

Comprehensive Annual Financial Report



City of Redondo Beach, California
For the year ending June 30, 2015



City of Redondo Beach

Redondo Beach, California

Comprehensive Annual Financial Report

For the year ended June 30, 2015

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

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December 9, 2015

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

The Financial Principles of the City of Redondo Beach require we issue the Comprehensive Annual Financial Report by the second Council meeting in December of each year. Pursuant to this requirement, we hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Redondo Beach, California (City), for the fiscal year ended June 30, 2015. These financial statements are presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants.

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

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

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

PROFILE OF THE CITY OF REDONDO BEACH

The City of Redondo Beach, incorporated in 1892, is located in the South Bay part of Los Angeles County and spans 6.3 square miles. According to the State of California's Department of Finance, Redondo Beach has a population of 68,095 as of January 1, 2015, remaining relatively flat with 2014. The City remains a highly residential, non-industrial community. It is a highly-educated, upscale community where the median cost of a home is \$829,000.

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

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

In addition to sitting as the governing board of the City, the Mayor and City Council act as the Board of Directors for various component units of the City: the Redondo Beach Housing Authority, the Redondo Beach Public Financing Authority, the Redondo Beach Community Financing Authority, the Parking Authority of the City of Redondo Beach, and the Redevelopment/Successor Agency of the City of Redondo Beach. The City Manager is responsible for carrying out the policies and ordinances of the City Council and for appointing the heads of the City's various departments. In May 2008, the Mayor and City Council established an audit committee to enhance the City's communication with its independent accounting firm, ensuring increased involvement by the governing board in the City's accounting processes. Earlier this year, in September 2015, the City Council adopted a resolution to expand the membership of the audit committee to include the elected City Clerk and the elected City Treasurer.

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

Economic Outlook

During FY 2014-2015, Redondo Beach experienced a 4.7% change in real property assessed valuations, compared to last year's 3.8%. Hotel occupancy rates for the City's thirteen operating hotels increased by 6.6% from prior year FY 2013-2014 with a 12.4% revenue increase primarily due to the reopening of the Redondo Beach Hotel after approximately a year's closure. The Utility users' tax revenue remains relatively flat after excluding a one-time revenue recovery. Redondo Beach continues to exceed the countywide average in total taxable retail sales, ranking 29 out of 88 cities in Los Angeles County. Redondo Beach experienced a decrease in its unemployment rate from 5.1% in FY 2013-2014 to 4.5% in FY 2014-2015, which is well below the Los Angeles County and State of California FY 2014-2015 unemployment rates of 7.5% and 6.3%, respectively.

Economic Development

The local economy continues to show improvement and gains in the national and regional economy have increased the availability of capital financing for additional local investment and continued economic growth.

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

- Revitalization of the Harbor and Pier area through a public-private partnership that will renovate approximately 35 acres of waterfront property and alleviate the City of significant public infrastructure replacement expenses.
- Investment in streetscape amenities in the Riviera Village that improve the desirability of the Village as a destination for shopping, dining, and services and encourage private storefront enhancement and entrepreneurialism.
- Timely processing and inspection of the construction of a third hotel on Marine Avenue that will complement the 172 room Residence Inn by Marriott and 147 room Hilton Garden Inn properties that were opened last year. The third hotel will add an additional 184 rooms and is projected to open in 2016.
- Finalizing design and working toward construction of the new transit center on Kingsdale Avenue which will serve local and regional bus systems for years to come and improve mobility to the South Bay Galleria and South Bay South Market Place centers.
- Administering the Environmental Impact Report for the proposed redevelopment of the South Bay Galleria.
- Engaging in advocacy efforts to retain funds for contracts and research and development at Northrup Grumman Corporation and Space Park area businesses.
- Encouraging the continued success of the Artesia Boulevard business district.
- Making investments in infrastructure, including key transportation corridors to improve traffic flow, safety and community appearance.

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

Property Tax

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

The City's property tax valuations continue to be positive. With Redondo Beach being a desirable location, coupled with continued low mortgage interest rates, the FY 2014-2015 citywide assessed valuation experienced a positive change of \$613 million, or 4.7%, to \$13.6 billion. The City's assessed valuation amount is derived 80.7% from residential properties, 8.6% from commercial properties, 3.6% from industrial properties, and the remaining 7.1% from vacant and institutional properties. During FY 2014-2015, property tax revenue (including homeowners' exemptions) increased \$924,851 or 4.2%, to \$22.8 million. This increase reflects the improving economy and housing market. Improvements are seen in the median sale price of a single family home in Redondo Beach at an all-time high of \$829,000 (a \$69,000, or 9.1%, increase from 2014), foreclosure levels back to historical norms, and median prices and numbers of sale transactions up throughout California.

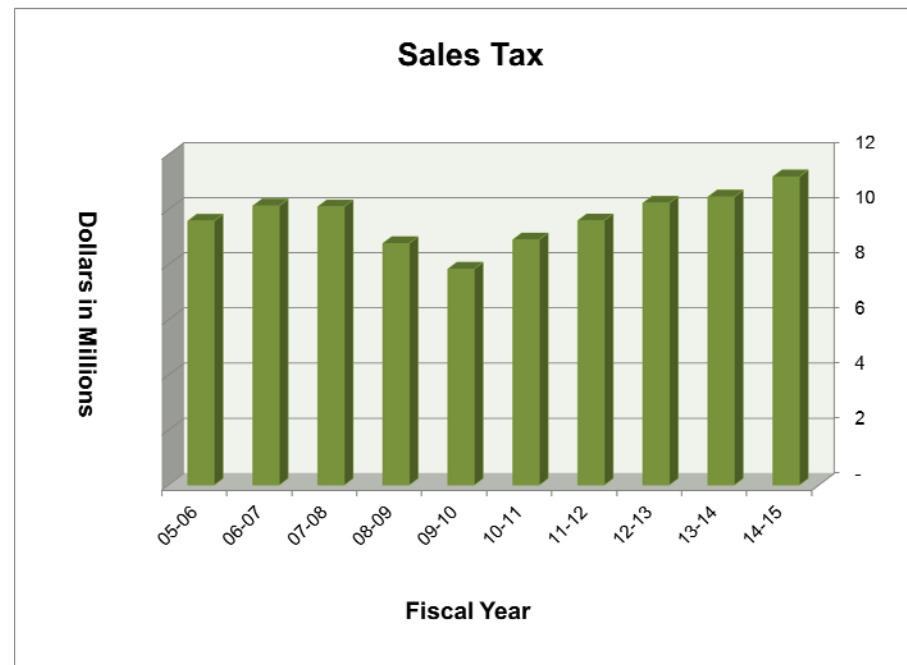


Sales Tax

The City's second largest revenue source is sales tax. Sales tax in Los Angeles County is 9.00% of the sale price of taxable goods and services sold at retail. Redondo Beach receives 1% of taxable sales from the State Board of Equalization. Twenty-five percent of the City's FY 2014-2015 traditional sales tax base is now committed to the State for deficit reduction bonds. This amount is backfilled with, and distributed on the same basis as property tax revenue to the City with a revenue swapping procedure commonly referred to as the "triple flip".

Sales tax revenue has increased following the end of the recession and this trend has continued through FY 2014-2015, with the City receiving \$11.2 million in sales tax revenue, an increase of \$734,943, or 7.0%, from prior year. FY 2014-2015 sales tax revenue consisted of \$8.5 million in local sales tax revenue and \$2.7 million in State "triple flip" funds. Population growth, local competition, consumer confidence, and unemployment are all factors that contribute to the volatility of this key tax-based operating revenue.

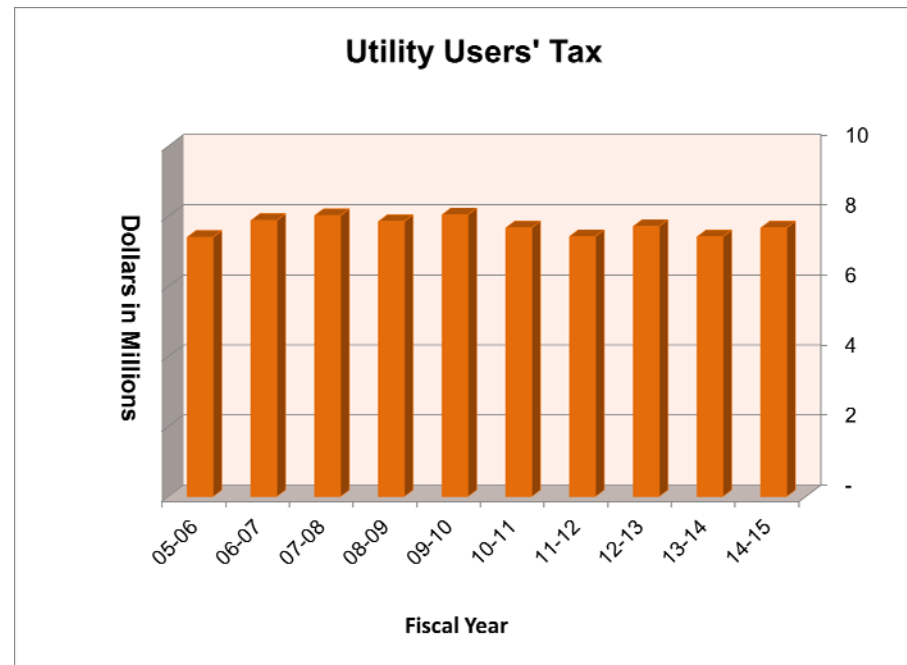
The City is committed to re-establishing a strong local economy through both business retention and business expansion, offsetting in part the loss of Nordstrom to a neighboring city at the end of calendar year 2015. Although sales related to current retail vendors should, at least, show slight increases, the City anticipates significant contributions to sales tax revenue in the coming years as new investment in the Harbor's revitalization comes to fruition, visitors staying in new hotels make purchases, and collection of sales tax by remote sellers, especially Amazon, is enforced. The loss of sales tax revenue from the departure of Nordstrom, historically one of the City's top 10 sales tax revenue producers, to a neighboring city is expected to be offset in large part by growth in sales tax from other activities in Redondo Beach.



Utility Users' Tax (UUT)

The City's third largest revenue source, utility users' tax (UUT), is imposed on consumers of electric, gas, cable services, water and telephone services. Federal and state governmental agencies and pay telephone users are exempt. UUT revenue consists of approximately 38% telecommunications and 35% electricity. Each city sets its UUT rate, and Redondo Beach's is 4.75%. The City successfully protected this UUT rate by placing a measure on the March 2009 ballot to modernize the City's UUT ordinance. This important measure was strongly endorsed by the citizens, passing it by 75%. Therefore, the long-term viability of telecommunications-based UUT revenue (approximately 38% of the UUT tax) has been secured. Additionally, in response to AB 1717, the City has been approved by the State Board of Equalization to collect UUT from the sale of prepaid wireless devices beginning in 2016.

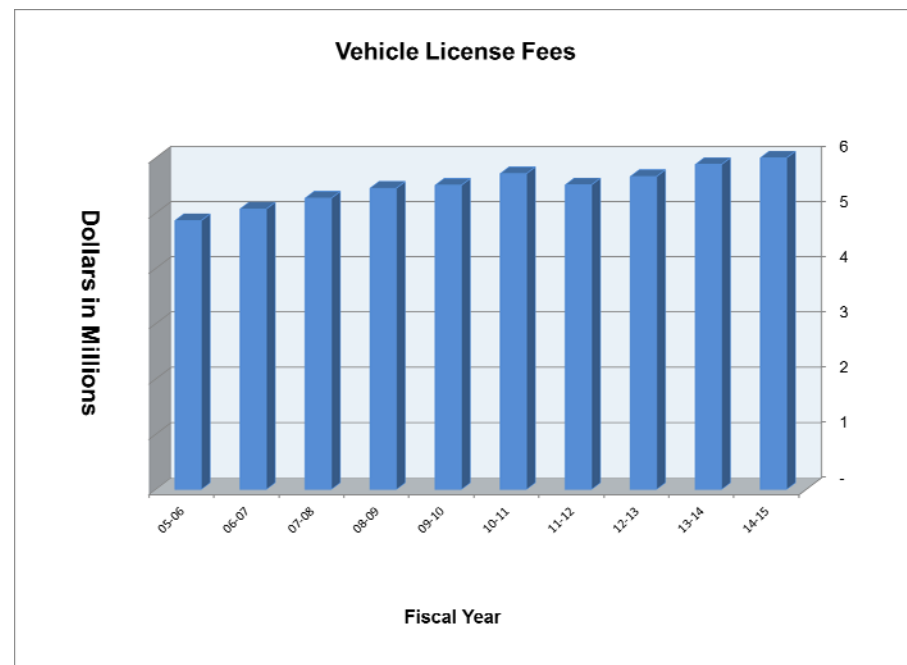
UUT revenue for FY 2014-2015 totaled \$7.7 million, reflecting an increase from the prior year of \$252,135 or 3.4%. The UUT increase is largely due to one-time recovery of unpaid UUT from Verizon during calendar year 2011 to 2013 paid during FY 2014-2015. Excluding the one-time Verizon UUT recovery, FY 2014-2015 UUT was relatively flat. The FY 2015-2016 initial estimate of UUT revenue is also projected to remain flat excluding the one-time recovery.



Vehicle License Fees (VLF)

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

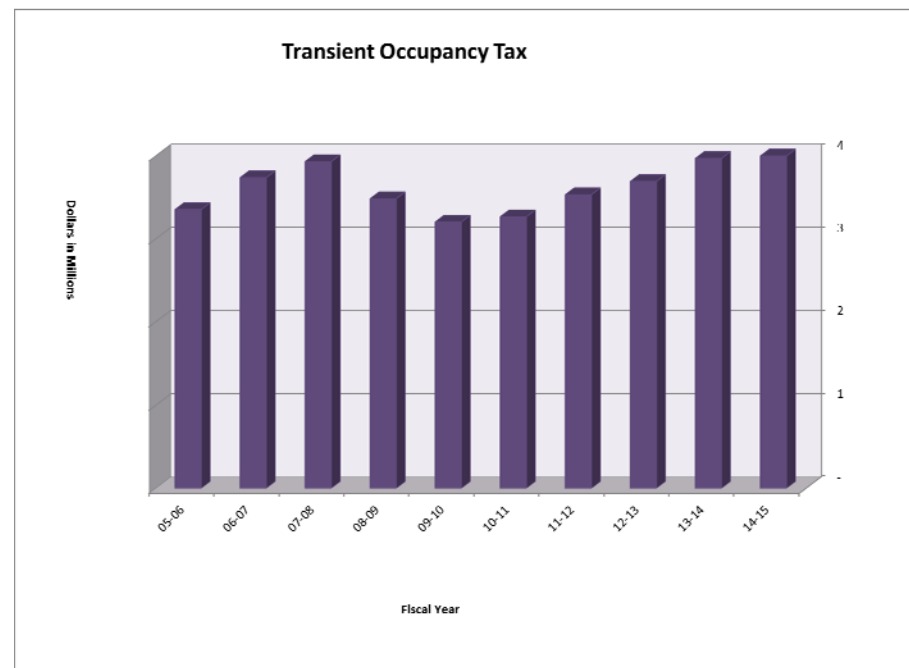
Since FY 2005-2006, the City has experienced steady increases in VLF revenue due to the growth in both in property tax in lieu of VLF and motor vehicle in-lieu tax. In FY 2014-2015, MVIL revenue totaled \$6.2 million, increasing \$284,084 or 4.8%, from prior year. This increase comprises a gain in property tax in lieu of VLF and a loss in motor vehicle in-lieu tax revenues of \$285,068 and (\$984), respectively.



Transient Occupancy Tax (TOT)

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

The City's TOT revenue has been experiencing positive growth. In FY 2013-2014 TOT revenue increased by \$277,643, or 7.52% to \$3.97 million. When compared to FY 2013-2014, TOT revenue for FY 2014-2015 experienced a greater rate of increase. The faster growth rate was primarily due to the reopening of the Redondo Beach Hotel after approximately a year's closure. In connection with the City Council's multi-year economic development and planning efforts, construction was completed for two new hotels which opened in North Redondo Beach on Marine Avenue – a 172 room Residence Inn by Marriott and a 147 room Hilton Garden Inn. A third hotel already has approved plans, and its construction is underway. In order to secure the financing for these major developments in a downturn economy, the first several years of TOT revenue is being set aside as a form of mortgage insurance. Once the mortgage insurance obligation has been fulfilled, (anticipated in fiscal year 2018-2019), the City will benefit from an estimated additional \$2 million a year in new TOT revenue.



LONG-TERM CAPITAL IMPROVEMENT PLANNING

The City annually adopts a Five-Year Capital Improvement Program. The first year funding of capital improvement projects is included in the fiscal year 2014-2015 adopted budget. These projects, however, should not be viewed as immediate resolution to existing infrastructure problems, but instead as part of “setting the table” for the future. It will take time to rehabilitate the City’s capital assets, and we anticipate our long-range replacement program will protect the City’s valuable assets for future generations. Meanwhile, the City continues to invest in a number of significant projects:

Street Resurfacing

- Residential Street Rehabilitation - In April of FY 2014-2015, the City awarded a \$1,143,280 contract for construction of Phase 11 of its multi-year residential street rehabilitation program. Construction will begin early in FY 2015-2016. For FY 2015-2016, the City has budgeted \$1,030,786 to continue the residential resurfacing effort. In addition, the FY 2015-2016 budget includes \$268,500 in annual roadway maintenance funds to mitigate the impacts of refuse vehicles on City streets.
- Arterial Street Resurfacing – In FY 2014-2015, the City substantially completed construction on the Herondo/Harbor Gateway Improvements Project, an American Public Works Association (APWA) award-winning transportation improvement project. Project expenditures in the fiscal year were \$4,560,128. Final construction elements will be completed in FY 2015-2016. The Avenida del Norte Resurfacing project was completed at a cost of \$198,800 and the Palos Verdes Boulevard/Catalina Avenue Intersection Improvements Project, a collaborative effort with the City of Torrance, was also completed at a cost of \$378,400. Aviation Boulevard Resurfacing design was finalized with construction scheduled for early in the new fiscal year. For FY 2015-2016, the City budget includes over \$7.7 million for arterial improvements, \$69,000 for implementing traffic calming measures, and \$243,000 for sidewalk, curb and gutter improvements.
- Citywide Curb Ramp Improvements – The City completed construction on the latest phase of the Citywide Curb Ramp Improvements Project. The cost of the project was \$231,280. The FY 2015-2016 budget includes \$207,000 to continue this effort, utilizing Community Development Block Grant (CDBG) monies.

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. The City is working with adjoining Cities to comply with the new Municipal NPDES MS4 permit and met all permit requirements by submitting a draft Enhanced Watershed Management Program (EWMP) to the Regional Board in June 2015. Once approved, the EWMP will be the guide to facilitate effective, watershed-specific permit implementation strategies, control measures and best management practices necessary to achieve water quality targets and receiving water limitations. The FY 2015-2016 budget includes approximately \$370,000 in operating and capital funding to continue this effort.

Sewer Improvements

- Sewer Line Replacement - In FY 2014-2015, the City awarded contracts for \$1,149,000 for upgrades to the City’s sewer facilities system. Construction on these projects will continue in FY 2015-2016. The FY 2015-2016 budget includes \$5.17 million in additional funding for sewer facility improvements.
- Sewer Pump Station Rehabilitation – In FY 2014-2015, the City commenced design on several projects to upgrade the City’s sewer pump stations. The FY 2015-2016 budget includes \$3.77 million for additional upgrades to the City’s sewer pump stations including Morgan pump station and stations on Portofino Way and Yacht Club Way.

Facility Improvements

- Civic Center Safety and Workplace Health Improvements – In FY 2014-2015, the City completed various health and safety improvements in the Civic Center at a cost of \$36,400. The FY 2015-2016 budget includes \$211,195 in additional capital funding to continue this effort.
- Alta Vista and Anderson Park Tennis Court Lights – In FY 2014-2015, the City installed new lights at the tennis courts at Alta Vista Park and Anderson Park at a cost of \$34,875.
- Waterfront Improvements – In the waterfront, the City completed installation of the Transient Vessel Moorings at a construction cost of \$197,105.

CASH MANAGEMENT POLICIES AND PRACTICES

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

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

The level of investments maintained with LAIF fluctuates in accordance with variations in both the City's operational and capital improvement program cash flow requirements. The LAIF balance is maintained at a level of \$15 to \$35 million, or approximately 35% of the general portfolio's assets on average, ensuring maintenance of sufficient investment portfolio liquidity. The yield provided by LAIF has declined over the past year in line with the overall reduction in short-term market interest rates. Idle investment funds above the liquidity threshold have been placed primarily in Federal Agency investments within the two to five year investment maturity range. The reduction in market interest rates experienced over the past year have been both anticipated and well managed, proactively responding to both the City's operating and capital improvement cash flow requirements. The rate of return on the City's investment portfolio consistently meets or exceeds the level of the established investment portfolio performance benchmark. As of June 30, 2015 the City's general portfolio was invested as follows:

Market Value Comparison of Investment Portfolio Positions FY 2014-2015								
	1 st Quarter		2 nd Quarter		3 rd Quarter		4 th Quarter	
Investment Type	\$MM	%	\$MM	%	\$MM	%	\$MM	%
Cash in Banks & Money Markets	\$ 11.40	14.7%	\$ 9.19	10.6%	\$ 10.50	12.8%	\$ 11.68	12.5%
Local Agency Investment Fund (LAIF)	\$ 17.00	21.9%	\$ 25.00	28.8%	\$ 14.00	17.1%	\$ 16.50	17.6%
Federal Agency Issues	\$ 26.99	34.7%	\$ 28.98	33.3%	\$ 31.97	39.0%	\$ 40.00	42.7%
Corporate Medium Term Notes	\$ 16.58	21.3%	\$ 16.57	19.0%	\$ 17.06	20.8%	\$ 16.05	17.1%
Bank Certificates of Deposit	\$ 4.73	6.1%	\$ 5.22	6.0%	\$ 5.47	6.7%	\$ 5.47	5.9%
Treasuries	\$ 0.99	1.3%	\$ 1.98	2.3%	\$ 2.97	3.6%	\$ 3.97	4.2%
Total: Investment Portfolio	\$ 77.69	100.0%	\$ 86.94	100.0%	\$ 81.97	100.0%	\$ 93.67	100.0%
Weighted Average Maturity (Years)	1.64		1.53		1.59		1.53	
Portfolio Yield %	0.86%		0.83%		0.85%		0.86%	
LAIF Yield	0.25%		0.26%		0.27%		0.29%	
Yield on Two-Year CMT Benchmark	0.57%		0.47%		0.52%		0.57%	

Interest earned on the general portfolio's assets for FY 2014-2015 was \$706,765. The General Fund contribution rate of the general investment portfolio was approximately 66.0% of the total interest earned.

As required by GASB 31, the City recorded the unrealized gain/loss on certain investments to account for the market value at June 30, 2015. The portfolio market value, \$93,749,438, exceeded the book value of \$93,671,120 by \$78,318, or .084% of the current market value of the investments within the City's investment portfolio. This unrealized gain in the value of investments results from structural factors and interest rate movements within the financial marketplace over the past year impacting the market valuation of the City's investments in both Federal Agency issues and Corporate Medium Term Notes.

RISK MANAGEMENT

The City maintains a self-insurance program for workers' compensation and liability claims. The program accumulates resources in the Self-Insurance Program internal service fund to meet potential losses. For fiscal year 2014-2015, the self-insurance retention (SIR) is \$750,000 for workers' compensation and \$500,000 for liability. Excess coverage up to \$100 million for each workers' compensation claim is provided by a third-party private insurer, and excess liability up to \$20 million for each occurrence is covered by the Independent Cities Risk Management Authority (ICRMA).

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

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

As of June 30, 2015, the City recorded the following:

Workers' Compensation Claims

Claims payable totaled \$13.39 million representing an increase of \$347 thousand or 2.66%, from the prior period. This increase is attributable to an increase in estimated reserves and the settlement of claims in previous years.

Liability Claims

Claims payable totaled \$3.75 million representing an increase of \$1.22 million, or 48.06%, from the prior period. This increase is attributable to an increase in estimated reserves and the settlement of claims in previous years.

Unemployment Insurance

The City participates in a direct-cost reimbursement method for unemployment insurance. This program is administered by the State Employment Development Department (EDD) to provide salary continuance for terminated employees. For FY 2014-2015, reimbursement to EDD was \$48,585.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The City provides three Tier 1 defined benefit pension plans – two for safety employees (3% at 55 for Fire and 3% at 50 for Police) and one for miscellaneous employees (2% at 55). Beginning July 2012, two additional Tier 2 defined benefit pension plans were provided – one for safety employees (3% at 55 for both Fire and Police) and one for miscellaneous employees (2% at 60). Beginning January 2013, pursuant to the California Public Employee's Pension Reform Act of 2013 (PEPRA), Tier 3 defined benefit pension plans were added, 2.7% at 57 for safety employees and 2% at 62 for miscellaneous employees. These plans are part of the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. The City makes contributions to the plans based on amounts determined by CalPERS actuaries. For FY 2014-2015, the City contributed the Tier 1 full-time employees' required contributions on their behalf and for their account. Tier 2 and Tier 3 plans required employees (with the exception of Police safety employees) to contribute to the cost of their employee contribution. Additionally, employees of some bargaining groups made a contribution toward the City's employer contribution to CalPERS.

The employer rate for safety employees in FY 2014-2015 was 43.37%, up from 40.63% in FY 2013-2014, with the miscellaneous employees' rate increasing from 14.94% to 16.18%. Rates will increase from FY 2014-2015 levels for the 2015-2016 fiscal year to 48.06% for safety employees and 18.17% for miscellaneous employees. Further increases are expected in the coming years as a result of CalPERS decision to lower the discount rate (rate of return) on its investment portfolio, its announced demographic and actuarial adjustments, and its decision to smooth investment losses from 2008 and 2009 over a period of time.

The total contribution paid by the City toward pension benefits was \$11.3 million, which includes the employer and employer-paid member contributions. Approximately 83.7%, or \$9.4 million, was charged to the General Fund. The anticipated total City contribution for FY 2015-2016 is estimated to be approximately \$13.2 million and is expected to increase again in FY 2015-2016.

Aside from contributing to CalPERS, the City also contributes to Social Security. The FY 2014-2015 total cost for Social Security and Medicare coverage was \$1.8 million, of which \$1.2 million, or 67.1%, is from the General Fund. Safety employees do not participate in Social Security and Medicare, except for those employees hired after 1986, who are required to participate in Medicare.

The City also provides post-retirement health care benefits to its employees in accordance with agreements reached with various employee bargaining groups. The City pays for retirees' health care premiums in these plans up to limits established in the agreements with the bargaining units. All post-retirement healthcare benefits end at age 65. These payments are paid through an Other Post-Employment Benefits (OPEB) trust, which was established by the City in FY 2009-2010 to comply with GASB 45. The OPEB trust allows the City to prefund actuarially derived OPEB costs that are expected to be incurred in future periods. In FY 2014-2015, the City contributed \$1.4 million to the OPEB trust to cover current and future retiree medical benefits; however, future contributions may vary based on future actuarial studies. As of June 30, 2015, the City was providing benefits to 141 participants.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

Over the years, Redondo Beach has remained fiscally sound through proactive management, disciplined oversight of expenditures, and continued encouragement of a diversified revenue base which has allowed the City to achieve an AA+ credit rating. In addition to the outstanding credit rating, the City's financial practices have been further validated by the 2011-2012 Los Angeles County Grand Jury evaluation of all 88 cities in Los Angeles County whereby the City received the #1 ranking for benchmark financial policies, best practices and governance.

In November 2014, a ballot measure was approved by the voters to adjust City Treasurer duties. The measure, Measure CT, amended the City Charter by eliminating the requirement that the City Treasurer devote full time to the duties of the office and clarifying the City Treasurer has the authority to audit all moneys collected by the City from any source. In conjunction with placing Measure CT on the ballot, the City Council also reduced the salary for the City Treasurer.

During FY 2014-2015 the City achieved other accomplishments that may not be evident from a review of the financial statements. For the first time in many years, the City was able to increase personnel in the Police, Community Development, Community Services, and Waterfront and Economic Development Departments to meet increasing demands for service and provide increased wages for all full-time employees. Work on revitalization of the Pier and Harbor area, and in particular the Environmental Impact Report (EIR) for the proposed CenterCal Waterfront Revitalization project also continues. The EIR will be considered by the City in the later part of Fiscal Year 2015-16. The project, once completed, is estimated to generate significant new revenues to the City, primarily in the form of Transient Occupancy Tax and General Fund Sales Tax.

Economic activity in the Pier and Harbor was also boosted by the City's completion of the Harbor/Herondo Gateway improvement project, which has significantly increased the number of pedestrian and bicycling visitors to the area. Final renovation of the Redondo Beach Hotel at the corner of Harbor Drive and Beryl St. as well as substantial construction of the new 54 unit Shade Hotel on Harbor Drive were also economic development highlights. Additionally, the City's role and investment as Intervener to AES's application for a new power generating facility before the State Energy Commission paid dividends, as AES recently committed to marketing the 50 acre waterfront property for non-industrial uses. Critical decisions regarding the eventual use of this site are expected to occur in fiscal years 2015-16 and 2016-17.

An additional note of importance is Nordstrom's decision to vacate the South Bay Galleria in October of 2015. The Galleria is actively working to secure a replacement tenant for this critical anchor store, while simultaneously evaluating how best to redevelop the entire shopping center. During this transitional period, the City's sales tax base will be negatively impacted, and the decline in sales tax is estimated to be \$600,000 to \$800,000 per year. The full impact of the departure will not occur until FY 2016-2017, however in anticipation of the loss the City is actively assisting the property owner consider alternatives for the site and is planning for the revenue impact as part of its future operating budgets.

Finally, FY 2016-2017 will see the implementation of two new programs to enhance the City's financial and operational transparency. First, to further enhance transparency in financial reporting, the City will launch the OpenGov financial analysis platform. The OpenGov platform will be available through the City's website and will provide online access to the City's financial data and interactively display current and historic revenues and expenditures. Secondly, contracted internal auditing services will be retained to review and update internal controls and to begin a series performance audits.

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, 2014. This makes 22 consecutive years that the City has been awarded this achievement. 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 2014-2015, the City will again apply to the GFOA for the Certificate of Achievement for Excellence in Financial Reporting. We believe that our current comprehensive annual financial report continues to meet and exceed the criteria to receive this certificate, and we will be submitting it to GFOA for consideration.

