

Comprehensive Annual Financial Report



City of Redondo Beach, California
For the year ending June 30, 2012



City of Redondo Beach

Redondo Beach, California

Comprehensive Annual Financial Report

For the year ended June 30, 2012

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

City of Redondo Beach
Comprehensive Annual Financial Report
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Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Table of Contents	i
Letter of Transmittal	v
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	xviii
List of Principal Officials.....	xix
Organizational Structure.....	xx
<u>FINANCIAL SECTION</u>	
Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	25
Statement of Activities and Changes in Net Assets	27
Fund Financial Statements:	
Government Fund Financial Statements:	
Balance Sheet.....	31
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	33
Statement of Revenues, Expenditures and Changes in Fund Balances	34
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	36
Proprietary Funds:	
Statement of Net Assets	39
Statement of Revenues, Expenses and Changes in Net Assets	41
Statement of Cash Flows	42

City of Redondo Beach
Comprehensive Annual Financial Report
For the year ended June 30, 2012

Table of Contents

	<u>Page</u>
Fiduciary Funds:	
Statement of Net Assets	45
Statement of Changes in Net Assets	46
Notes to the Financial Statements	47
Required Supplementary Information:	
Budgetary Information.....	108
Defined Benefit Pension Plan	113
Other Post Employment Benefit Plan.....	114
Modified Approach for City Streets Infrastructure Capital Assets.....	115
Supplementary Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet	124
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	127
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Traffic Congestion Relief Special Revenue Fund	130
State Gas Tax Special Revenue Fund	131
Parks and Recreation Facilities Special Revenue Fund	132
Narcotic Seizure/Forfeiture Special Revenue Fund	133
Proposition A Special Revenue Fund.....	134
Proposition C Special Revenue Fund.....	135
Measure R Special Revenue Fund	136
Local Transit Special Revenue Fund	137
Air Quality Improvement Special Revenue Fund.....	138
Storm Drain Special Revenue Fund	139
Street Landscaping and Lighting District Special Revenue Fund.....	140
Community Development Block Grant Special Revenue Fund	141

City of Redondo Beach
Comprehensive Annual Financial Report
For the year ended June 30, 2012

Table of Contents

	<u>Page</u>
Supplementary Information, Continued:	
Disaster Recovery Special Revenue Fund	142
Housing Authority Special Revenue Fund	143
Subdivision Park Trust Special Revenue Fund.....	144
Affordable Housing Special Revenue Fund.....	145
Parking Authority Debt Service Fund	146
Pier Parking Structure Rehabilitation Capital Projects Fund.....	147
Capital Improvement Project Capital Projects Fund	148
Redevelopment Agency Capital Projects Fund	149
Internal Service Funds:	
Combining Statement of Net Assets.....	151
Combining Statement of Revenues, Expenditures and Changes in Net Assets.....	152
Combining Statement of Cash Flows	153
Fiduciary Funds:	
Statement of Fiduciary Net Assets.....	155
Statement of Changes in Fiduciary Assets and Liabilities	156
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters	
Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	158
 <u>STATISTICAL SECTION</u>	
Net Assets by Component	161
Changes in Net Assets	162
Fund Balances of Governmental Funds	165
Changes in Fund Balances of Governmental Funds	166
Assessed Value and Estimated Actual Value of Taxable Property	167
Direct and Overlapping Property Tax Rates	168

City of Redondo Beach
Comprehensive Annual Financial Report
For the year ended June 30, 2012

Table of Contents

	<u>Page</u>
<u>STATISTICAL SECTION, CONTINUED</u>	
Principal Property Taxpayers	169
Property Tax Levies and Collections	170
Ratios of Outstanding Debt by Type	171
Direct and Overlapping Governmental Activities Debt	172
Legal Debt Margin Information	173
Pledged - Revenue Coverage	174
Demographic and Economic Statistics	175
Principal Employers	176
Full - Time Equivalent City Government Employees by Function	177
Operating Indicators by Function	178
Capital Asset Statistics by Function	179
Redondo Beach Redevelopment Agency, South Bay Center Redevelopment Project:	
- Certification of Continuing Disclosure	180
Historical Project Area Valuations	
- Revenue vs. Levy Analysis	182
Top Ten Taxable Property Owners	183
- Recent Appeals History	184
- Redondo Beach Redevelopment Agency, Harbor Center:	
- Certification of Continuing Disclosure	186
- Historical Project Area Valuations	187
- Top Ten Taxable Property Owners	188
Redondo Beach Public Financing Authority, Wastewater System Financing Project:	
- Certification of Continuing Disclosure	189
- Sewer Rates per Month	190
- Sewer Connections by Type of Customer	191

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December 18, 2012

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

The Financial Principles of the City of Redondo Beach require we issue the Comprehensive Annual Financial Report by the second Council meeting in December of each year. Pursuant to this requirement, we hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Redondo Beach, California (City), for the fiscal year ended June 30, 2012. These financial statements are presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants.

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

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

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

PROFILE OF THE CITY OF REDONDO BEACH

The City of Redondo Beach, incorporated in 1892, is located in the South Bay part of Los Angeles County and spans 6.3 square miles. According to the State of California's Department of Finance, Redondo Beach has a population of 67,007 as of January 1, 2012, remaining relatively flat with 2011. The City remains a highly residential, non-industrial community. It is a highly-educated, upscale community where the median cost of a home is \$597,000.

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

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

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

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

Economic Outlook

Since the recession officially ended in June 2009, Redondo Beach, being a coastal city, has fared better than most cities in Southern California. Locally, during FY 2011-2012, Redondo Beach realized an increase of 3.11 % in real property assessed valuations, up from last year's 1.79% increase. Hotel occupancy rates increased by 3.6%, and Transient Occupancy Tax revenue increased by 8.2%, due to improved visitation demand. Utility users' tax revenue remained relatively flat, increasing only 0.87% in FY 2011-2012. Although energy costs increased, they were offset by consumers' enhanced conservation. Redondo Beach continues to exceed the countywide average in total taxable retail sales, ranking 31 out of 89 cities. Redondo Beach experienced a decrease in its unemployment rate from 7.0% in FY 2010-2011 to 6.4% in FY 2011-2012, which is well below the Los Angeles County and State of California FY 2011-2012 unemployment rates of 11.8% and 11.3%, respectively.

Economic Development

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

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

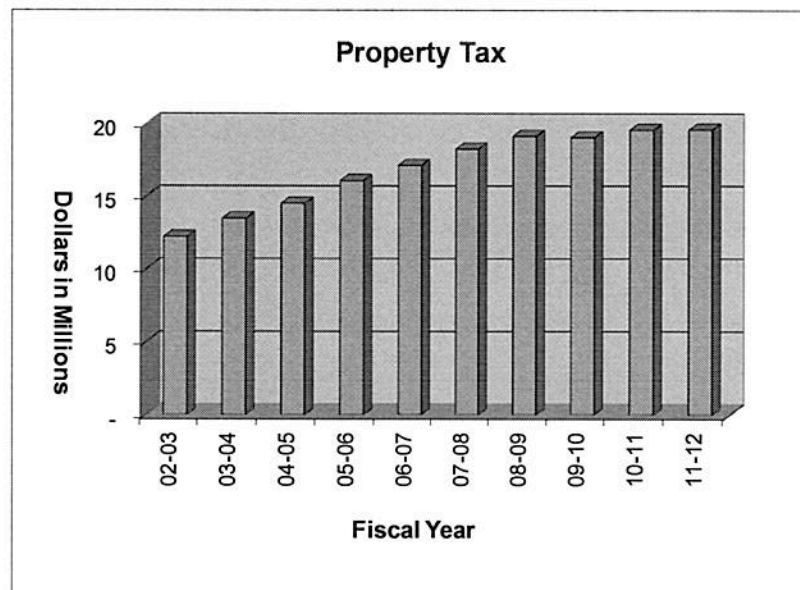
- Revitalizing the Harbor and Pier area through a public-private partnership that will renovate 15 waterfront acres.
- Reinforcing the desirability of the Riviera Village as a destination for shopping, dining, and services through improved signage and enhanced streetscapes.
- Encouraging the continued success of the Artesia Boulevard business district, South Bay Galleria, and the new South Bay Marketplace which includes Nordstrom Rack, Panera Bread, Sprouts Market, Total Wine, Ulta Beauty, and Islands restaurant.
- Attracting business opportunities through the use of economic development incentive agreements, such as the one used to secure the future relocation of Internap Network Services.
- Ensuring growth in the business community through business retention, thereby enhancing the community's overall economic base.
- Making investments in infrastructure, such as new Harbor Patrol and Recreation and Community Services facilities and road improvements to support the local economy.

The City has experienced increases in each of its five major revenue categories: property tax, sales tax, utility users' tax, motor vehicle in lieu tax, and transient occupancy tax. These major sources are discussed in more detail below.

Property Tax

The City's largest revenue source, property tax, is imposed on real property (land and permanently attached improvements, such as buildings) and tangible personal property (moveable property) located within the City. Property is initially assessed by the County Assessor at a tax rate of 1.0% of the assessed value and rising no more than 2.0% each year. The City receives revenues equal to 16.6% of the tax rate from the County of Los Angeles - Auditor/Controller's Office.

Although property tax revenues and real estate sales continue to reflect a weak housing market, City property tax valuations, while slowing from pre-recession levels, continue to be positive. With Redondo Beach being a desirable location, coupled with continued low mortgage interest rates, the FY 2011-2012 citywide assessed valuation amount increased \$369 million, or 3.11%, to \$12.20 billion. The City's assessed valuation amount is derived 80.4% from single-family residential properties, 8.3% from commercial properties, 3.6% from industrial properties, and the remaining 7.7% from vacant and institutional properties. During FY 2011-2012, property tax revenue remained relatively flat, increasing only \$14,846 or 0.08%, to \$19.59 million (includes homeowners' exemption). This was due to continuing steady, but weak economic growth, property reassessments, and sluggish housing sales. Since the recession officially ended in June 2009, the pace of economic growth and the annual increase in property tax revenue appears to be recovering; however, the growth rates are still well below those experienced before the recession.

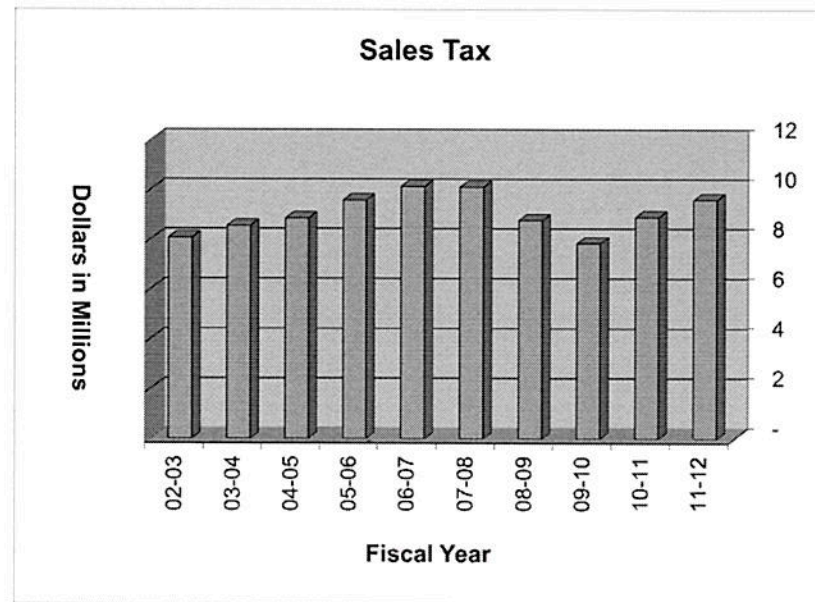


Sales Tax

The City's second largest revenue source is sales tax. Sales tax in Los Angeles County is 9.75% of the sale price of taxable goods and services sold at retail. Redondo Beach receives 1% of taxable sales from the State Board of Equalization. Twenty-five percent of the City's FY 2011-2012 traditional sales tax base is now committed to the State for deficit reduction bonds. This amount is backfilled with, and distributed on the same basis as property tax revenue to the City with a revenue swapping procedure commonly referred to as the "triple flip".

From FY 2002-2003 through FY 2007-2008, local sales tax revenue had shown a consistent strengthening trend reflecting a booming economy that increased sales tax revenues 25.15% over the five-year period. However, with the onset of the 2008 recession and slow economic growth that followed, the City experienced a 22.37% decrease in sales tax revenue from FY 2008-2009 through FY 2009-2010. The economy began to turn in 2010 with a 13.56% increase in sales tax for FY 2010-11. This trend has continued through FY 2011-12, with the City receiving \$9.59 million in sales tax revenue, an increase of \$693,000, or 7.78%, from prior year. This increase is comprised of three parts: \$453,000 due to same store sales, \$143,000 due to a substantial rise in "triple flip" backfill funds noted above, and \$97,000 due to newer retailers such as Living Spaces/Paul's TV, Fanzz, Sofie's Place, Tapa & Vino, and Spenser's Gifts. For this year, sales tax revenue consisted of \$7.30 million in local sales tax revenue and \$2.29 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, thereby enhancing the community's overall economic base. Although sales related to current retail vendors should, at least, show slight increases, the City anticipates significant contributions to sales tax revenue in the coming years as the South Bay Marketplace continues to strengthen, new investment in the Harbor's revitalization comes to fruition, and collection of sales tax by remote sellers, especially Amazon, is enforced.

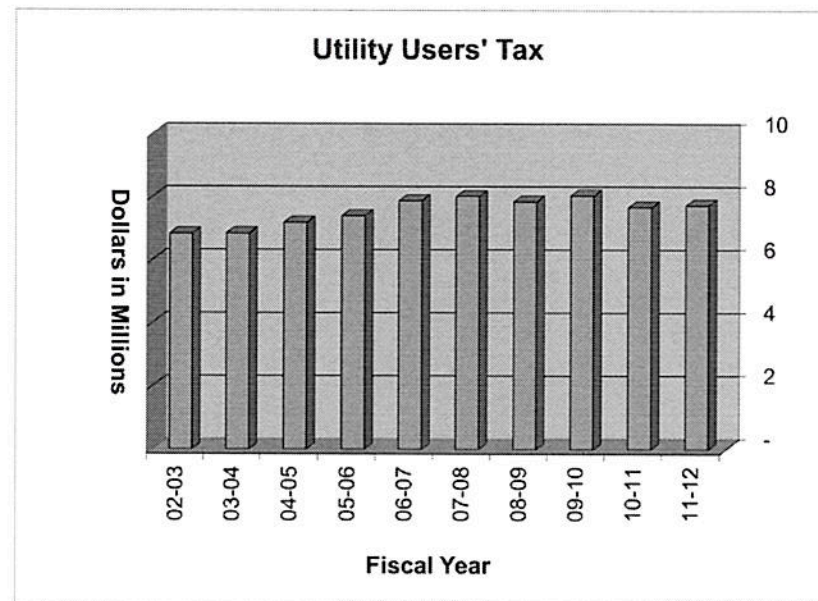


Utility Users' Tax

The City's third largest revenue source, utility users' tax (UUT), is imposed on consumers of electric, gas, cable services, water and telephone services. Federal and state governmental agencies and pay telephone users are exempt. UUT 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 and, therefore, the long-term viability of telecommunications-based UUT revenue (approximately 38%) by placing a measure on the March 2009 ballot to modernize the City's UUT ordinance. This important ballot measure was strongly endorsed by the citizens, passing it by 75%.

UUT revenue dramatically declined in FY 2002-2003 due to utility rate reductions and State mandated energy rebates to consumers. Although there was an increase in UUT telecommunications revenue in FY 2003-2004 due to the application of UUT to wireless communications, any increases were offset by reductions in energy-related UUT sources. Redondo Beach's UUT rate of 4.75% has not increased since 1987; however, the booming economy during the period of FY 2005-2006 through FY 2007-2008 resulted in increased business activity, adding to UUT growth. As the economy recessed in FY 2008-2009, so did UUT.

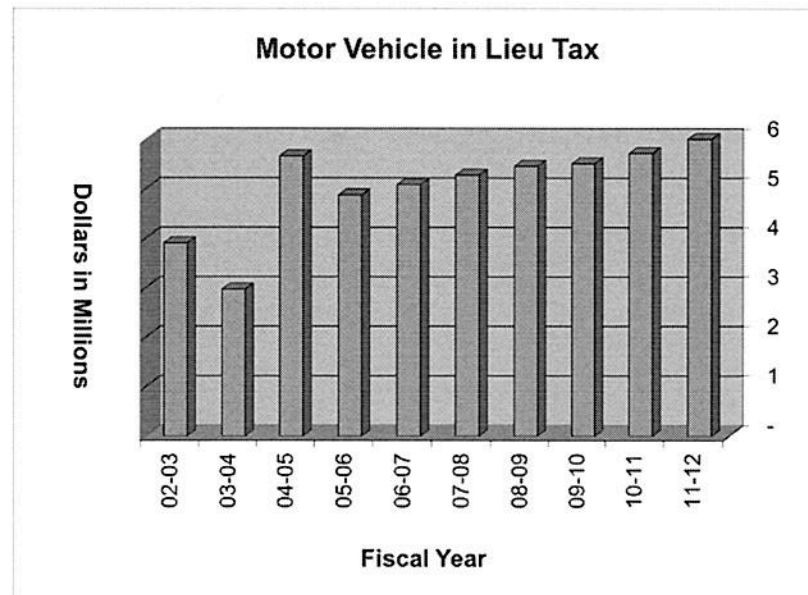
UUT revenue for FY 2011-2012 totaled \$7.73 million, reflecting a slight increase from the prior year of \$66,523 or 0.87%. For FY 2012-13, the initial estimate of UUT revenue is conservatively projected to increase by \$267,000 or 3.4%. This is due to enhanced business activity, mentioned in the "Sales Tax" section above, and increasing consumer confidence.



Motor Vehicle in Lieu Tax

The City's fourth largest revenue source is 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. For each year the vehicle is owned, the assessed fee declines in accordance with a depreciation schedule reflecting the decreased value of the vehicle.

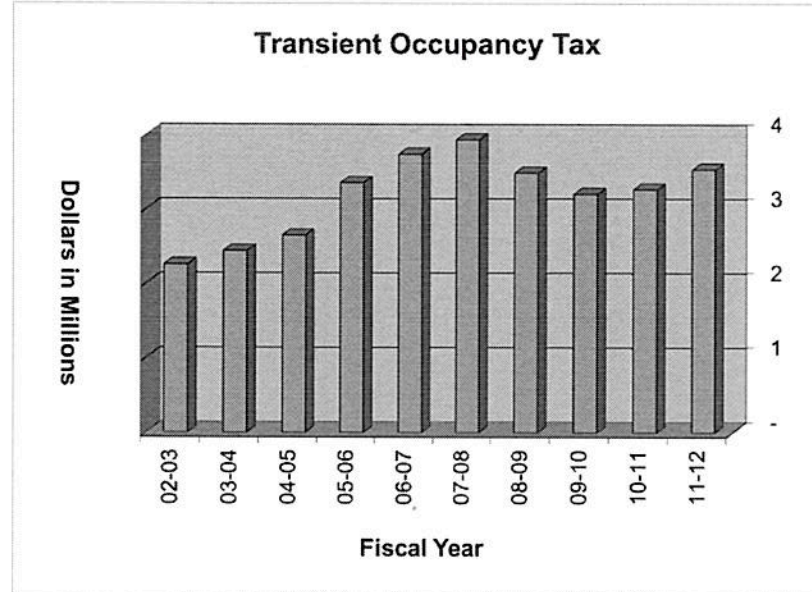
The City experienced a steady increase in Vehicle Licenses Fee (VLF) until FY 2003-2004, when revenue decreased by \$937,000 as a result of State budgetary realignment reducing the VLF apportionment to a tax rate of 0.65%. In FY 2003-2004, the State Budget Act of 2004 substantially changed the allocation of VLF revenues to cities and counties. With this, the backfill of 1.35% referenced above was distributed in the form of property tax revenues and the official name of the tax was changed to Motor Vehicle in Lieu Tax (MVIL). In FY 2004-2005, the MVIL revenue increased by \$2.7 million to \$5.7 million. This increase was attributed to the State's advance repayment of \$1.1 million in MVIL funds loaned to the State from prior year, adjustments to prior period apportionments, and implementation of the revised State allocation formula. Since FY 2005-2006, the City has experienced steady increases in MVIL revenue due to the growth in both VLF revenues and gains in property tax in lieu. In FY 2011-2012, MVIL revenue totaled \$6.02 million, increasing \$307,972, or 5.4%, from prior year. This increase comprises gains in VLF and property tax in lieu revenues of \$233,390 and \$74,582, respectively.



