Authority	
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	2,735	-	(755)	-	15,660	-	954	(1,173)
Intergovernmental	-	-	-	-	346,782	-	6,215,361	90,000
Charges for services	74,816	41,459	1,546,864	-	-	740	-	-
Miscellaneous	-	-	17,086	2,374	-	61,152	-	-
Total revenues	77,551	41,459	1,563,195	2,374	362,442	61,892	6,216,315	88,827
EXPENDITURES:								
Current:								
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	2,401,345	-	-	-	-	-
Housing and community development	71,570	-	-	-	329,873	34,292	6,046,958	29,557
Capital outlay	-	88,295	-	-	204,677	-	-	56,723
Total expenditures	71,570	88,295	2,401,345	-	534,550	34,292	6,046,958	86,280
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,981	(46,836)	(838,150)	2,374	(172,108)	27,600	169,357	2,547
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	837,757	-	66,514	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	837,757	-	66,514	-	-	-
Net change in fund balances	5,981	(46,836)	(393)	2,374	(105,594)	27,600	169,357	2,547
FUND BALANCES:								
Beginning of year	162,394	315,568	(362)	(2,374)	(64,373)	47,435	914,695	294,626
End of year	\$ 168,375	\$ 268,732	\$ (755)	\$ -	\$ (169,967)	\$ 75,035	\$ 1,084,052	\$ 297,173

(Continued)

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, 2011

	Debt Service		Capital Projects		Total Non-Major Funds
	Parking Authority	Pier Parking Structure Rehabilitation	Redevelopment Agency		
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	-
Use of money and property	608	13	225,821		360,601
Intergovernmental	-	-	-		10,611,900
Charges for services	-	-	-		1,958,234
Miscellaneous	-	-	245,462		329,228
Total revenues	608	13	471,283		13,259,963
EXPENDITURES:					
Current:					
Public safety	-	-	-		134,947
Public works	-	-	-		4,092,684
Housing and community development	-	-	616,916		7,162,571
Capital outlay	-	-	-		2,071,923
Total expenditures	-	-	616,916		13,462,125
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	608	13	(145,633)		(202,162)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-		904,271
Transfers out	-	-	-		(837,345)
Total other financing sources (uses)	-	-	-		66,926
Net change in fund balances	608	13	(145,633)		(135,236)
FUND BALANCES:					
Beginning of year	5,054	798	1,164,678		9,502,217
End of year	\$ 5,662	\$ 811	\$ 1,019,045		\$ 9,366,981

(Concluded)

City of Redondo Beach

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

Traffic Congestion Relief Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 631,547	\$ 631,547	\$ 631,547	\$ -
RESOURCES (INFLOWS):				
Use of money and property	8,000	8,000	5,440	(2,560)
Amount available for appropriation	<u>639,547</u>	<u>639,547</u>	<u>636,987</u>	<u>(2,560)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public works	-	-	5,270	(5,270)
Capital outlay	607,726	660,022	638,217	21,805
Total charges to appropriations	<u>607,726</u>	<u>660,022</u>	<u>643,487</u>	<u>16,535</u>
FUND BALANCE - ENDING	<u>\$ 31,821</u>	<u>\$ (20,475)</u>	<u>\$ (6,500)</u>	<u>\$ 13,975</u>

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 538,149	\$ 538,149	\$ 538,149	\$ -
RESOURCES (INFLOWS):				
Use of money and property	6,000	6,000	333	(5,667)
Intergovernmental	1,728,400	1,763,200	1,677,750	(85,450)
Miscellaneous	-	-	3,154	3,154
Amount available for appropriation	<u>2,272,549</u>	<u>2,307,349</u>	<u>2,219,386</u>	<u>(87,963)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public works	<u>1,356,485</u>	<u>1,680,498</u>	<u>1,677,332</u>	<u>3,166</u>
Total charges to appropriations	<u>1,356,485</u>	<u>1,680,498</u>	<u>1,677,332</u>	<u>3,166</u>
FUND BALANCE - ENDING	<u>\$ 916,064</u>	<u>\$ 626,851</u>	<u>\$ 542,054</u>	<u>\$ (84,797)</u>

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 9,046	\$ 9,046	\$ 9,046	\$ -
RESOURCES (INFLOWS):				
Charges for services	10,000	10,000	12,800	2,800
Amount available for appropriation	19,046	19,046	21,846	2,800
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	-	-	-	-
Total charges to appropriations	-	-	-	-
FUND BALANCE - ENDING	\$ 19,046	\$ 19,046	\$ 21,846	\$ 2,800

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 959,443	\$ 959,443	\$ 959,443	\$ -
RESOURCES (INFLOWS):				
Use of money and property	6,000	6,000	21,192	15,192
Charges for services	100,000	100,000	281,555	181,555
Amount available for appropriation	<u>1,065,443</u>	<u>1,065,443</u>	<u>1,262,190</u>	<u>196,747</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public safety	64,890	232,826	134,947	97,879
Capital outlay	-	60,188	3,154	57,034
Total charges to appropriations	<u>64,890</u>	<u>293,014</u>	<u>138,101</u>	<u>154,913</u>
FUND BALANCE - ENDING	<u>\$ 1,000,553</u>	<u>\$ 772,429</u>	<u>\$ 1,124,089</u>	<u>\$ 351,660</u>

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 1,517,308	\$ 1,517,308	\$ 1,517,308	\$ -
RESOURCES (INFLOWS):				
Use of money and property	18,000	18,000	30,759	12,759
Intergovernmental	911,700	911,700	914,895	3,195
Amount available for appropriation	2,447,008	2,447,008	2,462,962	15,954
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Transfers out	972,565	985,281	837,345	147,936
Total charges to appropriations	972,565	985,281	837,345	147,936
FUND BALANCE - ENDING	\$ 1,474,443	\$ 1,461,727	\$ 1,625,617	\$ 163,890

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 2,576,138	\$ 2,576,138	\$ 2,576,138	\$ -
RESOURCES (INFLOWS):				
Use of money and property	25,000	25,000	61,390	36,390
Intergovernmental	756,250	756,250	760,171	3,921
Amount available for appropriation	3,357,388	3,357,388	3,397,699	40,311
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	294	853	33,405	(32,552)
Capital outlay	1,867,007	3,593,844	249,880	3,343,964
Total charges to appropriations	1,867,301	3,594,697	283,285	3,311,412
FUND BALANCE - ENDING	\$ 1,490,087	\$ (237,309)	\$ 3,114,414	\$ 3,351,723

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 432,447	\$ 432,447	\$ 432,447	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	(2,376)	(2,376)
Intergovernmental	567,100	567,100	567,242	142
Amount available for appropriation	999,547	999,547	997,313	(2,234)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	140,000	1,150,000	800,000	350,000
Total charges to appropriations	140,000	1,150,000	800,000	350,000
FUND BALANCE - ENDING	\$ 859,547	\$ (150,453)	\$ 197,313	\$ 347,766

City of Redondo Beach

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

Local Transit Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ -	\$ -	\$ -	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	27,200	27,200	39,699	12,499
Amount available for appropriation	27,200	27,200	39,699	12,499
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public works	-	-	8,737	(8,737)
Capital outlay	-	73,965	30,977	42,988
Total charges to appropriations	-	73,965	39,714	34,251
FUND BALANCE - ENDING	\$ 27,200	\$ (46,765)	\$ (15)	\$ 46,750

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 162,394	\$ 162,394	\$ 162,394	\$ -
RESOURCES (INFLOWS):				
Use of money and property	1,800	1,800	2,735	935
Charges for services	70,000	70,000	74,816	4,816
Amount available for appropriation	<u>234,194</u>	<u>234,194</u>	<u>239,945</u>	<u>5,751</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	63,867	63,665	71,570	(7,905)
Total charges to appropriations	<u>63,867</u>	<u>63,665</u>	<u>71,570</u>	<u>(7,905)</u>
FUND BALANCE - ENDING	<u>\$ 170,327</u>	<u>\$ 170,529</u>	<u>\$ 168,375</u>	<u>\$ (2,154)</u>

City of Redondo Beach

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

Storm Drain Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 315,568	\$ 315,568	\$ 315,568	\$ -
RESOURCES (INFLOWS):				
Charges for services	10,000	35,000	41,459	6,459
Amount available for appropriation	325,568	350,568	357,027	6,459
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	-	323,556	88,295	235,261
Total charges to appropriations	-	323,556	88,295	235,261
FUND BALANCE - ENDING	\$ 325,568	\$ 27,012	\$ 268,732	\$ 241,720

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ (362)	\$ (362)	\$ (362)	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	(755)	(755)
Charges for services	1,562,017	1,562,017	1,546,864	(15,153)
Miscellaneous	5,000	87,500	17,086	(70,414)
Transfers in	1,012,796	1,012,796	837,757	(175,039)
Amount available for appropriation	2,579,451	2,661,951	2,400,590	(261,361)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public works	2,527,868	2,522,964	2,401,345	121,619
Total charges to appropriations	2,527,868	2,522,964	2,401,345	121,619
FUND BALANCE - ENDING	\$ 51,583	\$ 138,987	\$ (755)	\$ (139,742)

City of Redondo Beach

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

Workforce Investment Act Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ (2,374)	\$ (2,374)	\$ (2,374)	\$ -
RESOURCES (INFLOWS):				
Miscellaneous	-	-	2,374	2,374
Amount available for appropriation	(2,374)	(2,374)	-	2,374
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	-	-	-	-
Total charges to appropriations	-	-	-	-
FUND BALANCE - ENDING	\$ (2,374)	\$ (2,374)	\$ -	\$ 2,374