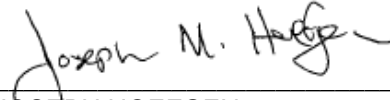
ACKNOWLEDGMENTS

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

Respectfully submitted,



CRAIG KOEHLER
Finance Director



JOSEPH HOEFGEN
City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Redondo Beach
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

CITY OF REDONDO BEACH

MAYOR AND CITY COUNCIL



Steve Aspel
Mayor



Jeff Ginsburg
Councilmember
District 1



Bill Brand
Councilmember
District 2



Christian Horvath
Councilmember
District 3



Stephen Sammarco
Councilmember
District 4



Laura Emdee
Councilmember
District 5

Department Heads

Dan Smith
Interim Community Services Director

Robert Metzger
Fire Chief

Stephen Proud
Waterfront and Economic Development Director

Chris Benson
Information Technology Director

Craig Koehler
Finance Director

CITY OFFICIALS

Joseph Hoefgen
City Manager

Michael Witzansky
Assistant City Manager



Michael Webb
City Attorney



Eleanor Manzano
City Clerk



Steven Diels
City Treasurer

Department Heads

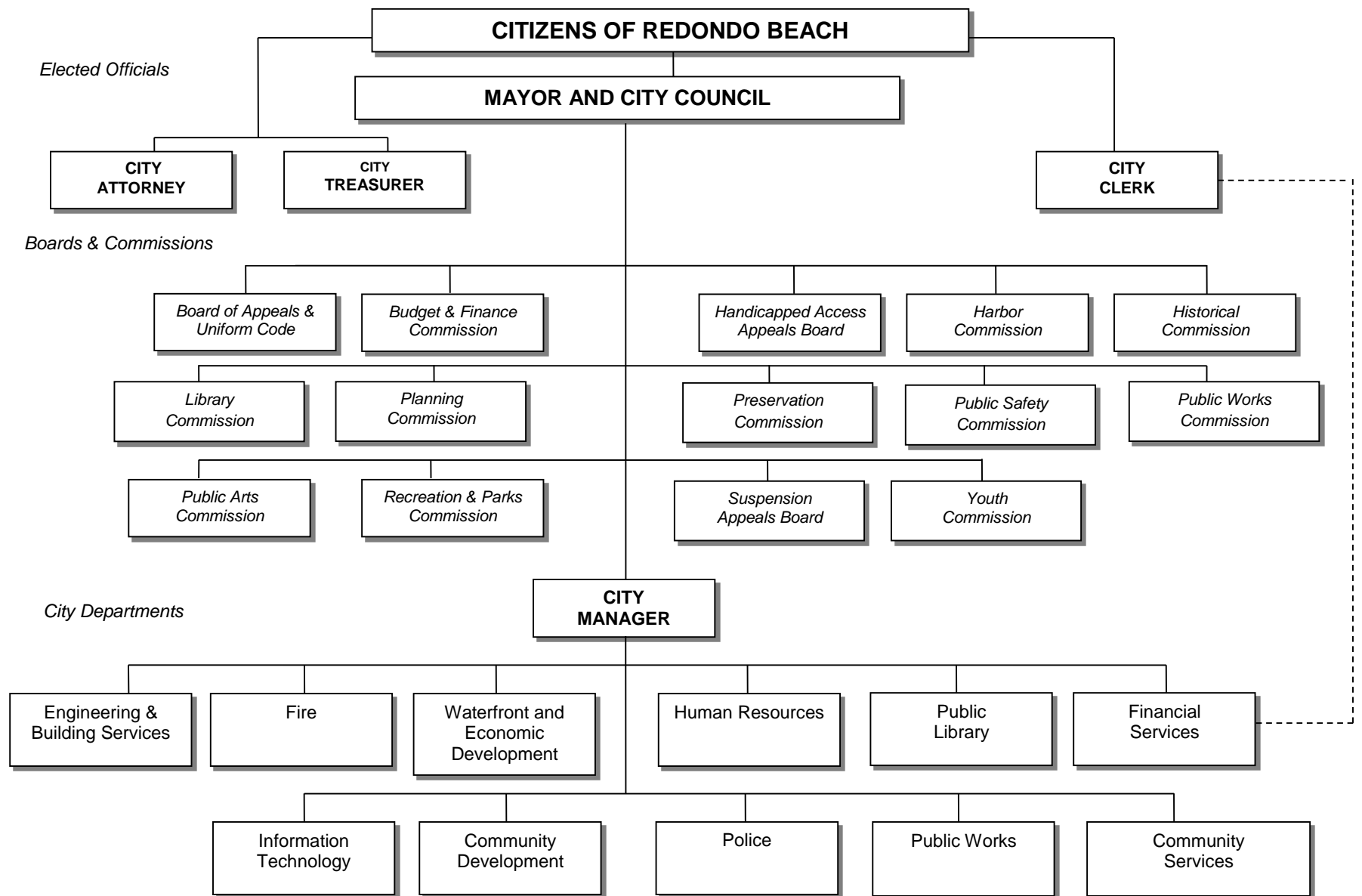
Aaron Jones
Community Development Director

Keith Kauffman
Chief of Police

Susan Anderson
Library Director

Ted Semaan
Public Works Director

Diane Strickfaden
Human Resources Director



**ORGANIZATIONAL CHART
FY 2014-15**

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

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Leena Shanbhag, CPA, MST, CGMA
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MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

California Society of
Certified Public Accountants

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redondo Beach, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 of the financial statements, the City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

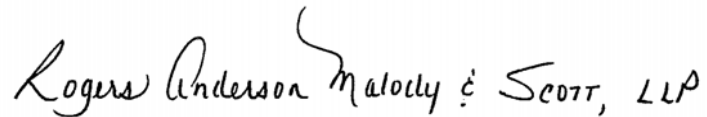
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015, on our consideration of the City of Redondo Beach, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Rogers Anderson Maloney & Scott, LLP". The signature is written in dark ink and is positioned above the date and location text.

December 9, 2015
San Bernardino, CA

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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, 2015. 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 position, changes in net position, and fund disclosures are discussed in more detail later in the report.

Financial Highlights - Primary Government

- ♦ *Government-Wide Highlights*

Net Position - Assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at fiscal year ending June 30, 2015 by \$126.2 million - assets for governmental activities exceeded liabilities by \$70.4 million and assets for business-type activities exceeded liabilities by \$55.9 million.

Changes in Net Position - The City's net position decreased \$123.2 million in fiscal year 2014-2015. Net position of governmental activities decreased \$116.2 million, and net position of business-type activities decreased \$7.0 million.

- ♦ *Fund Highlights*

Governmental Funds - At the close of fiscal year 2014-2015, the City's total governmental funds reported a fund balance of \$48.8 million, a decrease of \$254,004 from the prior year. Highlighted below are this year's major funds included in this grouping.

General Fund - The fund balance of the General fund (including Special Revenue - CalPERS Reserve Fund of \$4.9 million) on June 30, 2015 was \$23.1 million, an increase of \$2.1 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, 2015 was negative \$1.9 million, an increase in the negative fund balance by \$300,639 from the prior year.

Debt Service - Public Financing Authority Fund - The fund balance of the Debt Service - Public Financing Authority Fund on June 30, 2015, was \$6.3 million, a decrease of \$140,244 from the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

- ♦ *Statement of Net Position*

The Statement of Net Position presents summarized information of all the City's assets 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*

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

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental funds, proprietary funds, and fiduciary funds.

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

- ♦ *Governmental Funds*

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation of both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance with the government-wide financial statements can be found on pages behind the tab section titled Government-Wide Financial Statements.

The City has 21 governmental funds, of which three are considered major funds for presentation purposes. Each major fund is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. The City's three major funds are: General Fund, Other Intergovernmental Grants Special Revenue Fund, and Public Financing Authority Debt Service Fund. Data from the non-major governmental funds (e.g., State Gas Tax Fund, Proposition A Fund, Storm Drain Fund, Disaster Recovery Fund) are combined into a single, aggregated presentation. The governmental funds financial statements can be found on pages behind the tab section titled Fund Financial Statements. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages behind the tab section titled Non-Major Governmental Funds.

- ♦ *Proprietary Funds*

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

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

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

- ♦ *Fiduciary Funds*

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

Notes to the Financial Statements

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

Required Supplementary Information

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

City of Redondo Beach's Statement of Net Position
Fiscal Year Ended June 30, 2014 and 2015

	Governmental Activities		Business-Type Activities		Total	
	2014-2015	2013-2014	2014-2015	2013-2014	2014-2015	2013-2014
Current and Other Assets	\$ 83,270,221	\$ 76,528,508	\$ 35,768,575	\$ 30,100,743	\$ 119,038,796	\$ 106,629,251
Capital Assets, Net Depreciation	140,306,070	139,059,037	45,025,279	44,360,495	185,331,349	183,419,532
Total Assets	223,576,291	215,587,545	80,793,854	74,461,238	304,370,145	290,048,783
Deferred Outflows of Resources	8,368,345	-	1,396,836	514,155	9,765,181	514,155
Long-Term Liabilities Outstanding	127,319,950	22,689,403	21,192,852	10,423,973	148,512,802	33,113,376
Other Liabilities	11,208,963	6,305,742	2,497,662	1,654,270	13,706,625	7,960,012
Total Liabilities	138,528,913	28,995,145	23,690,514	12,078,243	162,219,427	41,073,388
Deferred Inflows of Resources	23,055,687	-	2,612,997	-	25,668,684	-
Net Investment in Capital Assets	139,555,634	138,614,141	37,629,261	35,646,484	177,184,895	174,260,625
Restricted	16,503,649	19,059,951	-	-	16,503,649	19,059,951
Unrestricted	(85,699,247)	28,918,308	18,257,918	27,250,666	(67,441,329)	56,168,974
Total Net Position	\$ 70,360,036	\$ 186,592,400	\$ 55,887,179	\$ 62,897,150	\$ 126,247,215	\$ 249,489,550

Current and Other Assets include: Cash and investments; Accounts receivable; Receivables for interest, taxes, and notes and loans; Internal balances (Due to/from and Advances between business activities and governmental activities); Due from other governments; Advances to other governments; Prepaid items; and Restricted cash and investments with fiscal agents.

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

Deferred Outflows of Resources include: Deferred loss on debt refinancing and pension related items.

Long-Term Liabilities Outstanding include: Compensated absences payable; Claims and judgments payable; and Long-term debt payable.

Other Liabilities include: Accounts payable; Accrued liabilities; Pollution remediation liability; Accrued interest; Unearned revenue; and Deposits payable.

Deferred Inflows of Resources include: Pension related items.

Net Position

The chart above reflects the City's combined net position (governmental and business-type activities) of \$126.5 million at the close of fiscal year ending June 30, 2015.

The largest portion of the City's total net position (140.3%) reflects investment in capital assets (e.g., land, streets, sewers, buildings, machinery, and equipment) net of outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining City net position represents resources that are either subject to external restrictions (e.g., certain capital projects, debt service) or unrestricted. The unrestricted net position is negative as a result of pension related reporting first implemented in fiscal year 2014-2015 pursuant to GASB Statement No. 68.

Changes in Net Position

Also noted in the chart above, the City's fiscal year 2014-2015 total net position decreased by \$123.2 million, or 49.4%, from the prior year. The governmental activities net position decreased \$116.2 million, or 62.3%, and business-type activities net position decreased \$7.0 million, or 11.1%.

Within total assets, the increase in capital assets, net of accumulated depreciation by \$1.9 million, or 1.0%, was primarily attributable to additional construction in progress assets, including the Herondo/Harbor Gateway Improvements, the Pier Parking Structure Repairs, the Sanitary Sewer Facilities Rehabilitation, and the Transit Center Project. This increase in capital assets also resulted in a corresponding increase in Investments in Capital Assets, Net of Related Debt. However, the decrease in net assets is primarily due an increase in total liabilities of \$121.1 million with increased workers' compensation and general liability claims and judgments payable as well as the first reporting of pension liability as required by GASB Statement No. 68.

Additionally, the decrease in business-type activities net position was primarily due to the first pension related reporting of liabilities and deferred outflows and deferred inflows of resources as required by GASB Statement No. 68.

City of Redondo Beach's Change in Net Position
Fiscal Year Ended June 30, 2014 and 2015

	Governmental Activities		Business-Type Activities		Total	
	2014-2015	2013-2014	2014-2015	2013-2014	2014-2015	2013-2014
Revenues:						
Program Revenues:						
Charges for services	\$ 25,264,506	\$ 23,670,066	\$ 20,475,663	\$ 18,472,421	\$ 45,740,169	\$ 42,142,487
Operating grants and contributions	8,170,736	8,052,877	1,848,671	1,754,397	10,019,407	9,807,274
Capital grants and contributions	2,310,026	294,342	-	-	2,310,026	294,342
Total program revenues	35,745,268	32,017,285	22,324,334	20,226,818	58,069,602	52,244,103
General revenues:						
Property taxes	31,424,789	30,175,663	-	-	31,424,789	30,175,663
Transient occupancy taxes	4,464,811	3,970,786	-	-	4,464,811	3,970,786
Sales taxes	11,889,190	10,450,402	-	-	11,889,190	10,450,402
Franchise taxes	1,981,936	1,973,182	-	-	1,981,936	1,973,182
Business license taxes	1,178,016	1,296,531	-	-	1,178,016	1,296,531
Utility users' taxes	7,664,385	7,412,250	-	-	7,664,385	7,412,250
Other taxes	5,149	1,840	-	-	5,149	1,840
Motor vehicle in lieu - unrestricted	27,910	28,894	-	-	27,910	28,894
Use of money and property	1,069,970	1,251,129	237,235	331,919	1,307,205	1,583,048
Other	2,271,960	1,885,242	375,982	400,396	2,647,942	2,285,638
Gain (loss) on sale of capital assets	27,676	12,657	-	(79,277)	27,676	(66,620)
Total general revenues	62,005,792	58,458,576	613,217	653,038	62,619,009	59,111,614
Total revenue	97,751,060	90,475,861	22,937,551	20,879,856	120,688,611	111,355,717
Expenses:						
General government	10,293,394	10,177,409	-	-	10,293,394	10,177,409
Public safety	47,331,250	44,022,014	-	-	47,331,250	44,022,014
Public works	15,500,144	11,817,281	-	-	15,500,144	11,817,281
Cultural and leisure services	10,990,481	10,042,640	-	-	10,990,481	10,042,640
Housing and community development	9,229,689	10,115,114	-	-	9,229,689	10,115,114
Interest on long-term debt	152,348	194,200	-	-	152,348	194,200
Harbor Tidelands	-	-	5,279,836	5,040,308	5,279,836	5,040,308
Harbor Uplands	-	-	4,230,371	4,051,432	4,230,371	4,051,432
Wastewater	-	-	2,022,271	2,557,592	2,022,271	2,557,592
Solid Waste	-	-	3,506,271	3,580,040	3,506,271	3,580,040
Transit	-	-	3,366,535	3,346,989	3,366,535	3,346,989
Total expenses	93,497,306	86,368,658	18,405,284	18,576,361	111,902,590	104,945,019
Change in net position before transfers	4,253,754	4,107,203	4,532,267	2,303,495	8,786,021	6,410,698
Transfers	(1,462,139)	(1,350,534)	1,462,139	1,350,534	-	-
Extraordinary item:						
Write off of advance to Successor Agency	-	-	-	(7,903,737)	-	(7,903,737)
Change in net position	2,791,615	2,756,669	5,994,406	(4,249,708)	8,786,021	(1,493,039)
Net position, beginning of year, as restated (note 19)	67,568,421	183,835,731	49,892,773	67,146,858	117,461,194	250,982,589
Net position, end of year	\$ 70,360,036	\$ 186,592,400	\$ 55,887,179	\$ 62,897,150	\$ 126,247,215	\$ 249,489,550

Levels of revenues and expenditures also impact current assets and other liabilities and, therefore, cause changes in net position. As reflected above, total revenues increased in fiscal year 2014-2015 by \$9.3 million, or 8.4%. Major increases in program revenues are reflected in public safety capital grants and contributions. General revenue increased in nearly every category with property taxes, transient occupancy taxes and sales taxes leading the way. An improved housing market, the reopening of the Redondo Beach Hotel, and an improved economy are the primary reasons for the increases.

Citywide total expenses increased \$7.0 million, or 6.6%, when compared to fiscal year 2013-2014. The substantial increase in expenses was related to more capital improvement project expenses, the fiscal year 2014-2015 recording of pension-related expenses as required with the implementation of GASB Statement No. 68, and increased personnel costs with compensation adjustments, higher CalPERS rates, and an increase in hiring for vacant positions.

Governmental Activities

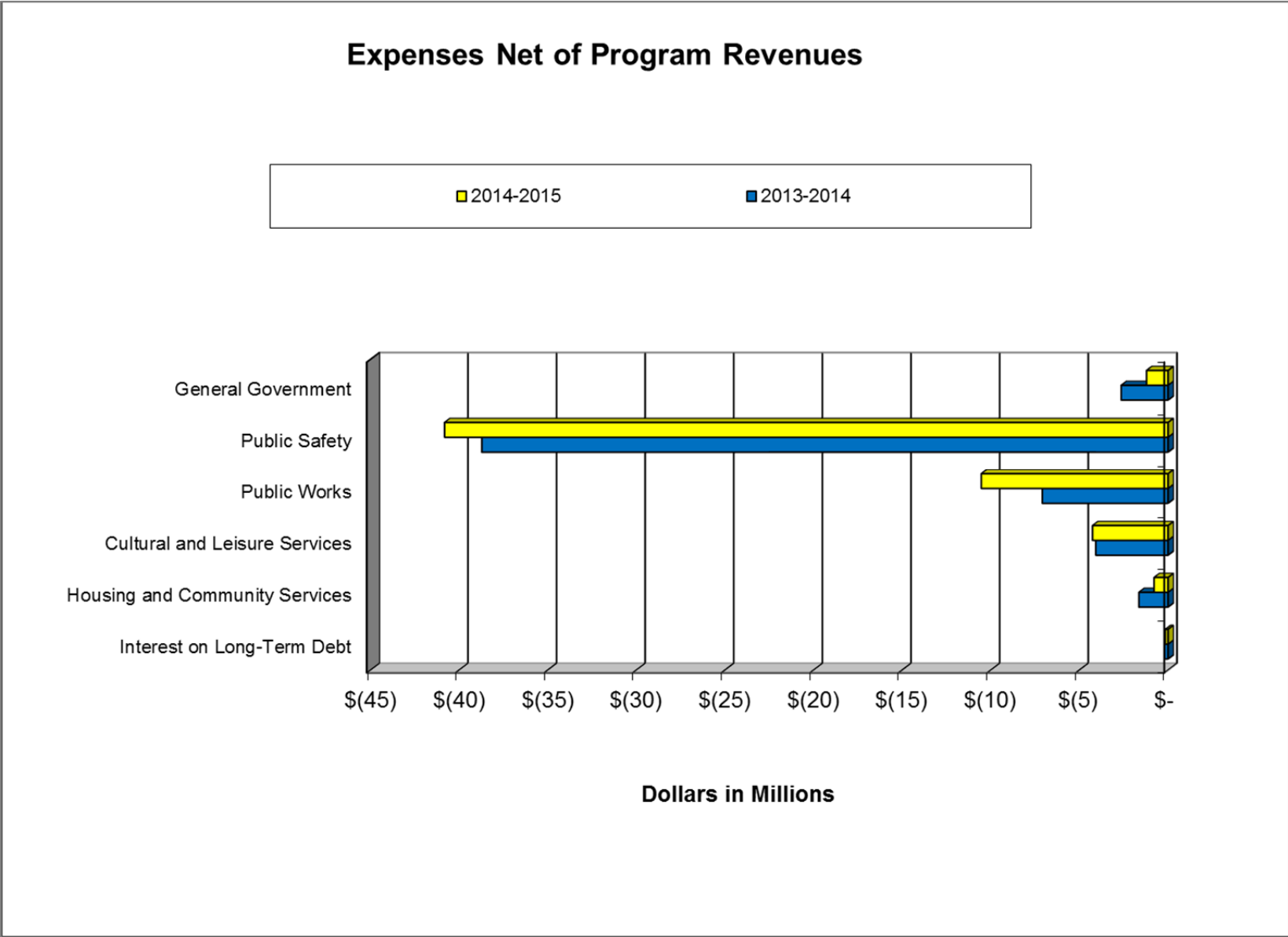
As reflected in the Changes in Net Position schedule above, the total governmental activity expenses were \$93.5 million in fiscal year 2014-2015; and total revenues from governmental activities were \$97.8 million, of which 36.6% were derived from program revenues consisting of charges for services and grants.

As shown on the following chart, the governmental activity expenses net of program revenues, increased \$3.4 million, or 6.3%, in fiscal year 2014-2015. As with the increase in citywide total expenses, the increase was related to more capital improvement project expenses, the fiscal year 2014-2015 recording of pension-related expenses as required with the implementation of GASB Statement No. 68, and increased personnel costs with compensation adjustments, higher CalPERS rates, and an increase in hiring for vacant positions.

	Impact to Net Position		Percent Increase (Decrease)
	2014-2015	2013-2014	
Governmental Activities:			
Expenses Net of Program Revenues*			
General government	\$ (1,209,999)	\$ (2,638,110)	(54.1)%
Public safety	(40,816,075)	(38,713,335)	5.4 %
Public works	(10,532,723)	(7,091,665)	48.5 %
Cultural and leisure services	(4,257,057)	(4,075,100)	4.5 %
Housing and community development	(783,836)	(1,638,963)	(52.2)%
Interest on long-term debt	(152,348)	(194,200)	(21.6)%
Total Governmental Activity Expenses			
Net of Program Revenues	<u>\$ (57,752,038)</u>	<u>\$ (54,351,373)</u>	6.3 %

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

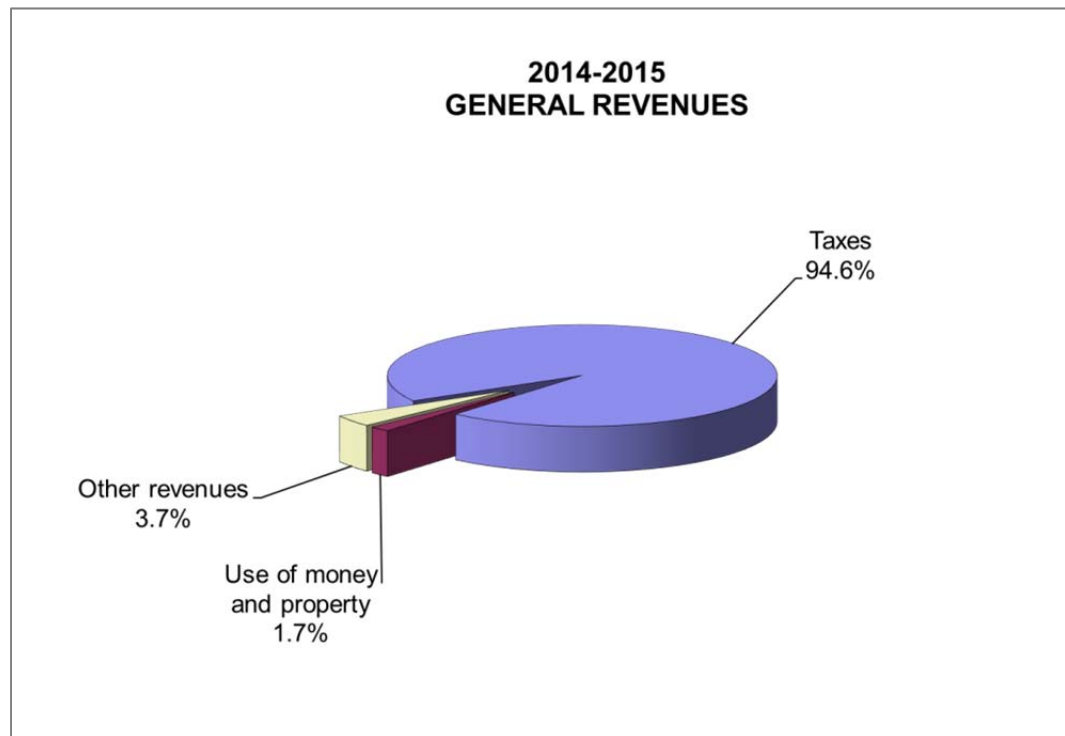
The chart below is a graphical representation of the schedule above.

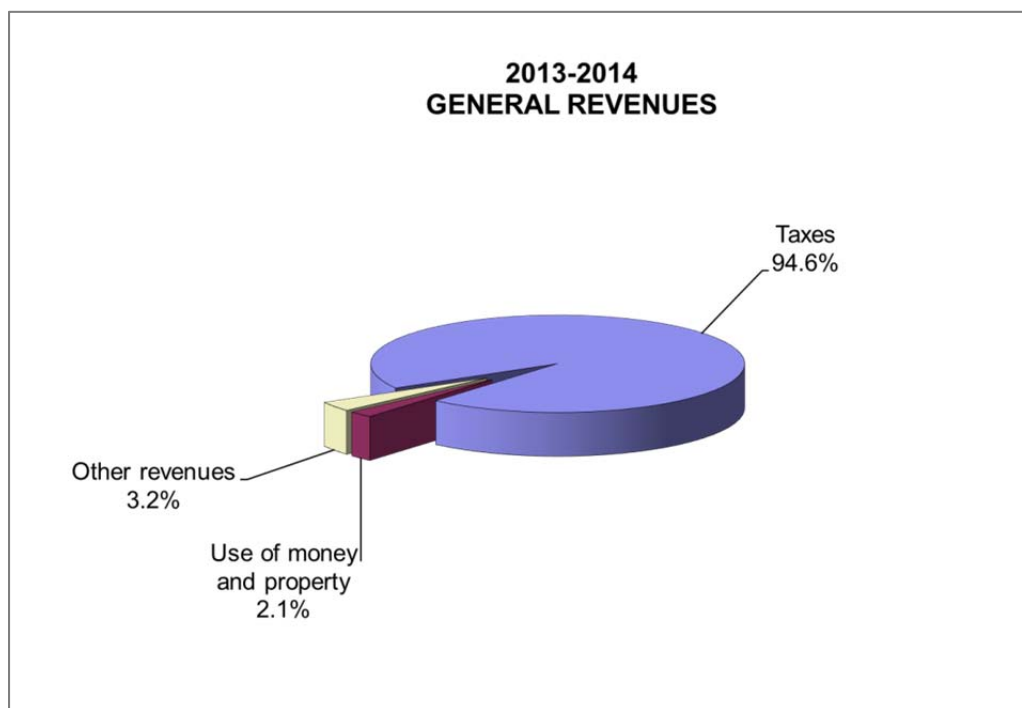


General Revenues Related to Governmental Activities

General Revenues	2014-2015	2013-2014	Increase / (Decrease)
Taxes	\$ 58,636,186	\$ 55,309,548	6.0 %
Use of money and property	1,069,970	1,251,129	(14.5)%
Other revenues	837,497	547,365	21.2 %
Total General Revenues	\$ 60,543,653	\$ 57,108,042	6.1 %

General revenues are all other revenues not attributable to a specific program and, therefore, not categorized as program revenues. These revenues include taxes, use of money and property, and other revenues and increased 6.1% over prior year. The largest general revenue source is taxes, and the largest increase from the prior year is in other revenues.





Business-Type Activities

The City has five business-type activities: Harbor Tidelands, Harbor Uplands, Solid Waste, Wastewater, and Transit. The total net position of the business-type activities decreased by \$7.0 million from the prior year.

Harbor Tidelands is used for the operations of small boat harbor facilities available to the general public, including related pier activities. This fund is restricted under the City Tidelands Trust Agreement with the State of California. In fiscal year 2014-2015, the total net position of the Harbor Tidelands decreased \$4.1 million from prior year.

Harbor Uplands is also used for the operations of small boat harbor facilities available to the general public, including related pier activities. However, the use of these funds is subject only to the decisions of the City Council. In fiscal year 2014-2015, the total net position of Harbor Uplands decreased by \$4.1 million from prior year.

Wastewater is funded by a capital facility charge, or more commonly referred to as a sewer user fee. These funds are used to support the operations of the wastewater fund, which is restricted to sewer infrastructure improvements. In fiscal year 2014-2015, the total net position of Wastewater increased \$2.4 million from the prior year.

Solid Waste is the City's comprehensive solid waste program, which includes refuse collection, recycling, and hazardous waste disposal services. The solid waste program is supported through user service fees. In fiscal year FY 2014-2015, the total net position of Solid Waste decreased \$586,334 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 2014-2015, the total net position of Transit decreased \$591,548 from prior year.

INTERNAL SERVICE FUNDS

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

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

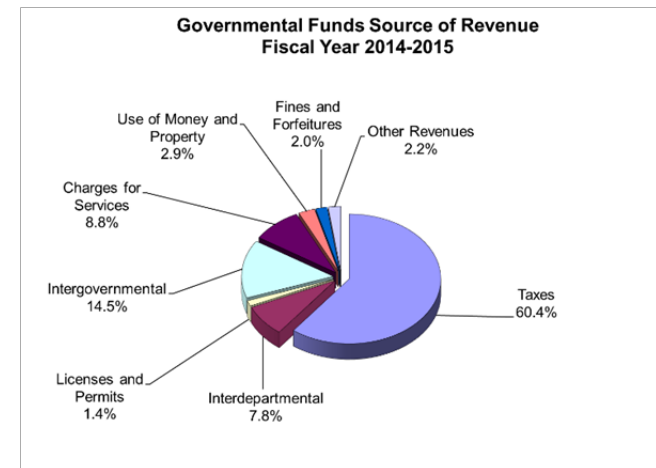
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Please note that unlike the Government-Wide financial statements displayed previously, the fund financial statements which follow are not reflected on a full accrual basis. Therefore,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

Governmental Funds

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

Governmental Funds - The following schedule is a summary of governmental fund revenues for fiscal year ended June 30, 2015, and includes Major and Non-Major Funds. It reflects the amount and percent of increase or decrease of each source of revenue compared to the prior year.

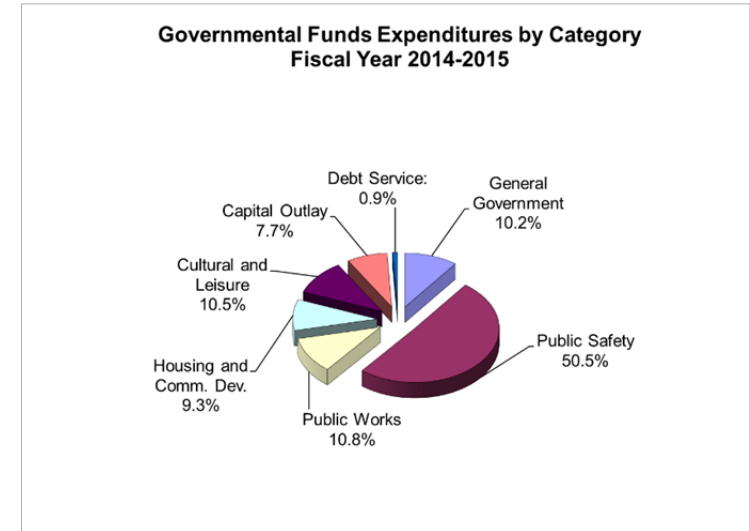
Source of Revenue	Amount FY 14-15	Percent of Total	Increase (Decrease) FY 13-14	Percent Increase (Decrease)
Taxes	\$ 58,603,127	60.4%	\$ 2,644,688	4.7 %
Interdepartmental	7,588,928	7.8%	445,557	6.2 %
Licenses and permits	1,333,512	1.4%	(170,990)	(11.4)%
Intergovernmental	14,091,278	14.5%	2,994,644	27.0 %
Charges for services	8,511,455	8.8%	109,758	1.3 %
Use of money and property	2,795,350	2.9%	295,787	11.8 %
Fines and forfeitures	1,960,083	2.0%	123,917	6.7 %
Miscellaneous	2,147,500	2.2%	331,304	18.2 %
Total	<u>\$ 97,031,233</u>	<u>100.0%</u>	<u>\$ 6,774,665</u>	<u>7.5 %</u>



Total governmental fund revenues increased \$6.8 million, or 7.5%, from fiscal year 2013-2014. Taxes increased \$2.6 million, or 4.7% with property taxes, transient occupancy taxes and sales taxes leading the way. An improved housing market, the reopening of the Redondo Beach Hotel, and an improved economy are the primary reasons for the increases. Interdepartmental increased \$445,557, or 6.2%, as internal service fund/overhead expenditures were included in the fiscal year 2014-2015 allocations. Intergovernmental increased \$3.0 million, or 27.0%, due to fiscal year 2014-2015 reimbursements received for completion of grant funded projects. The only decreased (\$170,990, or -11.4%) source of revenue was licenses and permits. One-time permitting of several large construction projects in fiscal year 2013-2014 accounted for the decrease.

The following schedule is a summary of governmental fund expenditures by function for fiscal year ended June 30, 2015, 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.