Transient Occupancy Tax

The City's fifth largest revenue source, transient occupancy tax (TOT), is imposed on occupants of hotel, motel, inn, tourist home or other lodging facilities unless such occupancy is for 30 days or longer. The tax is applied to the customer's lodging bill at a rate of 12%, which 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.

Beginning in FY 2004-2005 through FY 2007-2008, TOT revenues more than recovered from the adverse impacts of 9/11, reflecting a booming economy that increased TOT revenues 61.2% over the four-year period. In 2008, Redondo Beach tourism demand did not escape the affect of the global recession. From FY 2007-2008 to FY 2009-2010, TOT revenues decreased 18.5%, or \$728,964. Although FY 2010-2011 occupancy rates remained flat when compared to prior year, TOT revenue slightly increased \$63,164 to \$3.27 million due to marginally higher room rates. The improvement in TOT revenue for FY 2010-2011 was exceeded in FY 2011-2012, as TOT revenue increased by \$266,000, or 8.2%, to \$3.53 million. The initial estimate of TOT revenue for FY 2012-2013 has been conservatively reduced to \$3.45 million, as the City anticipates both occupancy and room rates to decline due to scheduled remodeling of the Crown Plaza and Sunrise Best Western hotels.



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 2011-2012 adopted budget. These projects, however, should not be viewed as immediate resolution to existing infrastructure problems, but instead as part of “setting the table” for the future. It will take time to rehabilitate the City’s capital assets, and we anticipate our long-range replacement program will protect the City’s valuable assets for future generations. Meanwhile, the City continues to invest in a number of significant projects:

Street Resurfacing

- Residential Street Rehabilitation - In FY 2011-2012, the City spent \$54,126 on its multi-year residential street rehabilitation program. For FY 2012-2013, the City has budgeted \$1.2 million to continue the residential resurfacing effort. In addition, the FY 2012-2013 budget includes \$250,000 in annual roadway maintenance funds to mitigate the impacts of trash hauling vehicles on City streets.
- Arterial Street Resurfacing - In FY 2011-2012, the City awarded \$850,000 in contracts for resurfacing City arterials. For FY 2012-2013, the City budget includes over \$2.0 million for additional arterial resurfacing, \$70,000 for implementing traffic calming measures, and \$400,000 for sidewalk, curb and gutter improvements.
- Bus Benches & Shelters – The City completed a \$420,000 citywide bus bench and shelter replacement program in FY 2011-2012.
- Esplanade Streetlight Replacement – The City completed a streetlight replacement project along the Esplanade in FY 2011-2012. The \$280,000 project complimented the recently completed Esplanade Streetscape Improvement Project.
- Riviera Village Improvements – The City completed over \$115,000 in streetscape improvements along Catalina Avenue in the Riviera Village in FY 2011-12.

Storm Drain System Improvements

- Water Quality Improvements - The City is continuing to implement an aggressive program to improve the quality of the water discharged from the City’s storm drain system. In FY 2005-2006, a “Water Quality Task Force” was formed to find solutions to recurring “red tides” and water quality issues in the City’s harbor. In FY 2011-2012, the Task Force completed an extensive list of short and long-term action recommendations, with several items considered in the City’s Capital Improvement Program. The FY 2012-2013 budget includes \$33,000 to implement the last of the Task Force’s recommendations – the harbor trash skimmer project.

Sewer Improvements

- Sewer Line Replacement - In FY 2011-2012, the City spent \$1.1 million on upgrades to the City’s sewer facilities system. The FY 2012-2013 budget includes \$3.1 million in funding for sewer facility improvements including a sewer system camera inspection.
- Sewer Pump Station Rehabilitation – In FY 2011-2012, the City spent over \$168,000 on improvements to the City’s sewer pump stations. The FY 2012-2013 budget includes \$4.75 million for upgrades to the City’s sewer pump stations including stations on Portofino Way and Rindge Avenue.

Facility Improvements

- Harbor Patrol Facility – Construction on the new \$2 million 5,000 square foot Harbor Patrol Facility occurred in the fiscal year with a ribbon-cutting event held in August. The environmentally friendly state-of-the art facility will house the City’s Harbor Patrol personnel and Angeles County lifeguard personnel.
- Seaside Lagoon Restroom Facilities – In FY 2011-2012, construction was completed on the \$1 million Seaside Lagoon Restroom Facility. Another major facility currently under design is the new Transit Center.
- Park Improvements – In FY 2011-2012, the City completed approximately \$275,000 of improvements at LaPaz Parkette and Perry Park. The City also completed the \$165,000 Pier and Parks Regulatory Signage Program.
- Waterfront Improvements – In the waterfront, the City completed construction of the new Transient Vessel Dock, repair of the Galveston Wall, and completion of approximately \$800,000 in improvements to the public plaza area on the pier.

CASH MANAGEMENT POLICIES AND PRACTICES

Under the direction of the elected City Treasurer, cash temporarily idle during the year is invested in securities as specified in the City's investment policy. The Treasurer's cash management philosophy is to buy and hold both Federal Agency instruments and high-grade Corporate Medium-Term notes within a structured investment maturity ladder of one to five years. Complimenting these investment instruments, the Treasurer ensures sufficient investment portfolio liquidity by maintaining, on average, approximately 43% of the portfolio's assets in the state managed Local Agency Investment Fund (LAIF).

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

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

In order to ensure liquidity within the investment portfolio, the City maintains approximately \$29 million in LAIF, on average during a fiscal year. The yield provided by LAIF over the past year has decreased in line with the overall decline in interest rates available in the marketplace. Excess investment funds above the liquidity threshold are placed primarily in Federal Agency investments within the one-to-five-year investment maturity range. The continued reduction in market interest rates experienced during fiscal year 2011-2012 constrained investment opportunities that would have served to improve the overall investment yield on the portfolio. As of June 30, 2012, the City's idle funds were invested as follows:

Investment	Market Value*	% of Portfolio	Yield to Maturity
Federal Agency Issues - Coupon	\$ 15,055,780	22.3%	1.35%
LAIF	31,000,000	46.2%	0.34%
Corporate Medium-Term Notes	20,397,054	30.0%	3.00%
Other	997,716	1.5%	
Total Investments/Averages	\$ 67,450,550	100.0%	1.38%
Average Term of Investments			1.90 years

*As required by GASB 31, the City recorded the unrealized gain on certain investments to account for the market value at June 30, 2012. The amount, \$303,713, represents 0.45% of the current market value of the investments within the City's investment portfolio – an insignificant unrealized increase in the City's overall level of financial resources. This unrealized gain in the value of investments results from structural improvements and lower interest rates within the financial marketplace over the past year impacting the market valuation of the City's investments in both Federal Agency issues and Corporate Medium Term Notes. The value of the City's fixed income investments have an inverse relationship to market interest rates, i.e., when market rates rise, investment valuations fall. As stated in the City's Investment Policy, the City utilizes a buy and hold investment strategy, whereby fixed income investments are held to maturity. This results in the return of the full value of the original investment, including associated interest, at the maturity date of the investment. Investment Portfolio value is enhanced by maintaining a well diversified mix of investments consisting of AAA rated Federal Agency Issues, AA rated Corporate Medium-Term Notes, liquid investments within the state's LAIF Investment pool, and participation, when qualified, in the California Statewide Communities Development Authority Tax and Revenue Anticipation Note (TRAN) financing program.

RISK MANAGEMENT

The City maintains a self-insurance program for workers' compensation and liability claims. The program accumulates resources in the Self-Insurance Program internal service fund to meet potential losses. For fiscal year 2011-2012, 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 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, 2012, the City recorded the following:

Workers' Compensation Claims

Claims payable totaled \$12.4 million representing an increase of \$563,121, or 3.79%, from the prior period. This increase is attributable to an increase in reserves based on legislation that changed statutory benefit levels and the outcomes of future administrative proceedings and litigation.

Liability Claims

Claims payable totaled \$2.5 million representing a decrease of \$638,704, or 24.58%, from the prior period. This decrease is attributable to a decrease 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 fiscal year 2011-2012, reimbursement to EDD was \$88,013.

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 with FY 2012-2013, three additional Tier 2 defined benefit pension plans are provided – two more for safety employees (3% at 55 with a 4.5% employee contribution for Fire and 3% at 55 for Police) and one more for miscellaneous employees (2% at 60). 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 2012-2013, the City contributed the employees' required contributions on their behalf and for their account. Tier 2 plans will require most employees to contribute to the cost of their employee contribution. Additionally, as part of the compensation reductions the City negotiated with employee bargaining groups, nearly all employees make a contribution toward the City's employer contribution to CalPERS.

The employer rate for safety employees in FY 2011-2012 was 38.4%, up from 32.7% in FY 2010-2011, with the miscellaneous employees' rate increasing from 11.8% to 14.1%. Rates are projected to increase from FY 2011-2012 levels for the 2012-2013 fiscal year to 40.4% for safety employees and 14.5% for miscellaneous employees. Further increases are expected in the coming years as a result of CalPERS decision to lower the discount rate (rate of return) on its investment portfolio, its announced demographic and actuarial adjustments, and its decision to smooth investment losses from 2008 and 2009 over a period of time.

The total contribution paid by the City toward pension benefits was \$10.1 million, which includes the employer and employer-paid member contributions. Approximately 83.2%, or \$8.4 million, was charged to the General Fund. The anticipated total City contribution for FY 2012-2013 is estimated to be approximately \$10.8 million and is expected to increase again in FY 2013-2014.

Aside from contributing to CalPERS, the City also contributes to Social Security. The FY2011-2012 total cost for Social Security and Medicare coverage was \$1.6 million, of which \$1.0 million, or 62.5%, 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 2011-2012, 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, 2012, the City was providing benefits to 107 participants.

AWARDS

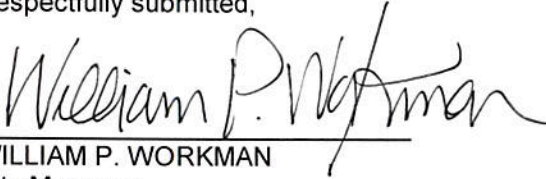
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redondo Beach for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2011. In order to be awarded this certificate, a government must 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 2011-2012, the City will again apply to the GFOA for the Certificate of Achievement for Excellence in Financial Reporting. We believe that our current comprehensive annual financial report continues to meet the criteria to receive this certificate, and we will be submitting it to GFOA for consideration.

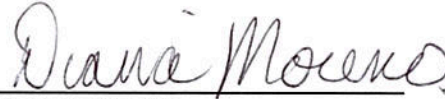
ACKNOWLEDGMENTS

The timely preparation of this report has been accomplished with the efficient and dedicated services of the staff of the Financial Services and Treasury Departments. We also thank the City's independent auditors, 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,



WILLIAM P. WORKMAN
City Manager



DIANA MORENO
Financial Services Director

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, 2011

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



Christopher P. Moynell

President

Jeffrey R. Egan

Executive Director

CITY OF REDONDO BEACH

MAYOR AND CITY COUNCIL



Michael A. Gin
Mayor



Steve Aspel
Councilmember
District 1



Bill Brand
Councilmember
District 2



Pat Aust
Councilmember
District 3



Steven Diels
Councilmember
District 4



Matt Kilroy
Councilmember
District 5

CITY OFFICIALS

William P. Workman
City Manager

Peter Grant
Assistant City Manager



Michael Webb
City Attorney



Eleanor Manzano
City Clerk



Ernie O'Dell
City Treasurer

Joe Hoefgen
Director of Recreation & Community Services

Daniel P. Madrigal
Fire Chief

Steve Huang
City Engineer/Chief Building Official

Pete Carmichael
Harbor, Business and Transit Director

Chris Benson
Information Technology Director

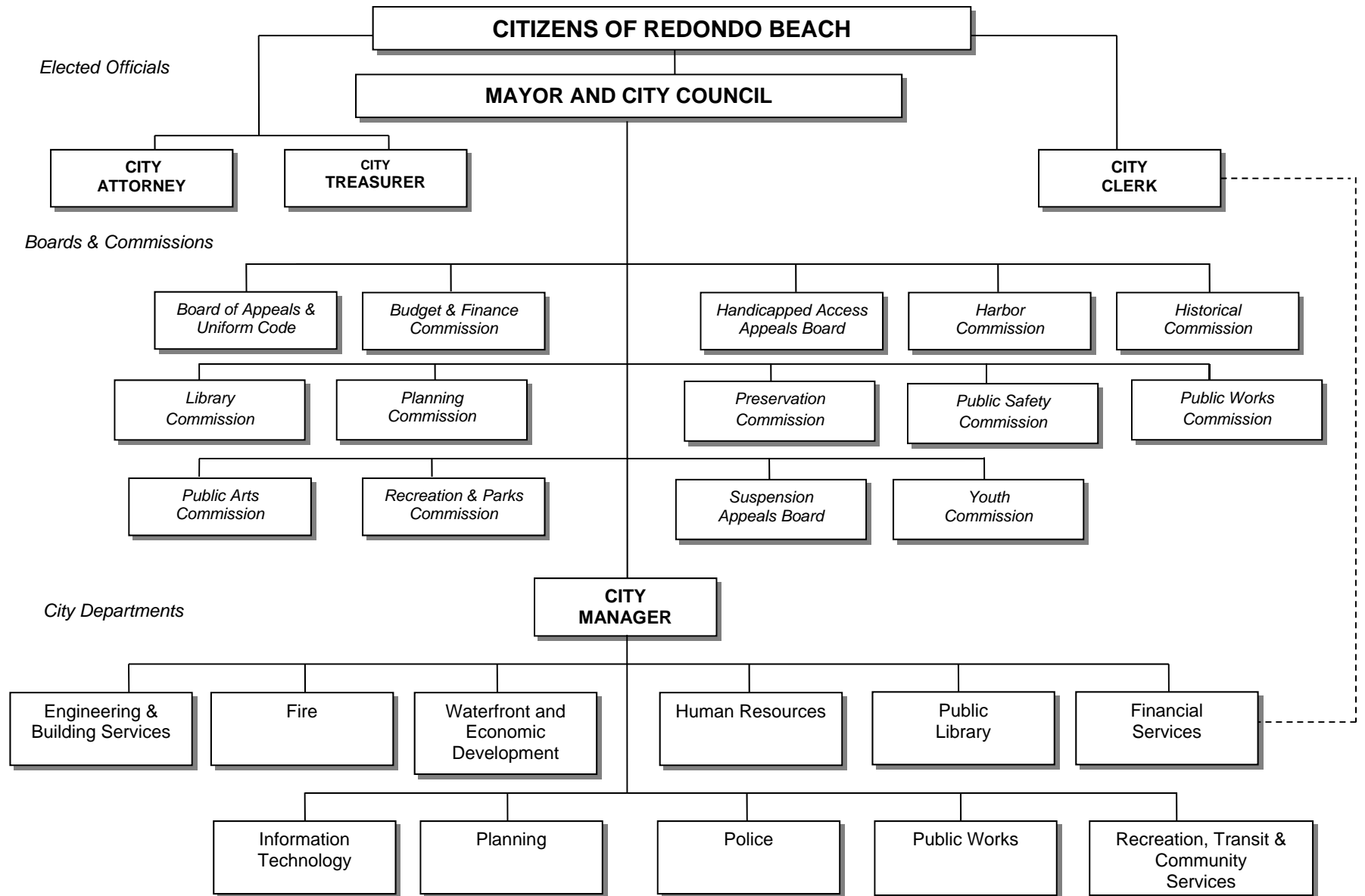
Aaron Jones
Planning Director

W. Joseph Leonardi
Chief of Police

Jean Scully
Director of Library Services

Michael Witzanski
Public Works Director

Diana Moreno
Financial Services Director



**ORGANIZATIONAL CHART
FY 2012-13**



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

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San Bernardino, CA 92408
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909 889 5361 F
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INDEPENDENT AUDITOR'S REPORT

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Scott W. Manno, CPA
Leena Shanbhag, CPA, MST
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Phillip H. Waller, CPA (Retired)

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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

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

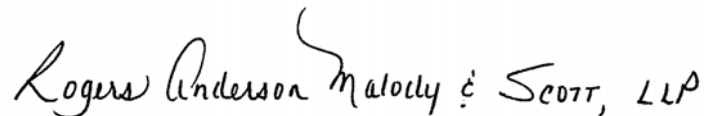
On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 (Bill) that provides for the dissolution of all redevelopment agencies in the State of California. Therefore, as of February 1, 2012, the Redevelopment Agency of the City of Redondo Beach, a component unit of the City ceased to exist. All functions, of the former redevelopment agency either passed to the City or to the Successor Agency of the Redondo Beach Redevelopment Agency.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

December 13, 2012

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, 2012. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the City's financial statements, which follow. Keep in mind that the Financial Highlights, immediately following, are strictly snapshots of information. Net assets, changes in net assets, and fund disclosures are discussed in more detail later in the report.

Financial Highlights - Primary Government

- ♦ *Government-Wide Highlights*

Net Assets - Assets of the City exceeded its liabilities at fiscal year ending June 30, 2012 by \$242.1 million - assets for governmental activities exceeded liabilities by \$183.0 million and assets for business-type activities exceeded liabilities by \$59.6 million.

Changes in Net Assets - The City's net assets increased \$22.1 million in fiscal year 2011-2012. Net assets of governmental activities increased \$24.8 million, while net assets of business-type activities decreased \$2.7 million.

- ♦ *Fund Highlights*

Governmental Funds - At the close of fiscal year 2011-2012, the City's total governmental funds reported a fund balance of \$40.1 million, an increase of \$9.1 million from the prior year. Highlighted below are this year's six-major funds included in this grouping.

General Fund - The fund balance of the General fund (includes Special Revenue – PERS Reserve Fund of \$4.0 million) on June 30, 2012 was \$13.4 million, a decrease of \$264,000. from the prior year.

Other Intergovernmental Grants Special Revenue Fund – The fund balance of the Special Revenue – Other Intergovernmental Grants Fund on June 30, 2012 was negative \$1.3 million, a decrease in the negative fund balance by \$1.71 million from the prior year.

Redevelopment Agency Special Revenue Fund – The fund balance of the Special Revenue – Redevelopment Agency Fund on June 30, 2012 had a zero, balance, a decrease of \$2.9 million from the prior year, a result of the state mandated dissolution of the Redevelopment Agency.

Low-Mod Income Housing Asset Fund - The Fund balance of the Low-Mod Income Housing Asset Fund on June 30, 2012 was \$3.4 million. As a result of the state mandated dissolution of the Redevelopment Agency this fund was created during FY 2011-12 and therefore, had no prior year balance.

Debt Service – Public Financing Authority Fund - The fund balance of the Debt Service – Public Financing Authority Fund on June 30, 2012, was \$7.4 million, a decrease of \$744,877 from the prior year.

Debt Service - Redevelopment Agency Fund - The fund balance of the Debt Service - Redevelopment Agency Fund on June 30, 2012, had a zero balance, an increase of \$15 million from prior year. Increase was due to required transfers as a result of the dissolution of the Redevelopment Agency during FY 2011-12.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

- ♦ *Statement of Net Assets*

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

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

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

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

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

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

Fund Financial Statements

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

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

- ♦ ***Governmental Funds***

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

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

The City has 28 governmental funds, of which six 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 six major funds are: General Fund, Other Intergovernmental Grants Special Revenue Fund, Redevelopment Agency Special Revenue, Low-Mod Income Housing Asset, Public Financing Authority Debt Service Fund, Redevelopment Agency Debt Service Fund. Data from the non-major governmental funds (e.g., State Gas Tax Fund, Local Transit Fund, Storm Drain Fund, Disaster Recovery Fund) are combined into a single, aggregated presentation. The governmental funds financial statements can be found on pages behind the tab section titled Fund Financial Statements. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages behind the tab section titled Non-Major Governmental Funds.