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ (64,373)	\$ (64,373)	\$ (64,373)	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	15,660	15,660
Intergovernmental	444,286	675,543	346,782	(328,761)
Transfers in	-	-	66,514	66,514
Amount available for appropriation	379,913	611,170	364,583	(246,587)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	357,211	329,763	329,873	(110)
Capital outlay	-	240,080	204,677	35,403
Total charges to appropriations	357,211	569,843	534,550	35,293
FUND BALANCE - ENDING	\$ 22,702	\$ 41,327	\$ (169,967)	\$ (211,294)

City of Redondo Beach

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

Disaster Recovery

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 47,435	\$ 47,435	\$ 47,435	\$ -
RESOURCES (INFLOWS):				
Charges for services	2,100	2,100	740	(1,360)
Miscellaneous	75,000	-	61,152	61,152
Amount available for appropriation	124,535	49,535	109,327	59,792
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	17,060	17,060	34,292	(17,232)
Total charges to appropriations	17,060	17,060	34,292	(17,232)
FUND BALANCE - ENDING	\$ 107,475	\$ 32,475	\$ 75,035	\$ 42,560

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 914,695	\$ 914,695	\$ 914,695	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	6,112,685	6,112,685	6,215,361	102,676
Use of money and property	-	-	954	954
Amount available for appropriation	7,027,380	7,027,380	7,131,010	103,630
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	5,537,160	5,537,160	6,046,958	(509,798)
Total charges to appropriations	5,537,160	5,537,160	6,046,958	(509,798)
FUND BALANCE - ENDING	\$ 1,490,220	\$ 1,490,220	\$ 1,084,052	\$ (406,168)

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 294,626	\$ 294,626	\$ 294,626	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	(1,173)	(1,173)
Intergovernmental	60,000	75,000	90,000	15,000
Amount available for appropriation	354,626	369,626	383,453	13,827
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Housing and community development	-	-	29,557	(29,557)
Capital outlay	75,000	232,635	56,723	175,912
Total charges to appropriations	75,000	232,635	86,280	146,355
FUND BALANCE - ENDING	\$ 279,626	\$ 136,991	\$ 297,173	\$ 160,182

City of Redondo Beach

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

Parking Authority Debt Service Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 5,054	\$ 5,054	\$ 5,054	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	608	608
Amount available for appropriation	<u>5,054</u>	<u>5,054</u>	<u>5,662</u>	<u>608</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	-	-	-	-
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 5,054</u>	<u>\$ 5,054</u>	<u>\$ 5,662</u>	<u>\$ 608</u>

City of Redondo Beach

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

Pier Parking Structure Rehabilitation Capital Projects Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 798	\$ 798	\$ 798	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	13	13
Amount available for appropriation	798	798	811	13
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	-	-	-	-
Total charges to appropriations	-	-	-	-
FUND BALANCE - ENDING	\$ 798	\$ 798	\$ 811	\$ 13

City of Redondo Beach

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

Redevelopment Agency Capital Projects Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
FUND BALANCE - BEGINNING	\$ 1,164,678	\$ 1,164,678	\$ 1,164,678	\$ -
RESOURCES (INFLOWS):				
Use of money and property	200,892	200,892	225,821	24,929
Miscellaneous	-	-	245,462	245,462
Amount available for appropriation	1,365,570	1,365,570	1,635,961	270,391
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	591,727	591,727	616,916	(25,189)
Total charges to appropriations	591,727	591,727	616,916	(25,189)
FUND BALANCE - ENDING	\$ 773,843	\$ 773,843	\$ 1,019,045	\$ 245,202

This page intentionally left blank.

INTERNAL SERVICE FUNDS



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 which 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.

Printing and Graphics Fund - To account for the costs of providing printing and graphics services to all City departments. Such costs are billed to City departments at a rate which provides for the annual printing 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 Assets
All Internal Service Funds
June 30, 2011

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Printing and Graphics	Emergency Communications	Major Facilities Repair	Total
ASSETS								
Current assets:								
Cash and investments	\$ 4,165,565	\$ 205,639	\$ 502,484	\$ 14,072,876	\$ 58,071	\$ 856,583	\$ 210,616	\$ 20,071,834
Accounts receivable	28,772	-	488	-	-	-	-	29,260
Due from other funds	-	-	-	510,000	-	-	-	510,000
Prepaid costs	-	705	158,452	54	3,609	294	-	163,114
Total current assets	4,194,337	206,344	661,424	14,582,930	61,680	856,877	210,616	20,774,208
Noncurrent assets:								
Capital assets - net of accumulated depreciation	2,921,507	17,364	1,083,370	-	42,693	493,547	-	4,558,481
Total noncurrent assets	2,921,507	17,364	1,083,370	-	42,693	493,547	-	4,558,481
Total assets	7,115,844	223,708	1,744,794	14,582,930	104,373	1,350,424	210,616	25,332,689
LIABILITIES								
Liabilities:								
Current liabilities:								
Accounts payable	71,289	141,536	55,373	256,583	6,937	10,926	-	542,644
Accrued liabilities	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Accrued compensated absences	1,365	4,025	6,028	1,319	1,397	4,755	-	18,889
Accrued claims and judgments	-	-	-	742,843	-	-	-	742,843
Bonds, notes, and capital leases	-	-	247,932	-	18,931	-	-	266,863
Total current liabilities	72,654	145,561	309,333	1,000,745	27,265	15,681	-	1,571,239
Noncurrent liabilities:								
Accrued compensated absences	18,519	54,598	81,773	17,843	18,947	64,499	-	256,179
Accrued claims and judgments	-	-	-	14,161,561	-	-	-	14,161,561
Bonds, notes, and capital leases	-	-	596,579	-	23,762	-	-	620,341
Total noncurrent liabilities	18,519	54,598	678,352	14,179,404	42,709	64,499	-	15,038,081
Total liabilities	91,173	200,159	987,685	15,180,149	69,974	80,180	-	16,609,320
NET ASSETS								
Invested in capital assets, net of related debt	2,921,507	17,364	238,859	-	-	493,547	-	3,671,277
Unrestricted	4,103,164	6,185	518,250	(597,219)	34,399	776,697	210,616	5,052,092
Total net assets	\$ 7,024,671	\$ 23,549	\$ 757,109	\$ (597,219)	\$ 34,399	\$ 1,270,244	\$ 210,616	\$ 8,723,369

City of Redondo Beach
Combining Statement of Revenues, Expenses and Changes in Net Assets
All Internal Service Funds
For the year ended June 30, 2011

	Vehicle Replacement	Building Occupancy	Information Technology	Self- Insurance Program	Printing and Graphics	Emergency Communications	Major Facilities Repair	Total
OPERATING REVENUES:								
Sales and service charges	\$ 2,853,431	\$ 2,239,558	\$ 2,774,113	\$ 3,579,197	\$ 242,023	\$ 2,687,303	\$ 108,868	\$ 14,484,493
Miscellaneous	149,958	-	3,695	-	-	-	-	153,653
Total operating revenues	3,003,389	2,239,558	2,777,808	3,579,197	242,023	2,687,303	108,868	14,638,146
OPERATING EXPENSES:								
Administrative and general expenses	972,629	1,012,325	530,810	-	91,715	518,073	-	3,125,552
Personnel services	439,429	1,006,569	760,923	255,521	126,206	1,803,030	-	4,391,678
Contractual services	203,607	415,330	772,138	5,171,690	19,890	-	-	6,582,655
Depreciation	703,362	3,139	415,001	-	19,266	70,416	-	1,211,184
Total operating expenses	2,319,027	2,437,363	2,478,872	5,427,211	257,077	2,391,519	-	15,311,069
OPERATING INCOME (LOSS)	684,362	(197,805)	298,936	(1,848,014)	(15,054)	295,784	108,868	(672,923)
NONOPERATING REVENUES EXPENSES:								
Interest expenses	-	-	-	-	-	-	-	-
Gain (loss) on sale of capital assets	53,988	-	-	-	88	-	-	54,076
Total nonoperating revenues (expenses)	53,988	-	-	-	88	-	-	54,076
INCOME (LOSS) BEFORE TRANSFERS	738,350	(197,805)	298,936	(1,848,014)	(14,966)	295,784	108,868	(618,847)
Transfers in	355,716	-	-	510,000	-	-	-	865,716
Transfers out	(2,621,394)	-	-	(510,000)	-	-	-	(3,131,394)
Change in net assets	(1,527,328)	(197,805)	298,936	(1,848,014)	(14,966)	295,784	108,868	(2,884,525)
NET ASSETS:								
Beginning of year	8,551,999	221,354	458,173	1,250,795	49,365	974,460	101,748	11,607,894
End of year	\$ 7,024,671	\$ 23,549	\$ 757,109	\$ (597,219)	\$ 34,399	\$ 1,270,244	\$ 210,616	\$ 8,723,369