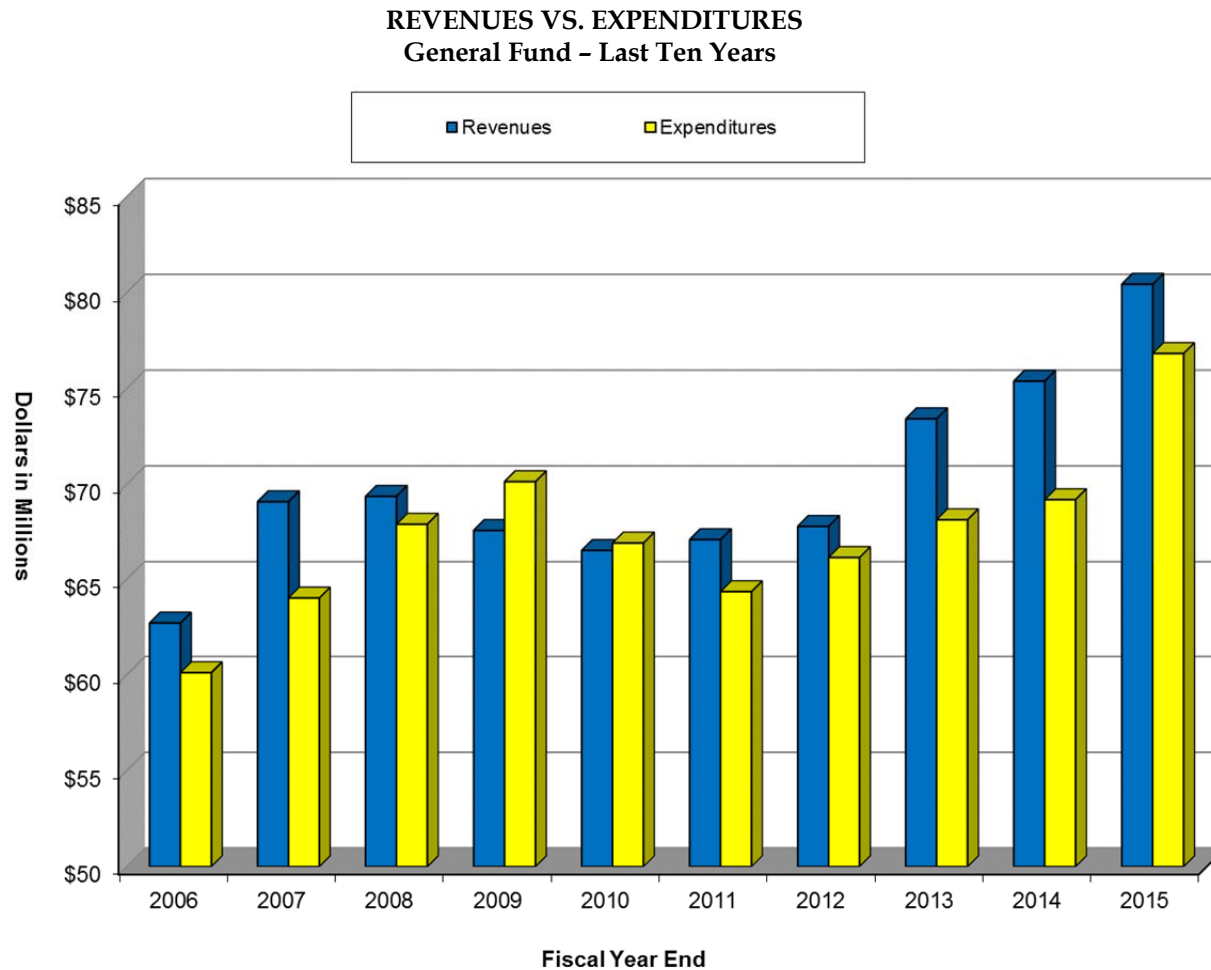
Expenditures	Amount FY 14-15	Percent of Total	Increase (Decrease) FY 13-14	Percent Increase (Decrease)
Current:				
General government	\$ 9,757,869	10.2%	\$ 600,560	6.6 %
Public safety	48,274,212	50.5%	4,620,327	10.6 %
Public works	10,325,935	10.8%	963,795	10.3 %
Housing/community development	8,883,086	9.3%	(233,181)	(2.6)%
Cultural/leisure services	10,023,420	10.5%	1,234,418	14.0 %
Capital outlay	7,382,451	7.8%	6,133,486	491.1 %
Debt service	882,296	0.9%	(23,440)	(2.6)%
	\$ 95,529,269	100.0%	\$ 13,295,965	16.2 %



Total governmental fund expenditures increased \$13.3 million, or 16.2%, from fiscal year 2013-2014. As mentioned earlier, the variances are attributable to the following.

- Current expenditures increased by \$7.2 million, or 9.0%, with internal service fund/overhead expenditures included in the fiscal year 2014-2015 allocations and increased personnel costs with compensation adjustments, higher CalPERS rates, and an increase in hiring for vacant positions. (It should be noted that the decrease in housing and community development expenditures is due only to the reclassification of expenditures to the cultural and leisure services category.)
- Capital outlay expenditures substantially increased by \$6.1 million, or 491.1%, due to more capital improvement project expenses.
- Debt service expenditures decreased by \$23,440, or -2.6%. The decrease was due to the fiscal year 2014-2015 refinancing of the Public Financing Authority Kincaid's Restaurant loan.

There are three major funds in the City of Redondo Beach – the General Fund, the Other Intergovernmental Grants Fund, and the Public Financing Authority Fund. The General Fund is the major operating fund of the City.



Since fiscal year 2010-2011, revenues have consistently exceeded expenditures in the General Fund. When compared to fiscal year 2013-2014, revenues increased \$5.1 million, or 7.6% while expenditures increased \$7.6 million, or 11.4%.

General Fund Balance

The fund balance of the General Fund as of June 30, 2015 was \$23.1 million (includes Special Revenue – PERS Reserve Fund of \$3.9 million), an increase of \$2.1 million, when compared to the prior year. The City Council approved the constraints of the General Fund balance reflected below.

	FY 12-13	FY 13-14	FY 14-15
General Fund Contingency	\$5,889,783	\$6,188,191	\$6,738,848
Compensated Absences	607,602	595,252	489,418
Carryover Assignments	1,358,673	1,238,210	1,248,010
Encumbrances	634,744	586,272	531,965
Self-Insurance Program	2,650,000	2,982,500	-
Petty Cash	17,050	15,550	15,350
CalPERS	3,813,747	4,607,962	4,913,747
Compensation Restoration	861,248	2,000,000	-
Union Offer Increase	332,381	-	-
Assigned Contingency	1,000,000	-	-
Future Year's Appropriations	-	-	3,302,185
Unassigned Balance	272,083	2,674,597	5,786,193

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.

Other Intergovernmental Grants Fund Balance

The fund balance of the Other Intergovernmental Grants Fund as of June 30, 2015 was \$(1.9) million, a decrease of \$300,639, when compared to the prior year. Revenues and expenditures of the fund, where monies from Federal, State and other governmental agencies are used primarily for capital improvement projects, tend to fluctuate from year to year depending on resources received from other governmental agencies.

Public Financing Authority Fund Balance

The fund balance of the Public Financing Authority Fund as of June 30, 2015 was \$6.3 million, a decrease of \$140,244, when compared to the prior year. The decrease is minimal because the fund accounts for the payment of interest and principal on existing bonded and other debt issued to finance City and redevelopment activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended fiscal year 2014-2015 budget totaled \$82.3 million, excluding transfers out and including net amendments of \$7.5 million to the originally adopted budget. The City Council adopts budget adjustments during the year to reflect both changed priorities and consideration of events that took place subsequent to the budget adoption. The amendments can be briefly summarized as follows:

- Appropriations of \$1,189,374 for employee compensation adjustments and stipends.
- Appropriation of \$15,000 for LA County Registrar-Recorder signature verification services.
- Funding of prior-year encumbrances of \$552,041.
- Funding of carry-over appropriations of \$1,238,210.
- Increased mid-year appropriations by \$4,458,007.

Budget amendments were funded from/credited to available fund balance. During the year, however, revenues exceeded budgetary estimates by approximately \$4.3 million and expenditures were \$5.4 million less than budgetary estimates, primarily due to personnel vacancies and contractual services that were not completed by year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets of the City, including infrastructure assets are those assets used in the performance of the City's functions. At June 30, 2015, net capital assets of the governmental and business-type activities totaled \$140.3 million and \$45.0 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, 2015 the City's street system was rated at a PQI of 84.

The City's budget for street maintenance for the fiscal year ended June 30, 2015 was \$18.8 million. Actual expenditures were \$5.5 million, with the remaining budget carried forward as continuing appropriations. The City is judiciously investing in this infrastructure asset as part of the five-year Capital Improvement Program and will continue to rehabilitate and maintain its streets in order to achieve this goal. The estimated expenditures required to maintain and improve the overall condition of the streets from July 1, 2015 through June 30, 2016 is a minimum of \$5.1 million.

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

	Original Cost	Accumulated Depreciation	Book Value
Capital Assets - Governmental Activities			
Land	\$ 16,522,947	-	\$ 16,522,947
Construction in progress	6,669,282	-	6,669,282
Work in progress	1,003,491	-	1,003,491
Buildings and improvements	46,643,121	(19,247,630)	27,395,491
Furniture and equipment	8,155,070	(7,140,752)	1,014,318
Automotive equipment	15,979,900	(9,069,389)	6,910,511
Leased equipment	2,089,932	(1,002,413)	1,087,519
Infrastructure	128,074,694	(48,372,183)	79,702,511
Total	\$ 225,138,437	\$ (84,832,367)	\$ 140,306,070
Capital Assets - Business-Type Activities			
Land	11,323,255	-	11,323,255
Construction in progress	2,216,813	-	2,216,813
Buildings and improvements	30,708,383	(16,588,222)	14,120,161
Furniture and equipment	660,269	(647,028)	13,241
Automotive equipment	3,812,140	(2,135,854)	1,676,286
Leased equipment	277,949	(189,932)	88,017
Infrastructure	27,035,753	(11,448,247)	15,587,506
Total	\$ 76,034,562	\$ (31,009,283)	\$ 45,025,279

For more information on the City's capital assets, refer to Note 6 of the notes to the financial statements.

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 2014-2015 are provided below. These indicators provide important information for management and concerned citizens, as well as potential investors.

	<u>Amount</u>	<u>Ratio of Debt to Assessed Value of Property</u>	<u>Debt per Capita</u>
Net Direct: Bonded Debt	\$ 10,490,000	0.08%	\$154.05

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In considering fiscal year 2015-2016, a number of the City's revenue sources are showing signs of improvement and growth. This a result of two primary factors: (1) a slightly improving local economy and (2) past actions by the City Council to enhance revenues. However, there will be insufficient funding in the near term to restore full-time positions to pre-recessionary levels.

- Property tax revenue for fiscal year 2015-2016 is projected to increase to \$22.2 million, including revenue related to the former Redevelopment Agency but excluding property tax in lieu of VLF and homeowners' exemptions. Overall, the economy is slowly recovering with some improvement in the housing market. Redondo Beach's housing market remained fairly stable through the housing downturn due to its coastal location. Property tax revenue is the City's number one source of operating revenue.
- Sales and use tax revenue is projected to increase to \$11.9 million. The sales tax revenue estimate reflects an increase in consumer spending. However, this projection takes into account Nordstrom's departure during the fiscal year.
- Utility users' Tax (UUT) revenue is projected to remain relatively flat at \$7.2 million. Even with prices increasing, consumers' conservation efforts are holding UUT stable. This estimate is based upon analysis of the projected performance from each of the categorical components of the City's UUT tax base, including electricity, natural gas, telecommunications, water, and cable television. UUT revenue provides support for essential City operational services.

- Transient occupancy tax (TOT) revenue is projected to increase to \$4.7 million. This upswing is driven by more personal travel as the economy improves. Business travel is predicted to lag behind personal travel, and international travel is expected to decrease as the Euro drops in value against the dollar and many countries face financial crisis. Annually, ten percent of the City's TOT revenue is dedicated to funding tourism promotional and service activities of the Redondo Beach Visitors' Bureau.
- Franchise Fees are projected to remain relatively flat at \$1.9 million. 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. Cable television franchise fees represent about 50% of the overall franchise fee revenue estimate for FY 2015-2016, while projected revenue from the electricity franchise represents about 20%. The franchise revenue generated from the sale and transport of natural gas utilized to power the local AES power plant represents approximately 20% of the total franchise fee estimate. Cyclical uncertainties of the deregulated energy environment and their impacts upon the productive utilization rate of the AES power plant require a conservative estimate from this revenue source.
- Investment Earnings for the General Fund for fiscal year 2015-2016 are projected to increase slightly to \$450,000. This projection reflects continued lower interest rates within the investment marketplace. The three major components of the portfolio are: liquid investments with the State Local Agency Investment Fund, and both Federal Agency and high-grade corporate Medium-Term Note Investments structured with a 1 to 5 year investment maturity matrix. Enhanced cash management activities serve as core elements of the City Treasurer's comprehensive cash management program. In addition, implementation of a strategically focused capital improvement program (CIP) cash management plan will serve to enhance investment returns from CIP funding sources, while ensuring CIP program liquidity.

General Fund appropriations for fiscal year 2015-2016 are projected at \$80.9 million. Personnel costs are projected to increase with employee cost of living (wage) adjustments and employer contribution rate increases to the California Public Employees Retirement System (CalPERS). Additionally, increases are expected with expanding workers' compensation requirements. Only the highest priority changes to departmental base budgets were added as many more departmental needs exist than available funding permits.

During FY 2014-2015, Redondo Beach experienced a 4.7% change in real property assessed valuations, compared to last year's 3.8%. Hotel occupancy rates for the City's thirteen operating hotels increased by 6.6% from prior year FY 2013-2014 with a 12.4% revenue increase primarily due to the reopening of the Redondo Beach Hotel after approximately a year's closure. The Utility users' tax revenue remains relatively flat after excluding a one-time revenue recovery. Redondo Beach continues to exceed the countywide average in total taxable retail sales, ranking 30 out of 89 cities. Redondo Beach experienced a decrease in its unemployment rate from 5.1% in FY 2013-2014 to 4.5% in FY 2014-2015, which is well below the Los Angeles County and State of California FY 2014-2015 unemployment rates of 7.5% and 6.3%, respectively.

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF REDONDO BEACH

Statement of Net Position

June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 63,940,319	\$ 34,553,374	\$ 98,493,693
Receivables:			
Accounts	757,777	571,463	1,329,240
Interest	121,246	60,233	181,479
Taxes	4,873,431	26,597	4,900,028
Notes and loans	3,914,729	132,658	4,047,387
Internal balances	(306,928)	306,928	-
Due from other governments	7,502,786	111,743	7,614,529
Advances to other governments	535,731	-	535,731
Prepaid items	72,870	5,579	78,449
Restricted cash and investments with fiscal agents	1,858,260	-	1,858,260
Capital assets:			
Nondepreciable	78,249,756	13,540,068	91,789,824
Depreciable, net	62,056,314	31,485,211	93,541,525
Total capital assets	140,306,070	45,025,279	185,331,349
Total assets	223,576,291	80,793,854	304,370,145
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	8,368,345	908,389	9,276,734
Loss on debt refunding	-	488,447	488,447
Total deferred outflows of resources	8,368,345	1,396,836	9,765,181

See accompanying notes to basic financial statements.

CITY OF REDONDO BEACH

Statement of Net Position

June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	6,517,427	1,706,961	8,224,388
Accrued liabilities	3,646,302	-	3,646,302
Pollution remediation liability	150,000	-	150,000
Accrued interest	60,988	-	60,988
Unearned revenue	744,604	593,172	1,337,776
Deposits payable	89,642	197,529	287,171
Noncurrent liabilities:			
Due within one year:			
Compensated absences payable	604,306	79,027	683,333
Claims and judgments payable	981,277	-	981,277
Other long-term debt	1,009,246	651,233	1,660,479
Due in more than one year:			
Compensated absences payable	1,899,106	248,351	2,147,457
Claims and judgments payable	16,166,107	-	16,166,107
Other long-term debt	3,294,546	9,012,737	12,307,283
Net pension liability	103,365,362	11,201,504	114,566,866
Total noncurrent liabilities	127,319,950	21,192,852	148,512,802
Total liabilities	138,528,913	23,690,514	162,219,427
DEFERRED INFLOWS OF RESOURCES			
Pension related items	23,055,687	2,612,997	25,668,684
Total deferred inflows of resources	23,055,687	2,612,997	25,668,684
NET POSITION			
Net investment in capital assets	139,555,634	37,629,261	177,184,895
Restricted for:			
Debt service	6,315,711	-	6,315,711
Public safety	1,081,297	-	1,081,297
Public works	9,171,066	-	9,171,066
Total restricted	16,568,074	-	16,568,074
Unrestricted	(85,763,672)	18,257,918	(67,505,754)
Total net position	\$ 70,360,036	\$ 55,887,179	\$ 126,247,215

CITY OF REDONDO BEACH

Statement of Activities

For the year ended June 30, 2015

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
Primary government:								
Governmental activities:								
General government	\$ 10,293,394	\$ 9,083,395	\$ -	\$ -	\$ 9,083,395	\$ (1,209,999)	\$ -	\$ (1,209,999)
Public safety	47,331,250	4,611,279	504,602	1,399,294	6,515,175	(40,816,075)	-	(40,816,075)
Public works	15,500,144	2,154,679	1,902,010	910,732	4,967,421	(10,532,723)	-	(10,532,723)
Cultural and leisure services	10,990,481	6,733,424	-	-	6,733,424	(4,257,057)	-	(4,257,057)
Housing and community development	9,229,689	2,681,729	5,764,124	-	8,445,853	(783,836)	-	(783,836)
Interest on long term debt	152,348	-	-	-	-	(152,348)	-	(152,348)
Total governmental activities	93,497,306	25,264,506	8,170,736	2,310,026	35,745,268	(57,752,038)	-	(57,752,038)
Business-type activities:								
Harbor Tidelands	5,279,836	6,526,625	-	-	6,526,625	-	1,246,789	1,246,789
Harbor Uplands	4,230,371	4,585,998	-	-	4,585,998	-	355,627	355,627
Wastewater	2,022,271	5,433,185	-	-	5,433,185	-	3,410,914	3,410,914
Solid Waste	3,506,271	3,569,336	34,659	-	3,603,995	-	97,724	97,724
Transit	3,366,535	360,519	1,814,012	-	2,174,531	-	(1,192,004)	(1,192,004)
Total business-type activities	18,405,284	20,475,663	1,848,671	-	22,324,334	-	3,919,050	3,919,050
Total primary government	\$ 111,902,590	\$ 45,740,169	\$ 10,019,407	\$ 2,310,026	\$ 58,069,602	(57,752,038)	3,919,050	(53,832,988)

See accompanying notes to basic financial statements.

CITY OF REDONDO BEACH

Statement of Activities

For the year ended June 30, 2015

	Governmental Activities	Business-Type Activities	Total
General revenues and transfers:			
Taxes:			
Property taxes	31,424,789	-	31,424,789
Transient occupancy taxes	4,464,811	-	4,464,811
Sales taxes	11,889,190	-	11,889,190
Franchise taxes	1,981,936	-	1,981,936
Business licenses taxes	1,178,016	-	1,178,016
Utility users taxes	7,664,385	-	7,664,385
Other taxes	5,149	-	5,149
Motor vehicle license in lieu - unrestricted	27,910	-	27,910
Use of money and property	1,069,970	237,235	1,307,205
Other	2,271,960	375,982	2,647,942
Gain on sale of capital assets	27,676	-	27,676
Transfers	(1,462,139)	1,462,139	-
Total general revenues and transfers	60,543,653	2,075,356	62,619,009
Change in net position	2,791,615	5,994,406	8,786,021
Net position, beginning of year, as restated (Note 19)	67,568,421	49,892,773	117,461,194
Net position, end of year	\$ 70,360,036	\$ 55,887,179	\$ 126,247,215

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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

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CITY OF REDONDO BEACH

Balance Sheet

Governmental Funds

June 30, 2015

		Special Revenue Fund	Debt Service Fund		
		Other	Public	Total	Total
	General	Intergovernmental	Financing	Non-Major	Governmental
		Grants	Authority	Funds	Funds
ASSETS					
Pooled cash and investments	\$ 21,490,953	\$ -	\$ 403,418	\$ 20,940,386	\$ 42,834,757
Receivables:					
Accounts	579,270	-	17,695	155,223	752,188
Interest	100,275	-	116	20,855	121,246
Taxes	4,865,884	-	-	7,547	4,873,431
Notes and loans	18,066	-	-	3,896,663	3,914,729
Prepaid costs	72,770	-	-	100	72,870
Due from other funds	2,089,857	-	-	834	2,090,691
Due from other governments	269,266	1,470,421	5,705,000	58,099	7,502,786
Advances to other funds	1,050,761	-	-	-	1,050,761
Advances to other governments	-	-	-	535,731	535,731
Restricted assets:					
Cash and investments with fiscal agents	-	53,514	1,651,951	152,795	1,858,260
Total assets	\$ 30,537,102	\$ 1,523,935	\$ 7,778,180	\$ 25,768,233	\$ 65,607,450
LIABILITIES, DEFERRED INFLOWS OF RESOURCES					
AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,884,027	\$ 148,587	\$ 1,005	\$ 3,268,843	\$ 5,302,462
Accrued liabilities	3,646,302	-	-	-	3,646,302
Pollution remediation liability	150,000	-	-	-	150,000
Unearned revenue	384,499	360,105	-	-	744,604
Deposits payable	89,642	-	-	-	89,642
Due to other funds	834	1,458,809	416,406	92,551	1,968,600
Advances from other funds	-	-	1,050,761	-	1,050,761
Total liabilities	6,155,304	1,967,501	1,468,172	3,361,394	12,952,371
Deferred Inflows of Resources:					
Unavailable revenue	1,265,246	1,408,786	-	1,147,372	3,821,404
Total deferred inflows of resources	1,265,246	1,408,786	-	1,147,372	3,821,404

CITY OF REDONDO BEACH

Balance Sheet

Governmental Funds

June 30, 2015

	Special Revenue Fund		Debt Service Fund	Total	Total
	General	Other Intergovernmental Grants	Public Financing Authority	Non-Major Funds	Governmental Funds
Fund Balances (deficit):					
Nonspendable	90,836	-	-	2,749,394	2,840,230
Restricted	-	-	6,310,008	12,107,627	18,417,635
Committed	6,738,848	-	-	-	6,738,848
Assigned	10,500,675	-	-	6,466,871	16,967,546
Unassigned	5,786,193	(1,852,352)	-	(64,425)	3,869,416
Total fund balances	23,116,552	(1,852,352)	6,310,008	21,259,467	48,833,675
Total liabilities, deferred inflows of resources and fund balances	\$ 30,537,102	\$ 1,523,935	\$ 7,778,180	\$ 25,768,233	\$ 65,607,450

CITY OF REDONDO BEACH

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2015

Total Fund Balance - Total Governmental Funds

\$ 48,833,675

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

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

Non-depreciable

Depreciable, net

Total capital assets

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

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

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

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

Other long-term debt - due within one year

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

Compensated absences payable - due within one year

Compensated absences payable - due in more than one year

Net pension liability

Total long-term liabilities

Deferred outflows and inflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:

Deferred outflows of resources - pension related items

Deferred inflows of resources - pension related items

Total deferred outflows/inflows of resources

Net Position of Governmental Activities

Government-Wide Statement of Net Position	Internal Service Funds	
\$ 78,249,756	\$ -	78,249,756
62,056,314	(5,477,607)	56,578,707
<u>\$ 140,306,070</u>	<u>\$ (5,477,607)</u>	<u>134,828,463</u>

(60,988)

3,821,404

607,975

Government-Wide Statement of Net Position	Internal Service Funds	
\$ (1,009,246)	\$ 271,460	(737,786)
(3,294,546)	478,976	(2,815,570)
(604,306)	81,823	(522,483)
(1,899,106)	257,133	(1,641,973)
(103,365,362)	5,062,361	(98,303,001)
<u>\$ (110,172,566)</u>	<u>\$ 6,151,753</u>	<u>(104,020,813)</u>

Government-Wide Statement of Net Position	Internal Service Funds	
\$ 8,368,345	\$ (414,148)	7,954,197
(23,055,687)	1,451,810	(21,603,877)
<u>\$ (14,687,342)</u>	<u>\$ 1,037,662</u>	<u>(13,649,680)</u>

\$ 70,360,036

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CITY OF REDONDO BEACH

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2015

		Special Revenue Fund	Debt Service Fund		
		Other	Public	Total	Total
	General	Intergovernmental	Financing	Non-Major	Governmental
		Grants	Authority	Funds	Funds
REVENUES:					
Taxes	\$ 58,603,127	\$ -	\$ -	\$ -	\$ 58,603,127
Interdepartmental	7,588,928	-	-	-	7,588,928
Licenses and permits	1,333,512	-	-	-	1,333,512
Intergovernmental	1,180,733	2,219,848	-	10,690,697	14,091,278
Charges for services	6,661,241	-	-	1,850,214	8,511,455
Use of money and property	1,805,473	-	903,037	86,840	2,795,350
Fines and forfeitures	1,862,081	-	-	98,002	1,960,083
Miscellaneous	1,416,343	-	-	731,157	2,147,500
Total revenues	80,451,438	2,219,848	903,037	13,456,910	97,031,233
EXPENDITURES:					
Current:					
General government	9,757,869	-	-	-	9,757,869
Public safety	47,930,963	223,774	-	119,475	48,274,212
Public works	6,168,111	80,443	-	4,077,381	10,325,935
Housing and community development	2,952,148	46,287	160,985	5,723,666	8,883,086
Cultural and leisure services	10,023,420	-	-	-	10,023,420
Capital outlay	-	2,177,187	-	5,205,264	7,382,451
Debt Service:					
Principal retirement	-	-	695,000	-	695,000
Interest and fiscal charges	-	-	187,296	-	187,296
Total expenditures	76,832,511	2,527,691	1,043,281	15,125,786	95,529,269
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES	3,618,927	(307,843)	(140,244)	(1,668,876)	1,501,964

CITY OF REDONDO BEACH

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2015

	Special Revenue Funds		Debt Service Funds	Total	Total
	General	Other Intergovernmental Grants	Public Financing Authority	Non-Major Funds	Governmental Funds
OTHER FINANCING SOURCES (USES):					
Transfers in	285,512	7,204	-	1,101,888	1,394,604
Transfers out	(1,758,676)	-	-	(1,391,896)	(3,150,572)
Total other financing sources (uses)	(1,473,164)	7,204	-	(290,008)	(1,755,968)
Net change in fund balances	2,145,763	(300,639)	(140,244)	(1,958,884)	(254,004)
FUND BALANCES (DEFICIT):					
Beginning of year	20,970,789	(1,551,713)	6,450,252	23,218,351	49,087,679
End of year	<u>\$ 23,116,552</u>	<u>\$ (1,852,352)</u>	<u>\$ 6,310,008</u>	<u>\$ 21,259,467</u>	<u>\$ 48,833,675</u>

CITY OF REDONDO BEACH

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2015

Net Change In Fund Balances - Total Governmental Funds \$ (254,004)

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

Governmental funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities, the costs of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.

Funds Capital Outlay	Government-Wide Expenses	
\$ 7,382,451	\$ (3,620,573)	3,761,878

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds.

Government-Wide Statement of Net Position	Internal Service Funds	
\$ (4,671,700)	\$ 1,123,279	(3,548,421)

Long-Term compensated absences was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, long-term compensated absences was not reported as expenditures in the governmental funds. The following amount represented the change in long-term compensated absences from the prior year.

(66,439)

Repayment of principal of long-term debt was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position:

Principal retirement 695,000

Governmental funds report all contributions in relation to the annual required contribution for pensions as expenditures, however, in the Statement of Activities, pension expense is actuarially determined and certain pension related adjustments are deferred to future periods.

Pension related net of adjustments 1,009,749

CITY OF REDONDO BEACH

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year ended June 30, 2015

Amortization expense was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, amortization expense was not reported as an expenditure in the governmental funds:

Amortization of bond premium	22,786
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Interest expense on long-term debt was reported in the Government-Wide Statement of Activities, 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.

12,162

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

567,691

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.

591,213

Change in Net Position of Governmental Activities

<u>\$ 2,791,615</u>

PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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CITY OF REDONDO BEACH

Statement of Net Position

Proprietary Funds

June 30, 2015

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Funds
	Major Enterprise Funds			Non-Major Enterprise Funds			
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 16,643,022	\$ 3,498,348	\$ 12,658,158	\$ 1,537,919	\$ 215,927	\$ 34,553,374	\$ 21,105,562
Receivables:							
Accounts	277,289	176,553	-	109,130	8,491	571,463	5,589
Interest	31,107	5,761	23,365	-	-	60,233	-
Taxes	-	-	14,691	11,906	-	26,597	-
Notes and loans	132,658	-	-	-	-	132,658	-
Due from other funds	306,928	-	-	-	-	306,928	-
Due from other governments	-	-	69,528	38,410	3,805	111,743	-
Prepaid items	5,145	434	-	-	-	5,579	-
Total current assets	17,396,149	3,681,096	12,765,742	1,697,365	228,223	35,768,575	21,111,151
Noncurrent assets:							
Capital assets:							
Non-depreciable	4,672,999	7,553,403	1,313,666	-	-	13,540,068	-
Depreciable, net	15,314,358	5,211,208	9,263,973	60,843	1,634,829	31,485,211	5,477,607
Total capital assets	19,987,357	12,764,611	10,577,639	60,843	1,634,829	45,025,279	5,477,607
Total noncurrent assets	19,987,357	12,764,611	10,577,639	60,843	1,634,829	45,025,279	5,477,607
Total assets	37,383,506	16,445,707	23,343,381	1,758,208	1,863,052	80,793,854	26,588,758
DEFERRED OUTFLOWS OF RESOURCES							
Pension related items	393,147	336,000	80,436	59,840	38,966	908,389	414,148
Loss on debt refunding	-	-	488,447	-	-	488,447	-
Total deferred outflows of resources	393,147	336,000	568,883	59,840	38,966	1,396,836	414,148

CITY OF REDONDO BEACH

Statement of Net Position

Proprietary Funds

June 30, 2015

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	
LIABILITIES							
Current liabilities:							
Accounts payable	802,559	124,992	72,017	268,982	438,411	1,706,961	1,214,965
Deposits payable	137,924	59,605	-	-	-	197,529	-
Due to other funds	-	-	-	-	-	-	429,019
Unearned revenue	106,033	49,167	-	52,804	385,168	593,172	-
Accrued compensated absences	19,004	18,248	19,240	9,198	13,337	79,027	81,823
Accrued claims and judgments	-	-	-	-	-	-	981,277
Bonds, notes, and capital leases	337,833	42,144	271,256	-	-	651,233	271,460
Total current liabilities	1,403,353	294,156	362,513	330,984	836,916	3,227,922	2,978,544
Noncurrent liabilities:							
Accrued claims and judgments	-	-	-	-	-	-	16,166,107
Accrued compensated absences	59,723	57,347	60,463	28,906	41,912	248,351	257,133
Bonds, notes, and capital leases	1,736,328	43,803	7,232,606	-	-	9,012,737	478,976
Net pension liability	4,856,528	4,154,007	983,215	731,456	476,298	11,201,504	5,062,361
Total noncurrent liabilities	6,652,579	4,255,157	8,276,284	760,362	518,210	20,462,592	21,964,577
Total liabilities	8,055,932	4,549,313	8,638,797	1,091,346	1,355,126	23,690,514	24,943,121
DEFERRED INFLOWS OF RESOURCES							
Pension related items	1,080,848	903,812	281,971	209,771	136,595	2,612,997	1,451,810
Total deferred inflows of resources	1,080,848	903,812	281,971	209,771	136,595	2,612,997	1,451,810
NET POSITION							
Net investment in capital assets	19,606,754	12,764,611	3,562,224	60,843	1,634,829	37,629,261	4,727,171
Unrestricted	9,033,119	(1,436,029)	11,429,272	456,088	(1,224,532)	18,257,918	(4,119,196)
Total net position	\$ 28,639,873	\$ 11,328,582	\$ 14,991,496	\$ 516,931	\$ 410,297	\$ 55,887,179	\$ 607,975

CITY OF REDONDO BEACH

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the year ended June 30, 2015

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	
OPERATING REVENUES:							
Sales and service charges	\$ 1,202,624	\$ 2,292,692	\$ 5,433,185	\$ 3,569,336	\$ 360,519	\$ 12,858,356	\$ 18,476,121
Harbor rentals	5,324,001	2,293,306	-	-	-	7,617,307	-
Miscellaneous	102,252	112,749	926	159,306	749	375,982	124,460
Total operating revenues	6,628,877	4,698,747	5,434,111	3,728,642	361,268	20,851,645	18,600,581
OPERATING EXPENSES:							
Personnel services	2,570,850	2,025,592	837,224	596,014	384,580	6,414,260	4,790,921
Contractual services	416,162	404,750	222,240	2,554,380	2,243,732	5,841,264	1,583,866
Administrative and general expenses	1,636,607	1,434,890	443,340	339,653	687,424	4,541,914	10,832,807
Depreciation expense	548,567	360,162	197,556	16,224	50,799	1,173,308	1,123,279
Total operating expenses	5,172,186	4,225,394	1,700,360	3,506,271	3,366,535	17,970,746	18,330,873
OPERATING INCOME (LOSS)	1,456,691	473,353	3,733,751	222,371	(3,005,267)	2,880,899	269,708
NONOPERATING REVENUES (EXPENSES):							
Intergovernmental	-	-	-	34,659	1,814,012	1,848,671	-
Investment income	125,607	24,220	87,408	-	-	237,235	-
Interest expense	(107,650)	(4,977)	(321,911)	-	-	(434,538)	-
Gain on sale of capital assets	-	-	-	-	-	-	27,676
Total nonoperating revenues (expenses)	17,957	19,243	(234,503)	34,659	1,814,012	1,651,368	27,676
INCOME (LOSS) BEFORE TRANSFERS	1,474,648	492,596	3,499,248	257,030	(1,191,255)	4,532,267	297,384
TRANSFERS:							
Transfers in	129,642	112,299	67,927	45,551	1,192,232	1,547,651	293,829
Transfers out	(85,512)	-	-	-	-	(85,512)	-
Total transfers	44,130	112,299	67,927	45,551	1,192,232	1,462,139	293,829
Change in net position	1,518,778	604,895	3,567,175	302,581	977	5,994,406	591,213
NET POSITION:							
Beginning of year, as restated (Note 19)	27,121,095	10,723,687	11,424,321	214,350	409,320	49,892,773	16,762
End of year	<u>\$ 28,639,873</u>	<u>\$ 11,328,582</u>	<u>\$ 14,991,496</u>	<u>\$ 516,931</u>	<u>\$ 410,297</u>	<u>\$ 55,887,179</u>	<u>\$ 607,975</u>

See accompanying notes to basic financial statements.