- ♦ *Proprietary Funds*

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

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

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

- ♦ *Fiduciary Funds*

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

Notes to the Financial Statements

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

Required Supplementary Information

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

City of Redondo Beach's Net Assets
Fiscal Year Ended June 30, 2011 and 2012

	Governmental Activities		Business-Type Activities		Total	
Asset	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011
Current and Other Assets	\$ 82,577,571	\$ 63,939,007	\$ 34,046,422	\$ 36,203,044	\$ 116,623,993	\$ 100,142,051
Capital Assets, net depre	143,933,767	141,193,839	40,159,444	40,272,197	184,093,211	181,466,036
Total assets	<u>226,511,338</u>	<u>205,132,846</u>	<u>74,205,866</u>	<u>76,475,241</u>	<u>300,717,204</u>	<u>281,608,087</u>
Liabilities						
Outstanding	24,743,229	40,640,634	11,971,704	12,421,556	36,714,933	53,062,190
Other Liabilities	19,233,339	6,738,720	2,660,186	1,782,357	21,893,525	8,521,077
Total Liabilities	<u>43,976,568</u>	<u>47,379,354</u>	<u>14,631,890</u>	<u>14,203,913</u>	<u>58,608,458</u>	<u>61,583,267</u>
Net Assets						
Investments in Capital Assets						
Net of Related Debt	143,049,826	140,306,635	31,235,358	34,790,325	174,285,184	175,096,960
Restricted	17,861,803	29,890,049	-	-	17,861,803	29,890,049
Unrestricted	<u>21,623,137</u>	<u>(12,443,192)</u>	<u>28,338,618</u>	<u>27,481,003</u>	<u>49,961,755</u>	<u>15,037,811</u>
Total Net Assets, as						
Restated	<u>\$ 182,534,770</u>	<u>\$ 157,753,492</u>	<u>\$ 59,573,976</u>	<u>\$ 62,271,328</u>	<u>\$ 242,108,746</u>	<u>\$ 220,024,820</u>

Total Assets:

Current and Other Assets include: Cash and Investments; Accounts Receivable and Receivables for Taxes, Interest, and Loans; Prepaid costs; Unamortized debt issuance costs; Deposits; Due from other governments; and Restricted assets of Cash with fiscal agent; and Internal Balances (Due to/from and Advances between the business activities and governmental activities).

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

Total Liabilities:

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

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

Net Assets

The chart above reflects the City's combined net assets (governmental and business-type activities) of \$242.1 million at the close of fiscal year ending June 30, 2012.

The largest portion of the City's total net assets (71.9%) reflects investment in capital assets (e.g., land, streets, sewers, buildings, machinery, and equipment) net of outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining City net assets (28.1%) represent resources that are either unrestricted or subject to external restrictions (e.g., certain capital projects, community development, debt services).

Changes in Net Assets

Also noted in the chart above, the City's fiscal year 2011-2012 total net assets increased by \$22.1 million, or 10.0%, from the prior year. The governmental activities net assets increased \$24.8 million, or 15.7%, while the business-type activities net assets decreased \$2.7 million, or 4.3%.

The increase in net assets of governmental activities of \$24.8 million was due to an increase in total assets of \$21.4 million. Within total assets, the increase in capital assets, net of accumulated depreciation, was primarily attributable to the transit bus-shelter and bench project, street light replacement on the Esplanade and LED Street Light Replacement, all of which are new capital assets with essentially no depreciation. These capital asset additions also resulted in a corresponding increase in Investments in Capital Assets, Net of Related Debt. The increase in net assets was offset by decrease in liabilities of \$3.4 million. Other liabilities, specifically accounts payable, increased mainly due to the timing of payments to vendors. Long-term outstanding liabilities, specifically claims and judgments payable decreased, due to reserves related to workers' compensation and general liability claims.. Business activities net assets decreased by \$2.7 million or 4.3%, the decrease was primarily due to the increase in construction expenses related to Seaside Lagoon rehabilitation and construction of the Harbor Patrol Facility Replacement Project as well as lower investment earnings.

**City of Redondo Beach's Changes in Net Assets
Fiscal Year ended June 30, 2011 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011
Revenues:						
Program revenues:						
Charges for services	\$ 20,351,312	\$ 17,075,115	\$ 15,864,430	\$ 15,565,861	\$ 36,215,742	\$ 32,640,976
Operating grants and contributions	8,590,969	8,928,050	1,395,363	1,231,111	9,986,332	10,159,161
Capital grants and contributions	4,582,744	6,976,620	-	-	4,582,744	6,976,620
Total program revenues	33,525,025	32,979,785	17,259,793	16,796,972	50,784,818	49,776,757
General revenues:						
Property taxes	28,335,561	28,320,076	-	-	28,335,561	28,320,076
Sales taxes	9,594,901	8,902,151	-	-	9,594,901	8,902,151
Utilities users taxes	7,422,089	7,667,130	-	-	7,422,089	7,667,130
Motor vehicle license	33,693	310,907	-	-	33,693	310,907
Transient occupancy taxes	3,533,501	3,267,209	-	-	3,533,501	3,267,209
Franchise taxes	1,950,934	1,816,314	-	-	1,950,934	1,816,314
Business license taxes	1,203,591	1,240,024	-	-	1,203,591	1,240,024
Use of money and property	3,371,724	3,585,902	241,958	408,915	3,613,682	3,994,817
Other revenues	2,831,748	1,601,333	181,532	307,915	3,013,280	1,909,248
Gain (loss) on sale of capital asset	73,574	54,076	-	-	73,574	54,076
Total general revenues	58,351,316	56,765,122	423,490	716,830	58,626,697	57,481,952
Total revenue	91,876,341	89,744,907	17,683,283	17,513,802	109,411,516	107,258,709
Expenses:						
General government	8,560,957	7,951,800	-	-	8,560,957	7,951,800
Public safety	43,020,839	41,849,863	-	-	43,020,839	41,849,863
Public works	10,589,076	12,381,276	-	-	10,589,076	12,381,276
Cultural and leisure services	7,389,274	7,002,619	-	-	4,764,407	7,002,619
Housing and community development	13,822,831	13,159,622	-	-	16,299,594	13,159,622
Interest on long-term debt	637,624	1,014,572	-	-	637,624	1,014,572
AB 1484 demand payment	9,914,969	-	-	-	9,914,969	1,014,572
Harbor Tidelands	-	-	7,689,071	5,415,810	7,689,071	5,415,810
Harbor Uplands	-	-	3,952,061	4,571,399	3,952,061	4,571,399
Wastewater	-	-	3,196,442	2,476,972	3,196,442	2,476,972
Solid Waste	-	-	3,431,017	3,574,516	3,431,017	3,574,516
Transit	-	-	3,113,076	3,102,333	3,113,076	3,102,333
Total expenses	93,935,570	83,359,752	21,381,667	19,141,030	115,317,237	103,515,354
Change in net assets before transfers	(2,207,337)	6,385,155	(3,698,384)	(1,627,228)	(5,905,721)	3,743,355
Transfers	(1,017,605)	(758,345)	1,017,605	758,345	-	-
Extraordinary Item						
Gain (loss) on dissolution of Redevelopment Agency	27,858,112		-		27,858,112	-
Change in net assets	24,781,274	5,626,810	(2,680,779)	(868,883)	22,100,495	3,743,355
Net assets, beginning of year as restated	157,753,492	152,126,682	62,254,755	63,140,211	220,008,247	215,266,893
Net assets, end of year	\$ 182,534,770	\$ 157,753,492	\$ 59,573,976	\$ 62,271,328	\$ 242,108,746	\$ 219,010,248

Levels of revenues and expenditures also impact current assets and other liabilities and, therefore, cause changes in net assets. As reflected above, total revenues increased in fiscal year 2011-2012 by \$2.2 million, or 2.1%. Major increases in program revenues are reflected mainly in:

- ♦ charges for services due to an increase in rents and percentages in the Harbor Uplands Fund and growth in parking meter and structure fees, and increased rates for trash collection.
- ♦ general revenues increased primarily due to: sale of property at 900 North Pacific Coast Highway to Auto Nation (Land Rover), a substantial increase in sales tax, and moderate increases to transient occupancy tax and franchise taxes.

Increases were offset by decreases in UUT, motor vehicle license tax, business license tax and use of money and property. The substantial decrease in motor vehicle license tax is due to Senate Bill 89/Assembly Bill 118, enacted in 2011, which shifted vehicle license fee revenue to fund public safety programs that were previously State funded. UUT decreased due to reduced business activity caused by the continuing sluggish economy and energy savings from decreased consumption. The decrease in use of money and property is substantially due to the decline in investment earnings.

Citywide total expenses increased \$10.6 million, or 12.5%, when compared to fiscal year 2010-2011. The substantial increases in expenses for the harbor patrol facility rehabilitation, Riviera Village improvements, sewers facility rehabilitation, and seaside lagoon rehabilitation. The decrease in public works is due to reduced personnel costs, as well as reduced construction expenses related to the LED Streetlight Replacement project, Catalina Harbor Advanced Traffic Signal Management project, Aviation Gym Skylight project. Vehicle replacement costs also decreased, due to extended vehicle service years. Offsetting these decreases are increases in general government, public safety, and housing, community development expenses and AB 1484 demand payments resulted from the dissolution of Redevelopment Agency, as well as transfer of assets from the Redevelopment Agency to the general fund. Although personnel costs were lower resulting from a citywide hiring freeze, employee concessions, and elimination of funding for selected filled and vacant positions, these program expenses increased due to rises in PERS, workers' compensation and general liability claims. Increases in workers' compensation claims are attributable to an increase in reserves based on future legislation or ballot initiatives that may change statutory benefit levels and the outcomes of future administrative proceedings and litigation. Increases in general liability claims are attributable to higher reserves based on future legislation that may affect the tort liability system, and the outcomes of litigation and settlement negotiations primarily related to Seaside Lagoon water quality and the Police Department firing range.

Governmental Activities

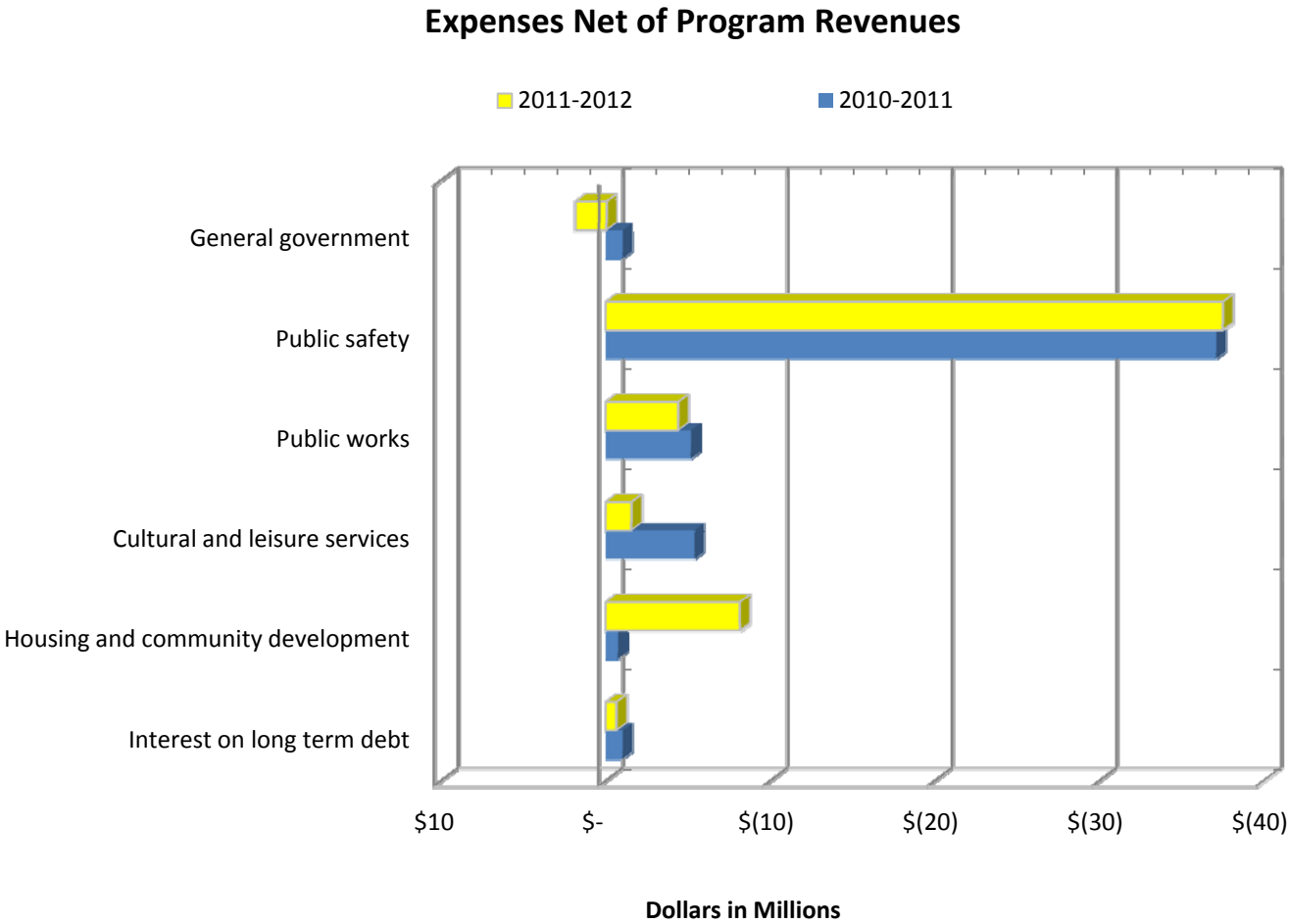
As reflected in the Changes in Net Assets schedule above, the total governmental activity expenses were \$94.0 million in fiscal year 2011-2012; and total revenues from governmental activities were \$91.8 million, of which 36.5% were derived from program revenues consisting of charges for services and grants.

On the following chart, governmental activity expenses net of program revenues, increased \$10.0 million, or 19.9%, in fiscal year 2011-2012. The major impact in FY2011-2012 is the Assembly Bill 1484 demand payment of \$9.9 million. If this amount were removed, net expenses of the governmental activities would be relatively flat when compared to prior year. In addition, the general government net expenses also increased due to the transfer of expenses from the Redevelopment Agency to the General Fund, a result of the State-mandated dissolution of the Redevelopment Agency.

Governmental Activities	Impact to Net Assets		Percent
	2011-2012	2010-2011	Increase (Decrease)
<i>Expenses Net of Program Revenues*</i>			
General Government	\$ 1,855,508	\$ (1,010,323)	-283.7%
Public Safety	(37,482,231)	(37,072,886)	1.1%
Public Works	(4,381,279)	(5,154,946)	-15.0%
Cultural and leisure services	(5,696,885)	(5,393,751)	5.6%
Housing and community services	(4,153,065)	(733,489)	N/M
Interest on long-term debt	(637,624)	(1,014,572)	-37.2%
AB 1484 demand payment	(9,914,969)	-	100.0%
<i>Total Governmental Activity Expenses Net of Program Revenues</i>	<u>(60,410,545)</u>	<u>(50,379,967)</u>	19.9%

*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

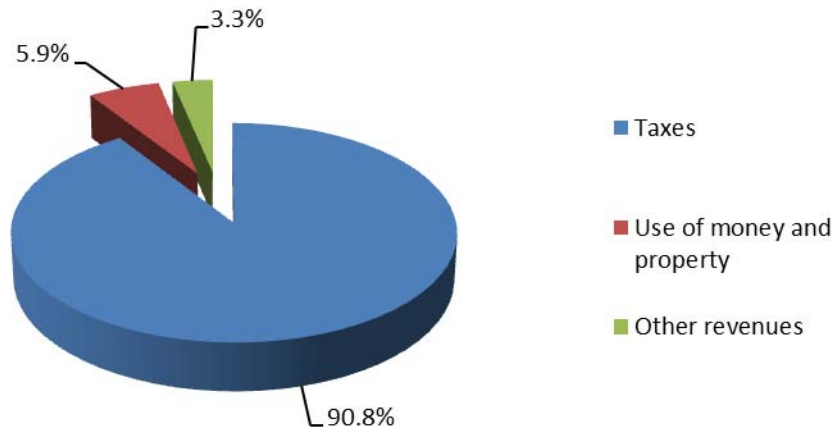


General Revenues Related to Governmental Activities

General Revenues	2011-2012	2010-2011
Taxes	\$ 52,074,270	\$ 51,523,811
Use of money and property	3,371,724	3,585,902
Other revenues	1,887,717	897,064
Total General Revenues	57,333,711	56,006,777

General revenues, which increased only 2.1% over prior year, 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. The largest increase was due to other revenues which included a sale of property at 900 North Pacific Highway to Auto Nation (Land Rover) in addition to moderate increase in sales taxes, transient occupancy tax.

GENERAL REVENUES



Business-Type Activities

The City has five business-type activities: Harbor Tidelands, Harbor Uplands, Solid Waste, Wastewater, and Transit. The total net assets of the business-type activities decreased by \$2.7 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 2011-2012, the total net assets of the Harbor Tidelands decreased \$2.3 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 2011-2012, the total net assets of Harbor Uplands increased by \$104,403 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 2011-2012, the total net assets of Wastewater decreased \$583,772 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 2011-2012, the total net assets of Solid Waste increased \$91,116 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 2011-2012, the total net assets of Transit decreased \$35,056 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

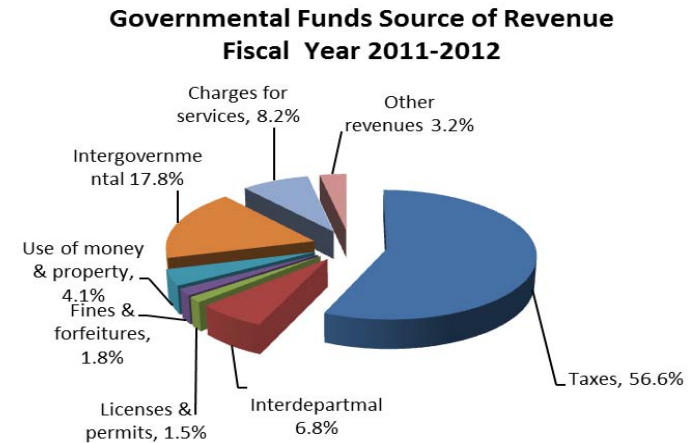
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Please note that unlike the Government-Wide financial statements displayed previously, the fund financial statements which follow are not reflected on a full accrual basis. Therefore, 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, 2012, 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 11-12	Percent of Total	Increase (Decrease) FY 10-11	Percent Increase (Decrease)
Taxes	\$ 51,875,943	56.6%	\$ (107,118)	-0.2%
Interdepartmental	6,249,628	6.8%	134,103	2.1%
Licenses & permits	1,343,422	1.5%	(94,506)	-7.6%
Fines & forfeitures	1,634,786	1.8%	150,281	8.4%
Use of money & property	3,760,501	4.1%	(247,882)	-7.1%
Intergovernmental	16,339,864	17.8%	1,794,523	12.3%
Charges for services	7,486,013	8.2%	343	0.0%
Other revenues	2,948,048	3.2%	1,500,368	103.6%
Total	\$ 91,638,205	100%	\$ 3,130,112	3.5%

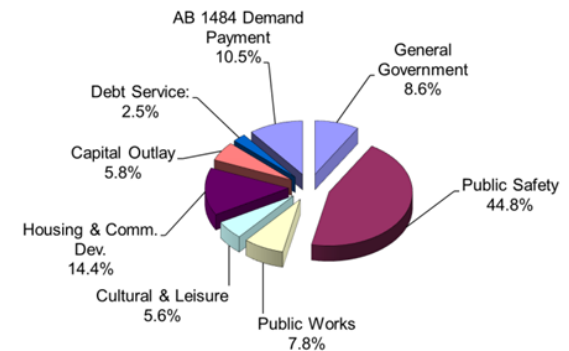


Total governmental fund revenues decreased \$3.1 million, or 3.5%, from fiscal year 2010-2011. Intergovernmental increased \$1.8 million, or 12.3%, due to reimbursements received for completion of grant funded projects. Other revenues increased \$1.5 million, or 103.6%, due primarily to a sale agreement to Auto Nation (Land Rover) at 900N. Pacific Coast

The following schedule is a summary of governmental fund expenditures by function for fiscal year ended June 30, 2012, 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.