City of Redondo Beach
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2011

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Printing and Graphics	Emergency Communications	Major Facilities Repair	Total
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash received from customers and users	\$ 2,984,718	\$ 2,239,558	\$ 2,777,320	\$ 3,579,197	\$ 242,023	\$ 2,687,303	\$ 108,868	\$ 14,618,987
Cash payments to suppliers for goods and services	(1,510,274)	(1,439,769)	(1,495,745)	(3,781,027)	(113,453)	(513,837)	-	(8,854,105)
Cash payments to employees for services	(454,899)	(1,040,754)	(778,691)	(268,057)	(128,027)	(1,889,728)	-	(4,560,156)
Net cash provided (used) by operating activities	1,019,545	(240,965)	502,884	(469,887)	543	283,738	108,868	1,204,726
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Transfers in	(2,265,678)	-	-	-	-	-	-	(2,265,678)
Repayment received from other funds	-	-	-	(510,000)	-	-	-	(510,000)
Net cash provided (used) by noncapital financing activities	(2,265,678)	-	-	(510,000)	-	-	-	(2,775,678)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Acquisition and construction of capital assets	(104,200)	(1)	(1,193,612)	-	(39,603)	-	-	(1,337,416)
Principal paid of capital debt	-	-	844,511	-	22,007	-	-	866,518
Interest paid on capital debt	-	-	-	-	-	-	-	-
Proceeds from sales of capital assets	53,988	-	-	-	88	-	-	54,076
Net cash provided (used) by capital and related financing activities	(50,212)	(1)	(349,101)	-	(17,508)	-	-	(416,822)
Net increase (decrease) in cash and cash equivalents	(1,296,345)	(240,966)	153,783	(979,887)	(16,965)	283,738	108,868	(1,987,774)
CASH AND CASH EQUIVALENTS:								
Beginning of year	5,461,910	446,605	348,701	15,052,763	75,036	572,845	101,748	22,059,608
End of year	\$ 4,165,565	\$ 205,639	\$ 502,484	\$ 14,072,876	\$ 58,071	\$ 856,583	\$ 210,616	\$ 20,071,834

City of Redondo Beach
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2011

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Printing and Graphics	Emergency Communications	Major Facilities Repair	Total
RECONCILIATION OF OPERATING INCOME TO NET								
CASH PROVIDED BY OPERATING ACTIVITIES:								
Operating income (loss)	\$ 684,362	\$ (197,805)	\$ 298,936	\$ (1,848,014)	\$ (15,054)	\$ 295,784	\$ 108,868	\$ (672,923)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	703,362	3,139	415,001	-	19,266	70,416	-	1,211,184
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable	(18,671)	-	(488)	-	-	-	-	(19,159)
(Increase) decrease in due from other governments	-	-	-	-	-	-	-	-
(Increase) decrease in prepaid expense	-	(455)	(157,952)	59	(3,609)	(44)	-	(162,001)
Increase (decrease) in accounts payable	(334,038)	(11,659)	(34,845)	(59,486)	1,761	4,280	-	(433,987)
Increase (decrease) in due to other governments	-	-	-	-	-	-	-	-
Increase (decrease) in accrued liabilities	(14,642)	(35,604)	(25,986)	(10,737)	(4,173)	(66,774)	-	(157,916)
Increase (decrease) in claims and judgments	-	-	-	1,450,090	-	-	-	1,450,090
Increase (decrease) in compensated absences	(828)	1,419	8,218	(1,799)	2,352	(19,924)	-	(10,562)
Total adjustments	335,183	(43,160)	203,948	1,378,127	15,597	(12,046)	-	1,877,649
Net cash provided (used) by operating activities	\$ 1,019,545	\$ (240,965)	\$ 502,884	\$ (469,887)	\$ 543	\$ 283,738	\$ 108,868	\$ 1,204,726

This page intentionally left blank.

FIDUCIARY FUNDS



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 Assets
All Agency Funds
June 30, 2011

	Deposits	Assessment District 92-1	Total Agency Funds
ASSETS			
Pooled cash and investments	\$ 1,245	\$ 178,012	\$ 179,257
Receivables:			
Accounts	52,412	-	52,412
Interest	808	-	808
Total assets	\$ 54,465	\$ 178,012	\$ 232,477
LIABILITIES			
Accounts payable	\$ 71,941	\$ -	\$ 71,941
Accrued liabilities	(683,050)	-	(683,050)
Deposits payable	650,175	178,012	828,187
Deferred revenue	15,399	-	15,399
Total liabilities	\$ 54,465	\$ 178,012	\$ 232,477

City of Redondo Beach
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the year ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>Deposits</u>				
Assets:				
Pooled cash and investments	\$ 392,639	\$ 2,851,140	\$ (3,242,534)	\$ 1,245
Receivables:				
Accounts	43,457	885,470	(876,515)	52,412
Interest	1,047	808	(1,047)	808
Total assets	\$ 437,143	\$ 3,737,418	\$ (4,120,096)	\$ 54,465
Liabilities:				
Accounts payable	\$ 45,002	\$ 2,474,827	\$ (2,447,888)	\$ 71,941
Accrued liabilities	(142,956)	2,404,577	(2,944,671)	(683,050)
Deposits payable	535,097	756,566	(641,488)	650,175
Deferred revenue	-	15,399	-	15,399
Total liabilities	\$ 437,143	\$ 5,651,369	\$ (6,034,047)	\$ 54,465
<u>Assessment District 92-1</u>				
Assets:				
Pooled cash and investments	\$ 178,012	\$ -	\$ -	\$ 178,012
Total assets	\$ 178,012	\$ -	\$ -	\$ 178,012
Liabilities:				
Deposits payable	\$ 178,012	\$ -	\$ -	\$ 178,012
Total liabilities	\$ 178,012	\$ -	\$ -	\$ 178,012

City of Redondo Beach
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the year ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>Total - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 570,651	\$ 2,851,140	\$ (3,242,534)	\$ 179,257
Receivables:				
Accounts	43,457	885,470	(876,515)	52,412
Accrued interest	1,047	808	(1,047)	808
Total assets	\$ 615,155	\$ 3,737,418	\$ (4,120,096)	\$ 232,477
Liabilities:				
Accounts payable	\$ 45,002	\$ 2,474,827	\$ (2,447,888)	\$ 71,941
Accrued liabilities	(142,956)	2,404,577	(2,944,671)	(683,050)
Deposits payable	713,109	756,566	(641,488)	828,187
Deferred revenue	-	15,399	-	15,399
Total liabilities	\$ 615,155	\$ 5,651,369	\$ (6,034,047)	\$ 232,477

STATISTICAL SECTION



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

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

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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2011. 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.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weaknesses, as defined above.

Honorable Mayor and Members of the City Council
of the City of Redondo Beach
Redondo Beach, California
Page 2

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*.

This report is intended solely for the information and use of the management, City Council, others within the City, and the State Controller's office, Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specified parties.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
December 21, 2011

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

<u>Contents</u>	<u>Page</u>
<p><i>Financial Trends</i></p> <p>Presented are schedules containing trend information to assist in the reader's understanding of how the City's financial performance has changed over time.</p>	<p>% (..... T</p>
<p><i>Revenue Capacity</i></p> <p>Presented are schedules to assist the reader's assessment of the factors affecting the City's ability to generate revenue through property taxes.</p>	<p>% \$ T</p>
<p><i>Debt Capacity</i></p> <p>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.</p>	<p>% (..... D</p>
<p><i>Demographic and Economic Information</i></p> <p>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.</p>	<p>%, E</p>
<p><i>Operating & Other Information</i></p> <p>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.</p>	<p>% \$ G F</p>

City of Redondo Beach
Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:									
Invested in capital assets, net of related debt	\$ 132,056,720	\$ 131,553,186	\$ 131,738,853	\$ 131,382,820	\$ 135,153,851	\$ 134,543,764	\$ 135,170,376	\$ 137,743,367	\$ 140,306,635
Restricted	24,444,604	18,585,387	32,636,751	29,022,856	34,504,525	34,884,364	17,828,013	16,803,437	29,890,049
Unrestricted	1,138,486	(3,642,292)	(22,641,897)	(15,492,009)	(16,364,199)	(14,805,067)	876,969	(766,752)	(12,443,192)
Total governmental activities net assets	<u>157,639,810</u>	<u>146,496,281</u>	<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>
Business-type activities:									
Invested in capital assets, net of related debt	28,749,590	25,572,316	39,409,701	39,151,202	38,139,435	36,923,208	35,414,035	35,985,952	34,790,325
Restricted	190,050	-	-	-	-	-	-	-	-
Unrestricted	17,787,346	30,464,219	19,380,216	20,013,129	22,770,297	25,271,647	25,564,850	25,550,889	27,481,003
Total business-type activities net assets	<u>46,726,986</u>	<u>56,036,535</u>	<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>
Primary government:									
Invested in capital assets, net of related debt	160,806,310	157,125,502	171,148,554	170,534,022	173,293,286	171,466,972	170,584,411	173,729,319	175,096,960
Restricted	24,634,654	18,585,387	32,636,751	29,022,856	34,504,525	34,884,364	17,828,013	16,803,437	29,890,049
Unrestricted	18,925,832	26,821,927	(3,261,681)	4,521,120	6,406,098	10,466,580	26,441,819	24,784,137	15,037,811
Total primary government net assets	<u>\$ 204,366,796</u>	<u>\$ 202,532,816</u>	<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>

NOTE: The City of Redondo Beach has elected to present nine years of data since the implementation of GASB 34 in fiscal year 2002/2003.