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CITY OF REDONDO BEACH

Statement of Cash Flows

Proprietary Funds

For the year ended June 30, 2015

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers and users	\$ 6,839,264	\$ 4,741,463	\$ 5,449,910	\$ 3,711,121	\$ 584,495	\$ 21,326,253
Cash payments to suppliers for goods and services	(847,398)	(1,799,962)	(878,942)	(2,895,360)	(2,931,155)	(9,352,817)
Cash payments to employees for services	(3,049,240)	(2,065,810)	(838,326)	(597,915)	(379,758)	(6,931,049)
Net cash provided (used) by operating activities	2,942,626	875,691	3,732,642	217,846	(2,726,418)	5,042,387
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers in	129,642	112,299	67,927	45,551	1,192,232	1,547,651
Transfers out	(85,512)	-	-	-	-	(85,512)
Payment loan to other funds	(69,995)	-	-	-	-	(69,995)
Repayment received from other governments	-	-	-	38,167	-	38,167
Subsidy from grants	-	-	(25,534)	-	1,878,727	1,853,193
Net cash provided (used) by noncapital financing activities	(25,865)	112,299	42,393	83,718	3,070,959	3,283,504
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(848,892)	(6,950)	(619,367)	-	(258,682)	(1,733,891)
Principal paid on capital debt	(323,359)	(40,551)	(251,255)	-	-	(615,165)
Proceeds from capital lease	-	-	-	-	-	-
Interest paid on capital debt	(107,650)	(4,977)	(296,203)	-	-	(408,830)
Proceeds from sales of capital assets	-	-	-	-	-	-
Net cash used by capital and related financing activities	(1,279,901)	(52,478)	(1,166,825)	-	(258,682)	(2,757,886)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	122,753	22,781	83,280	-	742	229,556
Net cash provided by investing activities	122,753	22,781	83,280	-	742	229,556
Net increase in cash and cash equivalents	1,759,613	958,293	2,691,490	301,564	86,601	5,797,561
CASH AND CASH EQUIVALENTS:						
Beginning of year	14,883,409	2,540,055	9,966,668	1,236,355	129,326	28,755,813
End of year	<u>\$ 16,643,022</u>	<u>\$ 3,498,348</u>	<u>\$ 12,658,158</u>	<u>\$ 1,537,919</u>	<u>\$ 215,927</u>	<u>\$ 34,553,374</u>

CITY OF REDONDO BEACH

Statement of Cash Flows, Continued

Proprietary Funds

For the year ended June 30, 2015

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
Operating income (loss)	\$ 1,456,691	\$ 473,353	\$ 3,733,751	\$ 222,371	\$ (3,005,267)	\$ 2,880,899	\$ 269,708
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	548,567	360,162	197,556	16,224	50,799	1,173,308	1,123,279
Prior year construction in progress project abandoned	94,872	120	-	-	-	94,992	-
Actuarial pension expense	343,260	293,334	70,318	52,312	34,065	793,289	362,054
Pension contributions subsequent to measurement date	(393,147)	(336,000)	(80,436)	(59,840)	(38,966)	(908,389)	(414,148)
Changes in operating assets and liabilities:							
(Increase) decrease in accounts receivable	122,383	(6,451)	56,065	(5,646)	2,123	168,474	9,184
(Increase) decrease in due from other funds	-	-	-	(11,906)	-	(11,906)	996,499
(Increase) decrease in prepaid expenses	(5,145)	(434)	-	31	-	(5,548)	-
Increase (decrease) in accounts payable	699,480	39,992	(213,362)	(1,327)	219,112	743,895	212,206
Increase (decrease) in deposits payable	6,707	-	-	-	-	6,707	-
Increase (decrease) in claims and judgments	-	-	-	-	-	-	1,565,644
Increase (decrease) in due to other funds	-	-	-	-	-	-	(567,480)
Increase (decrease) in compensated absences	(12,339)	2,448	9,016	5,627	9,724	14,476	45,347
Increase (decrease) in unearned revenue	81,297	49,167	(40,266)	-	1,992	92,190	-
Total adjustments	1,485,935	402,338	(1,109)	(4,525)	278,849	2,161,488	3,332,585
Net cash provided (used) by operating activities	\$ 2,942,626	\$ 875,691	\$ 3,732,642	\$ 217,846	\$ (2,726,418)	\$ 5,042,387	\$ 3,602,293

FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

CITY OF REDONDO BEACH

Statement of Fiduciary Net Position

Fiduciary Agency Funds

June 30, 2015

	Agency Funds	Redevelopment Obligation Retirement Fund
ASSETS		
Pooled cash and investments	\$ 276,434	\$ 526,219
Receivables:		
Accounts	20,118	56,540
Interest	-	22
Total assets	\$ 296,552	582,781
LIABILITIES		
Accounts payable	\$ 320,669	-
Deposits payable	(24,117)	-
Advances from other governments	-	535,731
Long-term liabilities		
Due with one year	-	424,000
Due in more than one year	-	19,864,786
Total liabilities	\$ 296,552	20,824,517
NET POSITION (DEFICIT)		
Net position held in trust		\$ (20,241,736)

See accompanying notes to basic financial statements.

CITY OF REDONDO BEACH

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the year ended June 30, 2015

	Redevelopment Obligation Retirement Fund
ADDITIONS:	
Charges for services	\$ 223,944
Investment earnings	148
RPTTF distributions	1,100,575
Total additions	1,324,667
DEDUCTIONS:	
Administration expense	250,000
Debt service:	
Interest expense	568,725
Total deductions	818,725
Change in net position	505,942
Net position (deficit), beginning of the year	(20,747,678)
Net position (deficit), end of the year	\$ (20,241,736)

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Financial Reporting Entity*

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

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

The Parking Authority of the City of Redondo Beach (Parking Authority) was established on March 3, 1969, pursuant to the provisions of the Streets and Highway Code of the State of California. The principal purpose of the Parking Authority is to provide public off-street parking within the City. The Parking Authority serves all the citizens of the government and is governed by a board comprised of the government's elected council. The Parking Authority is considered a blended component unit due to the financial benefit or burden relationship the Parking Authority shares with the City as its financial transactions are reported in a Debt Service Fund.

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. The Housing Authority is considered a blended component unit due to the financial benefit or burden relationship the Housing Authority shares with the City as its financial transactions are reported in a Special Revenue Fund.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

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 Redevelopment Agency joined with the City to form the Financing Authority to operate 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 Financing Authority is considered a blended component unit due to the financial benefit or burden relationship the Financing Authority shares with the City as its financial transactions are reported in a Debt Service Fund.

Financial information relating to the component units can be obtained from the City Clerk's Office or Financial Services Department located at City Hall.

B. *Basis of Accounting and Measurement Focus*

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

Government - Wide Financial Statements

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

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

For the year ended June 30, 2015

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

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

Governmental Fund Financial Statements

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

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

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.

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

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

The City reports the following major governmental funds:

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

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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

Proprietary Fund Financial Statements

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

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

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

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

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

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

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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

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

Fiduciary Fund Financial Statements

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

C. *Cash, Cash Equivalents and Investments*

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

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

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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

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

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

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

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

E. *Restricted Cash and Investments*

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

F. *Prepaid Items*

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

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

G. *Interfund Transactions*

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

H. *Capital Assets*

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

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

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

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

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

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

H. Capital Assets, (Continued)

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

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

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

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

The following conditions were defined:

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

In line with the Capital Improvement Program and as presented to the City Council on December 17, 2002, City policy is to achieve an average rating of 80 for all streets beginning in fiscal year 2008. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. For 2013, 2014 and 2015, the City's street system was rated at a PQI of 84 on the average.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

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 governmental and proprietary funds as part of the asset cost.

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

I. *Interest Payable*

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

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

J. *Unearned/Unavailable Revenue*

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

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

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

K. *Compensated Absences Payable*

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

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

L. *Claims and Judgments Payable*

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

M. *Long-Term Debt*

Government-Wide Financial Statements

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

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

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

M. Long-Term Debt, (Continued)

Fund Financial Statements

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

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

N. Pension Plans

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

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

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

O. *Net Position*

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

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

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

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

P. *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.

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

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

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

P. Fund Balances, (Continued)

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 position are available, the City's policy is to apply restricted net position first.

Governmental Fund Financial Statements

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

- Restricted
- Committed
- Assigned
- Unassigned

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Q. Property Taxes

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

January 1	Lien Date
June 30	Levy Date
November 1 and February 1	Due Dates
December 10 and April 10	Collection Date
November 20, 2014	Unsecured, redemptions, and SB813 taxes
December 19, 2014	Homeowners' exemption, secured, and SB813 taxes
January 20, 2015	Homeowners' exemption, secured, and SB813 taxes
February 20, 2015	Redemptions, secured, and SB813 taxes
March 20, 2015	Unsecured and SB813 taxes
April 20, 2015	Secured and SB813 taxes
May 20, 2015	Redemptions, homeowners' exemption, secured, and SB 813 taxes
June 19, 2015	Homeowners' exemption and SB813 taxes
July 20, 2015	Secured and SB813 taxes
August 20, 2015	Secured, redemptions, unsecured, and SB813 taxes

R. 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

For the year ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

S. *New GASB Pronouncement*

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

Fund	Appropriations	Expenditures	Excess
Major Funds:			
Other Intergovernmental Grants			
Public works	\$ 80,310	\$ 80,443	\$ (133)
Housing and community development	44,500	46,287	(1,787)
Non-Major Funds:			
Narcotic Seizure/Forfeiture - (Capital Outlay)	65,601	79,873	(14,272)
Disaster Recovery	17,060	36,794	(19,734)
Low-Mod Income Housing Asset	-	12,252	(12,252)

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, (Continued)

B. Deficit Fund Balance

The following funds had a deficit balance as of June 30, 2015:

Major Funds:

Other Intergovernmental Grants \$ (1,852,352)

Non-Major Funds:

Community Development Block Grant (55,668)

Disaster Recovery (8,757)

The deficit fund balances are expected to be recovered through grant and other reimbursement revenues.

3. CASH AND INVESTMENTS

Cash and investments are presented on the Statement of Net Position as follows at June 30, 2015:

	Government-Wide Statement of Net Position			Fiduciary Funds	
	Governmental Activities	Business-type Activities	Total	Statement of Net Position	Total
Cash and investments	\$ 63,940,319	\$ 34,553,374	\$ 98,493,693	\$ 802,653	\$ 99,296,346
Restricted cash and investments with fiscal agents	1,858,260	-	1,858,260	-	1,858,260
Total	<u>\$ 65,798,579</u>	<u>\$ 34,553,374</u>	<u>\$ 100,351,953</u>	<u>\$ 802,653</u>	<u>\$ 101,154,606</u>

CITY OF REDONDO BEACH
Notes to the Financial Statements
For the year ended June 30, 2015

3. CASH AND INVESTMENTS, (Continued)

Cash, cash equivalents, and investments consisted of the following at June 30, 2015:

Cash and cash equivalents:	
Petty cash	\$ 15,350
Demand deposits - City	15,967,922
Demand deposits - Successor Agency	1,037,643
Total cash and cash equivalents	<u>17,020,915</u>
Investments:	
Local Agency Investment Fund (LAIF) - City	16,675,257
Local Agency Investment Fund (LAIF) - Successor Agency	30,854
Negotiable certificates of deposit	5,479,050
Corporate Bonds	16,117,460
US Government Securities	3,983,040
Federal Agency Securities	39,989,770
Total investments	<u>82,275,431</u>
Total cash and investments	<u>99,296,346</u>
Cash and investments with fiscal agents	<u>1,858,260</u>
Total	<u>\$ 101,154,606</u>

A. *Cash Deposits*

The carrying amounts of the City's cash deposits were \$16,174,230 at June 30, 2015. Bank balances at June 30, 2015, were \$16,544,883 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.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

3. CASH AND INVESTMENTS, (Continued)

A. *Cash Deposits, (Continued)*

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

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

B. *Investments*

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

- United States Treasury Bills, Notes and Bonds
- Obligations issued by the Federal Government
- Bankers' Acceptances with a maturity of 180 days or less
- Time Certificates of Deposits
- Negotiable Certificates of Deposit
- Commercial Paper with a maturity of 270 days or less
- Local Agency Investment Fund (LAIF) limited to \$50,000,000 by LAIF
- Medium-Term Notes (5 year maturity or more) of domestic Corporations or Depository Institutions
- Mutual Funds
- Guaranteed Investment Contracts not to exceed \$5 million annually
- Certificate of Deposit Placement Services
- Collateralized Bank Deposits
- Supranationals

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

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, 2015, 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, 2015, the City and the Successor Agency had \$16,706,111 invested in LAIF, which had invested 0.97% of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.000375979 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, 2015, all MTN's were rated "A" or higher by Moody's. As of June 30, 2015, 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, 2015, the City's investments in external investment pools are unrated.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

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, 2015, 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, 2015, 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. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

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

		% of Total Investments
Federal Home Loan Bank	\$ 13,001,720	16%
Federal National Mortgage Association	11,987,750	15%
Federal Home Loan Mortgage Corp.	12,000,880	15%
	<u>\$ 36,990,350</u>	<u>46%</u>

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

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, 2015, the City had the following investments and remaining maturities:

Investment Types	Investment Maturities				Fair value
	Up to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	
External Investment Pools -					
Local Agency Investment Fund	\$ 16,706,111	\$ -	\$ -	\$ -	\$ 16,706,111
Time deposits	749,022	-	-	-	749,022
Negotiable certificate of deposits	-	1,244,454	2,991,159	494,415	4,730,028
US Treasury Notes	-	999,840	2,983,200	-	3,983,040
Federal Agencies					
Federal Farm Credit Bank	-	1,002,890	1,996,530	-	2,999,420
Federal Home Loan Bank	-	5,013,020	6,988,580	1,000,120	13,001,720
Federal Home Loan Mortgage Corp.	-	2,001,760	8,996,100	1,003,020	12,000,880
Federal National Mortgage Assoc.	-	3,002,630	8,985,120	-	11,987,750
Corporate Bonds	6,039,000	4,080,700	5,997,760	-	16,117,460
Total Investments	<u>\$ 23,494,133</u>	<u>\$ 17,345,294</u>	<u>\$ 38,938,449</u>	<u>\$ 2,497,555</u>	<u>\$ 82,275,431</u>

4. RECEIVABLES

The following is a summary of receivables net of allowances for uncollectible amounts at June 30, 2015:

	Government-Wide Statement of Net Position		Fiduciary Funds Statement of Net Position	Total
	Governmental Activities	Business-Type Activities		
Accounts receivable	\$ 757,777	\$ 571,463	\$ 76,658	\$ 1,405,898
Interest receivable	121,246	60,233	22	181,501
Taxes receivable	4,873,431	26,597	-	4,900,028
Notes and loans receivable	3,914,729	132,658	-	4,047,387
Total	<u>\$ 9,667,183</u>	<u>\$ 790,951</u>	<u>\$ 76,680</u>	<u>\$ 10,534,814</u>

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

4. RECEIVABLES, (Continued)

At June 30, 2015, the Fund Financial Statements show the following receivables:

A. *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, 2015, was as follows:

Governmental Funds:	
General Fund	\$ 579,270
Public Financing Authority - Debt Service Fund	17,695
Non-Major Funds	155,223
Total Governmental Funds	<u>752,188</u>
Proprietary Funds:	
Harbor Tidelands - Enterprise Fund	277,289
Harbor Uplands - Enterprise Fund	176,553
Solid Waste - Enterprise Fund	109,130
Transit - Enterprise Fund	8,491
Internal Service Funds	5,589
Total Proprietary Funds	<u>577,052</u>
Fiduciary Funds	
Agency Funds	20,118
Redevelopment Obligation Retirement Fund	56,540
Total Fiduciary	<u>76,658</u>
Total Accounts Receivable	<u><u>\$ 1,405,898</u></u>

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

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, 2015, was as follows:

Governmental Funds:

General Fund	\$ 100,275
Public Financing Authority - Debt Service Fund	116
Non-Major Funds	20,855
Total Governmental Funds	<u>121,246</u>

Proprietary Funds:

Harbor Tidelands - Enterprise Fund	31,107
Harbor Uplands - Enterprise Fund	5,761
Wastewater	23,365
Total Proprietary Funds	<u>60,233</u>

Fiduciary Funds

Redevelopment Obligation Retirement Fund	<u>22</u>
Total Fiduciary Funds	<u>22</u>
Total	<u><u>\$ 181,501</u></u>

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

4. RECEIVABLES, (Continued)

C. Taxes Receivable

At June 30, 2015, the City had the following taxes receivable:

Type of Taxes:	Governmental Funds		Proprietary Funds		Total
	General Fund	Non-Major Governmental Funds	Wastewater Fund	Solid Waste Fund	
Property Taxes	\$ 564,835	\$ -	\$ 14,691	\$ 11,906	\$ 591,432
Sales Taxes	1,346,414	-	-	-	1,346,414
Transient Occupancy Taxes	605,041	-	-	-	605,041
Utility Users Taxes	511,052	-	-	-	511,052
Franchise Taxes	328,891	-	-	-	328,891
Transfer Taxes	249,332	-	-	-	249,332
Triple Flip	1,260,319	-	-	-	1,260,319
Other	-	7,547	-	-	7,547
Total taxes	<u>\$ 4,865,884</u>	<u>\$ 7,547</u>	<u>\$ 14,691</u>	<u>\$ 11,906</u>	<u>\$ 4,900,028</u>

D. Loans Receivable

At June 30, 2015, the City had the following loans receivable:

	Governmental Funds		Proprietary Fund		Total
	General Fund	Non-Major Governmental Funds	Harbor Tidelands Fund		
Home Rehabilitation Loans	\$ -	\$ 670,806	\$ -	\$ 670,806	
Housing Assistance Loans	-	476,563	-	476,563	
Senior Housing Program	-	2,749,294	-	2,749,294	
Computer Loan Program	18,066	-	-	18,066	
Harbor Area Business Loans	-	-	132,658	132,658	
Total	<u>\$ 18,066</u>	<u>\$ 3,896,663</u>	<u>\$ 132,658</u>	<u>\$ 4,047,387</u>	

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

4. RECEIVABLES, (Continued)

D. Loans Receivable, (Continued)

Home Rehabilitation Loans

At June 30, 2015, the City was owed, in its Low and Moderate Income Housing Asset Special Revenue Fund, \$670,806 for various home rehabilitation loans made by the City. The terms of repayment vary. Because the notes do not meet the City's availability criteria for revenue recognition, the City has classified the revenue related to these loans as deferred inflow of resources in the government funds. Revenue is recognized in the year of repayment. All loans are secured by trust deeds.

Housing Assistance Loans

At June 30, 2015, the City was owed, in its Community Development Block Grant Special Revenue Fund, \$476,563 for various housing assistance loans made by the City. The terms of repayment vary. Because the notes do not meet the City's availability criteria for revenue recognition, the City has classified the revenue related to these loans as deferred inflow of resources related to these loans. Revenue is recognized in the year of repayment. All loans are secured by trust deeds.

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, 2015, the loan receivable included accrued interest of \$549,294.

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, 2015, the loan receivable balance was \$18,066.

CITY OF REDONDO BEACH
Notes to the Financial Statements
For the year ended June 30, 2015

4. RECEIVABLES, (Continued)

D. *Loans Receivable, (Continued)*

Harbor Area Business Loans

At June 30, 2015, the City's Harbor Tidelands Enterprise Fund was owed \$132,658 for repairs made on behalf of two harbor area businesses subsequent to the storms of 1988. The terms of the twenty-eight year \$488,871 first contract call for interest at 1.6% per annum. Principal and accrued interest are payable annually with \$100,529 outstanding at June 30, 2015. The terms of the twenty-seven year \$104,844 second contract call for interest at 4.7% per annum. Principal and accrued interest are payable annually with \$32,129 outstanding at June 30, 2015.

5. INTERFUND TRANSACTIONS

A. *Government-Wide Financial Statements*

Internal Balances

At June 30, 2015, the City had the following internal receivables and payables for covering cash shortfalls:

	Internal Balances Receivable Business-Type Activities
Internal Balances Payable Governmental Activities	\$ 306,928

CITY OF REDONDO BEACH
Notes to the Financial Statements
For the year ended June 30, 2015

5. INTERFUND TRANSACTIONS, (Continued)

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

Transfers

The City had the following transfers as of June 30, 2015:

Transfers In	
Business-Type Activities	
Transfers Out	
Governmental Activities	\$ 1,462,139

B. *Fund Financial Statements*

Due to/from Other Funds

The City had the following due to/from other funds as of June 30, 2015:

Due to Other Funds	Due from Other Funds			
	General Fund	Non-Major Governmental Funds	Harbor Tidelands Enterprise Fund	Total
General Fund	\$ -	\$ 834	\$ -	\$ 834
Other Intergovernmental Grants	1,458,809	-	-	1,458,809
Public Financing Authority	109,478	-	306,928	416,406
Internal Service Funds	429,019	-	-	429,019
Non-Major Governmental Funds	92,551	-	-	92,551
Total	\$ 2,089,857	\$ 834	\$ 306,928	\$ 2,397,619

Of \$2,089,857 due from other funds in the General Fund, \$1,924,470 was to cover the negative cash balances and \$165,387 was for repayment of over-reimbursement of expenditures made on the Housing Authority's behalf and Kincaid's loan payment.

The \$834 due to the General Fund was for repayment of over-reimbursement of expenditures made on the Housing Authority's behalf and \$306,928 was for Kincaid's Restaurant rental income in excess of the Public Financing Authority's obligations passed through to the Harbor Tidelands Fund.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

5. INTERFUND TRANSACTIONS, (Continued)

B. Fund Financial Statements, (Continued)

Advances to/from Other Funds

The City had the following long-term advance to other funds as of June 30, 2015:

	Advance to Other Funds
Advance from Other Funds	General Fund
Public Financing Authority	<u>\$ 1,050,761</u>

During the 2009-10 fiscal year, the City made a loan to the Financing 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, 2015, the amount owed on the loan was \$1,050,761.

Due From Other Governments

During the previous fiscal years, the Financing Authority made loans to the Redevelopment Agency for various bonds. However, due to the dissolution of the Agency in fiscal year 2011-2012, the balance of the loans previously made to the redevelopment agency was transferred to the Successor Agency of the former redevelopment agency, pursuant to ABx1 26 and AB 1484. Therefore, the balance was moved in from an Advance to Other Funds to a Due from Other Governments in the Public Financing Authority Debt Service Fund. The Successor Agency's remaining balances as of June 30, 2015 was \$5,705,000.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

5. INTERFUND TRANSACTIONS, (Continued)

B. Fund Financial Statements, (Continued)

Transfers

The City had the following transfers as of June 30, 2015:

Transfers Out	Transfers In					Total
	General Fund	Other Intergovernmental Grants	Non-Major Governmental Funds	Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ 7,204	\$ 1,076,211	\$ 381,432	\$ 293,829	\$ 1,758,676
Enterprise Funds:						
Harbor Tidelands	85,512	-	-	-	-	85,512
Non-Major Governmental Funds	200,000	-	25,677	1,166,219	-	1,391,896
Total	<u>\$ 285,512</u>	<u>\$ 7,204</u>	<u>\$ 1,101,888</u>	<u>\$ 1,547,651</u>	<u>\$ 293,829</u>	<u>\$ 3,236,084</u>

The \$200,000 transfer from Non-Major Governmental Funds to the General Fund was due to defunding of the new police facility capital improvement project. The \$85,512 transfer from Harbor Tidelands Enterprise Fund to the General Fund was for the property tax in lieu fee.

The \$7,204 transfer from the General Fund to the Other Intergovernmental Grants Fund, \$140,269 to Non-Major Governmental Funds, \$381,432 to Enterprise Funds, and \$293,829 to Internal Service Funds were for employee compensation restoration and stipends. The remaining \$935,942 transfer from Non-Major Governmental Funds to the General Fund for a street landscaping and lighting district subsidy.

\$1,166,219 was transferred from a Non-Major Governmental Fund to Transit Enterprise Fund for a transit subsidy.

A transfer of \$25,677 between Non-Major Governmental Funds was to fund a transit-related project.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

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, 2015, 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	6,669,282	2,216,813	8,886,095
Work in progress	1,003,491	-	1,003,491
Infrastructure - streets	54,054,036	-	54,054,036
Total non-depreciable assets	78,249,756	13,540,068	91,789,824
Depreciable assets:			
Buildings and improvements	46,643,121	30,708,383	77,351,504
Furniture and equipment	8,155,070	660,269	8,815,339
Automotive equipment	15,979,900	3,812,140	19,792,040
Leased equipment	2,089,932	277,949	2,367,881
Infrastructure	74,020,658	27,035,753	101,056,411
Total depreciable assets	146,888,681	62,494,494	209,383,175
Less accumulated depreciation for:			
Buildings and improvements	(19,247,630)	(16,588,222)	(35,835,852)
Furniture and equipment	(7,140,752)	(647,028)	(7,787,780)
Automotive equipment	(9,069,389)	(2,135,854)	(11,205,243)
Leased equipment	(1,002,413)	(189,932)	(1,192,345)
Infrastructure	(48,372,183)	(11,448,247)	(59,820,430)
Total accumulated depreciation	(84,832,367)	(31,009,283)	(115,841,650)
Total depreciable assets, net	62,056,314	31,485,211	93,541,525
Total capital assets, net	\$ 140,306,070	\$ 45,025,279	\$ 185,331,349

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

6. CAPITAL ASSETS, (Continued)

A. Government-Wide Financial Statements, (Continued)

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

	Balance at July 1, 2014	Additions	Deletions	Reclassifications	Balance at June 30, 2015
Non-depreciable assets:					
Land	\$ 16,522,947	\$ -	\$ -	\$ -	\$ 16,522,947
Construction in progress	4,640,963	5,595,263	(3,068,128)	(498,816)	6,669,282
Work in progress	1,003,491	-	-	-	1,003,491
Infrastructure - streets	54,054,036	-	-	-	54,054,036
Total non-depreciable assets	76,221,437	5,595,263	(3,068,128)	(498,816)	78,249,756
Depreciable assets:					
Buildings and improvements	46,208,955	89,520	-	344,646	46,643,121
Furniture and equipment	8,353,367	148,532	(346,829)	-	8,155,070
Automotive equipment	14,169,256	2,385,093	(574,449)	-	15,979,900
Leased equipment	2,052,274	767,018	(729,360)	-	2,089,932
Infrastructure	73,621,468	245,020	-	154,170	74,020,658
Total depreciable assets	144,405,320	3,635,183	(1,650,638)	498,816	146,888,681
Less accumulated depreciation for:					
Buildings and improvements	(18,124,475)	(1,123,155)	-	-	(19,247,630)
Furniture and equipment	(7,001,621)	(423,080)	283,949	-	(7,140,752)
Automotive equipment	(8,344,697)	(1,118,435)	393,743	-	(9,069,389)
Leased equipment	(1,388,352)	(343,421)	729,360	-	(1,002,413)
Infrastructure	(46,708,575)	(1,663,608)	-	-	(48,372,183)
Total accumulated depreciation	(81,567,720)	(4,671,699)	1,407,052	-	(84,832,367)
Total depreciable assets, net	62,837,600	(1,036,516)	(243,586)	498,816	62,056,314
Governmental activities capital assets, net	\$ 139,059,037	\$ 4,558,747	\$ (3,311,714)	\$ -	\$ 140,306,070

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

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, 2015 as follows:

Governmental Activities:

General government	\$	178,635
Public safety		207,341
Public works		2,430,570
Culture and leisure services		729,328
Housing and community development		2,546

Internal Service Funds:

Vehicle Replacement		662,462
Building Occupancy		1,967
Information Technology		382,504
Emergency Communications		76,346

Total depreciation expense	\$	4,671,699
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CITY OF REDONDO BEACH
Notes to the Financial Statements
For the year ended June 30, 2015

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, 2015:

	Balance at July 1, 2014	Adjustments	Additions	Deletions	Reclassifications	Balance at June 30, 2015
Nondepreciable assets:						
Land	\$ 11,323,255	\$ -	\$ -	\$ -	\$ -	\$ 11,323,255
Construction in progress	902,229	-	1,409,869	(94,992)	(293)	2,216,813
Total non-depreciable	12,225,484	-	1,409,869	(94,992)	(293)	13,540,068
Depreciable assets:						
Buildings and improvements	30,708,383	-	-	-	-	30,708,383
Furniture and equipment	648,679	-	11,590	-	-	660,269
Automotive equipment	3,553,460	-	258,680	-	-	3,812,140
Leased equipment	-	277,949	-	-	-	277,949
Infrastructure	26,981,712	-	53,748	-	293	27,035,753
Total depreciable assets	61,892,234	277,949	324,018	-	293	62,494,494
Less accumulated depreciation:						
Buildings and improvements	(15,939,609)	-	(648,613)	-	-	(16,588,222)
Furniture and equipment	(647,028)	-	-	-	-	(647,028)
Automotive equipment	(2,070,259)	-	(65,595)	-	-	(2,135,854)
Leased equipment	-	(78,752)	(111,180)	-	-	(189,932)
Infrastructure	(11,100,327)	-	(347,920)	-	-	(11,448,247)
Total accumulated depreciation	(29,757,223)	(78,752)	(1,173,308)	-	-	(31,009,283)
Total depreciable assets, net	32,135,011	199,197	(849,290)	-	293	31,485,211
Business-type activities capital assets, net	\$ 44,360,495	\$ 199,197	\$ 560,579	\$ (94,992)	\$ -	\$ 45,025,279

CITY OF REDONDO BEACH
Notes to the Financial Statements
For the year ended June 30, 2015

6. CAPITAL ASSETS, (Continued)

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

Depreciation expense for business-type activities for the fiscal year ended June 30, 2015 was charged as follows:

Harbor Tidelands	\$	548,567
Harbor Uplands		360,162
Wastewater		197,556
Solid Waste		16,224
Transit		50,799
Total depreciation expense	\$	1,173,308

B. *Fund Financial Statements*

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

7. COMPENSATED ABSENCES PAYABLE

The following is a summary of compensated absences payable transactions for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Classification	
					Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:						
Compensated absences payable	\$ 2,391,625	\$ 2,489,562	\$ 2,377,775	\$ 2,503,412	\$ 604,306	\$ 1,899,106
Business-Type Activities						
Compensated absences payable	313,502	288,675	274,799	327,378	79,027	248,351
Total	\$ 2,705,127	\$ 2,778,237	\$ 2,652,574	\$ 2,830,790	\$ 683,333	\$ 2,147,457

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

CITY OF REDONDO BEACH
Notes to the Financial Statements
For the year ended June 30, 2015

8. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:						
PFA 2008 Refunding Revenue Bonds	\$ 4,180,000	\$ -	\$ (695,000)	\$ 3,485,000	\$ 715,000	\$ 2,770,000
Unamortized bond premium	91,142	-	(22,786)	68,356	22,786	45,570
Net pension liability*	126,748,196	37,612,272	(60,995,106)	103,365,362	-	103,365,362
Capital Leases	444,896	767,016	(461,476)	750,436	271,460	478,976
Total governmental activities	\$ 131,464,234	\$ 38,379,288	\$ (62,174,368)	\$ 107,669,154	\$ 1,009,246	\$ 106,659,908
Business-Type Activities:						
Wastewater Revenue Refunding 2014, Series A	\$ 7,230,000	\$ -	\$ (225,000)	\$ 7,005,000	\$ 245,000	\$ 6,760,000
Unamortized bond premium	525,117	-	(26,256)	498,861	26,256	472,605
Boating and Waterways Construction Loan 88-21-84	666,865	-	(99,284)	567,581	103,752	463,829
Boating and Waterways Construction Loan 89-21-147	1,688,489	-	(210,558)	1,477,931	220,033	1,257,898
Net pension liability*	13,857,238	4,112,107	(6,767,841)	11,201,504	-	11,201,504
Capital Leases	-	168,662	(54,065)	114,597	56,192	58,405
Total business-type activities	\$ 23,967,709	\$ 4,280,769	\$ (7,383,004)	\$ 20,865,474	\$ 651,233	\$ 20,214,241

*The beginning balance of the net pension liability resulted from the implementation of GASB Statement No. 68.