<u>Expenditures</u>	<u>FY 11-12 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) Over FY 10-11</u>	<u>Percent Increase (Decrease)</u>
Current:				
General Government	\$ 8,085,175	8.6%	\$ 502,206	6.6%
Public Safety	42,244,015	44.8%	793,641	1.9%
Public Works	7,395,866	7.8%	(2,054,905)	(21.7%)
Cultural & Leisure	5,282,197	5.6%	(1,389,737)	(20.8%)
Housing & Comm. Dev.	13,549,748	14.4%	666,804	5.2%
Capital Outlay	5,491,358	5.8%	(2,893,342)	(34.5%)
Debt Service:	2,391,376	2.5%	595,998	33.2%
AB 1484 Demand Payment	9,914,969	10.5%	9,914,969	100.0%
Total	<u>\$ 94,354,704</u>	<u>100.0%</u>	<u>\$ 6,135,634</u>	<u>7.0%</u>

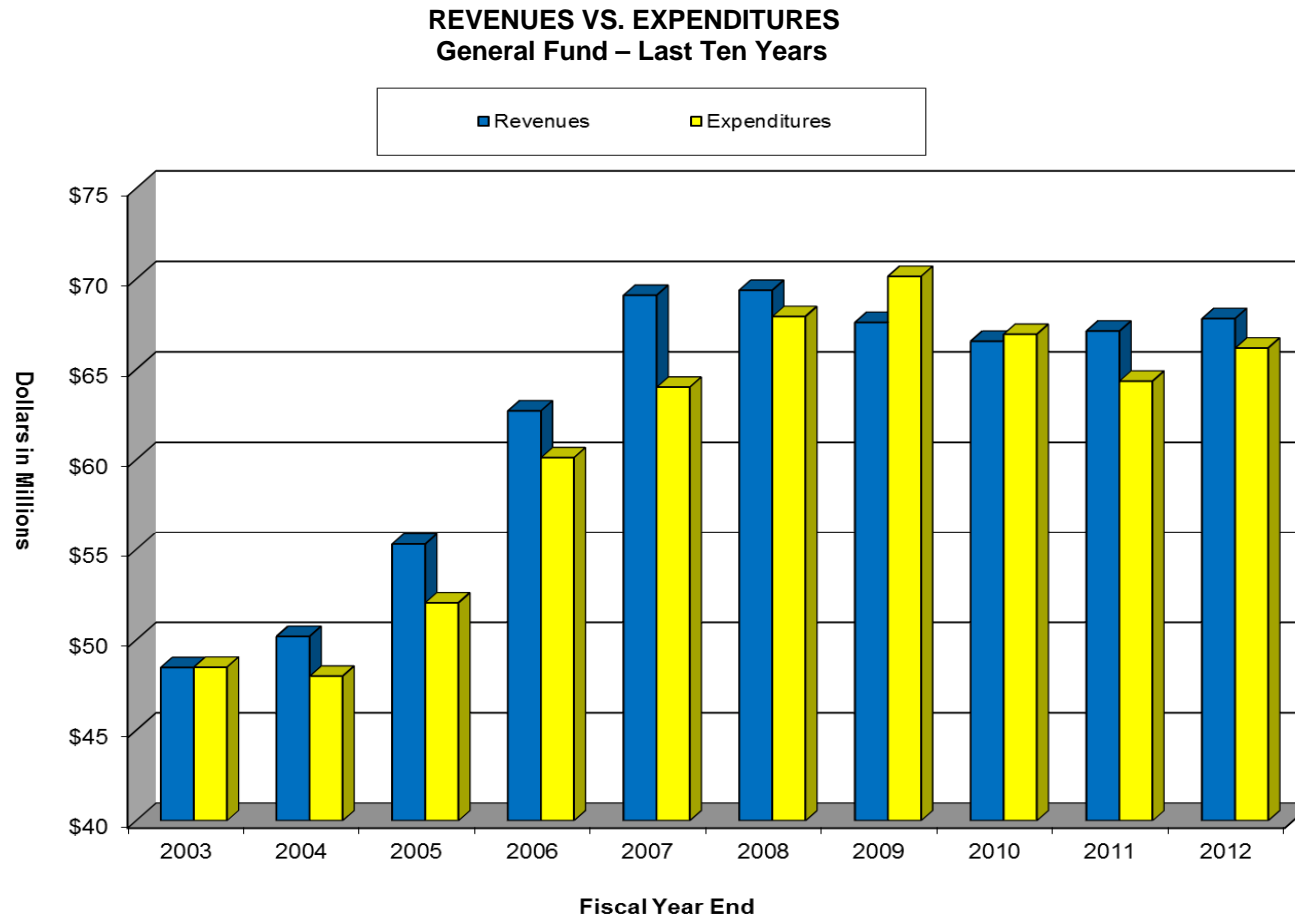
**GOVERNMENTAL FUNDS
EXPENDITURES BY CATEGORIES
FISCAL YEAR 2011-2012**



Total governmental fund expenditures increased \$6.1 million, or 7.0%, from fiscal year 2010-2011. As mentioned earlier, the variances are attributable to:

- General government increased by \$502,206, or 6.6%, primarily due to increases in attorney fees.
- Public safety increased by \$793,641, or 1.9%, due to personnel costs.
- Public Works decreased by \$2.1 million or 21.7% and due to reduced personnel costs, as well as reduced construction expenses related to LED Streetlight Replacement Project, Catalina Harbor Advanced Traffic Signal Management project, Aviation Gym Skylight project, Dale Page and Dominquez Park ADA Restroom improvement projects.
- Cultural and leisure services decreased by \$1.4 million, or 20.8%, due to reduced construction expenses related to the completion of the North Branch Library during the prior FY 2010-11.
- Housing and community development increased by \$666,804, or 5.2%, due to the housing Section 8 voucher program and the associated administrative costs.
- Capital outlay expenditures substantially decreased by \$2.8 million, or 34.5%, primarily due to substantial completion of and, therefore, reduced construction expenses related to the projects mentioned above under Public Works and Culture and Leisure Services.
- Debt service expenditures increased by \$595,998, or 33.2%. The substantial increase was primarily due to the restructure of the Redondo Beach Public Financing Authority Refunding Revenue Bonds (Pier Bonds), an impact of the Redevelopment Agency dissolution.
- As a result of the state mandated dissolution of the Redevelopment Agency, AB 1484 demand payment is a one time payment of Redevelopment Fund that Successor Agency is not allowed to retain.

Although there are six major funds in the City of Redondo Beach which are reported on page one of the Management Discussion and Analysis, the following focuses on the General Fund, the major operating fund of the City.



Impacts of both increases and decreases to General Fund revenues resulted in a net increase of \$690,423, or 1.0%, from fiscal year 2010-2011. The majority of the increase in revenue was due to the sale of property at 900 No. PCH to Auto Nation (Land Rover) as well as a substantial increase in sales tax and moderate increases to TOT and franchise tax.

General Fund expenditures increased by \$1.8 million or 2.8%. As mentioned earlier, increases were due primarily to the transfer of expenses from the Redevelopment Agency to the General Fund, a result of the State-mandated dissolution of the Redevelopment Agency.

General Fund Balance

The fund balance of the General Fund as of June 30, 2012 was \$13.4 million (includes Special Revenue – PERS Reserve Fund of \$4.0 million), a decrease of \$264,000, when compared to the prior year. The City Council approved the constraints of the General Fund balance reflected below.

GENERAL FUND CONSTRAINTS			
	<u>FY 09-10</u>	<u>FY 10-11</u>	<u>FY 11-12</u>
General Fund Contingency	\$ 5,570,473	\$ 5,595,596	\$ 5,712,942
Compensated Absences	972,424	1,088,635	1,108,239
Carryover Designations	990,746	1,283,994	936,283
Encumbrances	431,762	428,183	580,110
Legal Fees	313,000	313,000	-
Self-Insurance Program Fund All	-	350,000	1,375,000
Health Ins Premium Increases	160,000	65,000	41,673
MUNIS Upgrades	-	50,000	-
Future Years' Appropriations	-	-	-
AB1805 - Booking Fees Paid to SI	5,000	-	-
PERS	1,433,167	4,007,236	3,007,236
Petty Cash	17,400	17,300	17,300
Compensation Restoration - POA			151,904
Unassigned Balance	21,644	25,258	-

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

NOTE: Prior year General Fund constraints expire and must be reset by Council for the current audit year. Therefore, the numbers reflected above are absolute, not cumulative.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended fiscal year 2011-2012 budget totaled \$69.8 million, including net amendments of \$2.6 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:

- Appropriation of \$14,950 for the Police Department Investigations Division carpet replacement.
- Increased appropriations of \$584,377 for the elimination of Redevelopment Agency funding.
- Appropriation of \$100,000 for financial system enhancements.
- Appropriation of \$70,942 for partial restoration of employee compensation reductions.
- Appropriation of \$106,305 for employee health insurance benefits.
- Funding of prior-year encumbrances of \$428,183.
- Funding of carry-over appropriations of \$1,283,994.
- Increased mid-year appropriations by \$52,069.

Budget amendments were funded from/credited to available fund balance. During the year, however, revenues exceeded budgetary estimates by approximately \$75,000 and expenditures were \$3.5 million less than budgetary estimates, primarily due to contractual services that were not completed by year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets of the City, including infrastructure assets are those assets used in the performance of the City's functions. At June 30, 2012, net capital assets of the governmental and business-type activities totaled \$144 million and \$40.2 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, 2012 the City's street system was rated at a PQI of 82.

The City's budget for street maintenance for the fiscal year ended June 30, 2012 was \$8.9 million. Actual expenditures were \$1.2 million, with the remaining budget carried forward as continuing appropriations. The City is judiciously investing in this infrastructure asset as part of the five-year Capital Improvement Program and will continue to rehabilitate and maintain its streets in order to achieve this goal. The expenditure required to maintain and improve the overall condition of the streets from July 1, 2012 through June 30, 2014 is a minimum of \$5.2 million.

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

Description	Original Cost	Accumulated Depreciation	Book Value
Capital Assets - Governmental Activities			
Land	\$ 16,522,947	\$ -	\$ 16,522,947
Buildings and Improvements	45,219,249	(15,991,540)	29,227,709
Equipment, Vehicles, Furniture	20,919,877	(13,845,073)	7,074,804
Work in Progress	1,003,491	-	1,003,491
Construction in Progress	7,230,335	-	7,230,335
Infrastructure	126,408,034	(43,533,553)	82,874,481
Total	\$ 217,303,933	\$ (73,370,166)	\$ 143,933,767
Capital Assets - Business-Type Activities			
Land	\$ 11,323,255	\$ -	\$ 11,323,255
Buildings and Improvements	28,006,413	(14,650,139)	13,356,274
Equipment, Vehicles, Furniture	4,051,458	(2,448,668)	1,602,790
Infrastructure	24,324,980	(10,447,857)	13,877,123
Total	\$ 67,706,106	\$ (27,546,664)	\$ 40,159,442

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

DEBT ADMINISTRATION

Debt service funds are used to account for the accumulation of resources for payment of interest and principal on bonds issued by the City. The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita for the fiscal year 2011-2012 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	\$ 14,960,000	0.12%	\$ 223.26

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Fiscal year 2012-2013 finds the City's finances have stabilized, but at a much lower level than we would have forecast. More work has to be done as we maneuver through the next financial and economic challenges. We face strong headwinds from high unemployment, high oil prices, high housing defaults, high pension and health care costs, high regional and global competition, high state and federal deficits, high business failures, and high doubt in government. General Fund revenues from outside sources are projected to increase \$700,000 from fiscal year 2011-2012. Budgetary expectations reflect:

- Property Tax revenue for fiscal year 2012-2013 is conservatively budgeted at \$19,200,000, a decrease of \$200,000 from the amount received in fiscal year 2011-2012, which reflected improvement in the housing market. Redondo Beach's housing market has been fairly stable throughout 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 \$582,000, or 6.1%, to \$10,177,000. Sales tax revenue projections are generally up due to new businesses replacing closures and an increase in consumer spending. Continued increases in consumer spending are expected with a decline in the Los Angeles county unemployment rate and an increase in personal income. This projection is conservatively based on analysis of current trends, including annual adjustments to the State "triple flip" sales tax apportionment, receipts from the City's largest sales tax sources, levels of consumer disposable income, heightened regional sales tax competition and the ups and downs of consumer confidence.
- Utility Users' Tax (UUT) revenue is projected to increase \$578,000, or 7.8%, to \$8,000,000. 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. It reflects average utility usage and no-onetime adjustments, while FY2011-2012 revenues reflected lower utility usage and the set-aside of \$175,000 for a possible refund.

- Franchise Fees are projected to decrease by \$76,000, or 3.9%, to \$1,875,000 for FY 2012-2013. Components of franchise fee revenue include Time Warner cable television operations, Southern California Edison electricity franchise, Southern California Gas operations, Verizon, and taxicab franchise operations. With the exception of revenues from Southern California Gas, revenues from franchise fees reflect moderate increases, which is in line with growth in local operations. Cable television franchise fees represent 48% of the overall franchise fee revenue estimate for FY 2012-13, while projected revenue from the electricity franchise represents 22%. The franchise revenue generated from the sale and transport of natural gas utilized to power the local AES power plant represents 26% of the total franchise fee estimate. Cyclical uncertainties of the deregulated energy environment and their impacts upon the productive utilization rate of the AES power plant require a conservative estimate from this revenue source.
- Investment Earnings for the General Fund for fiscal year 2012-2013 are projected to decrease by \$172,000, or 22.3%, to \$600,000. This decline is attributable to lower interest rates within the investment marketplace, a reduction in the overall size of the portfolio and the financial unfeasibility of the annual TRANS program. Additionally, unrealized gains from the recording of investments at fair market value are not included in budget projections, but are recorded at year end.

Budgeted General Fund appropriations are projected to increase 3.6%, or \$2.4 million, to \$68,582,738. Personnel costs are projected to increase 1.0%, primarily due to the Public Employees Retirement System (PERS) employer contribution rate increases from 14.080% to 14.526% for the miscellaneous group and from 38.386% to 40.391% for public safety. When added to the employee contribution rates of 7% and 9% for the miscellaneous and public safety groups, respectively, the total rates used in calculating the fiscal year 2012-2013 personnel amounts are 21.526% and 49.391%. Maintenance and operating costs also reflect an increase of 33.3%, as the full amount of contracts are typically budgeted, while only partially expended in a single fiscal year.

Since the recession officially ended in June 2009, Redondo Beach, being a coastal city, has fared better than most cities in Southern California. Locally, during FY 2011-2012, Redondo Beach realized an increase of 3.11 % in real property assessed valuations, up from last year's 1.79% increase. Hotel occupancy rates increased by 3.6%, and Transient Occupancy Tax revenue increased by 8.2%, due to improved visitation demand. Utility users' tax revenue remained relatively flat, increasing only 0.87% in FY 2011-2012. Although energy costs increased, they were offset by consumers' enhanced conservation. Redondo Beach continues to exceed the countywide average in total taxable retail sales, ranking 31 out of 89 cities. Redondo Beach experienced a decrease in its unemployment rate from 7.0% in FY 2010-2011 to 6.4% in FY 2011-2012, which is well below the Los Angeles County and State of California FY 2011-2012 unemployment rates of 11.8% and 11.3%, respectively.

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

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Financial Services Department at 415 Diamond Street, Redondo Beach CA 90277, phone 310-318-0683, or e-mail FinanceMail@redondo.org

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF REDONDO BEACH
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 61,021,615	\$ 20,396,868	\$ 81,418,483
Receivables:			
Accounts	1,213,699	624,997	1,838,696
Interest	312,887	75,146	388,033
Taxes	4,759,934	218,044	4,977,978
Notes and loans	4,351,480	188,926	4,540,406
Internal balances	(238,587)	238,587	-
Due from other governments	9,678,073	81,284	9,759,357
Advances to other governments	-	7,878,526	7,878,526
Prepaid items	118,424	2,144	120,568
Deferred charges	165,226	279,693	444,919
Restricted cash and investments with fiscal agents	1,194,820	4,062,207	5,257,027
Capital assets:			
Nondepreciable	78,810,809	11,323,255	90,134,064
Depreciable, net	65,122,958	28,836,189	93,959,147
Total capital assets	143,933,767	40,159,444	184,093,211
Total assets	226,511,338	74,205,866	300,717,204

CITY OF REDONDO BEACH

Statement of Net Assets

June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	2,353,186	1,998,172	4,351,358
Accrued liabilities	5,371,065	-	5,371,065
Pollution remediation liability	150,000	-	150,000
Accrued interest	109,700	-	109,700
Unearned revenue	1,195,450	499,224	1,694,674
Deposits payable	138,969	162,790	301,759
Due to other governments	9,914,969	-	9,914,969
Noncurrent liabilities:			
Due within one year:			
Compensated absences payable	188,759	24,958	213,717
Claims and judgments payable	820,938	-	820,938
Other long-term debt	1,167,367	521,105	1,688,472
Due in more than one year:			
Compensated absences payable	2,483,796	328,391	2,812,187
Claims and judgments payable	14,007,883	-	14,007,883
Other long-term debt	6,074,486	11,097,250	17,171,736
Total noncurrent liabilities	24,743,229	11,971,704	36,714,933
Total liabilities	43,976,568	14,631,890	58,608,458
NET ASSETS			
Invested in capital assets, net of related debt	143,049,830	34,957,595	178,007,425
Restricted for:			
Debt service	7,362,829	-	7,362,829
Public safety	1,303,665	-	1,303,665
Public works	8,107,997	-	8,107,997
Housing and community development	1,087,312	-	1,087,312
Total restricted	17,861,803	-	17,861,803
Unrestricted	21,623,137	24,616,381	46,239,518
Total net assets	\$ 182,534,770	\$ 59,573,976	\$ 242,108,746

See accompanying notes to basic financial statements.

CITY OF REDONDO BEACH
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2012

Functions/Programs	Net (Expense) revenue and Changes in Net Assets							
	Program Revenues					Governmental Activities	Business-Type Activities	Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total			
Primary government:								
Governmental activities:								
General government	\$ 8,560,957	\$ 10,416,465	\$ -	\$ -	\$ 10,416,465	\$ 1,855,508	\$ -	\$ 1,855,508
Public safety	43,020,839	4,448,833	223,091	866,684	5,538,608	(37,482,231)	-	(37,482,231)
Public works	10,589,076	2,127,381	1,883,447	2,196,969	6,207,797	(4,381,279)	-	(4,381,279)
Cultural and leisure services	7,389,274	1,615,347	77,042	-	1,692,389	(5,696,885)	-	(5,696,885)
Housing and community development	13,822,831	1,743,286	6,407,389	1,519,091	9,669,766	(4,153,065)	-	(4,153,065)
Interest on long term debt	637,624	-	-	-	-	(637,624)	-	(637,624)
AB 1484 Demand Payment	9,914,969	-	-	-	-	(9,914,969)	-	(9,914,969)
Total governmental activities	93,935,570	20,351,312	8,590,969	4,582,744	33,525,025	(60,410,545)	-	(60,410,545)
Business-type activities:								
Harbor tidelands	7,689,071	5,290,706	-	-	5,290,706	-	(2,398,365)	(2,398,365)
Harbor uplands	3,952,061	4,009,954	-	-	4,009,954	-	57,893	57,893
Wastewater	3,196,442	2,575,279	-	-	2,575,279	-	(621,163)	(621,163)
Solid waste	3,431,017	3,312,471	53,407	-	3,365,878	-	(65,139)	(65,139)
Transit	3,113,076	676,020	1,341,956	-	2,017,976	-	(1,095,100)	(1,095,100)
Total business-type activities	21,381,667	15,864,430	1,395,363	-	17,259,793	-	(4,121,874)	(4,121,874)
Total primary government	\$ 115,317,237	\$ 36,215,742	\$ 9,986,332	\$ 4,582,744	\$ 50,784,818	(60,410,545)	(4,121,874)	(64,532,419)

CITY OF REDONDO BEACH

Statement of Activities and Changes in Net Assets

For the year ended June 30, 2012

	Governmental Activities	Business-Type Activities	Total
General revenues and transfers:			
Taxes:			
Property taxes	28,335,561	-	28,335,561
Transient occupancy taxes	3,533,501	-	3,533,501
Sales Taxes	9,594,901	-	9,594,901
Franchise Taxes	1,950,934	-	1,950,934
Business licenses taxes	1,203,591	-	1,203,591
Utilities users taxes	7,422,089	-	7,422,089
Motor vehicle license in lieu - unrestricted	33,693	-	33,693
Use of money and property	3,371,724	241,958	3,613,682
Other	2,831,748	181,532	3,013,280
Gain on sale of capital assets	73,574	-	73,574
Extraordinary gain on dissolution of Redevelopment Agency	27,858,112	-	27,858,112
Transfers	(1,017,605)	1,017,605	-
Total general revenues and transfers	85,191,823	1,441,095	86,632,918
Change in net assets	24,781,278	(2,680,779)	22,100,499
Net assets, beginning of year, as restated	157,753,492	62,254,755	220,008,247
Net assets, end of year	\$ 182,534,770	\$ 59,573,976	\$ 242,108,746

See accompanying notes to basic financial statements.

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.