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

City of Redondo Beach
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Government activities:									
General government	\$ 8,246,966	\$ 8,182,895	\$ 10,427,561	\$ 10,638,910	\$ 10,019,467	\$ 10,234,450	\$ 9,234,672	\$ 7,618,055	\$ 7,951,800
Public Safety	28,238,180	28,889,848	32,490,257	35,772,948	38,269,521	40,835,961	42,293,976	40,737,832	41,849,863
Housing and community development	12,290,418	11,746,765	11,797,139	11,749,944	12,194,088	14,063,015	17,696,101	16,227,602	13,159,622
Cultural and leisure services	7,693,999	7,673,578	8,204,892	8,812,584	9,499,827	10,143,340	7,586,649	6,543,884	7,002,619
Public works	17,324,480	14,478,369	14,212,509	12,936,637	14,986,259	13,601,505	12,538,423	17,930,811	12,381,276
Interest on long-term debt	2,246,326	1,377,259	1,956,707	2,122,317	1,696,368	2,419,799	1,747,427	1,077,588	1,014,572
Total governmental activities expenses	<u>76,040,369</u>	<u>72,348,714</u>	<u>79,089,065</u>	<u>82,033,340</u>	<u>86,665,530</u>	<u>91,298,070</u>	<u>91,097,248</u>	<u>90,135,772</u>	<u>83,359,752</u>
Business-type activities:									
Harbor Tidelands	4,193,713	4,474,733	5,142,991	4,447,965	4,902,841	5,075,571	5,360,523	5,372,721	5,415,810
Harbor Uplands	3,945,726	4,682,845	4,071,680	4,466,239	4,503,160	5,416,019	5,288,345	4,441,227	4,571,399
Solid Waste	-	2,901,712	3,001,525	3,225,121	3,493,852	3,129,337	3,228,498	3,364,549	3,574,516
Transit	-	-	-	-	-	-	-	-	3,102,333
Wastewater	-	886,466	1,350,156	2,686,646	2,122,793	1,853,206	2,092,245	2,207,319	2,476,972
Total business-type activities expenses	<u>8,139,439</u>	<u>12,945,756</u>	<u>13,566,352</u>	<u>14,825,971</u>	<u>15,022,646</u>	<u>15,474,133</u>	<u>15,969,611</u>	<u>15,385,816</u>	<u>19,141,030</u>
Total primary government expenses	<u>84,179,808</u>	<u>85,294,470</u>	<u>92,655,417</u>	<u>96,859,311</u>	<u>101,688,176</u>	<u>106,772,203</u>	<u>107,066,859</u>	<u>105,521,588</u>	<u>102,500,782</u>
Component Units:									
Program Revenues									
Governmental activities:									
Charges for Services:									
General government	705,541	176,191	218,476	4,732,359	6,434,951	6,337,391	4,798,599	6,804,342	6,941,477
Public Safety	1,099,904	1,226,777	1,357,045	1,353,696	1,290,081	1,437,688	2,669,185	2,097,003	4,133,005
Housing and community development	4,288,421	5,233,846	5,091,922	5,425,840	4,989,531	5,186,896	4,056,523	4,556,546	2,613,104
Cultural and leisure services	1,444,730	1,462,232	1,743,838	1,864,303	1,842,631	1,747,849	1,219,916	1,211,155	1,553,477
Public works	4,230,641	1,746,110	1,866,308	1,879,095	1,771,922	1,733,379	4,518,076	1,923,289	1,834,052
Operating grants and contributions	12,610,308	13,548,374	14,385,755	11,403,631	12,366,720	14,480,137	9,137,687	8,715,661	8,928,050
Capital grants and contributions	953,264	507,063	715,672	2,856,548	4,916,505	4,863,545	3,486,113	6,605,139	6,976,620
Total governmental activities program revenues	<u>25,332,809</u>	<u>23,900,593</u>	<u>25,379,016</u>	<u>29,515,472</u>	<u>33,612,341</u>	<u>35,786,885</u>	<u>29,886,099</u>	<u>31,913,135</u>	<u>32,979,785</u>

City of Redondo Beach
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Business-type activities:									
Charges for services:									
Harbor Tidelands	4,561,567	4,938,355	4,976,742	4,797,346	5,067,315	6,084,834	5,270,090	5,408,349	5,475,085
Harbor Uplands	3,590,837	3,554,528	3,526,424	3,858,007	4,103,636	4,400,815	4,038,226	3,935,048	3,672,769
Solid Waste	-	2,464,184	2,462,684	3,184,481	3,481,133	2,845,736	2,992,476	3,356,843	3,454,839
Transit	-	-	-	-	-	-	-	-	519,082
Wastewater	-	236,675	2,487,868	2,135,108	1,842,479	1,739,468	2,293,090	2,437,816	2,444,086
Operating grants and contributions	1,105	36,362	49,717	73,035	68,841	70,150	162,512	17,769	1,231,111
Capital grants and contributions	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	8,153,509	11,230,104	13,503,435	14,047,977	14,563,404	15,141,003	14,756,394	15,155,825	16,796,972
Total primary government program revenues	33,486,318	35,130,697	38,882,451	43,563,449	48,175,745	50,927,888	44,642,493	47,068,960	49,776,757
Net (expense)/revenue									
Governmental activities	(50,707,560)	(48,448,121)	(53,710,049)	(52,517,868)	(53,053,189)	(55,511,185)	(61,211,149)	(58,222,637)	(50,379,967)
Business-type activities	14,070	(1,715,652)	(62,917)	(777,994)	(459,242)	(333,130)	(1,213,217)	(229,991)	(2,344,058)
Total primary government net expense	(50,693,490)	(50,163,773)	(53,772,966)	(53,295,862)	(53,512,431)	(55,844,315)	(62,424,366)	(58,452,628)	(52,724,025)
General Revenues and Other Changes in Net Assets									
Governmental Activities									
Taxes									
Property taxes, levied for general purpose	16,751,767	18,058,184	19,524,448	25,617,618	27,136,137	27,311,112	28,612,395	29,598,821	28,320,076
Transient occupancy taxes	2,257,526	2,439,439	2,648,323	3,354,138	3,738,839	3,933,009	3,485,290	3,204,045	3,267,209
Sales taxes	8,073,176	8,544,764	9,408,574	9,906,235	10,205,436	9,635,626	9,329,872	7,839,179	8,902,151
Franchise taxes	1,321,287	1,842,050	1,761,441	1,767,452	1,685,711	1,807,308	1,970,548	1,673,632	1,816,314
Business licenses taxes	1,278,607	1,302,614	1,323,345	1,376,117	1,289,608	1,385,726	1,293,056	1,256,462	1,240,024
Utility users taxes	6,835,864	6,841,854	7,184,530	7,398,984	7,878,429	8,018,564	7,848,157	8,043,207	7,667,130
Other taxes	-	-	-	-	-	-	-	11,200	-
Motor vehicle in lieu	3,897,644	2,959,364	5,653,644	453,645	429,612	293,685	205,403	198,745	310,907
Investment earnings	3,719,297	1,729,697	2,595,528	3,349,037	4,687,909	4,264,527	4,948,736	5,118,217	3,585,902
Other revenues	926,203	1,248,023	1,980,160	1,340,746	1,626,971	443,706	1,599,388	1,078,427	1,601,333
Loss on disposal of capital assets	(121,086)	(12,125)	-	-	-	34,735	28,288	26,396	54,076
Transfers	429,460	(5,308,676)	473,040	-	-	(146,710)	1,142,313	79,000	(758,345)
Total governmental activities	45,369,745	39,645,188	52,553,033	54,563,972	58,678,652	56,981,288	60,463,446	58,127,331	56,006,777
Business-type activities:									
Investment earnings	770,111	295,611	810,422	839,082	1,439,428	1,329,922	944,480	801,184	408,915
Loss on disposal of capital assets	(18,048)	-	-	-	-	-	-	(16,398)	-
Other revenues	369,246	760,920	1,032,553	204,761	138,877	141,621	195,080	176,052	307,915
Transfers	(429,460)	5,308,676	(473,040)	-	-	146,710	(1,142,313)	(79,000)	758,345

City of Redondo Beach
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total business-type activities	691,849	6,365,207	1,369,935	1,043,843	1,578,305	1,618,253	(2,753)	881,838	1,475,175
Total primary government	46,061,594	46,010,395	53,922,968	55,607,815	60,256,957	58,599,541	60,460,693	59,009,169	57,481,952
Change in Net Assets									
Governmental activities	(5,337,815)	(8,802,933)	(1,157,016)	2,046,104	5,625,463	1,470,103	(747,703)	(95,306)	5,626,810
Business-type activities	705,919	4,649,555	1,307,018	265,849	1,119,063	1,285,123	(1,215,970)	651,847	(868,883)
Totally primary government	\$ (4,631,896)	\$ (4,153,378)	\$ 150,002	\$ 2,311,953	\$ 6,744,526	\$ 2,755,226	\$ (1,963,673)	\$ 556,541	\$ 4,757,927

NOTE: The City of Redondo Beach has elected to present nine years of data since the implementation of GASB 34 in fiscal year 2002/2003.