The following amount was reported as deferred outflows of resources at the end of June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year	Amounts Due in More than One Year
Deferred outflows of resources						
Deferred loss on refunding	\$ 514,155	\$ -	\$ (25,708)	\$ 488,447	\$ -	\$ 488,447

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

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, 2015, the balance outstanding was \$3,485,000, with an unamortized premium of \$68,356.

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

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2015, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 715,000	\$ 125,100	\$ 840,100
2017	745,000	95,900	840,900
2018	775,000	65,500	840,500
2019	805,000	33,900	838,900
2020	445,000	8,900	453,900
Total	<u>\$ 3,485,000</u>	<u>\$ 329,300</u>	<u>\$ 3,814,300</u>

The following is a summary of the 2008 Refunding Revenue unamortized premium outstanding at June 30, 2015:

Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<u>\$ 91,142</u>	<u>\$ -</u>	<u>\$ (22,786)</u>	<u>\$ 68,356</u>

CITY OF REDONDO BEACH
Notes to the Financial Statements
For the year ended June 30, 2015

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, 2015, was \$750,436 in governmental activities and \$114,597 in business-type activities.

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

	<u>June 30, 2015</u>
Equipment under capitalized lease, at cost	\$ 2,367,881
Accumulated depreciation	<u>(1,192,345)</u>
Equipment under capitalized lease, net	<u><u>\$ 1,175,536</u></u>

The annual debt service requirements outstanding at June 30, 2015 were as follows:

Governmental activities:

Year Ending June 30,	Principal	Interest
2016	\$ 271,460	\$ 36,742
2017	282,175	26,027
2018	196,801	9,396
Total	<u><u>\$ 750,436</u></u>	<u><u>\$ 72,165</u></u>

Business-type activities:

Year Ending June 30,	Principal	Interest
2016	\$ 56,192	\$ 4,509
2017	58,405	2,296
Total	<u><u>\$ 114,597</u></u>	<u><u>\$ 6,805</u></u>

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

8. LONG-TERM DEBT, (Continued)

Wastewater Revenue Bonds, 2014, Series A

On March 25, 2014, the City issued \$7,230,000 of Wastewater Revenue Refunding Bonds for the purpose of refunding \$7,230,000 of then-outstanding 2004 Wastewater Revenue Refunding Bonds. The purpose of the bonds was to finance certain improvements and related facilities that constitute part of the Wastewater Enterprise Fund. The serial bonds in the amount of \$4,795,000 mature through May 1, 2029, and bear a variable interest rate ranging from 3% to 5% per annum. Term bonds in the amount of \$2,435,000 mature through May 1, 2034, and bear interest at the rate of 4%. 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, 2015, the balance outstanding was \$7,005,000, with an unamortized bond premium of \$498,861.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2015, including interest, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 245,000	\$ 301,988	\$ 546,988
2017	255,000	289,738	544,738
2018	265,000	279,538	544,538
2019	280,000	268,938	548,938
2020	290,000	257,738	547,738
2021-2025	1,630,000	1,095,988	2,725,988
2026-2030	2,055,000	678,175	2,733,175
2031-2034	1,985,000	202,200	2,187,200
Total	<u>\$ 7,005,000</u>	<u>\$ 3,374,303</u>	<u>\$ 10,379,303</u>

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

8. LONG-TERM DEBT, (Continued)

The following is a summary of the 2014 Revenue Bond Series A unamortized premium outstanding at June 30, 2015:

Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
\$ 525,117	\$ -	\$ (26,256)	\$ 498,861

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, 2015, the balance outstanding was \$567,581.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 103,752	\$ 25,541	\$ 129,293
2017	108,421	20,872	129,293
2018	113,300	15,993	129,293
2019	118,398	10,895	129,293
2020	123,710	5,567	129,277
Total	\$ 567,581	\$ 78,868	\$ 646,449

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

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, 2015, the balance outstanding was \$1,477,931.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 220,033	\$ 66,507	\$ 286,540
2017	229,935	56,605	286,540
2018	240,282	46,258	286,540
2019	251,094	35,446	286,540
2020	262,394	24,146	286,540
2021	274,193	12,339	286,532
Total	<u>\$ 1,477,931</u>	<u>\$ 241,301</u>	<u>\$ 1,719,232</u>

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

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, 2015
A. Multifamily Housing Revenue Bonds /Notes Heritage Pointe Project Series 2004A	\$ 11,390,000	\$ 10,890,000
B. Multifamily Housing Revenue Refunding Bonds/SEASONS at Redondo Beach Series 2008A	\$ 6,425,000	\$ 2,389,467

10. OPERATING LEASE INCOME

A. *Harbor Tidelands and Uplands Enterprise Operating Leases*

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

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

The total cost of the assets leased was \$10,406,895, less accumulated depreciation of \$1,024,208. The balance as of June 30, 2015 was \$9,382,687.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

10. OPERATING LEASE INCOME, (Continued)

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

The following is a schedule, by year, of minimum future lease rentals on non-cancellable operating leases as of June 30, 2015:

Year Ending June 30,	Minimum Future Lease Rentals
2016	\$ 5,766,127
2017	5,765,627
2018	5,736,682
2019	5,454,130
2020	5,254,304
2021-2025	24,952,394
2026-2030	23,024,123
2031-2035	21,823,399
2036-2040	21,247,947
2041-2045	20,557,722
2046-2050	17,796,822
2051-2055	17,796,822
2056-2060	17,796,822
2061-2065	13,923,158
2066-2069	9,126,276
Totals	<u>\$ 216,022,355</u>

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

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

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, 2015, the estimated claims payable for workers' compensation was \$13,393,734, which included claims incurred but not reported (IBNR). The current year's portion of the claims was \$886,315.

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, 2015, the estimated claims payable for general liability was \$3,753,650, which included IBNR. The current year's portion was \$94,962. Governmental activities claims and judgments are generally liquidated by the General Fund.

	Liability on June 30, 2015
General Liability	\$ 3,753,650
Workers' Compensation	13,393,734
Total	<u>\$ 17,147,384</u>

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

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

CITY OF REDONDO BEACH
Notes to the Financial Statements
For the year ended June 30, 2015

11. RISK MANAGEMENT, (Continued)

Changes in the reported liability resulted from the following:

Year Ended June 30,	Balance July 01, 2014	Additions	Deletions	Amounts Balance June 30, 2015	Amounts Due Within One Year	Due in More than One Year
2013	\$ 14,828,821	\$ 608,744	\$ 889,729	\$ 16,327,294	\$ 802,585	\$ 15,524,709
2014	16,327,294	1,671,249	(2,416,803)	15,581,740	1,022,697	14,559,043
2015	15,581,740	6,221,365	(4,655,721)	17,147,384	981,277	16,166,107

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, 2014 (most recent information available) is as follows:

	Total
Assets	\$ 69,756,162
Liabilities of member cities	\$ 39,214,436
Net position	30,541,726
Total liabilities and net position	\$ 69,756,162
Revenues	\$ 22,667,200
Cost and expenses	28,815,332
Net income	(6,148,132)
Net position - July 1, 2013	36,689,858
Net position - June 30, 2014	\$ 30,541,726

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

12. EMPLOYEE RETIREMENT PLANS

A. *Pension Plan*

Plan Descriptions

The Plans are agent, multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plans regarding number of employees covered, benefit provisions, assumptions (for funding, but not account purposes), and membership information are listed in the June 30, 2013 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. The actuarial valuation report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications, at www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans operate under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plans' authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

12. EMPLOYEE RETIREMENT PLANS. (Continued)

A. Pension Plan, (Continued)

The Plans provisions and benefits in effect at June 30, 2014 are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	Tier 3
	On or after		
	May 1, 2012 and		
	before January 1,		
	Prior to	May 1, 2012 and	On or after
	May 1, 2012	2013	January 1, 2013
Hire date			
Benefit formula	2 % @ 55	2 % @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-63	50-63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426%-2.418%	1.092%-2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	7.00%	6.50%
Required employer contribution rates	14.938%	14.938%	14.938%
	Safety		
	On or after		
	May 1, 2012 and		
	before January 1,		
	Prior to	May 1, 2012 and	On or after
	May 1, 2012	2013	January 1, 2013
Hire date	Police - 3% @ 50		
Benefit formula	Fire - 3% @ 55	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50-55	50-57
Monthly benefits, as a % of eligible compensation	2.4-3%	2.4-3%	2%-2.7%
Required employee contribution rates	9.00%	9.00%	11.25%
Required employer contribution rates	40.631%	40.631%	40.631%

CITY OF REDONDO BEACH
Notes to the Financial Statements
For the year ended June 30, 2015

12. EMPLOYEE RETIREMENT PLANS. (Continued)

A. *Pension Plan, (Continued)*

Employees Covered

At June 30, 2013 (valuation date), the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	400	266
Inactive employees entitled to but not yet receiving benefits	339	38
Active employees	294	138
Total	1,033	442

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the following table details the employee contribution rates and the portion of those rates paid by the City, as employer, on their behalf and for their accounts in regards to the Miscellaneous, Safety - Police, and Safety - Fire plans. The employer's contribution rate is 14.938% and 40.631% of annual payroll. Employer contribution rates may change if plan contracts are amended. Employer Contributions for the measurement period ended June 30, 2014 for the respective miscellaneous and safety plans are \$2,678,754 and \$5,790,913.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

12. EMPLOYEE RETIREMENT PLANS. (Continued)

A. Pension Plan, (Continued)

Contributions, (Continued)

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

Tier 1 Employees hired before May 1, 2012

Tier 2 Employees hired on or after May 1, 2012 and classic members of the CalPERS system

Tier 3 Employees hired on or after January 1, 2013 and new to the CalPERS system

i. Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

CITY OF REDONDO BEACH
Notes to the Financial Statements
For the year ended June 30, 2015

12. EMPLOYEE RETIREMENT PLANS. (Continued)

A. *Pension Plan, (Continued)*

i. Net Pension Liability, (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous	Safety
Valuation Date	6/30/2013	6/30/2013
Measurement Date	6/30/2014	6/30/2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Market Value of Assets	Market Value of Assets
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Salary Increases (1)	3.30% to 14.20%	3.30% to 10.90%
Investment Rate of Return (2)	7.50%	7.50%
Mortality Rate Table (3)	Deriverd using CALPERS' membership data for all Funds	
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter	

(1) Annual increases vary by category, entry age, and duration of service

(2) Net of pension plan investment and administrative expenses; includes inflation

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

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

12. EMPLOYEE RETIREMENT PLANS. (Continued)

A. Pension Plan, (Continued)

i. Net Pension Liability, (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the agent multiple-employer plan. Refer to the *sensitivity of the net pension liability to changes in the discount rate* section of this note, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

12. EMPLOYEE RETIREMENT PLANS. (Continued)

A. Pension Plan, (Continued)

i. Net Pension Liability, (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. *Pension Plan, (Continued)*

i. Net Pension Liability, (Continued)

Pension Plan Fiduciary Net Position

Information about the pension plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website under Forms and Publications, at www.calpers.ca.gov. The plans' fiduciary net position and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. Pension Plan, (Continued)

ii. Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period for each Plan.

Miscellaneous Plan:

	Increase(Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013 (VD)¹	\$ 168,086,614	\$ 124,062,963	\$ 44,023,651
Changes Recognized for the Measurement Period:			
• Service Cost	2,874,216	-	2,874,216
• Interest on the Total Pension Liability	12,419,054	-	12,419,054
• Contributions from the Employer	-	2,678,754	(2,678,754)
• Contributions from Employees	-	1,301,991	(1,301,991)
• Net Investment Income ²	-	21,314,935	(21,314,935)
• Benefit Payments, including Refunds of Employee Contributions	(7,872,679)	(7,872,679)	-
Net Changes during 2013-14	\$ 7,420,591	\$ 17,423,001	\$ (10,002,410)
Balance at: 6/30/2014 (MD)¹	\$ 175,507,205	\$ 141,485,964	\$ 34,021,241

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. Pension Plan, (Continued)

ii. Changes in the Net Pension Liability, (Continued)

Safety Plan:

	Increase(Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2013 (VD)¹	\$ 298,328,930	\$ 201,747,147	\$ 96,581,783
Changes Recognized for the Measurement Period:			
• Service Cost	4,500,890	-	4,500,890
• Interest on the Total Pension Liability	21,930,219	-	21,930,219
• Contributions from the Employer	-	5,790,913	(5,790,913)
• Contributions from Employees	-	2,003,854	(2,003,854)
• Net Investment Income ²	-	34,672,500	(34,672,500)
• Benefit Payments, including Refunds of Employee Contributions	(16,352,903)	(16,352,903)	-
Net Changes during 2013-14	\$ 10,078,206	\$ 26,114,364	\$ (16,036,158)
Balance at: 6/30/2014 (MD)¹	\$ 308,407,136	\$ 227,861,511	\$ 80,545,625

Valuation Date (VD), Measurement Date (MD).

¹ The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. As described in the previous section of this note, this may differ from the plan assets reported in the funding actuarial valuation report.

² Net of administrative expenses.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. Pension Plan, (Continued)

ii. Changes in the Net Pension Liability, (Continued)

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

The following presents the net pension liability for each Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Miscellaneous Plan's Net Pension Liability	\$ 56,217,014	\$ 34,021,241	\$ 15,519,597
Safety Plan's Net Pension Liability	\$ 118,502,931	\$ 80,545,625	\$ 48,983,788

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

CITY OF REDONDO BEACH
Notes to the Financial Statements
For the year ended June 30, 2015

12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. *Pension Plan, (Continued)*

ii. Changes in the Net Pension Liability, (Continued)

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

Difference between projected and actual earnings	5 year straight-line amortization
--	-----------------------------------

All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period
-------------------	--

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Miscellaneous Plan for the 2013-14 measurement period is 2.7 years, which was obtained by dividing the total service years of 2,773 (the sum of remaining service lifetimes of the active employees) by 1,003 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

The EARSL for the Safety Plan for the 2013-14 measurement period is 3.2 years, which was obtained by dividing the total service years of 1,406 (the sum of remaining service lifetimes of the active employees) by 442 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. Pension Plan, (Continued)

iii. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2013), the net pension liability is \$140,605,434.

For the measurement period ending June 30, 2014 (the measurement date), the City incurred a pension expense of \$8,099,785 for the Plan. A complete breakdown of the pension expense is as follows:

Description	Miscellaneous	Safety	Total
Service Cost	\$ 2,874,216	\$ 4,500,890	\$ 7,375,106
Interest on the Total Pension Liability	12,419,054	21,930,219	34,349,273
Employee Contributions	(1,301,991)	(2,003,854)	(3,305,845)
Projected Earnings on Pension Plan Investments	(9,118,938)	(14,782,640)	(23,901,578)
Recognized Differences between Projected and Actual Earnings on Plan Investments	(2,439,199)	(3,977,972)	(6,417,171)
Total Pension Expense	\$ 2,433,142	\$ 5,666,643	\$ 8,099,785

Note: Plan administrative expenses are not displayed in the above pension expense table. Since the expected investment return of 7.50 percent is net of administrative expenses, administrative expenses are excluded from the above table, but implicitly included as part of investment earnings.

As of June 30, 2014, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Made Subsequent To Measurement Date	\$ 9,276,734	\$ -
Net Difference between Projected and Actual Earnings on Pension Plan	-	(25,668,684)
Total	\$ 9,276,734	\$ (25,668,684)

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. Pension Plan, (Continued)

iii. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions, (Continued)

These amounts above are net of outflows and inflow recognized in the 2013-14 measurement period expense. A total of \$9,276,734 was reported as deferred outflows of resources related to contributions subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2015	\$ (6,417,171)
2016	(6,417,171)
2017	(6,417,171)
2018	(6,417,171)
2019	-
Thereafter	-

iv. Payable to the Pension Plan

At June 30, 2015, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

CITY OF REDONDO BEACH
Notes to the Financial Statements
For the year ended June 30, 2015

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, 2015, approximately 194 employees are eligible to receive post-employment benefits.

Funding Policy. The required contribution of the City is based on a percentage of PERSable payroll. For fiscal year 2015, the City contributed \$1,383,504 to the plan.

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

	Total
Annual required contribution	\$ 1,383,504
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	1,383,504
Contributions made	(1,383,504)
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ -

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

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 the last three years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 1,354,000	\$ 1,354,000	100%	\$ -
6/30/2014	1,340,110	1,340,110	100%	-
6/30/2015	1,383,504	1,383,504	100%	-

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend rate. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The table below shows a one-year analysis of the actuarial value of assets as a percentage of the actuarial accrual liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 2013, the date of the latest actuarial valuation. The schedule of funding progress presented immediately following the notes to the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF REDONDO BEACH
Notes to the Financial Statements
For the year ended June 30, 2015

12. EMPLOYEE RETIREMENT PLANS, (Continued)

B. Other Post Employment Benefits, (Continued)

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

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

In the June 30, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 7.25% investment rate of return which is based on the expected return on funds invested by CalPERS, and an annual healthcare cost trend rate of actual premiums, which is reduced over eight years to an ultimate rate of 5.0% for 2021 and thereafter. The actuarial assumption for inflation was 3 percent, and the aggregate payroll increases was 3.25 percent used in the actuarial valuation. The initial UAAL is being amortized as level percentage of projected payroll over a 30 year closed period (24 years remaining for fiscal year 2014/2015). 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.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

13. COMMITMENTS AND CONTINGENCIES, (Continued)

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, 2015, in the opinion of City management, there were no outstanding matters that would have a significant effect on the financial position of the funds of the City.

D. *Contingencies*

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

In March 2012, the City entered into an agreement for the Pier Plaza Leasehold and financing from Compass Bank is in the form of a Lease, Leaseback through which the City receives an upfront one-time payment from Compass (lease) in exchange for a semi-annual payment of interest and principal from the City over fifteen years (leaseback), much like a traditional loan. The purchase price for the leasehold was \$7,898,000. The total amount financed was \$8.3 million, which was greater than the acquisition price to cover transaction costs and an allowance for capital improvements. The property being leased for this transaction is the top surface of the Pier Parking structure that underlies Pier Plaza. The money is provided at an interest rate which is fixed at 4.23% for seven years after which time the rate is variable. The seven year fixed term is arranged through a SWAP agreement with Compass Bank through which the City pays a slightly higher interest rate 4.23% in exchange for the certainty of the fixed rate for the seven year term. The underlying variable interest rate is based on the 30 day LIBOR with a spread of 225 basis points, and a 3.5% floor.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

13. COMMITMENTS AND CONTINGENCIES, (Continued)

D. *Contingencies, (Continued)*

In May 2012, the City entered into an agreement for the International Boardwalk Leasehold and received financing with Compass Bank in the form of a Lease, Leaseback through which the City receives an upfront one-time payment from Compass (lease) in exchange for a semi-annual payment of interest and principal from the City over fifteen years (leaseback), much like a traditional loan. The property being leased for this transaction is the Pier Parking structure that sits south of the International Boardwalk. The Letter Agreement for Purchase document covers the broader terms of the transaction. The purchase price for the leasehold was \$2,585,000. The total amount financed was \$2.7 million, which was greater than the acquisition price to cover transaction costs and an allowance for capital improvements. The money is provided at an interest rate which is fixed at 4.04% for seven years after which time the rate is variable. The seven year fixed term is arranged through a SWAP agreement with Compass Bank through which the City pays a slightly higher interest rate (4.04%) in exchange for the certainty of the fixed rate for the seven year term. The SWAP agreement is laid out in more detail in the ISDA Master Agreement and Schedule to the ISDA Master Agreement. The underlying variable interest rate is based on the 30 day LIBOR with a spread of 225 basis points, and a 3.5% floor.

In May 2014, the City entered into an agreement for the Redondo Beach Marina Leasehold and received financing with Compass Bank in the form of Lease, Leaseback through which the City receives an upfront one-time payment from Compass (lease) in exchange for a semi-annual payment of interest and principal from the City over thirteen years (leaseback), much like a traditional loan. The property being leased for this transaction is known as the Redondo Beach Marina, a parcel adjacent to the Pier and King Harbor in the City's Waterfront comprised of approximately 7.09 acres land and 6.22 acres of water area. The purchase price for the leasehold was \$12.2 million. The total amount financed was \$12.5 million, which was greater than the acquisition price to cover transaction costs and an allowance for capital improvements. The money is provided at an interest rate which is fixed at 4.1% for five years after which time the rate is variable. The fixed term is arranged through a SWAP agreement with Compass Bank through which the City pays a slightly higher interest rate (4.1%) in exchange for the certainty of the fixed rate for the term. The SWAP agreement is laid out in more detail in the ISDA Master Agreement and Schedule to the ISDA Master Agreement. The underlying variable interest rate is based on the 30 day LIBOR with a spread of 225 basis points, and a 3.5% floor.

The City's General Fund serves as the backstop in the event the Leaseholds fail to perform according to the terms as set forth in the agreements. The combined outstanding balance on the Pier Plaza, International Boardwalk, and Redondo Beach Marina leaseholds as of June 30, 2015, was \$21,764,137.

14. POLLUTION REMEDIATION OBLIGATIONS

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

CITY OF REDONDO BEACH
Notes to the Financial Statements
For the year ended June 30, 2015

15. CLASSIFICATION OF FUND BALANCES

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

	General Fund	Special Revenue Other Intergovernmental Grants	Debt Service Public Financing Authority	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid costs	\$ 72,770	\$ -	\$ -	\$ 100	\$ 72,870
Notes and loans receivable	18,066	-	-	2,749,294	2,767,360
Total nonspendable	<u>90,836</u>	<u>-</u>	<u>-</u>	<u>2,749,394</u>	<u>2,840,230</u>
Restricted					
Debt service	-	-	6,310,008	5,703	6,315,711
Public safety	-	-	-	1,081,297	1,081,297
Public works	-	-	-	1,903,781	1,903,781
Low and moderate income housing	-	-	-	4,554,197	4,554,197
Housing and community development	-	-	-	4,562,649	4,562,649
Total restricted	<u>-</u>	<u>-</u>	<u>6,310,008</u>	<u>12,107,627</u>	<u>18,417,635</u>
Committed					
Contingency	6,738,848	-	-	-	6,738,848
Total committed	<u>6,738,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,738,848</u>
Assigned					
Capital improvement projects	-	-	-	6,466,871	6,466,871
General government	259,593	-	-	-	259,593
Public safety	96,799	-	-	-	96,799
Cultural and leisure services	125,048	-	-	-	125,048
Public works	50,525	-	-	-	50,525
Carryover assignments	1,248,010	-	-	-	1,248,010
Compensated absences	489,418	-	-	-	489,418
Petty cash	15,350	-	-	-	15,350
Future year's appropriations	3,302,185	-	-	-	3,302,185
CalPERS	4,913,747	-	-	-	4,913,747
Total assigned	<u>10,500,675</u>	<u>-</u>	<u>-</u>	<u>6,466,871</u>	<u>16,967,546</u>
Unassigned	<u>5,786,193</u>	<u>(1,852,352)</u>	<u>-</u>	<u>(64,425)</u>	<u>3,869,416</u>
Total fund balance	<u>\$ 23,116,552</u>	<u>\$ (1,852,352)</u>	<u>\$ 6,310,008</u>	<u>\$ 21,259,467</u>	<u>\$ 48,833,675</u>

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

16. DISSOLUTION OF CALIFORNIA REDEVELOPMENT AGENCIES

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

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

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

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

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

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

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

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

17. SUCCESSOR AGENCY LONG-TERM DEBT

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

The debt of the Successor Agency as of June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year	Amounts Due in More than One Year
Successor Agency:						
County Deferral Loan - 1983 Tax Increment Deferral	\$ 6,934,419	\$ -	\$ -	\$ 6,934,419	\$ -	\$ 6,934,419
County Deferral Loan - 1984 Tax Increment Deferral	7,154,367	-	-	7,154,367	-	7,154,367
Bank of America Loan	594,000	-	(99,000)	495,000	99,000	396,000
City Loan - South Bay Center	6,005,000	-	(300,000)	5,705,000	325,000	5,380,000
Total	\$ 20,687,786	\$ -	\$ (399,000)	\$ 20,288,786	\$ 424,000	\$ 19,864,786

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, 2015, 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, 2015, was \$7,154,367.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

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

Bank of America Loan - On December 1, 2012, the Agency entered into a note payable with Bank of America to pay off the City loan to Public Finance Agency of \$693,000. The note principal balance is payable annually in installments of \$99,000, and interest payments are made semi-annually at 5.75%. The final financing commitment expires September 1, 2019. The balance outstanding at June 30, 2015, was \$495,000.

18. RISKS & UNCERTAINTIES

A. *Grants*

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

B. *Successor Agency*

Deductions (expenses) incurred by the Successor Agency for the year ended June 30, 2015 (and subsequent years in which the Successor Agency is in operation) are subject to review by various State agencies and the County in which the Successor Agency resides. If any expenses incurred by the Successor Agency are disallowed by the State agencies or County, the City, acting as the Successor Agency could be liable for the repayment of the disallowed costs from either its own funds or by the State withholding remittances normally paid to the City. The amount, if any, of expenses that may be disallowed by the State agencies or County cannot be determined at this time, although the Successor Agency expects such amounts, if any, to be immaterial.

CITY OF REDONDO BEACH

Notes to the Financial Statements

For the year ended June 30, 2015

19. PRIOR YEAR RESTATEMENTS

As discussed in Note 1, the City implemented GASB Statements No. 68 and 71 effective July 1, 2014. GASB Statements No. 68 and 71, among other provisions, amended prior guidance with respect to the reporting of pensions, and established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the City's net pension liability was not previously recorded on the statement of net position. GASB 68 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements. In addition, a restatement totaling \$16,839 in the proprietary funds and \$90,570 in Internal Service Funds were needed to correct beginning net position. The amount of adjustments affecting the cumulative results of operations in the proprietary funds were due to a capital lease and its related cost and accumulated depreciation were not recorded in capital assets and long term liability in the prior years. In Internal Services Funds, the adjustment was made to correct leased equipment accumulated amortization.

Accordingly, beginning net position on the Statement of Activities has been restated for changes related to GASB 68 as follows:

Beginning net position, as previously reported	\$ 186,592,400
Restatement due to change in accounting principle	(119,023,979)
Beginning net position, as restated	<u>\$ 67,568,421</u>

Proprietary Funds - Statement of Revenue, Expenses, and Changes in Net Position

	Harbor Tidelands Fund	Harbor Uplands Fund	Wastewater Fund	Solid Waste Fund	Transit Fund
Beginning net position, as previously reported	\$ 32,707,580	\$ 15,465,271	\$ 12,619,189	\$ 1,103,265	\$ 1,001,845
Restatement due to change in accounting principle	(5,594,119)	(4,764,485)	(1,194,868)	(888,915)	(578,829)
Restatement due to correction of errors	7,634	22,901	-	-	(13,696)
Beginning net position, as restated	<u>\$ 27,121,095</u>	<u>\$ 10,723,687</u>	<u># \$ 11,424,321</u>	<u>\$ 214,350</u>	<u>\$ 409,320</u>

CITY OF REDONDO BEACH
Notes to the Financial Statements
For the year ended June 30, 2015

19. PRIOR YEAR RESTATEMENTS, (Continued)

Internal Service Funds - Statement of Revenue, Expenses, and Changes in Net Position

	Vehicle Replacement Fund	Building Occupancy Fund	Information Technology Fund	Self-Insurance Program Fund	Emergency Communications Fund
Beginning net position, as previously reported	\$ 9,210,009	\$ (510,035)	\$ (541,499)	\$ (3,823,753)	\$ 1,174,946
Restatement due to change in accounting principle	(740,074)	(1,356,113)	(1,256,885)	(310,086)	(2,488,961)
Restatement due to correction of errors	-	-	90,570	-	-
Beginning net position, as restated	<u>\$ 8,469,935</u>	<u>\$ (1,866,148)</u>	<u>\$ (1,707,814)</u>	<u>\$ (4,133,839)</u>	<u>\$ (1,314,015)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REDONDO BEACH
Required Supplementary Information
For the year ended June 30, 2015

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.

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 with restricted, committed, assigned, and/or unassigned fund balances. They do not constitute expenditures or estimated liabilities. Budgets were legally adopted for all governmental funds with the exception of the Parking Authority Debt Service Fund and the Pier Parking Structure Rehabilitation Capital Projects Fund.

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

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CITY OF REDONDO BEACH

Required Supplementary Information

For the year ended June 30, 2015

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, General Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
FUND BALANCE - BEGINNING	\$ 20,970,789	\$ 20,970,789	\$ 20,970,789	\$ -
RESOURCES (INFLOWS):				
Taxes	55,583,667	55,714,000	58,603,127	2,889,127
Interdepartmental	6,895,936	7,588,928	7,588,928	-
Licenses and permits	1,430,400	1,430,400	1,333,512	(96,888)
Intergovernmental	50,000	188,000	1,180,733	992,733
Charges for services	5,905,890	6,064,750	6,661,241	596,491
Use of money and property	1,479,364	1,569,364	1,805,473	236,109
Fines and forfeitures	1,488,930	1,488,930	1,862,081	373,151
Miscellaneous	1,773,475	1,897,950	1,416,343	(481,607)
Transfers in	1,229,727	1,247,735	285,512	(962,223)
Amount available for appropriation	96,808,178	98,160,846	101,707,739	3,546,893
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
General government:				
Major and city council	787,188	1,076,099	883,936	192,163
City clerk and administration	1,129,071	1,329,575	1,227,978	101,597
City treasurer	386,321	441,123	248,150	192,973

CITY OF REDONDO BEACH

Required Supplementary Information

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
City attorney	2,444,857	3,008,490	2,764,407	244,083
City manager	1,584,003	1,848,042	1,510,419	337,623
Human resources	1,606,292	1,107,344	1,061,288	46,056
Finance	2,838,183	3,056,681	2,061,691	994,990
Public safety:				
Police	31,092,934	33,997,675	32,088,319	1,909,356
Fire	15,418,096	16,398,798	15,842,644	556,154
Public works:				
Public services	5,358,530	6,186,358	6,168,111	18,247
Housing and community development:				
Housing and community development	3,318,964	4,075,419	2,952,148	1,123,271
Cultural and leisure services:				
Park, recreation, and community services	8,823,550	9,733,259	10,023,420	(290,161)
Transfers out	1,681,979	2,522,721	1,758,676	764,045
Total charges to appropriations	76,469,968	84,781,584	78,591,187	6,190,397
FUND BALANCE - ENDING	\$ 20,338,210	\$ 13,379,262	\$ 23,116,552	\$ 9,737,290

CITY OF REDONDO BEACH

Required Supplementary Information

For the year ended June 30, 2015

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, Other Intergovernmental Grants Special Revenue Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
FUND BALANCE (DEFICIT) - BEGINNING	\$ (1,551,713)	\$ (1,551,713)	\$ (1,551,713)	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	1,778,525	11,896,763	2,219,848	(9,676,915)
Transfers in	-	7,204	7,204	-
Amount available for appropriation	<u>226,812</u>	<u>10,352,254</u>	<u>675,339</u>	<u>(9,676,915)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public safety	66,220	298,499	223,774	74,725
Public works	73,106	80,310	80,443	(133)
Housing and community development	-	44,500	46,287	(1,787)
Capital outlay	<u>1,639,199</u>	<u>11,974,768</u>	<u>2,177,187</u>	<u>9,797,581</u>
Total charges to appropriations	<u>1,778,525</u>	<u>12,398,077</u>	<u>2,527,691</u>	<u>9,870,386</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ (1,551,713)</u>	<u>\$ (2,045,823)</u>	<u>\$ (1,852,352)</u>	<u>\$ 193,471</u>

CITY OF REDONDO BEACH
Required Supplementary Information
For the year ended June 30, 2015

2. DEFINED BENEFIT PENSION PLAN

*Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period
Last Ten Years**

Measurement Period	2013-2014	
	Miscellaneous	Safety
TOTAL PENSION LIABILITY		
Service Cost	\$ 2,874,216	\$ 4,500,890
Interest	12,419,054	21,930,219
Benefit Payments, Including Refunds of Employee Contributions	(7,872,679)	(16,352,903)
Net Change in Total Pension Liability	7,420,591	10,078,206
Total Pension Liability - Beginning	168,086,614	298,328,930
Total Pension Liability - Ending (a)	\$ 175,507,205	\$ 308,407,136
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 2,678,754	\$ 5,790,913
Contributions - Employee	1,301,991	2,003,854
Net Investment Income ¹	21,314,935	34,672,500
Benefit Payments, Including Refunds of Employee Contributions	(7,872,679)	(16,352,903)
Net Change in Fiduciary Net Position	17,423,001	26,114,364
Plan Fiduciary Net Position - Beginning	124,062,963	201,747,147
Plan Fiduciary Net Position - Ending (b)	\$ 141,485,964	\$ 227,861,511
Plan Net Position Liability - Ending (a) - (b)	\$ 34,021,241	\$ 80,545,625
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.62%	73.88%
Covered-Employee Payroll	\$ 17,202,905	\$ 14,973,314
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	198%	538%

¹ Net of administrative expenses.