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

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

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

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

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

CITY OF REDONDO BEACH

Balance Sheet

Governmental Funds

June 30, 2012

	General	Special Revenue Funds			Debt Service Funds		Total Non-Major Funds	Total Governmental Funds	
		Other Intergovernmental Grants	Redevelopment Agency	Low-Mod Income Housing Asset	Public Financing Authority	Redevelopment Agency			
ASSETS									
Pooled cash and investments	\$ 13,254,196	\$ -	\$ -	\$ 9,882,639	\$ 242,288	\$ -	\$ 16,822,920	\$ 40,202,043	
Receivables:									
Accounts	1,092,414	28,860	-	-	17,034	-	59,084	1,197,392	
Interest	241,772	1,652	-	32,330	337	-	36,796	312,887	
Taxes	4,476,779	-	-	-	-	-	283,155	4,759,934	
Notes and loans	18,060	-	-	3,856,857	-	-	476,563	4,351,480	
Prepaid Costs	58,481	-	-	-	-	-	57,995	116,476	
Due from other funds	546,497	-	-	-	-	-	19,281	565,778	
Due from other governments	51,080	1,128,604	-	535,731	7,433,885	-	528,773	9,678,073	
Advances to other funds	1,272,472	-	-	-	-	-	-	1,272,472	
Restricted assets:									
Cash and investments with fiscal agents	-	-	-	-	1,194,820	-	-	1,194,820	
Total assets	\$ 21,011,751	\$ 1,159,116	\$ -	\$ 14,307,557	\$ 8,888,364	\$ -	\$ 18,284,567	\$ 63,651,355	
LIABILITES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 739,070	\$ 319,993	\$ -	\$ -	\$ 13,566	\$ -	\$ 386,443	\$ 1,459,072	
Accrued liabilities	5,371,065	-	-	-	-	-	-	5,371,065	
Pollution remediation liability	150,000	-	-	-	-	-	-	150,000	
Unearned revenue	1,195,450	-	-	-	-	-	-	1,195,450	
Deposits payable	138,969	-	-	-	-	-	-	138,969	
Due to other funds	19,281	327,932	-	-	239,497	-	217,654	804,364	
Due to other governments	-	-	-	9,914,969	-	-	-	9,914,969	
Deferred revenue	7,236	1,831,110	-	958,623	-	-	476,566	3,273,535	
Advances from other funds	-	-	-	-	1,272,472	-	-	1,272,472	
Total liabilities	7,621,071	2,479,035	-	10,873,592	1,525,535	-	1,080,663	23,579,896	

CITY OF REDONDO BEACH

Balance Sheet

Governmental Funds

June 30, 2012

	Special Revenue Funds				Debt Service Funds		Total Non-Major Funds	Total Governmental Funds
	General	Other	Redevelopment Agency	Low-Mod	Public Financing Authority	Redevelopment Agency		
		Intergovernmental		Income Housing				
		Grants		Asset				
Fund Balances:								
Nonspendable	76,547	-	-	2,898,234	-	-	57,995	3,032,776
Restricted	-	-	-	535,731	7,362,829	-	10,472,386	18,370,946
Committed	5,712,942	-	-	-	-	-	-	5,712,942
Assigned	7,217,745	-	-	-	-	-	3,849,630	11,067,375
Unassigned	383,446	(1,319,919)	-	-	-	-	2,823,893	1,887,420
Total fund balances (deficit)	13,390,680	(1,319,919)	-	3,433,965	7,362,829	-	17,203,904	40,071,459
Total liabilities and fund balances	\$ 21,011,751	\$ 1,159,116	\$ -	\$ 14,307,557	\$ 8,888,364	\$ -	\$ 18,284,567	\$ 63,651,355

See accompanying notes to basic financial statements.

CITY OF REDONDO BEACH

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

June 30, 2012

Total Fund Balance - Total Governmental Funds

\$ 40,071,459

Amounts reported for governmental activities in the Statement of Net Assets 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

Government-Wide Statement of Net Assets	Internal Service Funds	
\$ 78,810,809	\$ -	78,810,809
65,122,958	(4,421,528)	60,701,430
<u>\$ 143,933,767</u>	<u>\$ (4,421,528)</u>	<u>139,512,239</u>

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.

(109,700)

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

165,226

Revenues were recorded as deferred revenue in the governmental funds because they did not represent current financial resources at June 30, 2012. However, they were recognized as revenues in the Government-Wide Financial Statements.

3,273,534

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

8,377,461

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

Other long-term debt - due within one year

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

Compensated absences payable - due within one year

Compensated absences payable - due in more than one year

Total long-term liabilities

Government-Wide Statement of Net Assets	Internal Service Funds	
\$ (1,167,367)	\$ 368,378	(798,989)
(6,074,486)	515,558	(5,558,928)
(188,759)	19,429	(169,330)
(2,483,796)	255,594	(2,228,202)
<u>\$ (9,914,408)</u>	<u>\$ 1,158,959</u>	<u>(8,755,449)</u>

Net assets of Governmental Activities

\$ 182,534,770

See accompanying notes to basic financial statements.

CITY OF REDONDO BEACH

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2012

	General	Special Revenue Funds			Debt Service Funds		Total Non-Major Funds	Total Governmental Funds
		Other Intergovernmental Grants	Redevelopment Agency	Low-Mod Income Housing Asset	Public Financing Authority	Redevelopment Agency		
REVENUES:								
Taxes	\$ 50,702,432	\$ -	\$ 376,489	\$ -	\$ -	\$ 797,022	\$ -	\$ 51,875,943
Interdepartmental	6,249,628	-	-	-	-	-	-	6,249,628
Licenses and permits	1,343,422	-	-	-	-	-	-	1,343,422
Intergovernmental	72,450	4,874,081	-	-	-	-	11,393,333	16,339,864
Charges for services	5,119,940	-	-	-	-	-	2,366,073	7,486,013
Use of money and property	1,843,709	-	121,666	73,395	1,563,400	-	158,331	3,760,501
Fines and forfeitures	1,634,786	-	-	-	-	-	-	1,634,786
Miscellaneous	845,326	-	29,910	86,789	-	138,332	1,847,691	2,948,048
Total revenues	67,811,693	4,874,081	528,065	160,184	1,563,400	935,354	15,765,428	91,638,205
EXPENDITURES:								
Current:								
General government	8,085,175	-	-	-	-	-	-	8,085,175
Public safety	41,762,064	467,659	-	-	-	-	14,292	42,244,015
Housing and community development	4,355,277	1,475,280	568,040	-	254,802	51,474	6,844,875	13,549,748
Public works	3,473,002	70,294	-	-	-	-	3,852,570	7,395,866
Cultural and leisure services	5,282,197	-	-	-	-	-	-	5,282,197
AB 1484 Demand Payment	-	-	-	9,914,969	-	-	-	9,914,969
Capital outlay	3,225,902	1,152,996	-	-	-	-	1,112,460	5,491,358
Debt Service:								
Principal retirement	-	-	-	-	1,750,000	-	-	1,750,000
Interest and fiscal charges	-	-	-	-	303,475	337,901	-	641,376
Total expenditures	66,183,617	3,166,229	568,040	9,914,969	2,308,277	389,375	11,824,197	94,354,704
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,628,076	1,707,852	(39,975)	(9,754,785)	(744,877)	545,979	3,941,231	(2,716,499)

CITY OF REDONDO BEACH

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2012

	Special Revenue Funds				Debt Service Funds			
	General	Other Intergovernmental Grants	Redevelopment Agency	Low-Mod Income Housing Asset	Public Financing Authority	Redevelopment Agency	Total Non-Major Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):								
Transfers in	80,580	155	10,363,523	-	-	-	1,052,997	11,497,255
Transfers out	(1,972,435)	-	(29,256)	-	-	-	(11,476,487)	(13,478,178)
Other debt issued	-	-	-	-	-	246,200	-	246,200
Total other financing sources (uses)	(1,891,855)	155	10,334,267	-	-	246,200	(10,423,490)	(1,734,723)
EXTRAORDINARY ITEM:								
Gain (loss) on Redevelopment Agency dissolution	-	-	(13,188,750)	13,188,750	-	14,254,087	(730,964)	13,523,123
Net change in fund balances	(263,779)	1,708,007	(2,894,458)	3,433,965	(744,877)	15,046,266	(7,213,223)	9,071,901
FUND BALANCES:								
Beginning of year	13,654,459	(3,027,926)	2,894,458	-	8,107,706	(15,046,266)	24,417,127	30,999,558
End of year	\$ 13,390,680	\$ (1,319,919)	\$ -	\$ 3,433,965	\$ 7,362,829	\$ -	\$ 17,203,904	\$ 40,071,459

See accompanying notes to basic financial statements.

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, 2012

Net change in fund balances (deficit) - total governmental funds	<u>\$ 9,071,901</u>
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Amounts reported for governmental activities in the Statement of Activities were different because:

	<u>Funds</u> <u>Capital Outlay</u>	<u>Government-Wide</u> <u>Expenses</u>	
Governmental funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, 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.	<u>\$ 5,491,358</u>	<u>\$ 1,176,708</u>	6,668,066
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds.	<u>\$ (4,930,784)</u>	<u>\$ 1,139,594</u>	(3,791,190)
Long-Term compensated absences was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, long-term compensated absences was not reported as expenditures in the governmental funds.			(39,269)
Issuance of long-term debt (e.g. bonds, leases) provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in Government-Wide Statement of Net Assets: Other Debt Issued			(246,200)
Repayment of principal of long-term debt was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets: Principal retirement			1,750,000
Amortization expense was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, amortization expense was not reported as an expenditure in the governmental funds: Amortization of bond premium Amortization of deferred charges			18,989 (27,537)

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, 2012

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the change in accrued interest from the prior year.

12,300

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

(2,624,863)

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.

(345,908)

Gain on RDA Dissolution

14,334,989

Change in net assets of Governmental Activities

\$ 24,781,278

See accompanying notes to basic financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

CITY OF REDONDO BEACH

Statement of Net Assets

Proprietary Funds

June 30, 2012

	Business-Type Activities - Enterprise Funds						Governmental
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	Activities Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 12,240,566	\$ 2,332,448	\$ 4,353,959	\$ 1,137,365	\$ 332,530	\$ 20,396,868	\$ 20,819,572
Receivables:							
Accounts	283,205	213,636	42,360	42,057	43,739	624,997	16,307
Interest	61,464	11,331	-	-	2,351	75,146	-
Taxes	-	-	122,023	96,021	-	218,044	-
Notes and loans	188,926	-	-	-	-	188,926	-
Due from other funds	238,587	-	-	-	-	238,587	-
Due from other governments	-	-	-	989	80,295	81,284	-
Prepaid items	1,853	197	-	94	-	2,144	1,948
Deferred charges	-	-	279,693	-	-	279,693	-
Restricted:							
Cash with fiscal agent	-	-	4,062,207	-	-	4,062,207	-
Total current assets	<u>13,014,601</u>	<u>2,557,612</u>	<u>8,860,242</u>	<u>1,276,526</u>	<u>458,915</u>	<u>26,167,896</u>	<u>20,837,827</u>
Noncurrent assets:							
Due from other governments	5,772,577	2,105,949	-	-	-	7,878,526	-
Capital assets:							
Non-depreciable	3,776,802	7,546,453	-	-	-	11,323,255	-
Depreciable, net	<u>13,393,237</u>	<u>5,257,276</u>	<u>8,634,152</u>	<u>109,516</u>	<u>1,442,008</u>	<u>28,836,189</u>	<u>4,421,528</u>
Total capital assets	<u>17,170,039</u>	<u>12,803,729</u>	<u>8,634,152</u>	<u>109,516</u>	<u>1,442,008</u>	<u>40,159,444</u>	<u>4,421,528</u>
Total noncurrent assets	<u>22,942,616</u>	<u>14,909,678</u>	<u>8,634,152</u>	<u>109,516</u>	<u>1,442,008</u>	<u>48,037,970</u>	<u>4,421,528</u>
Total assets	<u>35,957,217</u>	<u>17,467,290</u>	<u>17,494,394</u>	<u>1,386,042</u>	<u>1,900,923</u>	<u>74,205,866</u>	<u>25,259,355</u>

CITY OF REDONDO BEACH

Statement of Net Assets

Proprietary Funds

June 30, 2012

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	
Liabilities							
Current liabilities:							
Accounts payable	811,517	433,558	146,052	217,712	389,333	1,998,172	894,114
Accrued liabilities	-	-	-	-	-	-	-
Deposits payable	122,995	39,795	-	-	-	162,790	-
Due to other funds	-	-	-	-	-	-	-
Unearned revenue	-	-	30,116	41,427	427,681	499,224	-
Accrued compensated absences	8,877	6,901	4,603	2,367	2,210	24,958	19,429
Accrued claims and judgments	-	-	-	-	-	-	820,938
Bonds, notes, and capital leases	283,731	-	237,374	-	-	521,105	368,378
Total current liabilities	1,227,120	480,254	418,145	261,506	819,224	3,206,249	2,102,859
Noncurrent liabilities:							
Accrued claims and judgments	-	-	-	-	-	-	14,007,883
Accrued compensated absences	116,823	90,825	60,546	31,141	29,056	328,391	255,594
Bonds, notes, and capital leases	2,651,855	-	8,445,395	-	-	11,097,250	515,558
Total noncurrent liabilities	2,768,678	90,825	8,505,941	31,141	29,056	11,425,641	14,779,035
Total liabilities	3,995,798	571,079	8,924,086	292,647	848,280	14,631,890	16,881,894
Net Assets							
Invested in capital assets, net of related debt	16,588,752	12,803,729	4,013,590	109,516	1,442,008	34,957,595	3,537,592
Unrestricted	15,372,667	4,092,482	4,556,718	983,879	(389,365)	24,616,381	4,839,869
Total net assets	<u>\$ 31,961,419</u>	<u>\$ 16,896,211</u>	<u>\$ 8,570,308</u>	<u>\$ 1,093,395</u>	<u>\$ 1,052,643</u>	<u>\$ 59,573,976</u>	<u>\$ 8,377,461</u>

See accompanying notes to basic financial statements.

CITY OF REDONDO BEACH

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

For the year ended June 30, 2012

	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	\$ -	\$ -	\$ 2,575,279	\$ 3,312,471	\$ 676,020	\$ 6,563,770	\$ 14,506,611
Harbor rentals	4,432,602	2,229,534	-	-	-	6,662,136	-
Use of property	858,104	1,780,420	-	-	-	2,638,524	-
Miscellaneous	8,955	1,033	17,618	152,978	948	181,532	164,792
Total operating revenues	5,299,661	4,010,987	2,592,897	3,465,449	676,968	16,045,962	14,671,403
OPERATING EXPENSES							
Personnel services	2,757,012	1,505,438	886,220	738,398	350,393	6,237,461	5,348,833
Contractual services	413,298	712,787	128,895	2,378,023	1,931,222	5,564,225	7,604,218
Administrative and general expenses	3,920,420	1,459,865	1,525,995	303,500	615,268	7,825,048	1,961,558
Depreciation expense	454,022	273,971	204,282	11,096	216,193	1,159,564	1,139,594
Total operating expenses	7,544,752	3,952,061	2,745,392	3,431,017	3,113,076	20,786,298	16,054,203
OPERATING INCOME (LOSS)	(2,245,091)	58,926	(152,495)	34,432	(2,436,108)	(4,740,336)	(1,382,800)
NONOPERATING REVENUES (EXPENSES)							
Intergovernmental	-	-	-	53,407	1,322,052	1,375,459	-
Investment income	187,152	38,619	16,187	-	-	241,958	-
Interest expense	(144,319)	-	(451,050)	-	-	(595,369)	-
Gain (loss) on sale of capital assets	-	-	-	-	19,904	19,904	73,574
Total nonoperating revenues (expenses)	42,833	38,619	(434,863)	53,407	1,341,956	1,041,952	73,574
INCOME (LOSS) BEFORE TRANSFERS	(2,202,258)	97,545	(587,358)	87,839	(1,094,152)	(3,698,384)	(1,309,226)
Transfers in	8,795	6,858	3,586	3,277	1,075,669	1,098,185	969,755
Transfers out	(80,580)	-	-	-	-	(80,580)	(6,437)
Total transfers	(71,785)	6,858	3,586	3,277	1,075,669	1,017,605	963,318
Change in net assets	(2,274,043)	104,403	(583,772)	91,116	(18,483)	(2,680,779)	(345,908)
NET ASSETS:							
Beginning of year, as restated (Note 17)	34,235,462	16,791,808	9,154,080	1,002,279	1,071,126	62,254,755	8,723,369
End of year	<u>\$ 31,961,419</u>	<u>\$ 16,896,211</u>	<u>\$ 8,570,308</u>	<u>\$ 1,093,395</u>	<u>\$ 1,052,643</u>	<u>\$ 59,573,976</u>	<u>\$ 8,377,461</u>

See accompanying notes to basic financial statements.

CITY OF REDONDO BEACH

Statement of Cash Flows

Proprietary Funds

For the year ended June 30, 2012

	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	\$ 5,238,744	\$ 3,929,951	\$ 2,590,854	\$ 3,478,604	\$ 827,654	\$ 16,065,807	\$ 15,358,873
Cash payments to suppliers for goods and services	(3,306,174)	(2,146,789)	(1,658,211)	(2,552,451)	(2,543,155)	(12,206,780)	(9,294,953)
Cash payments to employees for services	(3,180,561)	(1,480,986)	(884,990)	(727,244)	(332,691)	(6,606,472)	(5,348,847)
Net cash provided (used) by operating activities	(1,247,991)	302,176	47,653	198,909	(2,048,192)	(2,747,445)	715,073
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers in	8,795	6,858	3,586	3,277	1,075,669	1,098,185	970,461
Transfers out	(80,580)	-	-	-	-	(80,580)	(6,437)
Repayment received from other funds	335,543	-	(53,612)	-	-	281,931	-
Repayment received from other governments	-	-	-	57,031	-	57,031	-
Advance to other funds	58,621	(7,972)	-	-	-	50,649	-
Subsidy from grants	-	-	-	-	1,451,351	1,451,351	-
Net cash provided (used) by noncapital financing activities	322,379	(1,114)	(50,026)	60,308	2,527,020	2,858,567	964,024
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	(373,036)	(419,099)	-	(32,907)	(221,769)	(1,046,811)	(1,001,666)
Principal paid on capital debt	(271,513)	-	(222,627)	-	-	(494,140)	(18,935)
Interest paid on capital debt	(144,319)	-	(451,050)	-	-	(595,369)	-
Proceeds from sales of capital assets	-	-	-	-	19,904	19,904	89,242
Net cash provided (used) by capital and related financing activities	(788,868)	(419,099)	(673,677)	(32,907)	(201,865)	(2,116,416)	(931,359)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest received	218,926	44,050	16,187	100	(1,368)	277,895	-
Net cash provided (used) by investing activities	218,926	44,050	16,187	100	(1,368)	277,895	-
Net increase (decrease) in cash and cash equivalents	(1,495,554)	(73,987)	(659,863)	226,410	275,595	(1,727,399)	747,738
CASH AND CASH EQUIVALENTS:							
Beginning of year	13,736,120	2,406,435	9,076,029	910,955	56,935	26,186,474	20,071,834
End of year	<u>\$ 12,240,566</u>	<u>\$ 2,332,448</u>	<u>\$ 8,416,166</u>	<u>\$ 1,137,365</u>	<u>\$ 332,530</u>	<u>\$ 24,459,075</u>	<u>\$ 20,819,572</u>

CITY OF REDONDO BEACH

Statement of Cash Flows, Continued

Proprietary Funds

For the year ended June 30, 2012

	Business-Type Activities - Enterprise Funds						Governmental
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	Activities Internal Service Funds
FINANCIAL STATEMENT PRESENTATION:							
Cash and cash equivalents	\$ 12,240,566	\$ 2,332,448	\$ 4,353,959	\$ 1,137,365	\$ 332,530	\$ 20,396,868	\$ 20,819,572
Cash with fiscal agent	-	-	4,062,207	-	-	4,062,207	-
Total cash and cash equivalents and cash with fiscal agent	\$ 12,240,566	\$ 2,332,448	\$ 8,416,166	\$ 1,137,365	\$ 332,530	\$ 24,459,075	\$ 20,819,572
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:							
Operating income (loss)	\$ (2,245,091)	\$ 58,926	\$ (152,495)	\$ 34,432	\$ (2,436,108)	\$ (4,740,336)	\$ (1,382,800)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	454,022	273,971	204,282	11,096	216,193	1,159,564	1,139,594
Changes in operating assets and liabilities:							
(Increase) decrease in accounts receivable	(60,917)	(81,036)	(7,371)	12,139	44,028	(93,157)	12,952
(Increase) decrease in taxes receivable	-	-	-	(18,998)	-	(18,998)	-
(Increase) decrease in intergovernmental receivable	-	-	-	-	-	-	510,294
(Increase) decrease in prepaid expenses	6,908	307	133	395	2,909	10,652	160,167
(Increase) decrease in deferred charges	-	-	12,713	-	-	12,713	350,463
Increase (decrease) in accounts payable	607,338	25,556	(16,167)	129,072	22,450	768,249	-
Increase (decrease) in deposits payable	-	-	-	-	-	-	(75,583)
Increase (decrease) in accrued liabilities	-	-	-	-	426	426	-
Increase (decrease) in claims and judgments	-	-	-	-	-	-	(14)
Increase (decrease) in compensated absences	(10,251)	24,452	1,230	11,154	17,702	44,287	-
Increase (decrease) in unearned revenue	-	-	5,328	19,619	84,208	109,155	-
Total adjustments	997,100	243,250	200,148	164,477	387,916	1,992,891	2,097,873
Net cash provided (used) by operating activities	\$ (1,247,991)	\$ 302,176	\$ 47,653	\$ 198,909	\$ (2,048,192)	\$ (2,747,445)	\$ 715,073

See accompanying notes to basic financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

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

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 assets (except for the low and moderate income housing fund's net assets) in accordance with AB x1 26 and AB 1484.