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

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011 *
General fund									
Reserved	\$ 1,118,553	\$ 532,612	\$ 1,229,239	\$ 759,733	\$ 781,710	\$ 902,881	\$ 634,743	\$ 514,549	\$ -
Unreserved:									
Designated	11,802,290	11,942,979	9,144,315	9,383,713	10,143,013	11,363,952	9,353,252	9,321,572	-
Undesignated	(83,439)	3,692	1,028,448	2,680,196	214,115	314,926	37,327	(75,211)	-
Nonspendable	-	-	-	-	-	-	-	-	167,035
Committed	-	-	-	-	-	-	-	-	5,595,596
Assigned	-	-	-	-	-	-	-	-	7,891,828
Unassigned	-	-	-	-	-	-	-	-	-
Total general fund	<u>12,837,404</u>	<u>12,479,283</u>	<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>
All other governmental funds									
Reserved	9,649,967	5,770,495	3,156,012	7,519,312	21,109,217	21,158,335	15,551,248	13,938,764	-
Unreserved, reported in:									
Special revenue funds	5,486,190	5,089,794	5,941,612	4,485,135	8,108,628	7,429,282	4,494,765	5,265,375	-
Capital projects funds	630	2,284,886	2,085,674	1,763,987	1,581,516	1,614,077	5,052	5,054	-
Debt service funds	4,779	4,822	4,819	5,021	5,028	5,028	1,222,686	1,165,476	-
Designated, reported in:									
Special revenue funds	2,698,080	3,010,610	-	2,070,751	2,948,322	3,567,481	2,696,956	2,043,237	-
Capital projects funds	12,304,702	8,142,187	5,233,040	6,250,116	6,326,050	8,926,207	9,891,290	-	-
Undesignated, reported in:									
Special revenue funds	-	(1,670,397)	3,215,250	218	(2,831,086)	(2,368,822)	5,803,471	7,103,415	-
Capital projects funds	-	4,400,944	2,629,467	1,424,414	4,050,994	3,414,086	2,317,151	5,365,603	-
Debt service funds	-	(2,620,107)	(3,278,401)	(3,714,945)	(13,958,851)	(12,990,180)	(14,007,225)	(15,428,315)	-
Nonspendable	-	-	-	-	-	-	-	-	1,012
Restricted	-	-	-	-	-	-	-	-	8,524,280
Restricted, reported in:									
Special revenue funds	-	-	-	-	-	-	-	-	13,257,981
Debt service funds	-	-	-	-	-	-	-	-	8,107,706
Assigned	-	-	-	-	-	-	-	-	-
Assigned, reported in:									
Capital projects funds	-	-	-	-	-	-	-	-	1,645,977
Unassigned	-	-	-	-	-	-	-	-	841,689
Unassigned, reported in:									
Special revenue funds	-	-	-	-	-	-	-	-	(3,027,926)
Capital projects funds	-	-	-	-	-	-	-	-	3,040,646
Debt service funds	-	-	-	-	-	-	-	-	(15,046,266)
Total all other governmental funds	<u>\$ 30,144,348</u>	<u>\$ 24,413,234</u>	<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>

NOTE: *The change of fund balance descriptions is due to the implementation of GASB 54 in fiscal year 2010/2011.
The City of Redondo Beach has elected to present nine years of data since the implementation of GASB 34 in fiscal year 2002/2003.

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 Nine Fiscal Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	Fiscal Year 2007	2008	2009	2010	2011
Revenues:									
Taxes	\$ 35,772,421	\$ 39,678,946	\$ 47,416,940	\$ 49,809,201	\$ 52,569,593	\$ 53,052,490	\$ 52,330,017	\$ 49,946,499	\$ 51,768,825
Interdepartmental	-	-	-	4,298,260	6,314,753	6,314,750	6,655,458	6,681,277	6,383,731
Licenses and permits	1,241,136	1,513,226	1,713,598	2,006,686	1,660,339	1,306,025	1,006,075	930,523	1,248,916
Intergovernmental	15,566,321	16,208,575	13,322,228	14,196,236	15,771,721	16,660,368	13,991,411	15,619,990	14,545,341
Charges for services	7,870,593	7,193,850	7,738,642	8,673,373	7,627,197	6,814,267	6,947,073	7,279,164	7,485,670
Use of money and property	6,638,379	2,178,640	3,834,831	3,458,204	5,228,621	6,279,652	5,680,333	4,929,845	3,512,619
Fines and forfeitures	1,612,480	1,069,909	942,598	889,437	1,117,196	1,984,683	1,845,838	1,875,287	1,785,067
Other revenues	1,551,978	784,325	697,856	760,816	787,722	559,093	1,703,984	999,916	1,447,680
Total Revenues	70,253,308	68,627,471	75,666,693	84,092,213	91,077,142	92,971,328	90,160,189	88,262,501	88,177,849
Expenditures:									
Current:									
General government	7,858,215	8,134,136	10,291,155	10,531,849	9,878,387	9,033,018	8,693,889	7,901,358	7,582,969
Public safety	27,905,212	28,548,022	31,357,941	35,109,834	38,254,942	40,909,913	42,869,798	41,964,634	41,450,374
Housing and community development	12,272,712	11,753,095	11,134,350	11,341,953	11,960,230	13,970,479	17,569,049	16,392,441	12,882,944
Cultural and leisure services	6,892,592	7,565,264	7,446,505	8,658,356	9,120,765	9,780,910	7,372,691	7,427,423	6,671,934
Public works	9,429,422	11,866,239	7,404,995	9,409,898	10,218,116	11,046,771	9,554,993	8,787,700	9,450,771
Capital outlay	7,987,598	1,884,946	10,024,176	3,356,314	5,318,230	4,121,712	5,683,727	11,562,615	8,384,700
Debt service:									
Principal	394,798	395,046	420,069	1,984,826	757,671	1,526,811	3,448,829	2,492,055	777,554
Interest	2,232,047	1,389,640	1,958,332	2,130,871	1,698,884	2,902,761	1,738,532	1,069,040	1,017,824
Debt issuance costs	21,157	-	-	-	-	-	-	-	-
Total Expenditures	74,993,753	71,536,388	80,037,523	82,523,901	87,207,225	93,292,375	96,931,508	97,597,266	88,219,070
Excess of Revenues Over (Under) Expenditures	(4,740,445)	(2,908,917)	(4,370,830)	1,568,312	3,869,917	(321,047)	(6,771,319)	(9,334,765)	(41,221)
Other Financing Sources (Uses):									
Transfers in	5,277,409	3,548,964	3,194,254	3,296,665	6,611,051	11,074,552	5,482,661	2,707,679	17,341,414
Transfers out	(6,077,949)	(4,194,424)	(6,007,674)	(4,496,995)	(7,853,397)	(6,630,271)	(4,595,668)	(2,743,425)	(15,834,081)
Refunding bonds issued	-	-	-	-	-	7,645,000	700,000	-	-
Other debts issued	450,140	655,879	926,685	736,338	476,292	648,720	547,789	589,314	301,197
Bond premium	-	-	-	-	-	227,862	-	-	-
Refunding bonds redeemed	-	-	-	-	-	(7,645,000)	(700,000)	-	-
Total Other Financing Sources (Uses)	(350,400)	10,419	(1,886,735)	(463,992)	(766,054)	5,320,863	1,434,782	553,568	1,808,530
Net Change in Fund Balances	\$ (5,090,845)	\$ (2,898,498)	\$ (6,257,565)	\$ 1,104,320	\$ 3,103,863	\$ 4,999,816	\$ (5,336,537)	\$ (8,781,197)	\$ 1,767,309
Debt service as a percentage of noncapital expenditures	4.11%	2.63%	3.52%	5.48%	3.09%	5.23%	6.03%	4.32%	2.30%

NOTE: The City of Redondo Beach has elected to present nine years of data since the implementation of GASB 34 in fiscal year 2002/2003.

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			Taxable Assessed Value	Redevelopment			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions		Secured	Unsecured	Exemptions		
2002	6,385,716,954	324,592,746	(37,669,872)	6,672,639,828	246,801,085	57,023,707	(319,608)	303,505,184	0.198%
2003	6,828,949,516	359,752,562	(55,603,784)	7,133,098,294	253,875,110	56,736,856	(325,999)	310,285,967	0.225%
2004	7,506,186,983	361,472,965	(60,856,425)	7,806,803,523	253,975,182	66,824,277	(332,518)	320,466,941	0.222%
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%

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 2010-11 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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City basic rate	0.16617	0.16617	0.16617	0.16617	0.16617	0.16617	0.16617	0.16539	0.16539	0.16539
Redevelopment agency	1.00990	1.00861	1.00755	1.00697	1.00604	1.00541	1.00450	1.00430	1.00430	1.00370
Overlapping Rates:										
Los Angeles County	0.00113	0.00103	0.00099	0.00092	0.00080	0.00066	0.00000	0.00000	0.00000	0.00000
Flood Control	0.00107	0.00088	0.00047	0.00024	0.00005	0.00005	0.00000	0.00000	0.00000	0.00000
Metropolitan Water District	0.00770	0.00670	0.00610	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370
Community College	0.00000	0.00000	0.01903	0.01656	0.01838	0.03570	0.01647	0.01703	0.01487	0.01614
Unified School District	0.02370	0.00446	0.00866	0.02765	0.03336	0.02970	0.02844	0.04714	0.05519	0.06977
Total Direct Rate	0.18449	0.18385	0.18360	0.18176	0.18234	0.21166	0.18715	0.18608	0.18774	0.18818

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 2010/2011 Tax Rate Table

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

Taxpayer	2011		2002	
	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.)	\$ 446,052,495	3.70%	\$ 328,342,342	4.71%
South Bay Center SPE LLC	192,976,132	1.60%	130,952,973	1.88%
AES Redondo Beach, LLC	181,309,126	1.51%	269,842,623	3.87%
HPT IHG 2 Properties Trust	42,321,015	0.35%	-	
MKEG P LLC	36,715,469	0.30%	-	
Portofino Partners	36,298,606	0.30%	30,148,008	0.43%
AMB AMS Spinnaker LLC	33,028,228	0.27%	-	
Harbor Cove The Bascom Group	32,811,512	0.27%	-	
Target Corporation	32,772,590	0.27%	-	
Trust NOIP Doolittle- Redondo Beach	32,674,577	0.27%	-	
South Bay Center LLC	-		27,943,944	0.40%
Town Park Hotel Corporation	-		26,445,433	0.38%
Space Technology Lab Inc.	-		22,588,497	0.32%
Haagen Redondo LLC	-		22,365,000	0.32%
Von's Companies Inc.	-		21,016,527	0.30%
South Bay Associates	-		17,067,908	0.24%
	<u>\$ 1,066,959,750</u>	<u>8.86%</u>	<u>\$ 896,713,255</u>	<u>12.85%</u>