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation, therefore, only one year is shown.

Notes to Schedule:

Changes in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: There were no changes in assumptions.

CITY OF REDONDO BEACH
Required Supplementary Information
For the year ended June 30, 2015

2. DEFINED BENEFIT PENSION PLAN, (Continued)

Schedule of Plan Contributions
*Last Ten Years**

	Measurement Period 2013-14	
	Miscellaneous	Safety
Actuarially Determined Contribution	\$ 2,678,754	\$ 5,790,913
Contributions in Relation to the Actuarially Determined Contribution	(2,678,754)	(5,790,913)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll	\$ 17,202,905	\$ 14,973,314
Contributions as a Percentage of Covered-Employee Payroll	16%	39%

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation, therefore, only one year is shown.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2011 Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

CITY OF REDONDO BEACH
Required Supplementary Information
For the year ended June 30, 2015

3. OTHER POST EMPLOYMENT BENEFITS

Schedule of Funding Progress for the City's Plan

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

CITY OF REDONDO BEACH
Required Supplementary Information
For the year ended June 30, 2015

4. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

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

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

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

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

In June 2015, a visual 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.

CITY OF REDONDO BEACH
Required Supplementary Information
For the year ended June 30, 2015

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

The following conditions were defined:

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

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

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

<u>Year</u>	<u>PQI rate</u>	<u>Condition</u>	<u>% of Streets</u>
2013	83	Very Good	35%
		Good	53%
		Fair	7%
		Poor	5%
2014	84	Very Good	46%
		Good	41%
		Fair	8%
		Poor	5%
2015	84	Very Good	35%
		Good	53%
		Fair	8%
		Poor	4%

CITY OF REDONDO BEACH
Required Supplementary Information
For the year ended June 30, 2015

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

The City expended \$5,468,010 on street improvement projects for the fiscal year ended June 30, 2015. These capital improvements expenditures enhanced the condition of many streets and delayed deterioration on others. The estimated expenditures required to maintain and improve the overall condition of the streets from July 1, 2015 through June 30, 2016 is a minimum of \$5,100,000.

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

<u>Fiscal Year</u>	<u>Final Budget</u>	<u>Funded by Capital Improvement Project Fund</u>	<u>Funded by Other Funds</u>	<u>Total Expenditures</u>
2010-2011	\$ 9,260,708	\$ 688,073	\$ 4,607,518	\$ 5,295,591
2011-2012	8,874,102	246,152	996,761	1,242,913
2012-2013	10,212,651	496,766	2,159,576	2,656,342
2013-2014	13,367,675	94,308	938,130	1,032,438
2014-2015	15,216,557	585,138	4,882,873	5,468,011

As of June 30, 2015, 22% of City streets were rated below the targeted average condition level of 80. However, as noted above, the City is investing in this infrastructure assets as part of the five-year Capital Improvement Program and will continue to rehabilitate and maintain its streets in order to achieve this goal.

CITY OF REDONDO BEACH
Required Supplementary Information
For the year ended June 30, 2015

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

Project	Project #	Budget	Capital Improvement Project Fund Expenditures	Other Fund Expenditures	Total Expenditures
Bus Shelters & Benches	40120	\$ 1,685,830	\$ -	\$ 13,660	\$ 13,660
Pavement Management Study	40170	-	-	407	407
Residential Street Rehabilitation	40190	1,882,786	-	8,720	8,720
Catalina/PCH Intersection Improvements	40220	-	-	117	117
Torrance Blvd/PCH Left Turn Signal	40320	-	-	412	412
Citywide Curb Ramp Improvements	40399	279,487	-	231,280	231,280
Traffic Calming Project	40470	69,970	960	-	960
Bicycle Trans Plan Implementation	40510	240,935	-	7,841	7,841
Riviera Village Improvements	40640	56,066	25	-	25
Grant/Artesia Countdown Ped Signal	40710	32,982	-	25	25
Harbor Dr. Resurfacing - Beryl to Herondo	40720	-	-	43,608	43,608
Artesia/Aviation EB Rt Turn Lane	40770	-	-	240	240
Artesia/Aviation NB Rt Turn Lane	40780	839,001	-	9,904	9,904
PV Boulevard/PCH WB Rt Turn Lane	40790	300,429	-	9,230	9,230
PCH Study Recommendations	40800	1,398,642	-	3,848	3,848
PCH/Torrance Boulevard NB Rt Turn Lane	40810	540,105	-	9,516	9,516
Beryl/190th Signal Study	40850	18,507	-	1,379	1,379
Beryl St. Improvements - Flagler to 190th	40860	946,793	-	24,343	24,343
North Harbor Drive Cycle Track Project	40900	4,754,339	236,494	4,280,026	4,516,520
Avenida Del Norte Resurfacing	40920	200,000	198,801	-	198,801
Aviation Blvd Resurfacing - MBB to Marine	40930	593,000	-	189	189
Bike Plan Grant - Beryl St. Bike Lanes	40940	137,910	-	837	837
Inglewood at MBB Rt Turn Lane Feasibility	40960	125,000	-	4,388	4,388
PV Blvd/Catalina Intersection Improvements	40970	387,450	145,497	232,904	378,401
Riviera Village Imp - Phase IV	40980	727,325	3,361	-	3,361
		<u>\$ 15,216,557</u>	<u>\$ 585,138</u>	<u>\$ 4,882,874</u>	<u>\$ 5,468,012</u>

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SUPPLEMENTARY INFORMATION

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**MAJOR GOVERNMENTAL FUND BUDGETARY
COMPARISON SCHEDULES**

CITY OF REDONDO BEACH

Major Governmental Fund Budgetary Comparison Schedule

Public Financing Authority Debt Service Fund

For the year ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
FUND BALANCE (DEFICIT) - BEGINNING	\$ 6,450,252	\$ 6,450,252	\$ 6,450,252	\$ -
RESOURCES (INFLOWS):				
Use of money and property	1,189,373	1,189,373	903,037	(286,336)
Amount available for appropriation	7,639,625	7,639,625	7,353,289	(286,336)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	199,958	199,958	160,985	38,973
Debt Service:				
Principal retirement	775,879	775,879	695,000	80,879
Interest and fiscal charges	213,536	213,536	187,296	26,240
Total charges to appropriations	1,189,373	1,189,373	1,043,281	146,092
FUND BALANCE - ENDING	\$ 6,450,252	\$ 6,450,252	\$ 6,310,008	\$ (140,244)

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (continued)

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

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

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

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

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

DEBT SERVICE FUND

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

CAPITAL PROJECTS FUNDS

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

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

City of Redondo Beach
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2015

	Special Revenue						
	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure / Forfeiture	Proposition A	Proposition C	Measure R	Local Transportation Article 3
ASSETS							
Pooled cash and investments	\$ 2,062,662	\$ 86,985	\$ 1,082,095	\$ 1,332,891	\$ 5,180,150	\$ 1,553,286	\$ 1,874
Receivables:							
Accounts	25,665	-	-	-	-	-	-
Interest	3,994	-	2,011	4,522	9,656	497	-
Taxes	-	-	-	-	-	-	-
Notes and loans	-	-	-	-	-	-	-
Prepaid costs	-	-	-	-	100	-	-
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Advance to other governments	-	-	-	-	-	-	-
Restricted assets:							
Cash and investments with fiscal agents	91,026	-	-	-	44,829	8,563	-
Total assets	\$ 2,183,347	\$ 86,985	\$ 1,084,106	\$ 1,337,413	\$ 5,234,735	\$ 1,562,346	\$ 1,874
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,567,936	\$ -	\$ 2,809	\$ -	\$ 794,379	\$ 144,658	\$ -
Due to other funds	-	-	-	-	-	-	-
Total liabilities	1,567,936	-	2,809	-	794,379	144,658	-
Deferred inflows of resources:							
Unavailable revenue	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-
Fund balances (deficit):							
Nonspendable	-	-	-	-	100	-	-
Restricted	615,411	86,985	1,081,297	1,337,413	4,440,256	1,417,688	1,874
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	615,411	86,985	1,081,297	1,337,413	4,440,356	1,417,688	1,874
Total liabilities, deferred inflows of resources and fund balances	\$ 2,183,347	\$ 86,985	\$ 1,084,106	\$ 1,337,413	\$ 5,234,735	\$ 1,562,346	\$ 1,874

City of Redondo Beach
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2015

	Special Revenue					
	Air Quality Improvement	Storm Drain Improvement	Street Landscaping and Lighting District	Community Development Block Grant	Disaster Recovery	Housing Authority
ASSETS						
Pooled cash and investments	\$ 95,831	\$ 431,605	\$ 123,138	\$ -	\$ -	\$ 784,245
Receivables:						
Accounts	-	-	581	-	-	-
Interest	172	-	-	-	-	-
Taxes	-	-	7,547	-	-	-
Notes and loans	-	-	-	476,563	-	-
Prepaid costs	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	834
Due from other governments	22,046	-	17,318	18,735	-	-
Advance to other governments	-	-	-	-	-	-
Restricted assets:						
Cash and investments with fiscal agents	-	-	-	-	-	-
Total assets	\$ 118,049	\$ 431,605	\$ 148,584	\$ 495,298	\$ -	\$ 785,079
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 3,337	\$ -	\$ 148,584	\$ 46,515	\$ -	\$ 2,274
Due to other funds	-	-	-	27,885	8,757	55,909
Total liabilities	3,337	-	148,584	74,400	8,757	58,183
Deferred Inflows of Resources:						
Unavailable revenue	-	-	-	476,566	-	-
Total deferred inflows of resources	-	-	-	476,566	-	-
Fund balances (deficit):						
Nonspendable	-	-	-	-	-	-
Restricted	114,712	431,605	-	-	-	726,896
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	(55,668)	(8,757)	-
Total fund balances	114,712	431,605	-	(55,668)	(8,757)	726,896
Total liabilities, deferred inflows of resources and fund balances	\$ 118,049	\$ 431,605	\$ 148,584	\$ 495,298	\$ -	\$ 785,079

City of Redondo Beach
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2015

	Special Revenue		Debt Service	Capital Projects		Total
	Subdivision	Low-Mod Income	Parking	Pier	Capital	Non-Major
	Park Trust	Housing Asset	Authority	Parking Structure Rehabilitation	Improvement Projects	Funds
ASSETS						
Pooled cash and investments	\$ 769,780	\$ 542,276	\$ 5,700	\$ 831	\$ 6,887,037	\$ 20,940,386
Receivables:						
Accounts	-	-	-	-	128,977	155,223
Interest	-	-	3	-	-	20,855
Taxes	-	-	-	-	-	7,547
Notes and loans	-	3,420,100	-	-	-	3,896,663
Prepaid costs	-	-	-	-	-	100
Due from other funds	-	-	-	-	-	834
Due from other governments	-	-	-	-	-	58,099
Advance to other governments	-	535,731	-	-	-	535,731
Restricted assets:						
Cash and investments with fiscal agents	-	-	-	-	8,377	152,795
Total assets	\$ 769,780	\$ 4,498,107	\$ 5,703	\$ 831	\$ 7,024,391	\$ 25,768,233
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 558,351	\$ 3,268,843
Due to other funds	-	-	-	-	-	92,551
Total liabilities	-	-	-	-	558,351	3,361,394
Deferred Inflows of Resources:						
Unavailable revenue	-	670,806	-	-	-	1,147,372
Total deferred inflows of resources	-	670,806	-	-	-	1,147,372
Fund balances (deficit):						
Nonspendable	-	2,749,294	-	-	-	2,749,394
Restricted	769,780	1,078,007	5,703	-	-	12,107,627
Assigned	-	-	-	831	6,466,040	6,466,871
Unassigned	-	-	-	-	-	(64,425)
Total fund balances	769,780	3,827,301	5,703	831	6,466,040	21,259,467
Total liabilities, deferred inflows of resources and fund balances	\$ 769,780	\$ 4,498,107	\$ 5,703	\$ 831	\$ 7,024,391	\$ 25,768,233

City of Redondo Beach

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

Non-Major Governmental Funds

For the year ended June 30, 2015

	Special Revenue						
	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure / Forfeiture	Proposition A	Proposition C	Measure R	Local Transportation Article 3
REVENUES:							
Use of money and property	\$ 18,642	\$ -	\$ 7,312	\$ 15,619	\$ 40,122	\$ 3,958	\$ -
Intergovernmental	1,902,010	-	-	1,191,917	987,963	741,666	19,000
Charges for services	2,549	28,400	-	-	-	-	-
Fines and forfeitures	-	-	98,002	-	-	-	-
Miscellaneous	30,126	-	-	-	-	-	-
Total revenues	1,953,327	28,400	105,314	1,207,536	1,028,085	745,624	19,000
EXPENDITURES:							
Current:							
Public safety	-	-	82,681	-	-	-	-
Public works	1,382,189	-	-	-	19,647	42,364	-
Housing and community development	-	-	-	-	607	-	-
Capital outlay	2,362,398	2,196	79,873	-	1,316,398	469,107	17,926
Total expenditures	3,744,587	2,196	162,554	-	1,336,652	511,471	17,926
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,791,260)	26,204	(57,240)	1,207,536	(308,567)	234,153	1,074
OTHER FINANCING SOURCES (USES):							
Transfers in	69,241	-	-	-	25,677	-	-
Transfers out	-	-	-	(1,166,219)	-	(25,677)	-
Total other financing sources (uses)	69,241	-	-	(1,166,219)	25,677	(25,677)	-
Net change in fund balances	(1,722,019)	26,204	(57,240)	41,317	(282,890)	208,476	1,074
Fund Balances (deficit):							
Beginning of year	2,337,430	60,781	1,138,537	1,296,096	4,723,246	1,209,212	800
End of year	\$ 615,411	\$ 86,985	\$ 1,081,297	\$ 1,337,413	\$ 4,440,356	\$ 1,417,688	\$ 1,874

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, 2015

	Special Revenue					
	Air Quality Improvement	Storm Drain Improvement	Street Landscaping and Lighting District	Community Development Block Grant	Disaster Recovery	Housing Authority
REVENUES:						
Use of money and property	\$ 666	\$ -	\$ -	\$ -	\$ -	\$ 153
Intergovernmental	84,017	-	-	367,874	-	5,396,250
Charges for services	-	37,390	1,515,786	-	200	-
Fines and forfeitures	-	-	-	-	-	-
Miscellaneous	-	-	10,933	-	40,186	-
Total revenues	84,683	37,390	1,526,719	367,874	40,386	5,396,403
EXPENDITURES:						
Current:						
Public safety	-	-	-	-	36,794	-
Public works	-	-	2,523,916	-	-	-
Housing and community development	63,613	-	-	121,395	-	5,525,799
Capital outlay	-	588	-	214,643	-	-
Total expenditures	63,613	588	2,523,916	336,038	36,794	5,525,799
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	21,070	36,802	(997,197)	31,836	3,592	(129,396)
OTHER FINANCING SOURCES (USES):						
Transfers in	1,662	-	997,197	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	1,662	-	997,197	-	-	-
Net change in fund balances	22,732	36,802	-	31,836	3,592	(129,396)
Fund Balances (deficit):						
Beginning of year	91,980	394,803	-	(87,504)	(12,349)	856,292
End of year	<u>\$ 114,712</u>	<u>\$ 431,605</u>	<u>\$ -</u>	<u>\$ (55,668)</u>	<u>\$ (8,757)</u>	<u>\$ 726,896</u>

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, 2015

	Special Revenue		Debt Service	Capital Projects		Total
	Subdivision Park Trust	Low-Mod Income Housing Asset	Parking Authority	Pier Parking Structure Rehabilitation	Capital Improvement Projects	Non-Major Funds
REVENUES:						
Use of money and property	\$ 351	\$ 2	\$ 14	\$ 1	\$ -	\$ 86,840
Intergovernmental	-	-	-	-	-	10,690,697
Charges for services	-	650	-	-	265,239	1,850,214
Fines and forfeitures	-	-	-	-	-	98,002
Miscellaneous	285,000	106,177	-	-	258,735	731,157
Total revenues	285,351	106,829	14	1	523,974	13,456,910
EXPENDITURES:						
Current:						
Public safety	-	-	-	-	-	119,475
Public works	-	-	-	-	109,265	4,077,381
Housing and community development	-	12,252	-	-	-	5,723,666
Capital outlay	29,242	-	-	-	712,893	5,205,264
Total expenditures	29,242	12,252	-	-	822,158	15,125,786
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	256,109	94,577	14	1	(298,184)	(1,668,876)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	8,111	1,101,888
Transfers out	-	-	-	-	(200,000)	(1,391,896)
Total other financing sources (uses)	-	-	-	-	(191,889)	(290,008)
Net change in fund balances	256,109	94,577	14	1	(490,073)	(1,958,884)
Fund Balances (deficit):						
Beginning of year	513,671	3,732,724	5,689	830	6,956,113	23,218,351
End of year	\$ 769,780	\$ 3,827,301	\$ 5,703	\$ 831	\$ 6,466,040	\$ 21,259,467

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, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
FUND BALANCE - BEGINNING	\$ 2,337,430	\$ 2,337,430	\$ 2,337,430	\$ -
RESOURCES (INFLOWS):				
Use of money and property	7,600	7,600	18,642	11,042
Intergovernmental	1,708,083	1,442,462	1,902,010	459,548
Charges for services	-	-	2,549	2,549
Miscellaneous	4,000	4,000	30,126	26,126
Transfers in	-	69,241	69,241	-
Amount available for appropriation	4,057,113	3,860,733	4,359,998	499,265
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public works	1,460,949	1,846,953	1,382,189	464,764
Capital outlay	600,000	2,491,717	2,362,398	129,319
Total charges to appropriations	2,060,949	4,338,670	3,744,587	594,083
FUND BALANCE - ENDING	\$ 1,996,164	\$ (477,937)	\$ 615,411	\$ 1,093,348

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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
FUND BALANCE - BEGINNING	\$ 60,781	\$ 60,781	\$ 60,781	\$ -
RESOURCES (INFLOWS):				
Charges for services	20,000	20,000	28,400	8,400
Amount available for appropriation	80,781	80,781	89,181	8,400
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital Outlay	17,980	31,080	2,196	28,884
Total charges to appropriations	17,980	31,080	2,196	28,884
FUND BALANCE - ENDING	\$ 62,801	\$ 49,701	\$ 86,985	\$ 37,284

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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
FUND BALANCE - BEGINNING	\$ 1,138,537	\$ 1,138,537	\$ 1,138,537	\$ -
RESOURCES (INFLOWS):				
Use of money and property	8,300	8,300	7,312	(988)
Fines and forfeitures	21,000	21,000	98,002	77,002
Amount available for appropriation	1,167,837	1,167,837	1,243,851	76,014
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public safety	58,699	254,122	82,681	171,441
Capital outlay	26,059	65,601	79,873	(14,272)
Total charges to appropriations	84,758	319,723	162,554	157,169
FUND BALANCE - ENDING	\$ 1,083,079	\$ 848,114	\$ 1,081,297	\$ 233,183

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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
FUND BALANCE - BEGINNING	\$ 1,296,096	\$ 1,296,096	\$ 1,296,096	\$ -
RESOURCES (INFLOWS):				
Use of money and property	8,000	8,000	15,619	7,619
Intergovernmental	1,180,147	1,180,147	1,191,917	11,770
Amount available for appropriation	2,484,243	2,484,243	2,503,632	19,389
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Transfers out	1,699,308	1,699,308	1,166,219	533,089
Total charges to appropriations	1,699,308	1,699,308	1,166,219	533,089
FUND BALANCE - ENDING	\$ 784,935	\$ 784,935	\$ 1,337,413	\$ 552,478

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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
FUND BALANCE - BEGINNING	\$ 4,723,246	\$ 4,723,246	\$ 4,723,246	\$ -
RESOURCES (INFLOWS):				
Use of money and property	24,000	24,000	40,122	16,122
Intergovernmental	978,901	978,901	987,963	9,062
Transfer in	-	-	25,677	25,677
Amount available for appropriation	5,726,147	5,726,147	5,777,008	50,861
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	645	607	607	-
Public works	1,467	20,892	19,647	1,245
Capital outlay	1,495,833	5,667,678	1,316,398	4,351,280
Total charges to appropriations	1,497,945	5,689,177	1,336,652	4,352,525
FUND BALANCE - ENDING	\$ 4,228,202	\$ 36,970	\$ 4,440,356	\$ 4,403,386

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, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
FUND BALANCE - BEGINNING	\$ 1,209,212	\$ 1,209,212	\$ 1,209,212	\$ -
RESOURCES (INFLOWS):				
Use of money and property	3,900	3,900	3,958	58
Intergovernmental	734,184	734,184	741,666	7,482
Amount available for appropriation	1,947,296	1,947,296	1,954,836	7,540
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public works	-	45,270	42,364	2,906
Capital outlay	1,025,000	2,097,556	469,107	1,628,449
Transfer out	-	-	25,677	(25,677)
Total charges to appropriations	1,025,000	2,142,826	537,148	1,605,678
FUND BALANCE - ENDING	\$ 922,296	\$ (195,530)	\$ 1,417,688	\$ 1,613,218

CITY OF REDONDO BEACH

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

Local Transportation Article 3 Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
FUND BALANCE (DEFICIT) - BEGINNING	\$ 800	\$ 800	\$ 800	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	56,657	56,657	19,000	(37,657)
Amount available for appropriation	57,457	57,457	19,800	(37,657)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	-	65,965	17,926	48,039
Total charges to appropriations	-	65,965	17,926	48,039
FUND BALANCE - ENDING	<u>\$ 57,457</u>	<u>\$ (8,508)</u>	<u>\$ 1,874</u>	<u>\$ 10,382</u>

CITY OF REDONDO BEACH

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

Air Quality Improvement Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
FUND BALANCE - BEGINNING	\$ 91,980	\$ 91,980	\$ 91,980	\$ -
RESOURCES (INFLOWS):				
Use of money and property	1,100	1,100	666	(434)
Intergovernmental	80,000	80,000	84,017	4,017
Transfers in	-	1,662	1,662	-
Amount available for appropriation	173,080	174,742	178,325	3,583
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	69,870	81,728	63,613	18,115
Total charges to appropriations	69,870	81,728	63,613	18,115
FUND BALANCE - ENDING	\$ 103,210	\$ 93,014	\$ 114,712	\$ 21,698

CITY OF REDONDO BEACH

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

Storm Drain Improvement Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
FUND BALANCE - BEGINNING	\$ 394,803	\$ 394,803	\$ 394,803	\$ -
RESOURCES (INFLOWS):				
Charges for services	36,000	36,000	37,390	1,390
Amount available for appropriation	430,803	430,803	432,193	1,390
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	170,000	414,755	588	414,167
Total charges to appropriations	170,000	414,755	588	414,167
FUND BALANCE - ENDING	<u>\$ 260,803</u>	<u>\$ 16,048</u>	<u>\$ 431,605</u>	<u>\$ 415,557</u>

CITY OF REDONDO BEACH

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

Street Landscaping and Lighting District Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
FUND BALANCE (DEFICIT) - BEGINNING	\$ -	\$ -	\$ -	\$ -
RESOURCES (INFLOWS):				
Charges for services	1,541,500	1,541,500	1,515,786	(25,714)
Miscellaneous	35,000	35,000	10,933	(24,067)
Transfers in	987,764	1,049,019	997,197	(51,822)
Amount available for appropriation	2,564,264	2,625,519	2,523,916	(101,603)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public works	2,564,264	2,782,417	2,523,916	258,501
Total charges to appropriations	2,564,264	2,782,417	2,523,916	258,501
FUND BALANCE (DEFICIT) - ENDING	\$ -	\$ (156,898)	\$ -	\$ 156,898

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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
FUND BALANCE (DEFICIT) - BEGINNING	\$ (87,504)	\$ (87,504)	\$ (87,504)	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	274,524	589,724	367,874	(221,850)
Amount available for appropriation	187,020	502,220	280,370	(221,850)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	145,496	188,498	121,395	67,103
Capital outlay	129,028	449,653	214,643	235,010
Total charges to appropriations	274,524	638,151	336,038	302,113
FUND BALANCE (DEFICIT) - ENDING	<u>\$ (87,504)</u>	<u>\$ (135,931)</u>	<u>\$ (55,668)</u>	<u>\$ 80,263</u>

CITY OF REDONDO BEACH

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

Disaster Recovery Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
FUND BALANCE (DEFICIT) - BEGINNING	\$ (12,349)	\$ (12,349)	\$ (12,349)	\$ -
RESOURCES (INFLOWS):				
Charges for services	1,200	240	200	(40)
Miscellaneous	-	-	40,186	40,186
Amount available for appropriation	(11,149)	(12,109)	28,037	40,146
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public Safety	17,060	17,060	36,794	(19,734)
Total charges to appropriations	17,060	17,060	36,794	(19,734)
FUND BALANCE (DEFICIT) - ENDING	\$ (28,209)	\$ (29,169)	\$ (8,757)	\$ 20,412

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, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
FUND BALANCE - BEGINNING	\$ 856,292	\$ 856,292	\$ 856,292	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	153	153
Intergovernmental	5,748,278	5,748,278	5,396,250	(352,028)
Amount available for appropriation	6,604,570	6,604,570	6,252,695	(351,875)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	5,755,235	5,755,235	5,525,799	229,436
Total charges to appropriations	5,755,235	5,755,235	5,525,799	229,436
FUND BALANCE - ENDING	\$ 849,335	\$ 849,335	\$ 726,896	\$ (122,439)

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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
FUND BALANCE - BEGINNING	\$ 513,671	\$ 513,671	\$ 513,671	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	351	351
Miscellaneous	200,620	200,620	285,000	84,380
Amount available for appropriation	714,291	714,291	799,022	84,731
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	100,000	173,824	29,242	144,582
Total charges to appropriations	100,000	173,824	29,242	144,582
FUND BALANCE - ENDING	\$ 614,291	\$ 540,467	\$ 769,780	\$ 229,313

CITY OF REDONDO BEACH

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

Low-Mod Income Housing Asset Special Revenue Fund

For the year ended June 30, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
FUND BALANCE - BEGINNING	\$ 3,732,724	\$ 3,732,724	\$ 3,732,724	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	2	2
Charges for services	-	-	650	650
Miscellaneous	-	-	106,177	106,177
Amount available for appropriation	<u>3,732,724</u>	<u>3,732,724</u>	<u>3,839,553</u>	<u>106,829</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Housing and community development	-	-	12,252	(12,252)
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>12,252</u>	<u>(12,252)</u>
FUND BALANCE - ENDING	<u>\$ 3,732,724</u>	<u>\$ 3,732,724</u>	<u>\$ 3,827,301</u>	<u>\$ 94,577</u>

CITY OF REDONDO BEACH

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

Capital Improvement Projects Capital Projects Fund

For the year ended June 30, 2015

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
FUND BALANCE - BEGINNING	\$ 6,956,113	\$ 6,956,113	\$ 6,956,113	\$ -
RESOURCES (INFLOWS):				
Charges for services	259,500	264,000	265,239	1,239
Miscellaneous	340,602	340,602	258,735	(81,867)
Transfers in	-	8,111	8,111	-
Amount available for appropriation	<u>7,556,215</u>	<u>7,568,826</u>	<u>7,488,198</u>	<u>(80,628)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current				
Public works	134,249	142,360	109,265	33,095
Capital outlay	2,631,630	5,516,341	712,893	4,803,448
Transfers out	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total charges to appropriations	<u>2,965,879</u>	<u>5,858,701</u>	<u>1,022,158</u>	<u>4,836,543</u>
FUND BALANCE - ENDING	<u>\$ 4,590,336</u>	<u>\$ 1,710,125</u>	<u>\$ 6,466,040</u>	<u>\$ 4,755,915</u>

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 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.