CITY OF REDONDO BEACH

Statement of Net Assets

Fiduciary Agency Funds

June 30, 2012

	Agency Funds	Redevelopment Obligation Retirement Fund
ASSETS		
Pooled cash and investments	\$ 310,048	\$ 2,019,670
Receivables:		
Accounts	19,213	34,632
Interest	579	4,501
Prepaid Expense	825,390	-
Total assets	\$ 1,155,230	2,058,803
LIABILITIES		
Accounts payable	\$ 77,373	-
Deposits payable	1,077,857	-
Advances from other governments	-	535,731
Long-term liabilities		
Due with one year	-	390,000
Due in more than one year	-	29,257,401
Total liabilities	\$ 1,155,230	30,183,132
NET ASSETS		
Net assets held for dissolution of redevelopment agency		\$ (28,124,329)

See accompanying notes to basic financial statements.

CITY OF REDONDO BEACH

Statement of Changes in Net Assets

Fiduciary Funds

From inception (February 1, 2012) to June 30, 2012

	Redevelopment Obligation Retirement Fund
ADDITIONS:	
Charges for services	\$ 47,788
Investment earnings	13,721
RPTTF distributions	538,374
Total additions	599,883
DEDUCTIONS	
Administrative payments	14,515
Debt service:	
Interest expense	18,042
Total deductions	32,557
EXTRAORDINARY ITEM:	
Loss on Redevelopment	
Agency dissolution	(28,691,655)
Change in net assets	(28,124,329)
Net assets, beginning of the year	-
Net assets, end of the year	\$ (28,124,329)

See accompanying notes to basic financial statements.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Financial Reporting Entity*

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

As required by GAAP, the financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Each blended component unit has a June 30 year-end. The City had no discretely presented component units. The following entities are reported as blended component units:

The Redevelopment Agency of the City of Redondo Beach (Agency) was established on April 30, 1962, pursuant to the State of California Health and Safety Code, Section 33000. Its purpose was to prepare and carry out plans for the improvement, rehabilitation, and development for blighted areas within the territorial limits of the City. The Agency had the same governing board as the City, which also performed all accounting and administrative functions for the Agency. On December 29, 2011, a Supreme Court ruling directed that all redevelopment agencies be dissolved on February 1, 2012; therefore, these funds account for activities of the Agency through January 31, 2012. See footnote 19 for additional information on redevelopment agency dissolution.

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A. *Financial Reporting Entity, (continued)*

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

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

B. *Basis of Accounting and Measurement Focus*

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

Government - Wide Financial Statements

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

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets (as well as infrastructure assets) and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses reported for specific functions.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

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

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

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

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

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

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

Governmental Fund Financial Statements

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

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

Governmental Fund Financial Statements

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

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

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

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

The City reports the following major governmental funds:

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

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

- Redevelopment Agency Special Revenue Fund - accounts for the accumulation of, and the payments of, redevelopment activities within the project areas and for the housing redevelopment operation of the Agency.
- Low-Mod Income Housing Asset Special Revenue Fund - accounts for all transferred housing assets of the dissolved Redevelopment Agency and funds generated from those housing assets.
- Public Financing Authority Debt Service Fund - accounts for the payment of interest and principal on tax allocation bonds and other debt issued to finance city and redevelopment activities.
- Redevelopment Agency Debt Service Fund - accounts for the accumulation of resources for, and the payment of, interest and principal on tax allocation bonds and other debt issued to finance redevelopment activities within the project areas.

Proprietary Fund Financial Statements

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

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

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

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 all of its enterprise funds as major proprietary funds:

- Harbor Tidelands Fund - accounts for the operations of small boat harbor facilities available to the general public, including related pier activities. The use of this fund is restricted under the City Tideland Trust Agreement with the State of California.
- Harbor Uplands Fund - accounts for the operations of small boat harbor facilities available to the general public, including related pier activities. The use of this fund is subject only to the decisions of the City Council.
- Wastewater Fund - accounts for the capital facility charge, more commonly referred to as a sewer user fee. The capital facility charge is designed to reimburse the City's wastewater system for the capital costs to provide wastewater capacity to new system users. This charge is associated with the expansion of the system required over time to address increases in wastewater flow generated by new development.
- Solid Waste Fund - accounts for the revenues and expenses related to the City's comprehensive solid waste program, including AB 939 funds.
- Transit Fund - accounts for the transportation activities of the City.

Fiduciary Fund Financial Statements

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.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

C. *Use of Restricted/Unrestricted Net Assets*

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

D. *Cash, Cash Equivalents and Investments*

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

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

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

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Cash, Cash Equivalents and Investments, (continued)

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.

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 of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

H. *Capital Assets, (continued)*

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

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.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

H. *Capital Assets, (continued)*

In June 2012, a comprehensive survey of all pavement segments was conducted to assess the existing surface condition of each of the individual pavement segments. Upon completion of the study, a Pavement Quality Index (PQI) was calculated for each segment in the City's pavement network to reflect the overall pavement condition. Ratings ranged from 0 to 100. A PQI of 0 would correspond to badly deteriorated pavement with virtually no remaining life; a PQI of 100 would correspond to pavement with proper engineering design and construction at the beginning of its life cycle. During the year, the comprehensive survey is updated to reflect the pavement's current condition.

The following conditions were defined:

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

In line with the Capital Improvement Program and as presented to the City Council on December 17, 2002, City policy is to achieve an average rating of 80 for all streets by fiscal year 2008-09. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. For 2003, the City established the standard of 70; for 2009, 2010, and 2011, the City's street system was rated at a PQI of 82 on the average.

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

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

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

I. *Interest Payable*

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

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

J. *Unearned Revenue and Deferred Revenue*

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

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

K. *Compensated Absences Payable*

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

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

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 Government-Wide Statement of Net Assets.

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

N. *Net Assets*

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

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

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

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

O. *Fund Balances*

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

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

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

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

O. *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 assets are available, the City's policy is to apply restricted net assets first.

Governmental Fund Financial Statements

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

- Restricted
- Committed
- Assigned
- Unassigned

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

P. Property Taxes

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

	January 1	Lien Date
	June 30	Levy Date
	November 1 and February 1	Due Dates
	December 10 and April 10	Collection Date
November 18, 2011	Unsecured, redemptions, and SB813 taxes	
December 20, 2011	Homeowners' exemption, secured, and SB813 taxes	
January 20, 2012	Homeowners' exemption, secured, and SB813 taxes	
February 17, 2012	Redemptions, secured, and SB813 taxes	
March 20, 2012	Secured and SB813 taxes	
April 20, 2012	Secured and SB813 taxes	
May 18, 2012	Redemptions, homeowners' exemption, secured, and SB813 taxes	
June 20, 2012	Homeowners' exemption, SB813 taxes	
July 20, 2012	Secured and SB813 taxes	
August 20, 2012	Secured, redemptions, unsecured, and SB813 taxes	

Q. Use of Estimates

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Major Funds:			
General Fund:			
Housing and community development	\$ 3,833,061	\$ 4,355,277	\$ (522,216)
Redevelopment Agency - Special Revenue:			
Transfers out	-	29,256	(29,256)
Public Financing Authority:			
Housing and community development	207,722	254,802	(47,080)
Principal retirement	688,264	1,750,000	(1,061,736)
Redevelopment Agency - Debt Service:			
Housing and community development	46,400	51,474	(5,074)
Non-Major Funds:			
Proposition C Special Revenue:			
Housing and community development	1,640	30,069	(28,429)
Disaster Recovery:			
Housing and community development	17,060	24,600	(7,540)
Subdivision Park Trust Special Revenue:			
Housing and community development	-	22,453	(22,453)
Affordable Housing Special Revenue:			
Transfers out	-	10,392,779	(10,392,779)
Capital Improvement Project Capital Projects:			
Transfers out	-	9,015	(9,015)

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

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

B. Deficit Fund Balance

The following funds had a deficit balance as of June 30, 2012:

Major Funds:	
Other Intergovernmental Grants	\$ (1,319,919)
Non-Major Funds:	
Community Development Block Grant	(76,092)
Street Landscaping and Lighting District	(4,884)
Local Transit Unit	(176)

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

3. CASH AND INVESTMENTS

Cash and investments are presented on the Statement of Net Assets as follows at June 30, 2012:

	Government-Wide Statement of Net Assets				
	Governmental Activities	Business- Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and investments	\$ 61,021,615	\$ 20,396,868	\$ 81,418,483	\$ 2,329,718	\$ 83,748,201
Restricted cash and investments with fiscal agent	1,194,820	4,062,207	5,257,027	-	5,257,027
Total	<u>\$ 62,216,435</u>	<u>\$ 24,459,075</u>	<u>\$ 86,675,510</u>	<u>\$ 2,329,718</u>	<u>\$ 89,005,228</u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

3. CASH AND INVESTMENTS, (continued)

Cash, cash equivalents, and investments consisted of the following at June 30, 2012:

Cash and cash equivalents:	
Petty cash	\$ 17,300
Demand deposits	4,891,912
Total cash and cash equivalents	<u>4,909,212</u>
Investments:	
Local Agency Investment Fund (LAIF)	39,201,833
Corporate Bonds	24,539,936
US Government Securities	15,055,780
Total investments	<u>78,797,549</u>
Total cash and investments	<u>83,706,761</u>
Cash and investments with fiscal agent	<u>5,298,467</u>
Total	<u>\$ 89,005,228</u>

A. *Cash Deposits*

The carrying amounts of the City's cash deposits were \$4,891,912 at June 30, 2012. Bank balances at June 30, 2012, were \$4,306,947 which were fully insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

3. CASH AND INVESTMENTS, (continued)

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

B. *Investments*

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

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

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, 2012, 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.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

3. CASH AND INVESTMENTS, (continued)

B. *Investments, (continued)*

As of June 30, 2012, the City had \$39,201,833 invested in LAIF, which had invested 3.47 % of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.001219643 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, 2012, all MTN's were rated "B" or higher by Moody's. As of June 30, 2012, 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, 2012, the City's investments in external investment pools are unrated.

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, 2012, 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, 2012, 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.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

3. CASH AND INVESTMENTS, (continued)

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

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

		<u>% of Total Investments</u>
Federal National Mortgage Association	\$ 10,028,770	13%

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

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, 2012, the City had the following investments and remaining maturities:

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

Investment Types	Investment Maturities					Fair value
	Up to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	More than 5 years	
External Investment Pools -						
Local Agency Investment Fund	\$ 39,201,833	\$ -	\$ -	\$ -	\$ -	\$ 39,201,833
Non-U.S. Securities	-	-	997,716	-	-	997,716
Federal Agencies						
Federal Farm Credit Bank	-	-	-	1,000,140	-	1,000,140
Federal Home Loan Bank	-	-	-	1,015,270	-	1,015,270
Federal Home Loan Mortgage Corp.	-	-	-	3,011,600	-	3,011,600
Federal National Mortgage Assoc.	-	-	999,460	9,029,310	-	10,028,770
Corporate Bonds	5,092,160	2,082,790	3,138,140	13,229,130	-	23,542,220
Total Investments	<u>\$ 44,293,993</u>	<u>\$ 2,082,790</u>	<u>\$ 5,135,316</u>	<u>\$ 27,285,450</u>	<u>\$ -</u>	<u>\$ 78,797,549</u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

4. RECEIVABLES

The following is a summary of receivables net of allowances for uncollectible amounts at June 30, 2012:

	Government-Wide Statement of Net Assets		Fiduciary Funds Statement of	
	Governmental Activities	Business-Type Activities	Net Assets	Total
Accounts receivable	\$ 1,213,699	\$ 624,997	\$ 53,845	\$ 1,892,541
Interest receivable	312,887	75,146	5,080	393,113
Taxes receivable	4,759,934	218,044	-	4,977,978
Loans receivable	4,351,480	188,926	-	4,540,406
Total	<u>\$ 10,638,000</u>	<u>\$ 1,107,113</u>	<u>\$ 58,925</u>	<u>\$ 11,804,038</u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

4. RECEIVABLES, (continued)

A. *Fund Financial Statements*

At June 30, 2012, the Fund Financial Statements show the following receivables:

Accounts Receivable

Accounts receivable consisted of amounts accrued in separate funds in the ordinary course of operations. The total amount of accounts receivable for each major fund and non-major fund in the aggregate as of June 30, 2012, was as follows:

Governmental Funds:	
General Fund	\$ 1,092,414
Other Intergovernmental Grants - Special Revenue	28,860
Public Financing Authority - Debt Service	17,034
Non-Major Funds	59,084
Total Governmental Funds	<u>1,197,392</u>
Proprietary Funds:	
Harbor Tidelands - Enterprise Fund	283,205
Harbor Uplands - Enterprise Fund	213,636
Wastewater Fund - Enterprise Fund	42,360
Solid Waste - Enterprise Fund	42,057
Transit - Enterprise Fund	43,739
Internal Service Funds	16,307
Total Proprietary Funds	<u>641,304</u>
Fiduciary Funds	
Agency Funds	19,213
Redevelopment Obligation Retirement Fund	34,632
Total Fiduciary	<u>53,845</u>
Total Accounts Receivable	<u><u>\$ 1,892,541</u></u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

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, 2012, was as follows:

Governmental Funds:

General Fund	\$ 241,772
Other Intergovernmental Grants - Special Revenue	1,652
Low-Mod Income Housing Assets Fund - Special Revenue	32,330
Public Financing Authority - Debt Service	337
Non-Major Funds	<u>36,796</u>
Total Governmental Funds	<u>312,887</u>

Proprietary Funds:

Harbor Tidelands - Enterprise Fund	61,464
Harbor Uplands - Enterprise Fund	11,331
Transit - Enterprise Fund	<u>2,351</u>
Total Proprietary Funds	<u>75,146</u>

Fiduciary Funds

Agency Funds	579
Redevelopment Obligation Retirement Fund	<u>4,501</u>
Total Fiduciary Funds	<u>5,080</u>
Total	<u><u>\$ 393,113</u></u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

4. RECEIVABLES, (continued)

C. *Taxes Receivable*

At June 30, 2012, the City had the following taxes receivable:

	Governmental Funds		Proprietary Funds		Total
	General Fund	Non-Major Governmental Funds	Wastewater	Solid Waste	
Type of Taxes:					
Property Taxes	\$ 1,362,938	\$ 93,331	\$ 122,023	\$ 96,021	\$ 1,674,313
Sales Taxes	1,139,300	-	-	-	1,139,300
Transient Occupancy Taxes	333,512	-	-	-	333,512
Utility Users Taxes	575,886	-	-	-	575,886
Transfer Taxes	121,090	-	-	-	121,090
Gas Taxes	-	189,824	-	-	189,824
Triple Flip	944,053	-	-	-	944,053
Total taxes	<u>\$ 4,476,779</u>	<u>\$ 283,155</u>	<u>\$ 122,023</u>	<u>\$ 96,021</u>	<u>\$ 4,977,978</u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

4. RECEIVABLES, (continued)

D. *Loans Receivable*

At June 30, 2012, the City had the following loans receivable:

	Governmental Funds			Proprietary Funds	
	Low-Mod			Harbor	
	General	Income Housing	Non-Major	Tidelands	
	Fund	Asset	Governmental	Enterprise Fund	Total
	Fund	Fund	Funds		
Home Rehabilitation Loans	\$ -	\$ 958,622	\$ -	\$ -	\$ 958,622
Landlord Program	-	-	476,563	-	476,563
Senior Housing Program	-	2,898,235	-	-	2,898,235
Computer Program	18,060	-	-	-	18,060
Harbor Area Business Loans	-	-	-	188,926	188,926
Total	\$ 18,060	\$ 3,856,857	\$ 476,563	\$ 188,926	\$ 4,540,406

Home Rehabilitation Loans

At June 30, 2012, the City was owed, in its Low and Moderate Housing Fund, \$958,622 for various home rehabilitation loans made by the City. The terms of repayment vary. Because the notes do not meet the City's availability criteria for revenue recognition, the City has deferred the revenue related to these loans in the government funds. Revenue is recognized in the year of repayment. All loans are secured by trust deeds.

Housing Assistance Loans

At June 30, 2012, the City was owed, in its Community Development Block Grant Special Revenue Fund, \$476,563 for various housing assistance loans made by the City. The terms of repayment vary. Because the notes do not meet the City's availability criteria for revenue recognition, the City has deferred the revenue related to these loans. Revenue is recognized in the year of repayment. All loans are secured by trust deeds.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

4. RECEIVABLES, (continued)

D. *Loans Receivable, (continued)*

Harbor Area Business Loans

At June 30, 2012, the City's Harbor Tidelands Enterprise Fund was owed \$143,285 for repairs made on behalf of a harbor area business subsequent to the storms of 1988. The terms of the twenty-eight year \$488,871 contract call for interest at 1.6% per annum. Principal and accrued interest are payable annually.

In addition, the City's Harbor Tidelands Enterprise Fund was owed another \$45,641 for repairs made on behalf of a harbor area business subsequent to the storms of 1988. The terms of the twenty-seven year \$104,844 contract call for interest at 4.7% per annum. Principal and accrued interest are payable annually.

Senior Housing Program

On June 21, 1995, the Agency loaned \$2,200,000 to the Corporate Fund for Housing (a California non-profit public benefit corporation), the McCandless senior housing complex. The loan term is for 45 years and bears interest at 2% per annum. Any portion of the Agency loan remaining unpaid upon the 45th anniversary of completion shall be forgiven. Repayments will be made from residual receipts of the housing complex. The loan is secured by the Agency Deed of Trust. At June 30, 2012, the loan receivable included accrued interest of \$698,235.

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, 2012, the loan receivable balance was \$18,060.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

5. INTERFUND TRANSACTIONS

A. *Government-Wide Financial Statements*

Internal Balances

At June 30, 2012, the City had the following internal receivables and payables for covering cash shortfalls:

	Internal Balances Receivable Business-Type Activities
Internal Balances Payable Governmental Activities	<u>\$ 238,587</u>

Transfers

The City had the following transfers as of June 30, 2012:

	Transfers In Business-Type Activities
Transfers Out Governmental Activities	<u>\$ 1,017,605</u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

5. INTERFUND TRANSACTIONS, (continued)

B. *Fund Financial Statements*

Due to/from Other Funds

The City had the following due to/from other funds as of June 30, 2012:

	Due from Other Funds			
	General	Non-Major	Harbor	
	Fund	Governmental	Tidelands	
Due to Other Funds		Funds	Enterprise Fund	Total
General Fund	\$ -	\$ 19,281	\$ -	\$ 19,281
Other Intergovernmental Grants	327,932	-	-	327,932
Public Financing Authority	911	-	238,587	239,498
Non-Major Governmental Funds	217,654	-	-	217,654
Total	<u>\$ 546,497</u>	<u>\$ 19,281</u>	<u>\$ 238,587</u>	<u>\$ 804,365</u>

The General Fund has amounts due from the Public Financing Authority Fund of \$911 for reimbursement of expenditures made on the Public Financing Authority's behalf and from the Other Intergovernmental Grants Fund of \$327,932 and from the Non-Major Governmental Funds of \$217,554 for temporary cash deficits.

The Non-Major Governmental Funds have a due from General Fund of \$19,281 for over-reimbursement of expenditures made on the Housing Authority's behalf.

The Harbor Tidelands Enterprise Fund has a due from the Public Financing Authority Fund of \$238,587 for Kincaid's Restaurant rental income in excess of Financing Authority obligations passed through to the Harbor Tidelands Fund.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

5. INTERFUND TRANSACTIONS, (continued)

B. Fund Financial Statements, (continued)

Long-Term Advances

The City had the following long-term advances as of June 30, 2012:

	Advance to Other Funds
Advance from Other Funds	General Fund
Public Financing Authority	\$ 1,272,472

During the 2009-10 fiscal year, the City made a loan to the Authority for the internal refinancing of the remaining loan principal to repay First California Bank for the South Bay Bank loan. As of June 30, 2012, the amount owed on the loan was \$1,272,472.