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

Source: HdL Coren & Cone, Los Angeles County Assessor 2010/2011 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
2002	14,444,954	14,001,063	96.93%	458,721	14,459,784	100.10%
2003	15,320,666	14,886,490	97.17%	477,197	15,363,687	100.28%
2004	16,229,288	15,968,858	98.40%	506,977	16,475,835	101.52%
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%

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	Revenue	Refunding Revenue	Capital	Wastewater Revenue	Construction	Capital				
	Bonds	Bonds	Bonds	Loans	Leases	Bonds	Loans	Leases			
2002	4,570,000	9,640,000	2,965,000	11,754,103	57,068	-	5,157,329	19,495	34,162,995	11.31%	540
2003	4,480,000	9,485,000	2,840,000	12,179,445	50,105	-	4,994,952	2,896	34,032,398	10.93%	511
2004	4,385,000	9,325,000	2,730,000	12,805,278	36,364	10,263,776	4,607,531	-	44,152,949	13.42%	664
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	-	557
2010	-	-	8,870,895	13,840,146	20,686	9,118,020	3,466,920	-	35,316,667	-	519
2011	-	-	8,126,906	14,088,789	887,204	8,905,394	3,207,098	-	35,215,391	-	526

NOTES: * Personal income data was not available from the California Department of Finance subsequent to fiscal year 2008/2009. 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, 2011

		\$	
City Assessed Valuation		11,836,135,791	
Redevelopment Agency Incremental Valuation		393,241,765	
Total Assessed Valuation		<u>11,442,894,026</u>	
	<u>Percentage Applicable</u>	<u>Outstanding Debt 6/30/11</u>	<u>Estimated Share of Overlapping Debt</u>
Direct Debt:			
County Deferral Loans	100%	14,088,789	14,088,789
Boating & Waterways Construction Loan 89-21-147	100%	2,267,306	2,267,306
PFA 2001 Refunding Revenue Bonds	100%	1,875,000	1,875,000
Boating & Waterways Construction Loan 88-21-84	100%	939,792	939,792
PFA 2008 Refunding Revenue Bonds	100%	6,251,906	6,251,906
Capital Leases	100%	887,204	887,204
Wastewater Revenue Bond 2004 Ser A	100%	8,905,394	8,905,394
Total direct debt		<u>\$ 35,215,391</u>	<u>\$ 35,215,391</u>
Overlapping Debt:			
Redondo Beach Unified School District DS 2011	100%	45,002,644	45,002,644
Redondo Beach Unified School District DS 2000 Ser C	100%	3,215,000	3,215,000
Redondo Beach Unified School District DS 2000 Ser D	100%	4,155,000	4,155,000
Redondo Beach Unified School District DS 2000 Ser E	100%	11,435,000	11,435,000
Redondo Beach Unified School District DS 2008 Ser A	100%	74,055,636	74,055,636
Redondo Beach Unified School District DS 2010 + BABS	100%	24,999,172	24,999,172
Redondo Beach Unified School District DS 2010 REFUNDING BONDS	100%	26,710,000	26,710,000
* Metropolitan Water District	1.347%	107,259,876	1,445,130
El Camino CCS DS 2002 S-2003A	14.951%	5,120,000	765,507
El Camino CCD DS 2005 REF BONDS	14.951%	28,732,715	4,295,917
El Camino CCD DS 2002 SER 2006B	14.951%	137,350,000	20,535,624
Total overlapping debt		<u>\$ 423,032,399</u>	<u>\$ 216,614,630</u>
Total direct and overlapping debt			<u><u>\$ 251,830,021</u></u>

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

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

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 11,836,135,791
Debt Limit (15% of assessed value)	1,775,420,369
Debt applicable to limit	<u>-</u>
Legal debt margin	<u><u>\$ 1,775,420,369</u></u>

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 1,046,421,752	\$ 1,116,507,639	\$ 1,219,090,570	\$ 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
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	1,046,421,752	1,116,507,639	1,219,090,570	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
Total net debt applicable to the limit as a percentage of debt limit	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>

Source: County of Los Angeles Auditor-Controller

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

Fiscal Year Ended June 30,	Wastewater Revenue Bonds						Coverage
	Wastewater Revenue	Less Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2004	\$ 5,919,446	\$ 664,166	\$ 5,255,280	\$ -	\$ -	0%	
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	

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.

City of Redondo Beach
Demographic and Economic Statistics
June 30, 2011

Calendar Year	Population	Personal Income * (in millions)	Per Capita Personal Income *	Unemployment Rate **
2002	63,261	302,123	47,758	6.7%
2003	66,545	311,285	46,778	6.9%
2004	66,545	329,048	49,447	6.3%
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	-	-	11.5%
2011	66,970	-	-	11.9%

NOTES: * Personal income data was not available from the California Department of Finance subsequent to fiscal year 2008/2009. Per Capita Personal Income is based on the County of Los Angeles. Statistics not available subsequent to fiscal year 2008/2009. ** 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	2011		2002
	Employees	Percentage of Total City Employment	Employees
Northrop Grumman (TRW)	5,645	17.65%	5,226
Redondo Beach Unified School District	995	3.11%	-
City of Redondo Beach	444	1.39%	485
Crown Plaza (Holiday Inn)	339	1.06%	-
The Cheesecake Factory	261	0.82%	227
United States Post Office	260	0.81%	230
Nordstrom, Inc.	258	0.81%	432
D H L Global Forwarding	244	0.76%	-
Target Store	217	0.68%	-
Macy's (Robinson's May)	198	0.62%	299
Web Service Company	-	0.00%	320
Imperial Bank	-	0.00%	253
Mervyn's	-	0.00%	232
Douglas Furniture of California, Inc.	-	0.00%	200
South Bay Family Healthcare Center	-	0.00%	200

Source: City of Redondo Beach

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

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	60	60	59	56	56	59	60	58	52	52
Public Safety										
Police										
Officers	109	108	107	105	105	105	105	105	99	96
Civilians	57	57	58	57	57	58	58	59	58	59
Fire										
Firefighters and Officers	68	69	68	65	65	64	64	63	60	60
Civilians	5	5	6	5	5	6	6	5	5	3
Public Works	88	108	105	102	102	104	105	105	106	100
Cultural and Leisure Services	50	63	61	59	58	57	54	45	40	37
Housing & Community Development	44	45	44	33	33	34	35	38	30	31
Harbor, Business, & Transit	4	4	5	7	7	9	9	9	8	6
TOTAL	485	519	513	489	488	496	496	487	458	444

Source: City of Redondo Beach

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police										
Physical arrests	3,135	2,955	3,235	3,229	3,402	3,923	2,702	2,641	2,586	- *
Traffic citations issued	12,070	9,774	7,419	7,532	9,683	12,339	10,955	10,786	10,658	- *
Fire										
Number of runs - rescues	3,445	3,212	3,351	3,386	3,551	3,779	3,932	3,942	4,007	- *
Number of runs - structures & other	1,261	1,173	1,075	868	1,087	1,672	1,676	1,495	1,552	- *
Public Works										
Street rehabilitation (miles)	9.3	17.1	17.8	13.3	3.2	3.7	2.3	4.6	1.9	3.5
Culture and Leisure Services										
Library										
Number of items borrowed	798,022	830,950	845,496	845,569	852,750	844,947	831,354	858,934	809,968	920,941
Number of visitors	441,974	454,114	436,714	438,310	439,060	445,056	446,346	436,347 '	398,583 **	437,529
Recreation and Community Services										
Admissions - Seaside Lagoon	98,352	101,584	81,487	86,562	90,966	82,071	76,578	82,921	63,056	63,799
Number of facility rentals - Seaside Lagoon	506	468	558	579	409	382	395	415	416	412
Housing & Community Development										
Number of permits issued	3,508	3,871	4,591	4,544	3,763	3,951	3,270	1,952	2,257	2,832
Number of plan checks issued	1,133	2,848	1,950	1,667	1,566	1,296	1,101	898	990	1,177
Number of inspections	14,131	14,161	16,817	20,236	19,378	19,916	17,634	12,755	8,605	6,848
Number of real estate reports	1,308	1,367	1,370	1,342	1,051	883	630	577	769	702
Number of bus boardings - Transit	90,746	98,934	94,087	70,458	169,519	298,206	365,701	393,534	404,983	378,326
Revenue miles - Transit	179,926	183,491	172,358	122,814	232,692	416,435	487,203	452,467	472,604	474,564

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	5117	5120	5120	1892 *	1892*	1892*	1892*	1892*	1892*	1892*
Street Traffic Controllers	84	84	84	84	84	84	84	84	84	84
Sanitary sewers (miles)	150	150	150	150	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	93.06	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, 2011

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 2010-11 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, 2011 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, 2011, neither the Redevelopment Agency nor the Public Financing Authority has issued any parity or subordinate debt.
3. During the fiscal year ended June 30, 2011, 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, 2011 the Agency had been apportioned \$43,104,299 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, 2011