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

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

CITY OF REDONDO BEACH
Combining Statement of Net Position
All Internal Service Funds
June 30, 2015

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Emergency Communications	Major Facilities Repair	Total
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 6,545,672	\$ -	\$ -	\$ 11,771,036	\$ 2,096,583	\$ 692,271	\$ 21,105,562
Accounts receivable	5,589	-	-	-	-	-	5,589
Total current assets	6,551,261	-	-	11,771,036	2,096,583	692,271	21,111,151
Noncurrent assets:							
Capital assets - net of accumulated depreciation	3,933,459	96,755	1,204,872	-	242,521	-	5,477,607
Total noncurrent assets	3,933,459	96,755	1,204,872	-	242,521	-	5,477,607
Total assets	10,484,720	96,755	1,204,872	11,771,036	2,339,104	692,271	26,588,758
DEFERRED OUTFLOWS OF RESOURCES							
Pension related items	49,820	91,291	84,611	20,874	167,552	-	414,148
Total deferred outflows of resources	49,820	91,291	84,611	20,874	167,552	-	414,148
LIABILITIES							
Current liabilities:							
Accounts payable	413,165	270,636	158,562	367,345	5,257	-	1,214,965
Accrued compensated absences	6,886	12,588	21,800	4,135	36,414	-	81,823
Due to other funds	-	358,886	70,133	-	-	-	429,019
Accrued claims and judgments	-	-	-	981,277	-	-	981,277
Bonds, notes, and capital leases	-	-	271,460	-	-	-	271,460
Total current liabilities	420,051	642,110	521,955	1,352,757	41,671	-	2,978,544
Noncurrent liabilities:							
Accrued compensated absences	21,639	39,558	68,508	12,992	114,436	-	257,133
Accrued claims and judgments	-	-	-	16,166,107	-	-	16,166,107
Bonds, notes, and capital leases	-	-	478,976	-	-	-	478,976
Net pension liability	608,980	1,115,897	1,034,246	255,159	2,048,079	-	5,062,361
Total noncurrent liabilities	630,619	1,155,455	1,581,730	16,434,258	2,162,515	-	21,964,577
Total liabilities	1,050,670	1,797,565	2,103,685	17,787,015	2,204,186	-	24,943,121

CITY OF REDONDO BEACH

Combining Statement of Net Position

All Internal Service Funds

June 30, 2015

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Emergency Communications	Major Facilities Repair	Total
DEFERRED INFLOWS OF RESOURCES							
Pension related items	174,646	320,023	296,606	73,176	587,359	-	1,451,810
Total deferred inflows of resources	<u>174,646</u>	<u>320,023</u>	<u>296,606</u>	<u>73,176</u>	<u>587,359</u>	<u>-</u>	<u>1,451,810</u>
NET POSITION (DEFICIT)							
Net investment in capital assets	3,933,459	96,755	454,436	-	242,521	-	4,727,171
Unrestricted	5,375,765	(2,026,297)	(1,565,244)	(6,068,281)	(527,410)	692,271	(4,119,196)
Total net position	<u>\$ 9,309,224</u>	<u>\$ (1,929,542)</u>	<u>\$ (1,110,808)</u>	<u>\$ (6,068,281)</u>	<u>\$ (284,889)</u>	<u>\$ 692,271</u>	<u>\$ 607,975</u>

CITY OF REDONDO BEACH

Combining Statement of Revenues, Expenditures and Change in Net Position

All Internal Service Funds

For the year ended June 30, 2015

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Emergency Communications	Major Facilities Repair	Total
OPERATING REVENUES:							
Sales and service charges	\$ 3,168,757	\$ 3,031,028	\$ 3,093,702	\$ 5,291,677	\$ 3,767,329	\$ 123,628	\$ 18,476,121
Miscellaneous	71,459	47,500	5,501	-	-	-	124,460
Total operating revenues	3,240,216	3,078,528	3,099,203	5,291,677	3,767,329	123,628	18,600,581
OPERATING EXPENSES:							
Administrative and general expenses	1,178,539	1,576,879	620,533	6,708,404	748,452	-	10,832,807
Personnel services	515,976	1,116,617	837,335	391,024	1,929,969	-	4,790,921
Contractual services	105,579	530,964	707,191	137,340	102,792	-	1,583,866
Depreciation	662,462	1,967	382,504	-	76,346	-	1,123,279
Total operating expenses	2,462,556	3,226,427	2,547,563	7,236,768	2,857,559	-	18,330,873
OPERATING INCOME (LOSS)	777,660	(147,899)	551,640	(1,945,091)	909,770	123,628	269,708
NONOPERATING REVENUES AND EXPENSES:							
Gain on sale of capital assets	27,676	-	-	-	-	-	27,676
Total nonoperating revenues (expenses)	27,676	-	-	-	-	-	27,676
INCOME (LOSS) BEFORE TRANSFERS	805,336	(147,899)	551,640	(1,945,091)	909,770	123,628	297,384
Transfers in	33,953	84,505	45,366	10,649	119,356	-	293,829
Change in net position	839,289	(63,394)	597,006	(1,934,442)	1,029,126	123,628	591,213
NET POSITION (DEFICIT)							
Beginning of year, as restated (Note 19)	8,469,935	(1,866,148)	(1,707,814)	(4,133,839)	(1,314,015)	568,643	16,762
End of year	<u>\$ 9,309,224</u>	<u>\$ (1,929,542)</u>	<u>\$ (1,110,808)</u>	<u>\$ (6,068,281)</u>	<u>\$ (284,889)</u>	<u>\$ 692,271</u>	<u>\$ 607,975</u>

CITY OF REDONDO BEACH

Combining Statement of Cash Flows

All Internal Service Funds

For the year ended June 30, 2015

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Emergency Communications	Major Facilities Repair	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received from customers and users	\$ 4,245,399	\$ 3,078,528	\$ 2,505,642	\$ 5,291,677	\$ 3,767,829	\$ 123,628	\$ 19,012,703
Cash payments to suppliers for goods and services	(1,497,390)	(1,953,975)	(1,286,940)	(5,027,269)	(847,168)	-	(10,612,742)
Cash payments to employees for services	(513,499)	(1,120,859)	(845,658)	(394,459)	(1,923,193)	-	(4,797,668)
Net cash provided (used) by operating activities	2,234,510	3,694	373,044	(130,051)	997,468	123,628	3,602,293
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers in	33,953	84,505	45,366	10,649	119,356	-	293,829
Net cash provided by noncapital financing activities	33,953	84,505	45,366	10,649	119,356	-	293,829
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	(1,255,834)	(88,199)	(814,522)	-	-	-	(2,158,555)
Proceeds from new capital leases	-	-	767,017	-	-	-	767,017
Principal paid on capital debt	-	-	(370,905)	-	-	-	(370,905)
Proceeds from sales of capital assets	29,373	-	-	-	-	-	29,373
Net cash used by capital and related financing activities	(1,226,461)	(88,199)	(418,410)	-	-	-	(1,733,070)
Net increase (decrease) in cash and cash equivalents	1,042,002	-	-	(119,402)	1,116,824	123,628	2,163,052
CASH AND CASH EQUIVALENTS:							
Beginning of year	5,503,670	-	-	11,890,438	979,759	568,643	18,942,510
End of year	<u>\$ 6,545,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,771,036</u>	<u>\$ 2,096,583</u>	<u>\$ 692,271</u>	<u>\$ 21,105,562</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
Operating income (loss)	\$ 777,660	\$ (147,899)	\$ 551,640	\$ (1,945,091)	\$ 909,770	\$ 123,628	\$ 269,708
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	662,462	1,967	382,504	-	76,346	-	1,123,279
Actuarial pension expense	43,553	79,807	73,967	18,249	146,478	-	362,054
Pension contributions subsequent to measurement date	(49,820)	(91,291)	(84,611)	(20,874)	(167,552)	-	(414,148)
Changes in operating assets and liabilities:							
(Increase) decrease in accounts receivable	8,684	-	-	-	500	-	9,184
(Increase) decrease in due from other funds	996,499	-	-	-	-	-	996,499
Increase (decrease) in accounts payable	(213,272)	127,787	40,784	252,831	4,076	-	212,206
Increase (decrease) in accrued claims and judgements	-	-	-	1,565,644	-	-	1,565,644
Increase (decrease) in due to other funds	-	26,081	(593,561)	-	-	-	(567,480)
Increase (decrease) in compensated absences	8,744	7,242	2,321	(810)	27,850	-	45,347
Total adjustments	1,456,850	151,593	(178,596)	1,815,040	87,698	-	3,332,585
Net cash provided (used) by operating activities	\$ 2,234,510	\$ 3,694	\$ 373,044	\$ (130,051)	\$ 997,468	\$ 123,628	\$ 3,602,293

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FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

City of Redondo Beach

Combining Statement of Fiduciary Net Position

Agency Funds

June 30, 2015

	Deposits	Assessment District 92-1	Total Agency Funds
ASSETS:			
Pooled cash and investments	\$ 98,422	\$ 178,012	\$ 276,434
Receivables:			
Accounts	20,118	-	20,118
Total Assets	<u>\$ 118,540</u>	<u>\$ 178,012</u>	<u>\$ 296,552</u>
LIABILITIES:			
Accounts payable	\$ 320,669	\$ -	\$ 320,669
Deposits payable	(202,129)	178,012	(24,117)
Total Liabilities	<u>\$ 118,540</u>	<u>\$ 178,012</u>	<u>\$ 296,552</u>

City of Redondo Beach

Combining Statement of Changes in Fiduciary Net Position

Agency Funds

For the year ended June 30, 2015

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Deposits				
ASSETS:				
Pooled cash and investments	\$ 216,214	\$ 4,758,073	\$ (4,875,865)	\$ 98,422
Receivables:				
Accounts	41,453	901,306	(922,641)	20,118
Interest	231	236	(467)	-
Total Assets	<u>\$ 257,898</u>	<u>\$ 5,659,615</u>	<u>\$ (5,798,973)</u>	<u>\$ 118,540</u>
LIABILITIES:				
Accounts payable	\$ 330,363	\$ 3,915,794	\$ (3,925,488)	\$ 320,669
Deposits payable	(72,465)	4,431,687	(4,561,351)	(202,129)
Total Liabilities	<u>\$ 257,898</u>	<u>\$ 8,347,481</u>	<u>\$ (8,486,839)</u>	<u>\$ 118,540</u>
Assessment District 92-1				
ASSETS:				
Pooled cash and investments	\$ 178,012	\$ -	\$ -	\$ 178,012
Total Assets	<u>\$ 178,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,012</u>
LIABILITIES:				
Deposits payable	\$ 178,012	\$ -	\$ -	178,012
Total Liabilities	<u>\$ 178,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,012</u>

City of Redondo Beach

Combining Statement of Changes in Fiduciary Net Position

Agency Funds

For the year ended June 30, 2015

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Total - All Agency Funds				
ASSETS:				
Pooled cash and investments	\$ 394,226	\$ 4,758,073	\$ (4,875,865)	\$ 276,434
Receivables:				
Accounts	41,453	901,306	(922,641)	20,118
Interest	231	236	(467)	-
Total Assets	<u>\$ 435,910</u>	<u>\$ 5,659,615</u>	<u>\$ (5,798,973)</u>	<u>\$ 296,552</u>
LIABILITIES:				
Accounts payable	\$ 330,363	\$ 3,915,794	\$ (3,925,488)	\$ 320,669
Deposits payable	105,547	4,431,687	(4,561,351)	(24,117)
Total Liabilities	<u>\$ 435,910</u>	<u>\$ 8,347,481</u>	<u>\$ (8,486,839)</u>	<u>\$ 296,552</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redondo Beach, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2015.

Internal Control Over Financial Reporting

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

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

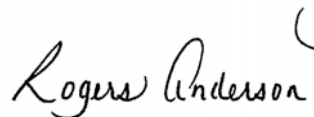
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

 Malouly & Scott, LLP

December 9, 2015

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

<u>Contents</u>	<u>Page</u>
<i>Financial Trends</i>	
Presented are schedules containing trend information to assist in the reader's understanding of how the City's financial performance has changed over time.	170
<i>Revenue Capacity</i>	
Presented are schedules to assist the reader's assessment of the factors affecting the City's ability to generate revenue through property taxes.	175
<i>Debt Capacity</i>	
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.	179
<i>Demographic and Economic Information</i>	
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.	183
<i>Operating & Other Information</i>	
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.	185

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities:										
Net investment in capital assets	\$ 131,382,820	\$ 135,153,851	\$ 134,543,764	\$ 135,170,376	\$ 137,743,367	\$ 140,306,635	\$ 143,049,830	\$ 142,096,684	\$ 138,614,141	\$ 139,555,634
Restricted	29,022,856	34,504,525	34,884,364	17,828,013	16,803,437	29,890,049	17,861,803	17,703,725	19,059,951	16,568,074
Unrestricted	(15,492,009)	(16,364,199)	(14,805,067)	876,969	(766,752)	(12,443,192)	21,623,137	24,173,154	28,918,308	(85,763,672)
Total governmental activities net position	144,913,667	153,294,177	154,623,061	153,875,358	153,780,052	157,753,492	182,534,770	183,973,563	186,592,400	70,360,036
Business-type activities:										
Net investment in capital assets	39,151,202	38,139,435	36,923,208	35,414,035	35,985,952	34,790,325	34,957,595	38,936,171	36,646,484	37,629,261
Unrestricted	20,013,129	22,770,297	25,271,647	25,564,850	25,550,889	27,481,003	24,616,381	28,210,687	27,250,666	18,257,918
Total business-type activities net position	59,164,331	60,909,732	62,194,855	60,978,885	61,536,841	62,271,328	59,573,976	67,146,858	63,897,150	55,887,179
Primary government:										
Net investment in capital assets	170,534,022	173,293,286	171,466,972	170,584,411	173,729,319	175,096,960	178,007,425	181,032,855	175,260,625	177,184,895
Restricted	29,022,856	34,504,525	34,884,364	17,828,013	16,803,437	29,890,049	17,861,803	17,703,725	19,059,951	16,568,074
Unrestricted	4,521,120	6,406,098	10,466,580	26,441,819	24,784,137	15,037,811	46,239,518	52,383,841	56,168,974	(67,505,754)
Total primary government net position	\$ 204,077,998	\$ 214,203,909	\$ 216,817,916	\$ 214,854,243	\$ 215,316,893	\$ 220,024,820	\$ 242,108,746	\$ 251,120,421	\$ 250,489,550	\$ 126,247,215

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Government activities:										
General government	\$ 10,638,910	\$ 10,019,467	\$ 10,234,450	\$ 9,234,672	\$ 7,618,055	\$ 7,951,800	\$ 8,560,957	\$ 11,974,780	\$ 10,177,409	\$ 10,293,394
Public Safety	35,772,948	38,269,521	40,835,961	42,293,976	40,737,832	41,849,863	43,020,839	43,141,036	44,022,014	47,331,250
Housing and community development	11,749,944	12,194,088	14,063,015	17,696,101	16,227,602	13,159,622	13,822,831	10,085,882	10,115,114	9,229,689
Cultural and leisure services	8,812,584	9,499,827	10,143,340	7,586,649	6,543,884	7,002,619	7,389,274	10,933,176	10,042,640	10,990,481
Public works	12,936,637	14,986,259	13,601,505	12,538,423	17,930,811	12,381,276	10,589,076	11,588,895	11,817,281	15,500,144
Interest on long-term debt	2,122,317	1,696,368	2,419,799	1,747,427	1,077,588	1,014,572	637,624	266,651	194,200	152,348
AB 1484 demand payment	-	-	-	-	-	-	9,914,969	-	-	-
Total governmental activities expenses	82,033,340	86,665,530	91,298,070	91,097,248	90,135,772	83,359,752	93,935,570	87,990,420	86,368,658	93,497,306
Business-type activities:										
Harbor Tidelands	4,447,965	4,902,841	5,075,571	5,360,523	5,372,721	5,415,810	7,689,071	4,998,098	5,040,308	5,279,836
Harbor Uplands	4,466,239	4,503,160	5,416,019	5,288,345	4,441,227	4,571,399	3,952,061	3,657,127	4,051,432	4,230,371
Solid Waste	3,225,121	3,493,852	3,129,337	3,228,498	3,364,549	3,574,516	3,431,017	3,610,925	3,580,040	3,506,271
Transit	-	-	-	-	-	-	3,102,333	3,113,076	3,288,696	3,346,989
Wastewater	2,686,646	2,122,793	1,853,206	2,092,245	2,207,319	2,476,972	3,196,442	1,880,835	2,557,592	2,022,271
Total business-type activities expenses	14,825,971	15,022,646	15,474,133	15,969,611	15,385,816	19,141,030	21,381,667	17,435,681	18,576,361	18,405,284
Total primary government expenses	96,859,311	101,688,176	106,772,203	107,066,859	105,521,588	102,500,782	115,317,237	105,426,101	104,945,019	111,902,590
Component Units:										
Program Revenues										
Governmental activities:										
Charges for Services:										
General government	4,732,359	6,434,951	6,337,391	4,798,599	6,804,342	6,941,477	10,416,465	11,315,431	7,539,299	9,083,395
Public Safety	1,353,696	1,290,081	1,437,688	2,669,185	2,097,003	4,133,005	4,448,833	4,466,605	4,942,725	4,611,279
Housing and community development	5,425,840	4,989,531	5,186,896	4,056,523	4,556,546	2,613,104	1,743,286	2,246,976	2,858,612	2,681,729
Cultural and leisure services	1,864,303	1,842,631	1,747,849	1,219,916	1,211,155	1,553,477	1,615,347	1,770,757	5,942,540	6,733,424
Public works	1,879,095	1,771,922	1,733,379	4,518,076	1,923,289	1,834,052	2,127,381	2,170,823	2,386,890	2,154,679
Operating grants and contributions	11,403,631	12,366,720	14,480,137	9,137,687	8,715,661	8,928,050	8,590,969	9,925,853	8,052,877	8,170,736
Capital grants and contributions	2,856,548	4,916,505	4,863,545	3,486,113	6,605,139	6,976,620	4,582,744	705,357	294,342	2,310,026
Total governmental activities program revenues	29,515,472	33,612,341	35,786,885	29,886,099	31,913,135	32,979,785	33,525,025	32,601,802	32,017,285	35,745,268

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities:										
Charges for services:										
Harbor Tidelands	\$ 4,797,346	\$ 5,067,315	\$ 6,084,834	\$ 5,270,090	\$ 5,408,349	\$ 5,475,085	\$ 5,290,706	\$ 5,572,625	\$ 5,870,760	\$ 6,526,625
Harbor Uplands	3,858,007	4,103,636	4,400,815	4,038,226	3,935,048	3,672,769	4,009,954	3,760,715	4,311,358	4,585,998
Solid Waste	3,184,481	3,481,133	2,845,736	2,992,476	3,356,843	3,454,839	3,312,471	3,396,353	3,369,217	3,569,336
Transit	-	-	-	-	-	519,082	676,020	349,454	352,756	360,519
Wastewater	2,135,108	1,842,479	1,739,468	2,293,090	2,437,816	2,444,086	2,575,279	3,764,711	4,568,330	5,433,185
Operating grants and contributions	73,035	68,841	70,150	162,512	17,769	1,231,111	1,395,363	1,672,668	1,754,397	1,848,671
Capital grants and contributions	-	-	-	-	-	-	-	2,545,504	-	-
Total business-type activities program revenues	14,047,977	14,563,404	15,141,003	14,756,394	15,155,825	16,796,972	17,259,793	21,062,030	20,226,818	22,324,334
Total primary government program revenues	43,563,449	48,175,745	50,927,888	44,642,493	47,068,960	49,776,757	50,784,818	53,663,832	52,244,103	58,069,602
Net (expense)/ revenue										
Governmental activities	(52,517,868)	(53,053,189)	(55,511,185)	(61,211,149)	(58,222,637)	(50,379,967)	(60,410,545)	(55,388,618)	(54,351,373)	(57,752,038)
Business-type activities	(777,994)	(459,242)	(333,130)	(1,213,217)	(229,991)	(2,344,058)	(4,121,874)	3,626,349	1,650,457	3,919,050
Total primary government net expense	(53,295,862)	(53,512,431)	(55,844,315)	(62,424,366)	(58,452,628)	(52,724,025)	(64,532,419)	(51,762,269)	(52,700,916)	(53,832,988)
General Revenues and Other Changes in Net Position										
Governmental Activities										
Taxes										
Property taxes, levied for general purpose	25,617,618	27,136,137	27,311,112	28,612,395	29,598,821	28,320,076	28,335,561	30,728,698	30,175,663	31,424,789
Transient occupancy taxes	3,354,138	3,738,839	3,933,009	3,485,290	3,204,045	3,267,209	3,533,501	3,693,144	3,970,786	4,464,811
Sales taxes	9,906,235	10,205,436	9,635,626	9,329,872	7,839,179	8,902,151	9,594,901	10,228,355	10,450,402	11,889,190
Franchise taxes	1,767,452	1,685,711	1,807,308	1,970,548	1,673,632	1,816,314	1,950,934	1,796,606	1,973,182	1,981,936
Business licenses taxes	1,376,117	1,289,608	1,385,726	1,293,056	1,256,462	1,240,024	1,203,591	1,018,677	1,296,531	1,178,016
Utility users taxes	7,398,984	7,878,429	8,018,564	7,848,157	8,043,207	7,667,130	7,422,089	7,711,580	7,412,250	7,664,385
Other taxes	-	-	-	-	11,200	-	-	8,703	1,840	5,149
Motor vehicle in lieu	453,645	429,612	293,685	205,403	198,745	310,907	33,693	34,912	28,894	27,910
Investment earnings	3,349,037	4,687,909	4,264,527	4,948,736	5,118,217	3,585,902	3,371,724	1,212,032	1,251,129	1,069,970
Other revenues	1,340,746	1,626,971	443,706	1,599,388	1,078,427	1,601,333	2,831,748	1,499,306	1,885,242	2,271,960
Gain (loss) on sale of capital assets	-	-	34,735	28,288	26,396	54,076	73,574	35,578	12,657	27,676
Transfers	-	-	(146,710)	1,142,313	79,000	(758,345)	(1,017,605)	(1,202,508)	(1,350,534)	(1,462,139)
Gain (loss) on dissolution of Redevelopment Agency	-	-	-	-	-	-	27,858,112	-	-	-
Total governmental activities	54,563,972	58,678,652	56,981,288	60,463,446	58,127,331	56,006,777	85,191,823	56,765,083	57,108,042	60,543,653
Business-type activities:										
Investment earnings	839,082	1,439,428	1,329,922	944,480	801,184	408,915	241,958	69,851	331,919	237,235
Loss on disposal of capital assets	-	-	-	-	(16,398)	-	-	-	(79,277)	-
Other revenues	204,761	138,877	141,621	195,080	176,052	307,915	181,532	2,674,174	400,396	375,982
Transfers	-	-	146,710	(1,142,313)	(79,000)	758,345	1,017,605	1,202,508	1,350,534	1,462,139
Total business-type activities	1,043,843	1,578,305	1,618,253	(2,753)	881,838	1,475,175	1,441,095	3,946,533	2,003,572	2,075,356
Total primary government	55,607,815	60,256,957	58,599,541	60,460,693	59,009,169	57,481,952	86,632,918	60,711,616	59,111,614	62,619,009
Change in Net Position										
Governmental activities	\$ 2,046,104	\$ 5,625,463	\$ 1,470,103	\$ (747,703)	\$ (95,306)	\$ 5,626,810	\$ 24,781,278	\$ 1,376,465	\$ 2,756,669	\$ 2,791,615
Business-type activities	265,849	1,119,063	1,285,123	(1,215,970)	651,847	(868,883)	(2,680,779)	7,572,882	3,654,029	5,994,406
Totally primary government	\$ 2,311,953	\$ 6,744,526	\$ 2,755,226	\$ (1,963,673)	\$ 556,541	\$ 4,757,927	\$ 22,100,499	\$ 8,949,347	\$ 6,410,698	\$ 8,786,021

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011 *	2012 *	2013 *	2014*	2015*
General fund										
Reserved	\$ 759,733	\$ 781,710	\$ 902,881	\$ 634,743	\$ 514,549	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Designated	9,883,713	10,143,013	11,363,952	9,353,252	9,321,572	-	-	-	-	-
Undesignated	2,680,196	214,115	314,926	37,327	(75,211)	-	-	-	-	-
Nonspendable	-	-	-	-	-	167,035	76,547	120,831	82,255	90,836
Committed	-	-	-	-	-	5,595,596	5,712,942	5,889,783	6,188,191	6,738,848
Assigned	-	-	-	-	-	7,891,828	7,601,191	11,275,445	12,025,746	10,500,675
Unassigned	-	-	-	-	-	-	-	272,083	2,674,597	5,786,193
Total general fund	<u>12,823,642</u>	<u>11,138,838</u>	<u>12,581,759</u>	<u>10,025,322</u>	<u>9,760,910</u>	<u>13,654,459</u>	<u>13,390,680</u>	<u>17,558,142</u>	<u>20,970,789</u>	<u>23,116,552</u>
All other governmental funds										
Reserved	7,519,312	21,109,217	21,158,335	15,551,248	13,938,764	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	4,485,135	8,108,628	7,429,282	4,494,765	5,265,375	-	-	-	-	-
Capital projects funds	1,763,987	1,581,516	1,614,077	5,052	5,054	-	-	-	-	-
Debt service funds	5,021	5,028	5,028	1,222,686	1,165,476	-	-	-	-	-
Designated, reported in:										
Special revenue funds	2,070,751	2,948,322	3,567,481	2,696,956	2,043,237	-	-	-	-	-
Capital projects funds	6,250,116	6,326,050	8,926,207	9,891,290	-	-	-	-	-	-
Undesignated, reported in:										
Special revenue funds	218	(2,831,086)	(2,368,822)	5,803,471	7,103,415	-	-	-	-	-
Capital projects funds	1,424,414	4,050,994	3,414,086	2,317,151	5,365,603	-	-	-	-	-
Debt service funds	(3,714,945)	(13,958,851)	(12,990,180)	(14,007,225)	(15,428,315)	-	-	-	-	-
Nonspendable										
Nonspendable, reported in:										
Special revenue funds	-	-	-	-	-	1,012	2,956,229	-	2,952,500	2,749,394
Restricted										
Restricted, reported in:										
Special revenue funds	-	-	-	-	-	21,782,261	10,472,386	16,010,908	13,408,799	12,101,924
Debt service funds	-	-	-	-	-	8,107,706	7,362,829	6,818,696	6,450,252	6,315,711
Assigned										
Assigned, reported in:										
Capital projects funds	-	-	-	-	-	1,645,977	3,503,086	3,113,179	6,956,943	6,466,871
Special revenue funds	-	-	-	-	-	-	535,731	-	-	-
Unassigned										
Unassigned, reported in:										
Special revenue funds	-	-	-	-	-	(2,186,237)	1,850,518	(1,044,377)	(1,651,604)	(1,916,777)
Capital projects funds	-	-	-	-	-	3,040,646	-	-	-	-
Debt service funds	-	-	-	-	-	(15,046,266)	-	-	-	-
Total all other governmental funds	<u>\$ 19,804,009</u>	<u>\$ 27,339,818</u>	<u>\$ 30,755,494</u>	<u>\$ 27,975,394</u>	<u>\$ 19,458,609</u>	<u>\$ 17,345,099</u>	<u>\$ 26,680,779</u>	<u>\$ 24,898,406</u>	<u>\$ 28,116,890</u>	<u>\$ 25,717,123</u>

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

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Taxes	\$ 49,809,201	\$ 52,569,593	\$ 53,052,490	\$ 52,330,017	\$ 49,946,499	\$ 51,768,825	\$ 51,875,943	\$ 55,882,844	\$ 55,958,439	\$ 58,603,127
Interdepartmental	4,298,260	6,314,753	6,314,750	6,655,458	6,681,277	6,383,731	6,249,628	6,656,858	7,143,371	7,588,928
Licenses and permits	2,006,686	1,660,339	1,306,025	1,006,075	930,523	1,248,916	1,343,422	1,259,505	1,504,502	1,333,512
Intergovernmental	14,196,236	15,771,721	16,660,368	13,991,411	15,619,990	14,545,341	16,339,864	13,380,088	11,096,634	14,091,278
Charges for services	8,673,373	7,627,197	6,814,267	6,947,073	7,279,164	7,485,670	7,486,013	7,461,642	8,401,697	8,511,455
Use of money and property	3,458,204	5,228,621	6,279,652	5,680,333	4,929,845	3,512,619	3,760,501	3,146,954	2,499,563	2,795,350
Fines and forfeitures	889,437	1,117,196	1,984,683	1,845,838	1,875,287	1,785,067	1,634,786	1,663,966	1,836,166	1,960,083
Other revenues	760,816	787,722	559,093	1,703,984	999,916	1,447,680	2,948,048	1,062,143	1,816,196	2,147,500
Total Revenues	84,092,213	91,077,142	92,971,328	90,160,189	88,262,501	88,177,849	91,638,205	90,514,000	90,256,568	97,031,233
Expenditures:										
Current:										
General government	10,531,849	9,878,387	9,033,018	8,693,889	7,901,358	7,582,969	8,085,175	9,285,279	9,157,309	9,757,869
Public safety	35,109,834	38,254,942	40,909,913	42,869,798	41,964,634	41,450,374	42,244,015	42,480,962	43,653,885	48,274,212
Housing and community development	11,341,953	11,960,230	13,970,479	17,569,049	16,392,441	12,882,944	13,549,748	9,360,093	9,116,267	8,883,086
Cultural and leisure services	8,658,356	9,120,765	9,780,910	7,372,691	7,427,423	6,671,934	5,282,197	8,567,569	8,789,002	10,023,420
Public works	9,409,898	10,218,116	11,046,771	9,554,993	8,787,700	9,450,771	7,395,866	9,212,829	9,362,140	10,325,935
Capital outlay	3,356,314	5,318,230	4,121,712	5,683,727	11,562,615	8,384,700	5,491,358	6,357,661	1,248,965	7,382,451
Debt service:										
Principal	1,984,826	757,671	1,526,811	3,448,829	2,492,055	777,554	1,750,000	1,380,000	665,000	695,000
Interest	2,130,871	1,698,884	2,902,761	1,738,532	1,069,040	1,017,824	641,376	270,903	240,736	187,296
Debt issuance costs	-	-	-	-	-	-	-	-	-	-
Total Expenditures	82,523,901	87,207,225	93,292,375	96,931,508	97,597,266	88,219,070	94,354,704	86,915,296	82,233,304	95,529,269
Excess of Revenues Over (Under) Expenditures	1,568,312	3,869,917	(321,047)	(6,771,319)	(9,334,765)	(41,221)	(2,716,499)	3,598,704	8,023,264	1,501,964
Other Financing Sources (Uses):										
Transfers in	3,296,665	6,611,051	11,074,552	5,482,661	2,707,679	17,341,414	11,497,255	3,223,702	2,768,840	1,394,604
Transfers out	(4,496,995)	(7,853,397)	(6,630,271)	(4,595,668)	(2,743,425)	(15,834,081)	(13,478,178)	(4,437,317)	(4,160,973)	(3,150,572)
Refunding bonds issued	-	-	7,645,000	700,000	-	-	-	-	-	-
Other debts issued	736,338	476,292	648,720	547,789	589,314	301,197	246,200	-	-	-
Bond premium	-	-	227,862	-	-	-	-	-	-	-
Refunding bonds redeemed	-	-	(7,645,000)	(700,000)	-	-	-	-	-	-
Gain (loss) on Redevelopment Agency dissolution	-	-	-	-	-	-	13,523,123	-	-	-
Total Other Financing Sources (Uses)	(463,992)	(766,054)	5,320,863	1,434,782	553,568	1,808,530	11,788,400	(1,213,615)	(1,392,133)	(1,755,968)
Net Change in Fund Balances	\$ 1,104,320	\$ 3,103,863	\$ 4,999,816	\$ (5,336,537)	\$ (8,781,197)	\$ 1,767,309	\$ 9,071,901	\$ 2,385,089	\$ 6,631,131	\$ (254,004)
Debt service as a percentage of noncapital expenditures	5.48%	3.09%	5.23%	6.03%	4.32%	2.30%	2.77%	2.09%	1.13%	1.01%

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

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

Fiscal Year Ended June 30	City				Redevelopment				Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Exemptions	Taxable Assessed Value	
2006	\$ 8,791,344,602	\$ 347,996,542	\$ (69,771,516)	\$ 9,069,569,628	\$ 272,239,842	\$ 58,002,148	\$ (537,132)	\$ 329,704,858	0.273%
2007	9,681,892,573	375,435,811	(47,879,656)	10,009,448,728	347,940,107	55,919,195	(547,874)	403,311,428	0.261%
2008	10,414,844,031	363,370,583	(75,561,247)	10,702,653,367	371,338,622	62,307,947	(771,134)	432,875,435	0.245%
2009	10,967,218,597	377,551,863	(67,013,974)	11,277,756,486	371,987,381	64,908,544	(158,162)	436,737,763	0.244%
2010	11,070,789,692	362,332,212	(66,883,744)	11,366,238,160	409,520,646	55,988,588	(866,778)	464,642,456	0.250%
2011	11,088,815,868	609,276,121	(82,655,891)	11,615,436,098	397,519,636	31,015,873	(864,841)	427,670,668	0.235%
2012	11,385,441,715	432,094,319	(56,430,405)	11,761,105,629	389,564,455	54,640,221	(658,821)	443,545,855	0.232%
2013	11,606,153,109	503,602,130	(59,615,627)	12,050,139,612	441,667,976	37,592,938	(671,996)	478,588,918	0.245%
2014	12,119,561,792	479,888,191	(86,536,840)	12,512,913,143	453,832,698	38,326,859	(352,000)	491,807,557	0.232%
2015	12,740,467,541	424,217,169	(73,103,981)	13,091,580,729	470,317,505	55,967,662	(221,000)	526,064,167	0.231%

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 2014-15 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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
City basic rate	0.16617	0.16617	0.16617	0.16539	0.16539	0.16539	0.16539	0.16539	0.16539	0.16539
Redevelopment agency	1.00604	1.00541	1.00450	1.00430	1.00430	1.00370	1.00370	-	-	-
Overlapping Rates:										
Los Angeles County Detention Facilities 1987 Debt	0.00080	0.00066	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Flood Control	0.00005	0.00005	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Metropolitan Water District	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350
Community College	0.01838	0.03570	0.01647	0.01703	0.01487	0.01614	0.01688	0.01849	0.01750	0.01742
Unified School District	0.03336	0.02970	0.02844	0.04714	0.05519	0.06977	0.08610	0.08162	0.09242	0.09689
Total Direct Rate	0.18234	0.21166	0.18715	0.18608	0.18774	0.18818	0.18575	0.18746	0.15783	0.16226

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 2014/2015 Tax Rate Table

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

Taxpayer	2015		2006	
	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.)	\$ 481,690,805	3.54%	\$ 201,499,509	2.14%
South Bay Center SPE LLC	231,695,543	1.70%	159,220,340	1.69%
AES Redondo Beach, LLC	145,825,701	1.07%	210,269,472	2.24%
The Kobe Group INC	70,897,625	0.52%	-	-
Noble House Recp Hotel Venture LLC	64,693,705	0.48%	-	-
LPF Redondo Beach INC	45,762,228	0.34%	-	-
HPT IHG 2 Properties Trust	44,733,208	0.33%	46,528,423	0.50%
MKEG P LLC	38,661,134	0.28%	-	-
Lightning Propco I LLC	35,356,702	0.26%	-	-
SCG 616 Esplanade Street LLC	34,297,765	0.25%	-	-
TRW, INC	-	-	169,590,534	1.80%
Portofino Partners	-	-	32,568,791	0.35%
Space Technology Lab INC	-	-	31,039,640	0.33%
Harbor Cove Limited	-	-	30,384,780	0.32%
Avalon California Value LLC	-	-	24,557,664	0.26%
Haagen Redondo LLC	-	-	24,177,027	0.26%
	<u>\$ 1,193,614,416</u>	<u>8.77%</u>	<u>\$ 929,836,180</u>	<u>9.89%</u>