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 the current year, 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 the current fiscal year from an Advance to Other Funds to a Due from Other Governments in the Public Financing Authority Debt Service Fund. The Agency's balances as of June 30, 2012, were as follows:

1996 Revenue Bond	\$ 6,765,000
2001 Pier Refinancing Bond	668,885
Total	<u>\$ 7,433,885</u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

5. INTERFUND TRANSACTIONS, (continued)

B. Fund Financial Statements, (continued)

Long-Term Advances (continued)

During the previous fiscal years, the City made loans to the Agency. These loans bear interest at rates up to 12% per annum depending upon when the loan was initiated. The City may demand payment of all or a portion of the principal balance at any time as funds become available; however, such demands are not anticipated within the next fiscal year. As of June 30, 2012, loans and accrued unpaid interest owed on those loans were \$7,878,526.

Transfers

The City had the following transfers as of June 30, 2012:

	Transfers In						Total
	General	Redevelopment	Other	Non-Major	Enterprise	Internal	
Transfers Out	Fund	Agency Special Revenue	Intergovernmental Grants	Funds	Funds	Service Funds	
General Fund	\$ -	\$ -	\$ 155	\$ 985,470	\$ 23,492	\$ 963,318	1,972,435
Redevelopment Agency Fund - Special Revenue	-	-	-	29,256	-	-	29,256
Enterprise funds:							
Harbor Tidelands	80,580	-	-	-	-	-	80,580
Non-Major Governmental Funds	-	10,363,523	-	38,271	1,074,693	-	11,476,487
Total	\$ 80,580	\$ 10,363,523	\$ 155	\$ 1,052,997	\$ 1,098,185	\$ 963,318	\$ 13,558,758

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

5. INTERFUND TRANSACTIONS, (continued)

B. *Fund Financial Statements, (continued)*

The General Fund transferred out a total of \$1,972,435 to various funds consisting of \$975,393 to cover expenditures in the Street Landscaping and Lighting District Non-major governmental fund, \$49,200 to cover administrative expenses of various funds per Council resolution, \$947,711 to the Self-Insurance Program Internal Service Fund for legal settlements.

The Redevelopment Agency Special Revenue Fund transferred \$29,256 to Non-Major Funds pursuant to cooperation agreement.

Transfers between the Harbor Tidelands Enterprise Fund and the General Fund of \$80,580 were for the property tax in lieu fee.

Transfers from the Non-Major Governmental Funds in the amount of \$11,438,216 consisted of a \$10,363,523 transfer of assets from the City to the Redevelopment Agency Special Revenue Fund based on a cooperation agreement related to affordable housing and \$1,074,693 transfer of Proposition A revenues to cover Transit Enterprise Fund expenditures.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

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, 2012, 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	7,230,335	-	7,230,335
Work in progress	1,003,491	-	1,003,491
Infrastructure - streets	54,054,036	-	54,054,036
Total non-depreciable assets	78,810,809	11,323,255	90,134,064
Depreciable assets:			
Buildings and improvements	45,219,249	28,006,415	73,225,664
Furniture and equipment	8,146,237	648,679	8,794,916
Automotive equipment	11,180,009	3,402,779	14,582,788
Leased equipment	1,593,631	24,324,980	25,918,611
Infrastructure	72,353,998	-	72,353,998
Total depreciable assets	138,493,124	56,382,853	194,875,977
Less accumulated depreciation for:			
Buildings and improvements	(15,991,540)	(14,650,139)	(30,641,679)
Furniture and equipment	(6,229,495)	(643,126)	(6,872,621)
Automotive equipment	(6,894,101)	(1,805,542)	(8,699,643)
Leased equipment	(721,477)	(10,447,857)	(11,169,334)
Infrastructure	(43,533,553)	-	(43,533,553)
Total accumulated depreciation	(73,370,166)	(27,546,664)	(100,916,830)
Total depreciable assets, net	65,122,958	28,836,189	93,959,147
Governmental activities capital assets, net	\$ 143,933,767	\$ 40,159,444	\$ 184,093,211

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

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 01, 2011	Additions	Deletions	Reclassifications	Balance at June 30, 2012
Non-depreciable assets:					
Land	\$ 16,522,947	\$ -	\$ -	\$ -	\$ 16,522,947
Construction in progress	4,442,544	3,706,884	-	(919,093)	7,230,335
Work in progress	1,003,491	-	-	-	1,003,491
Infrastructure - streets	54,054,036	-	-	-	54,054,036
Total non-depreciable assets	76,023,018	3,706,884	-	(919,093)	78,810,809
Depreciable assets:					
Buildings and improvements	43,430,667	1,036,069	-	752,513	45,219,249
Furniture and equipment	8,427,486	91,457	(372,706)	-	8,146,237
Automotive equipment	9,567,269	2,123,970	(511,230)	-	11,180,009
Leased equipment	1,208,735	384,896	-	-	1,593,631
Infrastructure	71,917,974	340,395	(70,951)	166,580	72,353,998
Total depreciable assets	134,552,131	3,976,787	(954,887)	919,093	138,493,124
Less accumulated depreciation for:					
Buildings and improvements	(14,879,753)	(1,111,787)	-	-	(15,991,540)
Furniture and equipment	(6,110,572)	(491,629)	372,706	-	(6,229,495)
Automotive equipment	(6,545,130)	(847,242)	498,271	-	(6,894,101)
Leased equipment	(359,009)	(362,468)	-	-	(721,477)
Infrastructure	(41,486,846)	(2,117,658)	70,951	-	(43,533,553)
Total accumulated depreciation	(69,381,310)	(4,930,784)	941,928	-	(73,370,166)
Total depreciable assets, net	65,170,821	(953,997)	(12,959)	919,093	65,122,958
Governmental activities capital assets, net	\$ 141,193,839	\$ 2,752,887	\$ (12,959)	\$ -	\$ 143,933,767

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

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, 2012 as follows:

Governmental Activities:

General government	\$	156,747
Public safety		188,788
Public works		3,136,005
Culture and leisure services		309,650

Internal Service Funds:

Vehicle Replacement	604,690
Building Occupancy	2,280
Information Technology	443,838
Printing and Graphics	18,931
Communications Equipment Replacement	69,855

Total depreciation expense	\$	4,930,784
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City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

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, 2012:

	Balance at July 01, 2011	Additions	Deletions	Reclassifications	Balance at June 30, 2012
Nondepreciable assets:					
Land	\$ 11,323,255	\$ -	\$ -	\$ -	\$ 11,323,255
Total non-depreciable	11,323,255	-	-	-	11,323,255
Depreciable assets:					
Buildings and improvements	28,006,415	-	-	-	28,006,415
Furniture and equipment	648,679	-	-	-	648,679
Automotive equipment	3,148,105	254,674	-	-	3,402,779
Infrastructure	23,532,843	792,137	-	-	24,324,980
Total depreciable assets	55,336,042	1,046,811	-	-	56,382,853
Less accumulated depreciation:					
Buildings and improvements	(14,036,339)	(613,800)	-	-	(14,650,139)
Furniture and equipment	(640,425)	(2,701)	-	-	(643,126)
Automotive equipment	(1,570,735)	(234,807)	-	-	(1,805,542)
Infrastructure	(10,139,601)	(308,256)	-	-	(10,447,857)
Total accumulated depreciation	(26,387,100)	(1,159,564)	-	-	(27,546,664)
Total depreciable assets, net	28,948,942	(112,753)	-	-	28,836,189
Business-type activities capital assets, net	\$ 40,272,197	\$ (112,753)	\$ -	\$ -	\$ 40,159,444

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

6. CAPITAL ASSETS, (continued)

Depreciation expense for business-type activities for the fiscal year ended June 30, 2012 was charged as follows:

Harbor Tidelands	\$	454,022
Harbor Uplands		273,971
Wastewater		204,282
Solid Waste		11,096
Transit		216,193
Total depreciation expense	\$	1,159,564

B. *Fund Financial Statements*

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

7. COMPENSATED ABSENCES PAYABLE

The following is a summary of compensated absences payable transactions for the year ended June 30, 2012:

	Balance July 01, 2011	Additions	Deletions	Balance June 30, 2012	Classification	
					Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:						
Compensated absences payable	\$ 2,633,331	\$ 998,779	\$ (959,555)	\$ 2,672,555	\$ 188,759	\$ 2,483,796
Business-Type Activities						
Compensated absences payable	309,062	308,820	(264,533)	353,349	24,958	328,391
Total	\$ 2,942,393	\$ 1,307,599	\$ (1,224,088)	\$ 3,025,904	\$ 213,717	\$ 2,812,187

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, 2012

8. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended June 30, 2012:

	Balance July 01, 2011	Additions	Deletions	Transfers resulting from RDA Dissolution	Balance June 30, 2012	Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:							
PFA 2001 Refunding Revenue Bonds	\$ 1,875,000	\$ -	\$ (1,135,000)	\$ -	\$ 740,000	\$ 140,000	\$ 600,000
PFA 2008 Refunding Revenue Bonds	6,100,000	-	(615,000)	-	5,485,000	640,000	4,845,000
Unamortized bond Premium	151,906	-	(18,989)	-	132,917	18,989	113,928
County Deferral Loans	14,088,789	246,200	-	(14,334,989)	-	-	-
Capital Leases	887,201	352,829	(356,094)	-	883,936	368,378	515,558
Total governmental activities	\$ 23,102,896	\$ 599,029	\$ (2,125,083)	\$ (14,334,989)	\$ 7,241,853	\$ 1,167,367	\$ 6,074,486
Business-Type Activities:							
Wastewater Revenue Bond 2004, Series A	\$ 8,960,000	\$ -	\$ (225,000)	\$ -	\$ 8,735,000	\$ 235,000	\$ 8,500,000
Unamortized bond discount	(54,605)	-	2,374	-	(52,231)	2,374	(54,605)
Boating and Waterways							
Construction Loan 88-21-84	939,793	-	(87,002)	-	852,791	90,917	761,874
Boating and waterways							
Construction Loan 89-21-147	2,267,306	-	(184,511)	-	2,082,795	192,814	1,889,981
Total business-type activities	\$ 12,112,494	\$ -	\$ (494,139)	\$ -	\$ 11,618,355	\$ 521,105	\$ 11,097,250

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

8. LONG-TERM DEBT, (continued)

Public Financing Authority 2001 Refunding Revenue Bonds

The Financing Authority issued refunding revenue bonds dated November 1, 2001, totaling \$2,965,000. The purpose of the bonds was to fund a loan by the Financing Authority to the Agency pursuant to a loan agreement (Loan), dated November 1, 2001, by and between the Financing Authority and Agency. The proceeds of the Loan were used to provide funds to refinance certain redevelopment activities of the Agency within or for the benefit of the Agency's Harbor Center Redevelopment Project Area (Project Area) and refund the Agency's outstanding Tax Allocation and Revenue Bonds issued in 1993. A letter of credit (LC) was required as part of the financing agreement, and in 2001, Allied Irish Bank (AIB) issued a LC for the full amount.

In 2009, modified policies of AIB prohibited it from renewing the LC. Therefore, the Agency replace the original LC with a three-year LC provided by Bank of the West (BOW), under the terms of a LC dated February 1, 2009. Collateral for this LC took the form of a deposit of \$1 million in a money market/demand account with BOW for a corresponding three-year term commencing on March 2, 2009, and maturing March 2, 2012.

As described in Note 19, Dissolution of California Redevelopment Agencies, the State mandated dissolution of all redevelopment agencies effective February 1, 2012. With this, BOW understandably would not renew the LC with the now dissolved Agency. Also, the Successor Agency was not able to renew or replace the terms of the LC as the provisions of AB X1 26 were unclear as to the power of the Successor Agency to do so. Pursuant to the terms of the LC and the 2001 bonds, BOW drew on the full amount of the LC and purchased the outstanding 2001 bonds. BOW is now the owner of the 2001 bonds and is requiring interest-only payments of 10.00% until the bonds can be refinanced. Therefore, there is no fixed payment schedule. As of June 30, 2012, the balance outstanding was \$740,000.

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, 2012, the balance outstanding was \$5,485,000, with an unamortized premium of \$132,917.

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. As of June 30, 2012, the balance outstanding was \$5,485,000.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

8. LONG-TERM DEBT, (continued)

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 640,000	\$ 206,600	\$ 846,600
2014	665,000	180,500	845,500
2015	695,000	153,300	848,300
2016	715,000	125,100	840,100
2017	745,000	95,900	840,900
2018-2019	2,025,000	108,300	2,133,300
Total	<u>\$ 5,485,000</u>	<u>\$ 869,700</u>	<u>\$ 6,354,700</u>

The following is a summary of the 2008 Refunding Revenue unamortized premium outstanding at June 30, 2012:

Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
\$ 151,906	\$ -	\$ (18,989)	\$ 132,917

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

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, 2012, was \$883,936.

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

	<u>June 30, 2012</u>
Equipment	<u>\$ 1,593,631</u>
Equipment under capitalized lease, at cost	1,593,631
Accumulated depreciation	<u>(721,477)</u>
Equipment under capitalized lease, net	<u><u>\$ 872,154</u></u>

The annual debt service requirements outstanding at June 30, 2012 were as follows:

<u>For the Years</u> <u>Ending June 30,</u>	<u>Payment</u> <u>Amount</u>
2013	\$ 368,378
2014	350,244
2015	165,314
Total	<u><u>\$ 883,936</u></u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

8. LONG-TERM DEBT, (continued)

Wastewater Revenue Bonds, 2004, Series A

The City issued revenue bonds dated May 12, 2004, totaling \$10,335,000. The purpose of the bonds was to finance certain improvements and related facilities that constitute part of the Wastewater Enterprise Fund. The bond proceeds used are capital related. The serial bonds in the amount of \$5,230,000 mature through May 1, 2024, and bear a variable interest rate ranging from 2.50% to 5.00% per annum. Term bonds in the amount of \$5,105,000 mature through May 1, 2034, and bear interest at the rate of 5.00%. The serial bonds maturing on or after May 1, 2015, are subject to optional redemption provisions. The term bonds are subject to optional and mandatory redemption provisions. The bonds are payable solely from and secured by a pledge of and lien upon the net revenues of the Wastewater Enterprise Fund. As of June 30, 2012, the balance outstanding was \$8,735,000, with an unamortized bond discount of \$52,231. Principal and interest paid for the current year and total revenues for the Wastewater Fund were \$676,050 and \$2,609,084, respectively, 25.91%.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2012, including interest, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 235,000	\$ 426,963	\$ 661,963
2014	245,000	417,269	662,269
2015	255,000	406,856	661,856
2016	265,000	395,700	660,700
2017	275,000	383,775	658,775
2018-2022	1,600,000	1,707,850	3,307,850
2023-2027	2,030,000	1,271,500	3,301,500
2028-2032	2,600,000	710,000	3,310,000
2033-2034	1,230,000	93,000	1,323,000
Total	<u>\$ 8,735,000</u>	<u>\$ 5,812,913</u>	<u>\$ 14,547,913</u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

8. LONG-TERM DEBT, (continued)

The following is a summary of the 2004 Revenue Bond Series A unamortized discount outstanding at June 30, 2012:

Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
\$ (54,605)	\$ -	\$ 2,374	\$ (52,231)

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, 2012, the balance outstanding was \$852,791.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 90,917	\$ 38,376	\$ 129,293
2014	95,009	34,284	129,293
2015	99,284	30,009	129,293
2016	103,752	25,541	129,293
2017	108,421	20,872	129,293
2018-2021	355,408	32,455	387,863
Total	\$ 852,791	\$ 181,537	\$ 1,034,328

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

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, 2012, the balance outstanding was \$2,082,795.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 192,814	\$ 93,726	\$ 286,540
2014	201,491	85,049	286,540
2015	210,558	75,982	286,540
2016	220,033	66,507	286,540
2017	229,935	56,605	286,540
2018-2021	1,027,964	118,189	1,146,153
Total	<u>\$ 2,082,795</u>	<u>\$ 496,058</u>	<u>\$ 2,578,853</u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

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, 2012
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	\$ 4,184,190

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 \$901,567. The balance as of June 30, 2012 was \$9,505,328.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

10. OPERATING LEASES, (continued)

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

The following is a schedule, by year, of minimum future lease rentals on non-cancellable operating leases as of June 30, 2012:

Year Ending June 30,	Minimum Future Lease Rentals
2013	\$ 5,270,136
2014	5,466,956
2015	5,713,956
2016	5,623,956
2017	5,623,956
2018 - 2022	17,110,781
2023 - 2027	14,957,577
2028 - 2032	13,834,766
2033 - 2037	12,746,919
2038 - 2042	12,933,059
2043 - 2047	10,600,259
2048 - 2052	9,822,659
2053 - 2057	9,822,659
2058 - 2062	9,512,601
2063 - 2067	3,126,340
2068 - 2069	1,029,535
Totals	<u>\$ 143,196,113</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, 2012

11. 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.

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

The debt of the Successor Agency as of June 30, 2012 is as follows:

	Balance July 01, 2011	Additions	Deletions	Transfers resulting from RDA Dissolution	Balance June 30, 2012	Amounts Due Within One Year	Amounts Due in More than One Year
Successor Agency:							
County Deferral Loan - 1983 tax Increment Deferral	\$ -	\$ -	\$ -	\$ 6,934,419	\$ 6,934,419	\$ -	\$ 6,934,419
County Deferral Loan - 1984 tax Increment Deferral	-	-	-	7,400,570	7,400,570	-	7,400,570
City Loan - Principal - Harbor Center	-	-	-	4,288,426	4,288,426	-	4,288,426
City Loan - Interest - Harbor Center	-	-	-	3,590,101	3,590,101	160,000	3,430,101
City Loan (PFA) - Harbor Center	-	-	(1,022,500)	1,691,385	668,885	-	668,885
City Loan - South Bay Center	-	-	-	6,765,000	6,765,000	230,000	6,535,000
Total	\$ -	\$ -	\$ (1,022,500)	\$ 30,669,901	\$ 29,647,401	\$ 390,000	\$ 29,257,401

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

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

1983 Tax Increment Deferral - On November 15, 1983, the Agency and the County of Los Angeles (County) entered into an agreement for reimbursement of tax increment funds. It was recognized that the South Bay Center Project Area needed to utilize a substantial portion of the annual tax increment in the early years to finance its redevelopment activities. Therefore, the County taxing entities agreed to defer receipt of tax increment reimbursement from the Agency. This deferral is debt of the Agency to be repaid only from the Agency's share of future tax increment. There is no fixed payment schedule to repay this loan and is non-interest bearing. The balance outstanding at June 30, 2012, 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, 2012, was \$7,400,570.

12. 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, 2012, the estimated claims payable for workers' compensation was \$12,366,151, which included claims incurred but not reported (IBNR). The current year's portion of the claims was \$706,665.

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.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

12. RISK MANAGEMENT, (continued)

As of June 30, 2012, the estimated claims payable for general liability was \$2,462,670, which included IBNR. The current year's portion was \$114,274. Governmental activities claims and judgments are generally liquidated by the general fund.

	Liability on June 30, 2012
General Liability	\$ 2,462,670
Workers' Compensation	12,366,151
Total	<u>\$ 14,828,821</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.

Changes in the reported liability resulted from the following:

Year Ended June 30,	Balance July 01, 2011	Additions	Deletions	Amounts Balance June 30, 2012	Amounts Due Within One Year	Due in More than One Year
2010	\$ 16,163,623	\$ 521,697	\$ (3,231,006)	\$ 13,454,314	\$ 2,988,028	\$ 10,466,286
2011	13,454,314	312,812	1,137,278	14,904,404	742,843	14,161,561
2012	14,904,404	401,768	(477,351)	14,828,821	820,938	14,007,883

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

12. RISK MANAGEMENT, (continued)

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

Condensed Financial Information of the ICRMA

Condensed audited financial information of ICRMA as of June 30, 2011 (most recent information available) is as follows:

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

13. EMPLOYEE RETIREMENT PLANS

A. *Pension Plan*

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

Funding Policy - Active plan members are required by State statute to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The City, as employer, makes the contributions required of City employees on their behalf and for their account, which amounted to \$2,714,864 for the year ended June 30, 2012. The City is required to contribute for fiscal year 2010-2012 at an actuarially determined rate of 14.526% and 40.391% of annual covered payroll for miscellaneous and safety employees, respectively.