	Base Year										
Secured *	1983-84	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Land	\$ 9,772,776	\$ 21,057,511	\$ 26,361,887	\$ 26,567,906	\$ 26,977,212	\$ 27,424,247	\$ 51,658,838	\$ 52,688,442	\$ 53,742,204	\$ 56,292,008	\$ 55,363,042
Impts	16,977,265	166,968,861	167,560,188	159,503,456	162,122,684	164,634,061	178,831,940	182,405,613	185,761,187	202,649,015	191,933,851
Pers Prop	-	385,673	396,224	597,793	572,459	1,617	1,514	-	-	-	-
Exemptions	-	-	-	-	-	-	-	-	-	-	-
Total Secured	26,750,041	188,412,045	194,318,299	186,669,155	189,672,355	192,059,925	230,492,292	235,094,055	239,503,391	258,941,023	247,296,893
Unsecured											
Land	-	-	-	-	-	-	-	-	-	-	-
Impts	3,023,006	11,511,489	12,123,607	13,074,302	12,287,632	12,261,701	11,408,416	13,236,695	13,336,333	12,530,739	13,273,687
Pers Prop	1,848,954	13,198,111	14,215,089	13,786,344	13,128,156	13,217,135	12,577,271	13,515,052	14,189,166	12,550,901	12,457,717
Exemptions	-	-	-	-	-	-	-	-	-	(50,000)	(50,000)
Total Unsecured	4,871,960	24,709,600	26,338,696	26,860,646	25,415,788	25,478,836	23,985,687	26,751,747	27,525,499	25,031,640	25,681,404
GRAND TOTAL	31,622,001	<u>213,121,645</u>	<u>220,656,995</u>	<u>213,529,801</u>	<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>
Incremental Value:		181,499,644	189,034,994	181,907,800	183,466,142	185,916,760	222,855,978	230,223,801	235,406,889	252,350,662	241,356,296
Incremental Value Change:		4,202,241	7,535,350	(7,127,194)	1,558,342	2,450,618	36,939,218	7,367,823	5,183,088	16,943,773	(10,994,366)
% Change:		2.37%	4.15%	-3.77%	0.86%	1.34%	19.87%	3.31%	2.25%	7.20%	-4.36%

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, 2011

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<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>
Original Charge Secured Value	\$ 188,412,045	\$ 194,318,299	\$ 186,669,155	\$ 189,672,355	\$ 192,059,925	\$ 230,492,292	\$ 235,094,055	\$ 239,503,391	\$ 258,941,015	\$ 247,296,893
Adjustments to Original Charge	(2,895,608)	(5,284,757)	-	-	50,417,882	-	-	-	(2,894,618)	-
Base Year Secured Value	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<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>
Incremental Secured Value	158,766,396	162,283,501	159,919,114	162,922,314	215,727,767	203,742,252	208,344,014	212,753,350	229,296,356	220,546,852
Tax Rate	<u>0.0100990</u>	<u>0.0100861</u>	<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>0.0100370</u>
Adjusted Levy	1,603,383	1,636,814	1,611,271	1,640,576	2,170,316	2,048,455	2,092,816	2,136,682	2,302,823	2,213,629
Unitary Revenue	<u>31,743</u>	<u>30,672</u>	<u>29,747</u>	<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>
Total Secured/Unitary Levy	<u>1,635,126</u>	<u>1,667,487</u>	<u>1,641,018</u>	<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>
Original Charge Unsecured Value	24,709,600	26,338,696	26,860,646	25,415,788	25,478,836	23,985,683	26,751,747	27,525,499	25,031,637	25,681,404
Adjustments to Original Charge	15,159,459	329,075	77,266,839	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>(4,871,960)</u>	<u>(4,871,960)</u>	<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>
Incremental Unsecured Value	34,997,099	21,795,811	99,255,525	23,422,111	20,807,196	19,962,473	24,079,901	23,203,398	22,328,149	21,049,550
Tax Rate	<u>0.0101167</u>	<u>0.0100990</u>	<u>0.0100861</u>	<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>
Unsecured Adjusted Levy	<u>354,054</u>	<u>220,116</u>	<u>1,001,105</u>	<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>
Net Total Revenue	<u>1,989,180</u>	<u>1,887,603</u>	<u>2,642,124</u>	<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>
Remittance to Agency										
Secured/Unitary Remitted	1,634,614	1,666,575	1,640,962	1,667,891	2,197,703	2,075,997	2,122,507	2,167,741	2,333,113	2,243,814
Unsecured Remitted	346,157	215,664	220,615	230,164	207,367	183,272	239,176	224,182	219,123	206,749
HOX Payments	(71)	-	-	-	-	-	-	-	-	-
Total Remittance to Agency:	<u>1,980,700</u>	<u>1,882,239</u>	<u>1,861,577</u>	<u>1,898,055</u>	<u>2,405,070</u>	<u>2,259,268</u>	<u>2,361,683</u>	<u>2,391,923</u>	<u>2,552,236</u>	<u>2,450,563</u>
% of Collection to Levy	99.57%	99.72%	70.46%	99.48%	99.89%	99.23%	99.91%	99.62%	99.80%	99.81%
Grand Total Revenue:										
Secured and Unsecured Revenue	1,980,700	1,882,239	1,861,577	1,898,055	2,405,070	2,259,268	2,361,683	2,391,923	2,552,236	2,450,563
SB 813 Supplemental Payments	(4,777)	(14,273)	-	-	(17,379)	117,362	(2,883)	177,804	(51,122)	-
Redemptions/Open Roll Corrections	(44,345)	(41,247)	4,262	2,225	(5,534)	4,532	12,925	1,325	36	13
Taxpayer Refunds	4,059	(16,469)	(60,249)	(42)	(23,253)	5	(86)	(628)	(83,212)	(1,476)
Deferral Payments/ Adjustments	-	-	-	129,927	(46,423)	(355,390)	(186,859)	(122,005)	(155,747)	(52,554)
Total Paid to Agency:	<u>1,935,637</u>	<u>1,810,249</u>	<u>1,805,590</u>	<u>2,030,165</u>	<u>2,312,481</u>	<u>2,025,778</u>	<u>2,184,780</u>	<u>2,448,419</u>	<u>2,262,190</u>	<u>2,396,546</u>
SB 2557 Charges (1)	(35,433)	(34,894)	(34,524)	(31,324)	(28,308)	(29,423)	(31,971)	(31,959)	(38,139)	(39,350)
Housing Set Aside	(387,127)	(362,050)	(354,655)	(406,033)	(517,064)	(405,156)	(436,956)	(489,684)	(452,438)	(479,309)
Tax Sharing Payments	(623,314)	(773,832)	(772,023)	(813,388)	(1,011,111)	(716,814)	(880,699)	(1,103,678)	(1,140,974)	(1,021,920)
Negative Balance from Prior Year	-	-	-	-	-	-	-	-	-	-
Net Grand Total Revenue:	<u>\$ 889,762</u>	<u>\$ 639,473</u>	<u>\$ 644,388</u>	<u>\$ 779,420</u>	<u>\$ 755,998</u>	<u>\$ 874,385</u>	<u>\$ 835,154</u>	<u>\$ 823,098</u>	<u>\$ 630,639</u>	<u>\$ 855,966</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, 2011

	Secured			Unsecured			Total		Use Code
	Value	Parcels	Percent of Secured Actual Value	Value	Parcels	Percent of Unsecured Actual Value	Value	Percent of Total Value	
1. South Bay Associates SPE LLC	\$ 191,030,475	3	77.25%	\$ 707,637	1	2.76%	\$ 191,738,112	70.24%	Commercial
2. 1519 Hawthorne Blvd. LLC	19,575,908	1	7.92%	-	0	0.00%	19,575,908	7.17%	Commercial
3. KHS South Bay LLC	17,250,000	1	6.98%	-	0	0.00%	17,250,000	6.32%	Commercial
4. LPF Redondo Beach Inc.	9,964,589	4	4.03%	-	0	0.00%	9,964,589	3.65%	Commercial
5. Nordstrom Inc.	-	0	0.00%	6,348,983	1	24.72%	6,348,983	2.33%	Unsecured
6. Outparcel Naperville LLC	5,643,005	1	2.28%	-	0	0.00%	5,643,005	2.07%	Commercial
7. Walgreen	3,828,890	7	1.55%	-	0	0.00%	3,828,890	1.40%	Commercial
8. Macy's West Stores	-	0	0.00%	2,531,639	1	9.86%	2,531,639	0.93%	Unsecured
9. Kohl's Department Store	-	0	0.00%	2,049,409	1	7.98%	2,049,409	0.75%	Unsecured
10. American Multi-Cinema Inc.	-	0	0.00%	1,270,131	1	4.95%	1,270,131	0.47%	Unsecured
	\$247,292,867	17	100.00%	\$12,907,799	5	50.26%	\$260,200,666	95.32%	
Project Area Incremental Value:	<u>\$247,296,893</u>			<u>\$25,681,404</u>			<u>\$272,978,297</u>		