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

Source: HdL Coren & Cone, Los Angeles County Assessor 2014/2015 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
2006	\$ 19,954,589	\$ 19,442,404	97.43%	\$ 455,758	\$ 19,898,162	99.72%
2007	21,893,557	21,130,547	96.51%	477,535	21,608,082	98.70%
2008	23,253,318	22,214,291	95.53%	646,294	22,860,585	98.31%
2009	24,948,068	23,904,011	95.82%	1,156,615	25,060,626	100.45%
2010	25,278,747	24,462,121	96.77%	1,204,949	25,667,070	101.54%
2011	25,809,271	25,195,837	97.62%	1,083,378	26,279,214	101.82%
2012	26,025,500	25,493,811	97.96%	799,155	26,292,966	101.03%
2013	27,652,911	27,193,269	98.34%	789,478	27,982,747	101.19%
2014	29,413,514	28,953,089	98.43%	487,130	29,440,219	100.09%
2015	31,503,828	31,035,789	98.51%	451,369	31,487,158	99.95%

Source: County of Los Angeles Auditor-Controller

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

Fiscal Year	Governmental Activities							Business-type Activities				Total Primary Government	Percentage of Personal Income *	Per Capita
	Tax Allocation Bonds	Revenue Bonds	Refunding Revenue Bonds	Loans	Net Pension Liability	Capital Leases	County AB 1484	Wastewater Revenue Bonds	Construction Loans	Net Pension Liability	Capital Leases			
2006	\$ 3,085,000	\$ 8,965,000	\$ 2,500,000	\$ 13,953,397	\$ -	\$ 12,961	\$ -	\$ 9,903,524	\$ 4,399,037	\$ -	\$ -	\$ 42,818,919	11.60%	\$ 638
2007	3,010,000	8,765,000	2,380,000	14,067,018	-	919	-	9,715,898	4,181,161	-	-	42,119,996	10.79%	624
2008	2,930,000	-	10,113,873	14,508,927	-	45,219	-	9,523,272	3,953,480	-	-	41,074,771	9.94%	609
2009	-	-	9,759,884	14,872,887	-	33,169	-	9,325,646	3,715,553	-	-	37,707,139	9.37%	557
2010	-	-	8,870,895	13,840,146	-	20,686	-	9,118,020	3,466,920	-	-	35,316,667	8.76%	519
2011	-	-	8,126,906	14,088,789	-	887,204	-	8,905,394	3,207,098	-	-	35,215,391	8.37%	526
2012	-	-	6,357,917	-	-	883,933	7,700,000	8,682,769	2,935,586	-	-	26,560,205	6.00%	396
2013	-	-	4,958,928	-	-	884,094	-	8,450,143	2,651,854	-	-	16,945,019	3.64%	251
2014	-	-	4,271,142	-	-	444,896	-	7,755,117	2,355,354	-	-	14,826,509	2.97%	219
2015	-	-	3,553,356	-	103,365,362	750,436	-	7,503,861	2,045,512	11,201,504	114,597	128,534,628	-	1,888

NOTES: * Personal income data was not available from the California Department of Finance subsequent to fiscal year 2013/2014. 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, 2015

City Assessed Valuation		\$	13,617,644,896	
Incremental Valuation			491,635,264	
Total Assessed Valuation		\$	<u>13,126,009,632</u>	
	Percentage Applicable		Outstanding Debt 6/30/15	Estimated Share of Overlapping Debt
Direct Debt:				
Successor Agency Credit Facility	100%	\$	495,000	\$ 495,000
2014A Wastewater Revenue Refunding Bonds	100%		7,005,000	7,005,000
2014A Wastewater Revenue Refunding Bonds Unamortized Bond Premium	100%		498,861	498,861
Boating & Waterways Construction Loan 88-21-84	100%		567,581	567,581
Boating & Waterways Construction Loan 89-21-147	100%		1,477,931	1,477,931
Capital Leases	100%		865,033	865,033
Public Financing Authority 2008 Refunding Revenue Bonds	100%		3,485,000	3,485,000
Public Financing Authority 2008 Unamortized Bond Premium	100%		68,356	68,356
Total direct debt			<u>14,462,762</u>	<u>14,462,762</u>
Overlapping Debt:				
Redondo Beach Unified School District DS 2008 Ser A	100%		1,129,958	1,129,958
Redondo Beach Unified School District DS 2008 Ser B	100%		23,471,815	23,471,815
Redondo Beach Unified School District DS 2008 Ser C	100%		12,760,000	12,760,000
Redondo Beach Unified School District DS 2008 Ser D BABS	100%		22,765,000	22,765,000
Redondo Beach Unified School District DS 2010 Refunding Series 2000A	100%		2,084,172	2,084,172
Redondo Beach Unified School District DS 2010 Refund 2000CDE	100%		9,960,000	9,960,000
Redondo Beach Unified School District DS 2008 Series E	100%		19,908,677	19,908,677
Redondo Beach Unified School District DS 2008 Series F QSCB	100%		21,705,000	21,705,000
Redondo Beach Unified School District DS 2012 Series A	100%		9,890,000	9,890,000
Redondo Beach Unified School District DS 2013 Refunding Series 2000E	100%		97,190,000	97,190,000
* Metropolitan Water District	1.350%		53,296,395	719,324
El Camino CCD DS 2005 REF BONDS	15.347%		26,018,159	3,993,047
El Camino CCD DS 2002 SERIES 2006B	15.347%		79,950,000	12,270,051
El Camino CCD DS 2002 SERIES 2012C	15.347%		180,631,166	27,721,747
El Camino CCD DS 2012 REF BONDS	15.347%		41,490,000	6,367,535
Total overlapping debt			<u>602,250,342</u>	<u>271,936,326</u>
Total direct and overlapping debt		\$	<u>616,713,104</u>	<u>\$ 286,399,088</u>

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

Source: HdL Coren & Cone, Los Angeles County Assessor and Auditor Combined 2014/2015 Lien Date Tax Rolls

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

[illegible]

Source: County of Los Angeles Auditor-Controller

City of Redondo Beach
Pledged-Revenue Coverage
Last Ten Fiscal Years

Wastewater Revenue Bonds						
Fiscal Year Ended June 30,	Wastewater Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2006*	\$ 1,739,414	\$ 783,193	\$ 956,221	\$ 185,000	\$ 478,063	1.44%
2007	1,609,643	798,094	811,549	190,000	472,513	1.22
2008	1,632,533	841,186	791,347	195,000	466,813	1.20
2009	2,238,654	1,036,836	1,201,818	200,000	476,050	1.78
2010	2,371,716	1,106,781	1,264,934	210,000	468,050	1.87
2011	2,376,530	1,023,182	1,353,348	215,000	459,650	2.01
2012	2,469,073	1,241,772	1,227,301	225,000	451,050	1.82
2013	3,469,675	1,201,797	2,267,878	235,000	442,050	3.35
2014**	4,311,350	1,214,545	3,096,805	-	208,634	14.84
2015	5,290,338	1,432,699	3,857,640	225,000	322,459	7.05

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

** The 2014 Wastewater Refunding Revenue Bonds was issued in fiscal year 2013-14 and replaced the 2004 Wastewater Revenue Bonds.

City of Redondo Beach
Demographic and Economic Statistics
June 30, 2015

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income *</u> (in millions)	<u>Per Capita Personal Income *</u>	<u>Unemployment Rate **</u>
2006	\$ 67,112	\$ 369,174	\$ 55,009	4.4%
2007	67,495	390,296	57,826	4.7%
2008	67,488	413,317	61,243	6.6%
2009	67,646	402,281	40,867	10.8%
2010	68,105	403,014	41,025	11.5%
2011	66,970	420,803	42,564	11.9%
2012	67,007	443,006	44,474	11.2%
2013	67,396	466,098	46,530	9.6%
2014	67,717	499,768	49,400	8.7%
2015	68,095	-	-	7.4%

NOTES: * Personal income data was not available from the California Department of Finance subsequent to fiscal year 2013/2014. Per Capita Personal Income is based on the metropolitan area of Los Angeles-Long Beach-Santa Ana, CA. Statistics not available subsequent to fiscal year 2013/2014. ** 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	2015		2006
	Employees	Percentage of Total City Employment	Employees
Northrup Grumman (TRW)	4,591	14.30%	7,256
Redondo Beach Unified School District	710	2.21%	492
City of Redondo Beach	431	1.34%	488
Crowne Plaza Redondo Beach	339	1.06%	-
Cheesecake Factory	261	0.81%	261
United States Post Office	260	0.81%	220
Nordstrom, Inc.	251	0.78%	383
Target Store	217	0.68%	-
DHL Global Forwarding	209	0.65%	244
Macy's (Robinson's May)	203	0.63%	276
Beach Cities Health District	-	0.00%	588
Imperial Bank	-	0.00%	253

Source: City of Redondo Beach

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

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	56	59	60	58	52	52	49	50	49	51
Public Safety										
Police										
Officers	105	105	105	105	99	96	96	96	96	93
Civilians	57	58	58	59	58	59	59	59	60	60
Fire										
Firefighters and Officers	65	64	64	63	60	60	60	60	60	62
Civilians	5	6	6	5	5	3	3	3	3	3
Public Works	102	104	105	105	106	100	95	111	111	111
Cultural and Leisure Services	58	57	54	45	40	37	37	34	33	33
Housing & Community Development	33	34	35	38	30	31	30	15	15	15
Harbor, Business, & Transit	7	9	9	9	8	6	3	3	3	3
TOTAL	488	496	496	487	458	444	432	431	430	431

Source: City of Redondo Beach

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police										
Physical arrests	3,402	3,923	2,702	2,641	2,586	2,464	2,200	2,095	2,141	- *
Traffic citations issued	9,683	12,339	10,955	10,786	10,658	12,217	4,490	4,764	4,966	- *
Fire										
Number of runs - rescues	3,551	3,779	3,932	3,942	4,007	4,016	4,313	4,265	4,338	- *
Number of runs - structures & other	1,087	1,672	1,676	1,495	1,552	1,315	1,743	1,685	1,822	- *
Public Works										
Street rehabilitation (miles)	3.2	3.7	2.3	4.6	1.9	3.5	-	1.5	3.1	1.1
Culture and Leisure Services										
Library										
Number of items borrowed	852,750	844,947	831,354	858,934	809,968	920,941	933,939	806,890	621,139	584,643
Number of visitors	439,060	445,056	446,346	436,347 **	398,583**	437,529	455,030	370,357	333,869	350,958
Recreation and Community Services										
Admissions - Seaside Lagoon	90,966	82,071	76,578	82,921	63,056	63,799	80,381	70,935	82,414	81,328
Number of facility rentals - Seaside Lagoon	409	382	395	415	416	412	352	376	387	381
Housing & Community Development										
Number of permits issued	3,763	3,951	3,270	1,952	2,257	2,832	3,088	2,651	2,955	3,295
Number of plan checks issued	1,566	1,296	1,101	898	990	1,177	1,036	615	1,471	1,559
Number of inspections	19,378	19,916	17,634	12,755	8,605	6,848	8,514	5,048	4,411	10,326
Number of real estate reports	1,051	883	630	577	769	702	737	904	922	973
Number of bus boardings - Transit	169,519	298,206	365,701	393,534	404,983	378,326	403,041	401,827	410,585	415,259
Revenue miles - Transit	232,692	416,435	487,203	452,467	472,604	474,564	475,754	474,140	475,564	459,468

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-station	1	1	1	1	1	1	1	1	1	1
Fire Stations	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (miles)	127	127	127	127	127	127	127	127	127	127
Streetlights *	1892	1892	1892	1892	1892	1892	1892	1892	1892	1892
Street Traffic Controllers	84	84	84	84	84	84	84	84	84	84
Sanitary sewers (miles)	112	112	112	112	112	112	112	112	112	112
Culture and Leisure Services										
Parks	15	15	15	15	15	15	15	15	15	15
Parkettes	13	13	13	13	13	13	13	13	13	13
Total Park Acreage	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26
Boat Slips	1509	1509	1509	1509	1509	1509	1509	1509	1509	1509
Harbor acreage:										
Total water area (exclusive of the pier)	107	107	107	107	107	107	107	107	107	107
Total land area	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
Libraries	2	2	2	2	2	2	2	2	2	2
Community Centers	5	5	5	5	5	5	5	5	5	5

NOTE: * Methodology modification made 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, 2015

This Certification of Continuing Disclosure is provided by the Successor Agency of the City of Redondo Beach and the Redondo Beach Community 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 Public 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 2014-15 fiscal year.

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

1. The audited financial statements of the Successor Agency and the Community Financing Authority for the fiscal year ended June 30, 2015 comprise the book in which this report is included. As such, they contain the amount of all Successor Agency debt outstanding secured by a pledge of tax revenues.
2. During the fiscal year ended June 30, 2015, neither the Successor Agency nor the Community Financing Authority has issued any parity or subordinate debt.
3. During the fiscal year ended June 30, 2015, neither the Successor Agency nor the Community 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, 2015 the Agency had been apportioned \$46,837,412 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
Successor Agency of the City of Redondo Beach
South Bay Center Redevelopment Project
Historical Project Area Valuations
June 30, 2015

	Base Year 1983-84	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<u>Secured *</u>											
Land	\$ 9,772,776	\$ 27,424,247	\$ 51,658,838	\$ 52,688,442	\$ 53,742,204	\$ 56,292,008	\$ 55,363,042	\$ 63,866,252	\$ 65,121,571	\$ 64,955,237	\$ 68,936,775
Impts	16,977,265	164,634,061	178,831,940	182,405,613	185,761,187	202,649,015	191,933,851	182,264,908	230,445,447	227,165,770	239,067,472
Pers Prop	-	1,617	1,514	-	-	-	-	-	-	-	-
Exemptions	-	-	-	-	-	-	-	-	-	-	-
Total Secured	26,750,041	192,059,925	230,492,292	235,094,055	239,503,391	258,941,023	247,296,893	246,131,160	295,567,018	292,121,007	308,004,247
<u>Unsecured</u>											
Land	-	-	-	-	-	-	-	-	-	-	-
Impts	3,023,006	12,261,701	11,408,416	13,236,695	13,336,333	12,530,739	13,273,687	13,028,973	14,769,340	13,789,880	16,189,462
Pers Prop	1,848,954	13,217,135	12,577,271	13,515,052	14,189,166	12,550,901	12,457,717	10,906,075	15,379,059	17,828,352	15,723,406
Exemptions	-	-	-	-	-	(50,000)	(50,000)	-	-	-	-
Total Unsecured	4,871,960	25,478,836	23,985,687	26,751,747	27,525,499	25,031,640	25,681,404	23,935,048	30,148,399	31,618,232	31,912,868
GRAND TOTAL	31,622,001	<u>217,538,761</u>	<u>254,477,979</u>	<u>261,845,802</u>	<u>267,028,890</u>	<u>283,972,663</u>	<u>272,978,297</u>	<u>270,066,208</u>	<u>325,715,417</u>	<u>323,739,239</u>	<u>339,917,115</u>
Incremental Value:		185,916,760	222,855,978	230,223,801	235,406,889	252,350,662	241,356,296	238,444,207	294,093,416	292,117,238	308,295,114
Incremental Value Change:		2,450,618	36,939,218	7,367,823	5,183,088	16,943,773	(10,994,366)	(2,912,089)	55,649,209	(1,976,178)	16,177,876
% Change:		1.34%	19.87%	3.31%	2.25%	7.20%	-4.36%	-1.21%	23.34%	-0.67%	5.54%

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

Source: County of Los Angeles

City of Redondo Beach
Successor Agency of the City of Redondo Beach
South Bay Center Redevelopment Project
Revenue vs. Levy Analysis
June 30, 2015

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Original Charge Secured Value	\$ 192,059,925	\$ 230,492,292	\$ 235,094,055	\$ 239,503,391	\$ 258,941,015	\$ 247,296,893	\$ 246,131,160	\$ 297,200,307	\$ 292,121,007	\$ 308,004,247
Adjustments to Original Charge	50,417,882	-	-	-	(2,894,618)	-	-	-	-	-
Base Year Secured Value	<u>(26,750,040)</u>	<u>(26,750,040)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>
Incremental Secured Value	215,727,767	203,742,252	208,344,014	212,753,350	229,296,356	220,546,852	219,381,119	270,450,266	265,370,966	281,254,206
Tax Rate	<u>0.0100604</u>	<u>0.0100542</u>	<u>0.0100450</u>	<u>0.0100430</u>	<u>0.0100430</u>	<u>0.0100370</u>	<u>0.0100000</u>	<u>0.0100000</u>	<u>0.0100000</u>	<u>0.0100000</u>
Adjusted Levy	2,170,316	2,048,455	2,092,816	2,136,682	2,302,823	2,213,629	2,193,811	2,704,503	2,653,710	2,812,542
Unitary Revenue	<u>27,782</u>	<u>27,587</u>	<u>28,887</u>	<u>31,263</u>	<u>30,311</u>	<u>30,206</u>	<u>31,724</u>	<u>31,898</u>	<u>33,847</u>	<u>34,202</u>
Total Secured/Unitary Levy	<u>2,198,098</u>	<u>2,076,043</u>	<u>2,121,703</u>	<u>2,167,945</u>	<u>2,333,134</u>	<u>2,243,835</u>	<u>2,225,536</u>	<u>2,736,401</u>	<u>2,687,556</u>	<u>2,846,744</u>
Original Charge Unsecured Value	25,478,836	23,985,683	26,751,747	27,525,499	25,031,637	25,681,404	23,935,048	30,466,133	31,667,073	31,912,868
Adjustments to Original Charge	200,319	848,749	2,200,114	549,859	2,168,472	240,106	-	-	-	(174,527)
Base Year Unsecured Value	<u>(4,871,959)</u>	<u>(4,871,959)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>
Incremental Unsecured Value	20,807,196	19,962,473	24,079,901	23,203,398	22,328,149	21,049,550	19,063,088	25,594,173	26,795,113	26,866,381
Tax Rate	<u>0.0100697</u>	<u>0.0100604</u>	<u>0.0100542</u>	<u>0.0100450</u>	<u>0.0100430</u>	<u>0.0100430</u>	<u>0.0100000</u>	<u>0.0100000</u>	<u>0.0100000</u>	<u>0.0100000</u>
Unsecured Adjusted Levy	<u>209,522</u>	<u>200,831</u>	<u>242,103</u>	<u>233,078</u>	<u>224,242</u>	<u>211,401</u>	<u>190,631</u>	<u>255,942</u>	<u>267,951</u>	<u>268,664</u>
Net Total Revenue	<u>2,407,620</u>	<u>2,276,874</u>	<u>2,363,806</u>	<u>2,401,023</u>	<u>2,557,376</u>	<u>2,455,236</u>	<u>2,416,166</u>	<u>2,992,343</u>	<u>2,955,508</u>	<u>3,115,408</u>
Remittance to Agency										
Secured/Unitary Remitted	2,197,703	2,075,997	2,122,507	2,167,741	2,333,113	2,243,814	2,097,340	2,704,482	2,687,556	2,846,702
Unsecured Remitted	207,367	183,272	239,176	224,182	219,123	206,749	-	252,935	264,298	264,321
HOX Payments	-	-	-	-	-	-	-	-	-	-
Total Remittance to Agency:	<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>	<u>2,097,340</u>	<u>2,957,417</u>	<u>2,951,854</u>	<u>3,111,024</u>
% of Collection to Levy	99.89%	99.23%	99.91%	99.62%	99.80%	99.81%	86.80%	98.83%	99.88%	99.86%
Grand Total Revenue										
Secured and Unsecured Revenue	2,405,070	2,259,268	2,361,683	2,391,923	2,552,236	2,450,563	2,097,340	2,957,417	2,951,854	3,111,024
SB 813 Supplemental Payments	(17,379)	117,362	(2,883)	177,804	(51,122)	-	786	-	-	66,224
Redemptions/Open Roll Corrections	(5,534)	4,532	12,925	1,325	36	13	351	-	-	18
Taxpayer Refunds	(23,253)	5	(86)	(628)	(83,212)	(1,476)	30,658	-	(96,843)	(98,408)
Deferral Payments/ Adjustments	(46,423)	(355,390)	(186,859)	(122,005)	(155,747)	(52,554)	-	-	38,608	(5,534)
Total Paid to Agency:	<u>2,312,481</u>	<u>2,025,778</u>	<u>2,184,779</u>	<u>2,448,419</u>	<u>2,262,190</u>	<u>2,396,546</u>	<u>2,129,135</u>	<u>2,957,417</u>	<u>2,893,619</u>	<u>3,073,323</u>
SB 2557 Charges (1)	(28,308)	(29,423)	(31,971)	(31,959)	(38,139)	(39,350)	(37,125)	(43,844)	(42,298)	(42,298)
Housing Set Aside	(517,064)	(405,156)	(436,956)	(489,684)	(452,438)	(479,309)	-	-	-	-
Tax Sharing Payments	(1,011,111)	(716,814)	(880,699)	(1,103,678)	(1,140,974)	(1,021,920)	(1,147,604)	(1,594,048)	(1,559,661)	(1,325,217)
Negative Balance from Prior Year	-	-	-	-	-	-	-	-	-	-
Net Grand Total Revenue:	<u>\$ 755,998</u>	<u>\$ 874,385</u>	<u>\$ 835,153</u>	<u>\$ 823,098</u>	<u>\$ 630,639</u>	<u>\$ 855,966</u>	<u>\$ 944,407</u>	<u>\$ 1,319,525</u>	<u>\$ 1,291,661</u>	<u>\$ 1,705,809</u>

Source: HdL Coren & Cone

City of Redondo Beach
Successor Agency of the City of Redondo Beach
South Bay Center Redevelopment Project
Top Ten Taxable Property Owners
June 30, 2015

	Secured			Unsecured			Total		
	Value	Parcels	Percent of Secured Actual Value	Value	Parcels	Percent of Unsecured Actual Value	Value	Percent of Total Value	Use Code
1. South Bay Center SPE LLC Pending Appeals on Parcels	\$ 231,065,284	4	82.16%	\$ 580,259	1	2.15%	\$ 231,645,543	75.14%	Commercial
2. LPF Redondo Beach Inc.	45,762,228	3	16.27%	-	0	0.00%	45,762,228	14.84%	Commercial
3. 1519 Hawthorne Blvd. LLC Pending Appeals on Parcels	17,973,915	1	6.39%	-	0	0.00%	17,973,915	5.83%	Commercial
4. Walgreen Pending Appeals on Parcels	7,256,540	7	2.58%	447,058	1	1.65%	7,703,598	2.50%	Commercial
5. Nordstrom Inc	-	0	0.00%	5,983,892	2	22.13%	5,983,892	1.94%	Unsecured
6. Outparcel Investment Partners V LLC	5,942,042	1	2.11%	-	0	0.00%	5,942,042	1.93%	Commercial
7. SFM	-	0	0.00%	2,214,449	1	8.19%	2,214,449	0.72%	Unsecured
8. Kohls Department Store Pending Appeals on Parcels	-	0	0.00%	1,616,547	1	5.98%	1,616,547	0.52%	Unsecured
9. Macy's West Stores Inc.	-	0	0.00%	1,397,855	1	5.17%	1,397,855	0.45%	Unsecured
10. American Tower LLC	-	0	0.00%	1,046,747	1	3.87%	1,046,747	0.34%	Unsecured
	\$308,000,009	16	109.51%	\$13,286,807	8	49.14%	\$ 321,286,816	104.21%	
Project Area Incremental Value:	<u>\$281,254,206</u>			<u>\$27,040,908</u>			<u>\$308,295,114</u>		

Source: HdL Coren & Cone

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City of Redondo Beach
Successor Agency of the City of Redondo Beach
South Bay Center Project Area
Recent Appeals History

<u>Owner</u>	<u>APN</u>	<u>Appeal Type</u>	<u>Appeal Status</u>	<u>Original Value</u>	<u>Opinion Value</u>	<u>Proposed Change</u>	<u>Proposed % Change</u>
Currently Pending Appeals (FY Appeals)							
2011-12							
1519 Hawthorne Blvd Llc	4082-019-042	Secured	Pending	17,197,890	8,000,000	(9,197,890)	-53.48%
Debbie Smethers	u	Unsecured	Pending	1,382,690	1,032,090	(350,600)	-25.36%
Erin Stache	u	Unsecured	Pending	1,860,985	930,493	(930,492)	-50.00%
James Kurtzman	4082-018-005	Secured	Pending	17,510,000	8,000,000	(9,510,000)	-54.31%
Living Spaces Furniture Llc	u	Unsecured	Pending	576,279	220,000	(356,279)	-61.82%
Panda Express Inc	u	Unsecured	Pending	138,598	-	(138,598)	-100.00%
Unknown	4082-019-047	Secured	Pending	54,090,359	30,000,000	(24,090,359)	-44.54%
				<u>92,756,801</u>	<u>48,182,583</u>		
2012-13							
Brandon Carver	u	Unsecured	Pending	1,713,281	748,058	(965,223)	-56.34%
Erin Stache	u	Unsecured	Pending	1,841,724	409,996	(1,431,728)	-77.74%
James Kurtzman	4082-018-005	Secured	Pending	17,510,000	8,000,000	(9,510,000)	-54.31%
Living Spaces Furniture Company	4082-019-042	Secured	Pending	17,541,847	12,700,000	(4,841,847)	-27.60%
				<u>38,606,852</u>	<u>21,858,054</u>		
2013-14							
Brandon Carver	u	Unsecured	Pending	949,527	932,418	(17,109)	-1.80%
Forever 21 Retail Inc	u	Unsecured	Pending	768,830	566,104	(202,726)	-26.37%
James Kurtzman	4082-018-005	Secured	Pending	19,550,000	8,000,000	(11,550,000)	-59.08%
Kohl'S Department Store Inc. Lessee Khs South Bay Llc	4082-018-006	Secured	Pending	18,082,038	14,729,748	(3,352,290)	-18.54%
Kohl'S Department Stores, Inc.	u	Unsecured	Pending	1,792,694	400,000	(1,392,694)	-77.69%
Lpf Redondo Beach Inc	4082-019-047	Secured	Pending	45,669,852	39,996,000	(5,673,852)	-12.42%
Tex A. Simmons	4082-019-042	Secured	Pending	17,892,683	8,000,000	(9,892,683)	-55.29%
Victoria Arensky	u	Unsecured	Pending	491,330	293,225	(198,105)	-40.32%
Walgreen Company	4081-026-010	Secured	Pending	113,059	75,000	(38,059)	-33.66%
Walgreen Company	4081-026-008	Secured	Pending	641,684	400,000	(241,684)	-37.66%
Walgreen Company	4081-026-013	Secured	Pending	543,792	300,000	(243,792)	-44.83%
Walgreen Company	4081-026-012	Secured	Pending	370,030	200,000	(170,030)	-45.95%
Walgreen Company	4081-026-011	Secured	Pending	775,797	500,000	(275,797)	-35.55%
Walgreen Company	4081-026-009	Secured	Pending	244,728	150,000	(94,728)	-38.71%
Walgreen Company	4081-026-003	Secured	Pending	4,534,658	3,000,000	(1,534,658)	-33.84%
				<u>112,420,702</u>	<u>77,542,495</u>		

City of Redondo Beach
Successor Agency of the City of Redondo Beach
South Bay Center Project Area
Recent Appeals History

2014-15

1519 Hawthorne Blvd, Llc C/O Living Spaces Furniture	4082-019-042	Secured	Pending	17,973,915	8,986,958	(8,986,957)	-50.00%
Brandon Carver	u	Unsecured	Pending	960,436	863,728	(96,708)	-10.07%
Fc South Bay Outparcel Llc	4082-018-006	Secured	Pending	29,500,000	15,000,000	(14,500,000)	-49.15%
James Kurtzman	4082-018-005	Secured	Pending	21,380,000	8,000,000	(13,380,000)	-62.58%
Joan To Dental Corporation	u	Unsecured	Pending	340,990	170,495	(170,495)	-50.00%
Kohl'S Department Stores, Inc.	u	Unsecured	Pending	1,616,547	775,000	(841,547)	-52.06%
South Bay Center Spe Llc/Macy'S West Stores Inc/Macy's Ca Rlty	4082-018-004	Secured	Pending	25,919,011	17,000,000	(8,919,011)	-34.41%
Victoria Arensky	u	Unsecured	Pending	447,058	275,000	(172,058)	-38.49%
Walgreen Company	4081-026-008	Secured	Pending	644,597	322,000	(322,597)	-50.05%
Walgreen Company	4081-026-010	Secured	Pending	113,572	57,000	(56,572)	-49.81%
Walgreen Company	4081-026-003	Secured	Pending	4,555,244	2,277,000	(2,278,244)	-50.01%
Walgreen Company	4081-026-009	Secured	Pending	245,839	123,000	(122,839)	-49.97%
Walgreen Company	4081-026-011	Secured	Pending	779,319	390,000	(389,319)	-49.96%
Walgreen Company	4081-026-012	Secured	Pending	371,709	186,000	(185,709)	-49.96%
Walgreen Company	4081-026-013	Secured	Pending	546,260	273,000	(273,260)	-50.02%
				105,394,497	54,699,181		

Most Recently Resolved Appeals Among Owners with Pending Appeals

	<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>
2010-11							
James Kurtzman	4082-018-005	Secured	Assessor Reduced	17,510,000	16,200,000	(1,310,000)	-7.48%
Macy's West Stores Inc.	u	Unsecured	Assessor Reduced	2,531,639	1,834,336	(697,303)	-27.54%
2011-12							
Macy S West Stores Inc	u	Unsecured	Assessor Reduced	2,163,988	1,605,833	(558,155)	-25.79%
2012-13							
Scott B. Brown	4082-018-004	Secured	Assessor Reduced	25,295,953	19,150,000	(6,145,953)	-24.30%
2013-14							
South Bay Center SPE LLC/Macy's West Stores Inc	4082-018-004	Secured	Assessor Reduced	24,214,209	20,500,000	(3,714,209)	-15.34%
2014-15							
NONE							

City of Redondo Beach
Certification of Continuing Disclosure
Redondo Beach Community Financing Authority 2014 Wastewater Refunding Revenue Bonds
(Wastewater System Financing Project)
June 30, 2015

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

This Certification is made pursuant to the requirements of Section 3(a) of the Continuing Disclosure Certificate with respect to the 2014-15 fiscal year.

The City and the Community 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, 2015 comprise the book in which this report is included.
2. During the fiscal year ended June 30, 2015, neither the City nor the Community 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 Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Use Classification										
Each single family dwelling unit	\$ 5.00	\$ 5.00	\$ 5.00	\$ 7.00	\$ 7.12	\$ 7.12	\$ 7.25	\$ 10.25	\$ 13.25	\$ 13.25
Each unit in a 2-3 unit condo structure	5.00	5.00	5.00	7.00	7.12	7.12	7.25	10.25	13.25	13.25
Each unit in a 2-3 unit apartment structure	3.89	3.89	3.89	5.45	5.55	5.55	5.65	7.97	10.31	10.31
Each unit in a 4 or more unit condo structure	3.89	3.89	3.89	5.45	5.55	5.55	5.65	7.97	10.31	10.31
Each unit in a 4 or more unit apartment structure	2.68	2.68	2.68	3.75	3.82	3.82	3.88	5.49	7.09	7.09
Commercial/Industrial/Institutional parcels	0.43	0.43	0.43	0.60	0.61	0.61	0.62	0.88	1.13 *	1.13 *

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

* Per 100 cubic feet of average monthly water usage. 100 cubic feet of water is equal to 748 gallons, average monthly water usage is established based on the latest actual annual water usage record available to the City. On an annual basis, the city will recalculate the monthly charge by using the latest available annual water usage record of each non-residential user at the same \$1.13 per 100 cubic feet rate to set a new monthly rate. Any water proven to be used for boilers, cooling towers or similar devises 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 Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Type of Customer										
Residential	13,211	13,211	13,108	13,102	13,107	13,109	13,105	13,106	13,104	13,105
Industrial	74	74	68	66	61	56	61	61	61	61
Commercial	510	510	451	464	462	466	457	463	463	461
Institutional	64	64	62	89	61	58	61	59	59	59
Mixed use	44	44	42	43	43	42	43	43	43	43
Total	13,903	13,903	13,731	13,764	13,734	13,731	13,727	13,732	13,730	13,729

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

Source: City of Redondo Beach