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>Updated or Owner's Opinion Value</u>	<u>Proposed Change</u>	<u>Proposed % Change</u>
Currently Pending Appeals							
FY 2007-08							
Macy's Aka Federated Retail Holdings, Inc.	u	Unsecured	Pending	1,753,214	876,607	(876,607)	-50.00%
				<u>1,753,214</u>	<u>876,607</u>		
FY 2008-09							
Home Depot USA, Inc.	4082-019-042	Secured	Pending	19,237,661	19,237,661	-	0.00%
				<u>19,237,661</u>	<u>19,237,661</u>		
FY 2009-10							
Nordstrom Incorporated	4082-018-005	Secured	Pending	21,924,618	9,000,000	(12,924,618)	-58.95%
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%
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%
				<u>52,823,656</u>	<u>18,819,370</u>		
FY 2010-11							
American Multi-Cinema Inc/AMC Galleria South	u	Unsecured	Pending	1,270,131	625,000	(645,131)	-50.79%
Guess Inc.	u	Unsecured	Pending	203,843	102,000	(101,843)	-49.96%
Macy's West Stores Inc.	u	Unsecured	Pending	2,531,639	1,265,820	(1,265,819)	-50.00%
Scott B. Brown	4082-018-004	Secured	Pending	27,017,842	20,500,000	(6,517,842)	-24.12%
South Bay Center SPE LLC	4082-018-010	Secured	Pending	146,502,633	120,000,000	(26,502,633)	-18.09%
				<u>177,526,088</u>	<u>142,492,820</u>		

Most Recently Resolved Appeals Among Owners with Pending Appeals

<u>Owner</u>	<u>APN</u>	<u>Appeal Type</u>	<u>Appeal Status</u>	<u>Original Value</u>	<u>Board Value</u>	<u>Change</u>	<u>% Change</u>
FY 2008-09							
Guess Inc.	u	Unsecured	Allowed	231,957	215,160	(16,797)	-7.24%
FY 2009-10							
American Multi-Cinema Inc/AMC Galleria South	u	Unsecured	Denied	1,279,949	1,279,949	-	0.00%

Source: HdL Coren & Cone

City of Redondo Beach
Certification of Continuing Disclosure
Redondo Beach Public Financing Authority 2001 Refunding Revenue Bonds
(Harbor Center Redevelopment Project)
June 30, 2011

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 October 29, 2001 executed and delivered by the Redevelopment Agency and the Public Financing Authority and the Dissemination Agent in connection with the issuance of \$2,965,500 Refunding Revenue Bonds, Redondo Pier Reconstruction Refinancing Project Bonds ("the Bonds"). The Bonds were issued pursuant to an Indenture of Trust dated as of November 1, 2001 between the Financing Authority and US Bank. The proceeds of the Bonds were issued to fund a loan by the Public Financing Authority to the Redevelopment Agency pursuant to a loan agreement dated as of November 1, 2001. The proceeds of the loan were to provide funds to (i) provide funds to refinance certain redevelopment activities of the Agency within or of benefit to the Harbor Center Redevelopment Project Area and, in particular, to refund the Redevelopment Agency's outstanding Tax Allocation and Revenue Bonds issued in 1993, and (ii) pay 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 2010-11 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, 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, 2010 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, 2011, 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. 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
Redondo Beach Redevelopment Agency
Harbor Center Redevelopment Project Area
Historical Project Area Valuations
June 30, 2011

	Base Year										
	1991-92	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
<i>Secured *</i>											
Land	\$ 1,762,312	\$ 12,775,124	\$ 13,030,625	\$ 13,291,236	\$ 13,539,383	\$ 15,760,494	\$ 17,414,372	\$ 17,762,659	\$ 18,117,912	\$ 18,480,269	\$ 18,436,470
Impts	911,370	19,011,977	19,392,215	19,780,058	20,149,351	31,833,956	37,955,766	38,714,881	29,757,900	30,353,057	30,281,119
Pers Prop	6,660	-	-	-	-	-	-	-	-	-	-
Exemptions	-	-	-	-	-	-	-	(212,304)	(158,162)	(161,326)	(160,943)
Total Secured	<u>2,680,342</u>	<u>31,787,101</u>	<u>32,422,840</u>	<u>33,071,294</u>	<u>33,688,734</u>	<u>47,594,450</u>	<u>55,370,138</u>	<u>56,265,236</u>	<u>47,717,650</u>	<u>48,672,000</u>	<u>48,556,646</u>
<i>Unsecured</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Impts	69,280	854,727	972,053	1,009,249	1,182,097	1,407,295	1,524,897	1,221,918	1,094,975	924,435	921,724
Pers Prop	57,280	4,226,265	4,169,949	3,492,740	3,532,307	3,765,198	4,551,493	4,165,208	3,320,987	3,038,241	2,648,581
Exemptions	-	-	-	-	-	-	-	-	-	-	-
Total Unsecured	<u>126,560</u>	<u>5,080,992</u>	<u>5,142,002</u>	<u>4,501,989</u>	<u>4,714,404</u>	<u>5,172,493</u>	<u>6,076,390</u>	<u>5,387,126</u>	<u>4,415,962</u>	<u>3,962,676</u>	<u>3,570,305</u>
GRAND TOTAL	<u>\$ 2,806,902</u>	<u>\$ 36,868,093</u>	<u>\$ 37,564,842</u>	<u>\$ 37,573,283</u>	<u>\$ 38,403,138</u>	<u>\$ 52,766,943</u>	<u>\$ 61,446,528</u>	<u>\$ 61,652,362</u>	<u>\$ 52,133,612</u>	<u>\$ 52,634,676</u>	<u>\$ 52,126,951</u>
Incremental Value	\$	\$ 34,757,940	\$ 34,766,381	\$ 35,596,236	\$ 49,960,041	\$ 58,639,626	\$ 58,845,460	\$ 49,326,710	\$ 49,827,774	\$ 49,320,049	

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

Source: HdL Coren & Cone

City of Redondo Beach
Redondo Beach Redevelopment Agency
Harbor Center Redevelopment Project
Top Ten Taxable Property Owners
June 30, 2011

	Secured			Unsecured			Total		Use Code
	Value	Parcels	% Secured Assessed Value	Value	Parcels	% Unsecured Assessed Value	Value	% Total Assessed Value	
1. HPT IHG 2 Properties Trust	\$ 42,321,015	1	87.16%	\$ -	0	0.00%	\$ 42,321,015	81.19%	Commercial
2. Redondo Beach Hotel Associates	6,235,631	1	12.84%	-	0	0.00%	6,235,631	11.96%	Commercial
3. Intercontinental Hotel Group	-	0	0.00%	3,070,865	1	86.01%	3,070,865	5.89%	Unsecured
4. Muscle Improvement Redondo Beach Inc.	-	0	0.00%	273,763	2	7.67%	273,763	0.53%	Unsecured
5. Financial Pacific Leasing LLC	-	0	0.00%	45,406	1	1.27%	45,406	0.09%	Unsecured
6. Greystone Equipment Finance	-	0	0.00%	44,789	1	1.25%	44,789	0.09%	Unsecured
7. Advantage Group Inc.	-	0	0.00%	42,000	1	1.18%	42,000	0.08%	Unsecured
8. Art Shoppe Inc.	-	0	0.00%	30,844	1	0.86%	30,844	0.06%	Unsecured
9. Lodgenet Entertainment Corp.	-	0	0.00%	20,891	1	0.59%	20,891	0.04%	Unsecured
10. Standard Parking Corporation	-	0	0.00%	11,451	1	0.32%	11,451	0.02%	Unsecured
	\$48,556,646	2	100.00%	\$3,540,009	9	99.15%	\$52,096,655	99.94%	
Project Area Assessed Value:	<u>\$48,556,646</u>			<u>\$3,570,305</u>			<u>\$52,126,951</u>		

Source: HdL Coren & Cone

City of Redondo Beach
Certification of Continuing Disclosure
Redondo Beach Public Financing Authority 2004 Series A Revenue Bonds
(Wastewater System Financing Project)
June 30, 2011

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 May 27, 2004 executed and delivered by the City of Redondo Beach and the Public Financing Authority and the Dissemination Agent in connection with the issuance of \$10,335,000 Series A 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 May 1, 2004 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, 2004, (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 2010-11 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, 2011 comprise the book in which this report is included.
2. During the fiscal year ended June 30, 2011, 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 Eight Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011
Use Classification								
Each single family dwelling unit	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 7.00	\$ 7.12	\$ 7.12
Each unit in a 2-3 unit condo structure	5.00	5.00	5.00	5.00	5.00	7.00	7.12	7.12
Each unit in a 2-3 unit apartment structure	3.89	3.89	3.89	3.89	3.89	5.45	5.55	5.55
Each unit in a 4 or more unit condo structure	3.89	3.89	3.89	3.89	3.89	5.45	5.55	5.55
Each unit in a 4 or more unit apartment structure	2.68	2.68	2.68	2.68	2.68	3.75	3.82	3.82
Commercial/Industrial/Institutional parcels	0.43	0.43	0.43	0.43	0.43	0.60	0.61	0.61 *

NOTE: The Redondo Beach Public Financing Authority issued the Wastewater System Financing Project Revenue Bonds in fiscal year 2003/2004.

* 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 \$.61 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 Eight Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011
Type of Customer								
Residential	13,039	13,211	13,211	13,211	13,108	13,102	13,107	13,109
Industrial	78	74	74	74	68	66	61	56
Commercial	575	510	510	510	451	464	462	466
Institutional	71	64	64	64	62	89	61	58
Mixed use	44	44	44	44	42	43	43	42
Total	<u>13,807</u>	<u>13,903</u>	<u>13,903</u>	<u>13,903</u>	<u>13,731</u>	<u>13,764</u>	<u>13,734</u>	<u>13,731</u>

NOTE: The Redondo Beach Public Financing Authority issued the Wastewater System Financing Project Revenue Bonds in fiscal year 2003/2004.

Source: City of Redondo Beach