Annual Pension Cost - For 2010-2012, the City's annual pension cost of \$10,085,958 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.55% to 14.45% for miscellaneous employees and from 3.55% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2010, was 21 years for miscellaneous and 30 years for safety employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 10,024,453	100%	\$ -
6/30/2011	9,646,142	100%	-
6/30/2012	10,085,958	100%	-

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

13. EMPLOYEE RETIREMENT PLANS, (continued)

A. Pension Plan, (continued)

Funding Status as of the Most Recent Actuarial Date:

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

	(A)	(B)	<u>Safety Plan</u> (C)	(D)	(E)	(F)
			Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability				
6/10/2010	\$ 209,481,432	\$ 259,321,750	\$ 49,840,318	80.8%	\$ 15,615,232	319.2%

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

* Most recent information available

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

13. 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, 2012, approximately 107 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 2012, the City contributed \$1,486,000 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	\$ 1,486,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	1,486,000
Contributions made	(1,486,000)
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, 2012

13. 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 2012 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 1,486,000	\$ 1,486,000	100%	\$ -

Funded Status and Funding Progress. As of June 30, 2011, the most recent actuarial valuation date, the plan was 14.9 percent funded. The Actuarial Accrued Liability for benefits was \$18,365,000, and the actuarial value of assets was \$2,731,000, resulting in an VAAL of \$15,634,000. The covered payroll (annual payroll of active employees covered by the plan) was \$32,730,000 and the ratio of VAAL to the covered payroll was 47.8%.

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, 2011.

	(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)	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll (C/E)
6/30/2011	\$ 2,731,000	\$ 18,365,000	\$ (15,634,000)	14.9%	\$ 32,730,000	47.80%

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

13. EMPLOYEE RETIREMENT PLANS, (continued)

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

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

In the June 30, 2011 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 nine years to an ultimate rate of 5.0% for 2021 and thereafter. The actuarial assumption for inflation was 3 percent, and the aggregate payroll increases was 3.25 percent used in the actuarial valuation. The initial VAAL from June 30, 2006 valuation is being amortized as level percentage of projected payroll over a 30 year closed period (25 years remaining for fiscal year 2013/2014). Subsequent increases/ decreases in VAAL 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.

14. COMMITMENTS AND CONTINGENCIES

A. *Lawsuits*

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

B. *Federal and State Grant Programs*

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

14. COMMITMENTS AND CONTINGENCIES, (continued)

C. *Commitments*

As of June 30, 2012, in the opinion of City management, there were no outstanding matters that would have a significant effect on the financial position of the funds of the City.

D. *Contingencies*

The Regional Water Quality Control Board (RWQCB) has filed regulatory Notice of Violations against the City regarding issues with Seaside Lagoon water quality discharges to the harbor. The RWQCB granted the City a moratorium on the water quality discharge standards. Thus, at this time, potential fines, assessments, and settlements are currently estimated to be \$51,000.

15. 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.

16. DECLARATION OF FISCAL EMERGENCY

On August 4, 2009, the City declared a fiscal emergency. The City had faced an approximate \$5.5 million General Fund operating deficit for the 2009-2010 fiscal year due to the unprecedented downturn in the national and regional economies. The City declared another fiscal emergency on June 22, 2010 for the 2010-2011 fiscal year and also declared another fiscal emergency on June 28, 2011 for the 2011-2012 fiscal year. The City projected an approximate \$3.8 million General Fund operating deficit for the 2011-12 fiscal year. The City Council instituted in fiscal year 2010-11 various austerity measures including a flexible hiring freeze, employee concessions, full-time position deauthorizations, a reduction in capital investments, and a return of capital project funding. The fiscal year 2011-12 budget balancing is based on requesting continued employee compensation concessions, a drawdown on the PERS set-aside fund, and minor revenue enhancements. The City Council, through passage of the resolutions declaring a fiscal emergency, determined that immediate and comprehensive action must be taken to ensure, to the maximum extent possible, that the essential services of the City are not jeopardized. With an improved budget situation, the City lifted the previously declared fiscal emergency on June 19, 2012.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

17. CLASSIFICATION OF FUND BALANCES

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

	General Fund	Special Revenue			Debt Service		Nonmajor Governmental Funds	Total Governmental Funds
		Other Intergovernmental Grants	Redevelopment Agency	Low-Mod Income Housing Asset	Public Financing Authority	Redevelopment Agency		
Nonspendable								
Prepaid costs	\$ 58,488	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,995	\$ 116,483
Notes and loans receivable	18,059	-	-	2,898,234	-	-	-	2,916,293
Total nonspendable	<u>76,547</u>	<u>-</u>	<u>-</u>	<u>2,898,234</u>	<u>-</u>	<u>-</u>	<u>57,995</u>	<u>3,032,776</u>
Restricted								
Debt service	-	-	-	-	7,362,829	-	5,679	7,368,508
Public safety	-	-	-	-	-	-	1,355,860	1,355,860
Public works	-	-	-	-	-	-	1,576,834	1,576,834
Low and moderate income housing	-	-	-	535,731	-	-	-	535,731
Affordable housing	-	-	-	-	-	-	-	-
Housing and community development	-	-	-	-	-	-	7,534,013	7,534,013
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>535,731</u>	<u>7,362,829</u>	<u>-</u>	<u>10,472,386</u>	<u>18,370,946</u>
Committed								
Contingency	5,712,942	-	-	-	-	-	-	5,712,942
Total committed	<u>5,712,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,712,942</u>
Assigned								
Capital improvement projects	-	-	-	-	-	-	3,849,630	3,849,630
General government	326,455	-	-	-	-	-	-	326,455
Public safety	59,991	-	-	-	-	-	-	59,991
Housing and community development	112,960	-	-	-	-	-	-	112,960
Cultural and leisure services	-	-	-	-	-	-	-	-
Public works	80,704	-	-	-	-	-	-	80,704
Carryover assignments	936,283	-	-	-	-	-	-	936,283
Compensated absences	1,108,239	-	-	-	-	-	-	1,108,239
Petty cash	17,300	-	-	-	-	-	-	17,300
Self-insurance program	1,375,000	-	-	-	-	-	-	1,375,000
Health insurance	41,673	-	-	-	-	-	-	41,673
Compensation restoration	151,904	-	-	-	-	-	-	151,904
CalPERS	3,007,236	-	-	-	-	-	-	3,007,236
Total assigned	<u>7,217,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,849,630</u>	<u>11,067,375</u>
Unassigned	<u>383,446</u>	<u>(1,319,919)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,823,893</u>	<u>1,887,420</u>
Total fund balance	<u>\$ 13,390,680</u>	<u>\$ (1,319,919)</u>	<u>\$ -</u>	<u>\$ 3,433,965</u>	<u>\$ 7,362,829</u>	<u>\$ -</u>	<u>\$ 17,203,904</u>	<u>\$ 40,071,459</u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

18. PRIOR PERIOD ADJUSTMENT

A. *Fund Financial Statements*

The City recorded the following prior-period adjustment in the Proprietary Funds Financial Statements. The adjustment to the Proprietary Funds includes a \$16,573 addition in revenue in the Transit Enterprise Fund. The adjustment occurred because of an error recorded in a fixed route revenue account. Accordingly, the net assets as of July 1, 2011, have been restated as follows:

<u>Proprietary Funds</u>	<u>Net Assets, as Previously Reported</u>	<u>Prior Period Adjustments</u>	<u>Net Assets as Restated</u>
Transit Fund	\$ 1,087,699	\$ (16,573)	\$ 1,071,126
Total	<u>\$ 1,087,699</u>	<u>\$ (16,573)</u>	<u>\$ 1,071,126</u>

19. 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).

20. DISSOLUTION OF CALIFORNIA REDEVELOPMENT AGENCIES, (continued)

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.

The movement of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of the assets and liabilities as of February 1, 2012 was reported in the fiduciary private-purpose trust fund as an extraordinary gain (or loss). Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds will not be the same amount as the extraordinary gain (loss) that will be recognized in the fiduciary fund financial statements.

21. RISK & 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.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2012

21. RISK & UNCERTAINTIES, (continued)

B. *Successor Agency*

Deductions (expenses) incurred by the Successor Agency for the year ended June 30, 2012 (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.

REQUIRED SUPPLEMENTARY INFORMATION

City of Redondo Beach
Required Supplementary Information
For the year ended June 30, 2012

1. BUDGETARY INFORMATION

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

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

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

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

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

The following are the budget comparison schedules for General Fund, Other Intergovernmental Grants Special Revenue Fund, Redevelopment Agency Special Revenue Fund, and Low-Mod Income Housing Asset Special Revenue Fund.

CITY OF REDONDO BEACH

Required Supplementary Information

For the year ended June 30, 2012

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, General Fund

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Fund Balance - Beginning	\$ 13,654,459	\$ 13,654,459	\$ 13,654,459	\$ -
Resources (inflows):				
Taxes	49,734,062	50,650,000	50,702,432	52,432
Interdepartmental	6,383,731	6,249,628	6,249,628	-
Licenses and permits	1,042,420	1,051,135	1,343,422	292,287
Intergovernmental	213,540	1,310,874	72,450	(1,238,424)
Charges for services	4,954,270	4,810,860	5,119,940	309,080
Use of money and property	2,757,807	2,719,723	1,843,709	(876,014)
Fines and forfeitures	1,780,900	1,884,700	1,634,786	(249,914)
Miscellaneous	144,700	287,438	845,326	557,888
Transfers in	1,080,580	1,080,580	80,580	(1,000,000)
Amount available for appropriation	81,746,469	83,699,397	81,546,732	(2,152,665)
Charges to appropriations (outflows):				
Current:				
General government	7,802,449	9,439,028	8,085,175	1,353,853
Public safety	43,932,499	44,359,887	41,762,064	2,597,823
Housing and community development	5,653,405	3,833,061	4,355,277	(522,216)
Public works	3,781,743	5,337,847	3,473,002	1,864,845
Cultural and leisure services	5,352,241	5,546,955	5,282,197	264,758
Capital outlay	4,402,603	4,580,090	3,225,902	1,354,188
Transfers out	2,017,755	3,014,964	1,972,435	1,042,529
Total charges to appropriations	72,942,695	76,111,832	68,156,052	7,955,780
Fund Balance - Ending	\$ 8,803,774	\$ 7,587,565	\$ 13,390,680	\$ 5,803,115

CITY OF REDONDO BEACH

Required Supplementary Information

For the year ended June 30, 2012

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, Other Intergovernmental Grants Special Revenue Fund

	Budget Amounts		Actual	Final Budget
	Original	Final	Amounts	Positive (Negative)
FUND BALANCE - BEGINNING	\$ (3,027,926)	\$ (3,027,926)	\$ (3,027,926)	\$ -
RESOURCES (INFLOWS):				
Use of money and property	4,780,102	5,302,938	4,874,081	(428,857)
Transfers in	-	155	155	-
Amount available for appropriation	<u>1,752,176</u>	<u>2,275,167</u>	<u>1,846,310</u>	<u>(428,857)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public safety	65,695	577,553	467,659	109,894
Public works	75,918	76,073	70,294	5,779
Housing and community development	1,845,760	3,323,108	1,475,280	1,847,828
Capital outlay	2,767,729	9,791,230	1,152,996	8,638,234
Transfers out	-	10,978	-	10,978
Total charges to appropriations	<u>4,755,102</u>	<u>13,778,942</u>	<u>3,166,229</u>	<u>10,612,713</u>
FUND BALANCE - ENDING	<u>\$ (3,002,926)</u>	<u>\$ (11,503,775)</u>	<u>\$ (1,319,919)</u>	<u>\$ 10,183,856</u>

CITY OF REDONDO BEACH

Required Supplementary Information

For the year ended June 30, 2012

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, Low-Mod Income Housing Asset Special Revenue Fund

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Fund Balance - Beginning	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Use of money and property	-	-	73,395	73,395
Taxes	-	-	-	-
Miscellaneous	-	-	86,789	86,789
Transfers in	-	-	-	-
Other debt issued	-	-	-	-
Amount available for appropriation	-	-	160,184	160,184
Charges to appropriations (outflows):				
AB 1484 Demand Payment	-	-	9,914,969	(9,914,969)
Total charges to appropriations	-	-	9,914,969	(9,914,969)
EXTRAORDINARY ITEM:				
Gain (loss) on Redevelopment Agency dissolution	-	-	13,188,750	13,188,750
Fund Balance - Ending	\$ -	\$ -	\$ 3,433,965	\$ 3,433,965

CITY OF REDONDO BEACH

Required Supplementary Information

For the year ended June 30, 2012

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, Redevelopment Agency Special Revenue Fund

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Fund Balance - Beginning	\$ 2,894,458	\$ 2,894,458	\$ 2,894,458	\$ -
Resources (inflows):				
Taxes	800,600	800,600	376,489	(424,111)
Use of money and property	341,615	341,615	121,666	(219,949)
Miscellaneous	-	-	29,910	29,910
Transfers in	264,767	264,767	10,363,523	10,098,756
Amount available for appropriation	4,301,440	4,301,440	13,786,046	9,484,606
Charges to appropriations (outflows):				
Current:				
Housing and community development	1,305,487	1,305,487	568,040	737,447
Transfers out	-	-	29,256	(29,256)
Total charges to appropriations	1,305,487	1,305,487	597,296	708,191
EXTRAORDINARY ITEM:				
Gain (loss) on Redevelopment Agency dissolution	-	-	(13,188,750)	(13,188,750)
Fund Balance - Ending	\$ 2,995,953	\$ 2,995,953	\$ -	\$ (2,995,953)

City of Redondo Beach
Required Supplementary Information
For the year ended June 30, 2012

2. DEFINED PENSION PLAN

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

Safety Plan						
(A)	(B)	(C)	(D)	(E)	(F)	
					Unfunded	
					(Overfunded)	
		Entry Age	Unfunded		Actuarial	
Actuarial	Actuarial	Actuarial	Actuarial	Funded	Liability as	
Valuation	Asset	Accrued	Accrued	Ratio	Percentage of	
Date	Value	Liability	Liability	(A/B)	Covered Payroll	
			(B-A)		Payroll	(C/E)
6/30/2008	\$ 195,959,373	\$ 232,567,064	\$ 36,607,691	84.3%	\$ 15,118,770	242.1%
6/30/2009	202,858,694	252,092,246	49,233,552	80.5%	16,436,916	299.5%
6/10/2010	209,481,432	259,321,750	49,840,318	80.8%	15,615,232	319.2%

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

*Latest information available

City of Redondo Beach
Required Supplementary Information
For the year ended June 30, 2012

3. OTHER POST EMPLOYMENT BENEFITS

Required Supplementary Information
Schedule of Funding Progress for the City's Plan

	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
	Actuarial	Entry Age	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)
6/30/2008	\$ -	\$ 14,474,000	\$ (14,474,000)	0.0%	\$ 36,525,000	39.63%
6/30/2010	1,918,000	17,882,000	(15,964,000)	10.7%	31,700,000	50.36%
6/30/2011	2,731,000	18,365,000	(15,634,000)	14.9%	32,730,000	47.80%

City of Redondo Beach
Required Supplementary Information
For the year ended June 30, 2012

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, 2011. 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 2012, 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. Rating ranged from 0 and 100. A PQI of 0 would correspond to badly deteriorated pavement with virtually no remaining life; a PQI of 100 would correspond to pavement with proper engineering design and construction at the beginning of its life cycle. During the year, the comprehensive survey is updated to reflect the pavement's current condition.

City of Redondo Beach
Required Supplementary Information
For the year ended June 30, 2012

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

The following conditions were defined:

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

In line with the capital Improvement Program and as presented to City Council on December 2002, City policy is to achieve an average rating of 80 for all streets by fiscal year 2008-2009. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds.

The City established the standard of 70 for fiscal years 2007, 2008, and 2009. The condition assessments for the most recent years since implementation are as follow:

<u>Year</u>	<u>PQI rate</u>	<u>Condition</u>	<u>% of Streets</u>
2009	79	Very Good	21%
		Good	61%
		Fair	8%
		Poor	10%
2010	83	Very Good	40%
		Good	47%
		Fair	6%
		Poor	7%
2011	85	Very Good	47%
		Good	45%
		Fair	5%
		Poor	3%
2012	82	Very Good	33%
		Good	54%
		Fair	7%
		Poor	6%

City of Redondo Beach
Required Supplementary Information
For the year ended June 30, 2012

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

The City expended \$1,242,913 on street improvement projects for the fiscal year ended June 30, 2012. 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, 2011 through June 30, 2013 is a minimum of \$5,200,000.

A schedule of budget verses actual for the most recent years since implementation, which preserved City streets at the current 82 rating is presented below.

Fiscal Year	Final Budget	Funded by Capital Improvement Project Fund	Funded by Other Funds	Total Expenditures
2006-2007	\$ 6,493,717	\$ 1,292,207	\$ 569,668	\$ 1,861,875
2007-2008	11,633,589	154,835	2,824,248	2,979,083
2008-2009	10,835,819	1,543,773	2,350,822	3,894,595
2009-2010	11,788,643	1,413,430	3,017,149	4,430,579
2010-2011	9,260,708	688,073	4,607,518	5,295,591
2011-2012	8,874,102	246,152	996,761	1,242,913

As of June 30, 2012, 23% 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, 2012

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	\$ 787,427	\$ -	\$ 419,333	\$ 419,333
Pavement & Sidewalk Repairs	40140	193,432	-	-	-
Bike Paths Improvement Project	40150	-	-	-	-
Pavement Management Study	40170	197,551	-	85,168	85,168.00
Residential Street Rehabilitation	40190	757,747	3,584	50,543	54,127.00
Esplanade - Replacement of Streetlights	40200	280,261	-	279,024	279,024.00
Diamond St Resurf-Cluster to Hawthorne	40350	-	-	-	-
Esplanade Streetscape Improvements	40380	474,790	-	10,654	10,654.00
Citywide Curb Ramp Improvements	40399	34,252	-	161	161.00
Target Community Improvements	40460	6,090	-	-	-
Traffic Calming Project	40470	91,402	20,935	-	20,935.00
School Safety Zone Program	40480	-	-	1,226	1,226.00
Bicycle Trans Plan Implementation	40510	135,708	-	11,968	11,968.00
Catalina/Harbor Advd Traf Sig Mgmt	40600	286,349	105,971	29,881	135,852.00
Torrance Blvd Streetscape Improv	40630	1,078	-	-	-
Riviera Village Improvements	40640	249,991	115,662	-	115,662.00
PCH/Torrance Blvd Right Hand Turn Lane	40650	90,000	-	-	-
Inglewood Ave Resurfacing/ Artesia to MBB	40660	1,399	-	159	159.00
Prospect Avenue Resurfacing/PV Blvd to Anita	40670	-	-	5	5.00
Bus Bench Replacement	40700	-	-	68	68.00
Grant/ Artesia Countdown Ped Signal	40710	33,000	-	-	-
Harbor Dr. Resurfacing - Beryl to Herondo	40720	675,000	-	967	967.00
LED Streetlight Replacement Project	40730	54,924	-	55,377	55,377.00
North Redondo Beach Bikeway Lighting	40740	180,800	-	-	-
190th St Resurfacing - PCH to Prospect	40750	562,804	-	183	183.00
Artesia/ Aviation EB Rt Turn Lane	40770	22,000	-	9,724	9,724.00
Artesia/ Aviation NB Rt Turn Lane	40780	847,000	-	6,899	6,899.00
PV Boulevard/PCH WB Rt Turn Lane	40790	32,000	-	1,580	1,580.00
PCH Study Recommendations	40800	1,400,000	-	250	250.00
PCH/Torrance Boulevard NB Rt Turn Lane	40810	58,500	-	6,129	6,129.00
MBB/Inglewood EB Rt Turn Lane	40820	30,000	-	17,109	17,109.00
MBB Resurfacing - RB Ave to Inglewood Ave	40830	700,000	-	10,353	10,353.00
Annual Roadway Maintenance	40840	250,000	-	-	-
Prospect Resurfacing - Pearl to Emerald	40890	440,600	-	-	-
		<u>\$ 8,874,105</u>	<u>\$ 246,152</u>	<u>\$ 996,761</u>	<u>\$ 1,242,913</u>

SUPPLEMENTARY INFORMATION

MAJOR GOVERNMENTAL FUNDS

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

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

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

CITY OF REDONDO BEACH

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

Public Financing Authority Debt Service Fund

For the year ended June 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Fund Balance - Beginning	\$ 8,107,706	\$ 8,107,706	\$ 8,107,706	\$ -
Resources (inflows):				
Use of money and property	487,411	487,411	1,563,400	1,075,989
Miscellaneous	-	-	-	-
Transfers in	141,188	141,188	-	(141,188)
Amount available for appropriation	8,736,305	8,736,305	9,671,106	1,075,989
Charges to appropriations (outflows):				
Current:				
Housing and community development	207,722	207,722	254,802	(47,080)
Debt Service:				
Principal retirement	688,264	688,264	1,750,000	(1,061,736)
Interest and fiscal charges	305,739	305,739	303,475	2,264
Total charges to appropriations	1,201,725	1,201,725	2,308,277	(1,106,552)
Fund Balance - Ending	\$ 7,534,580	\$ 7,534,580	\$ 7,362,829	\$ (30,563)

CITY OF REDONDO BEACH

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

Redevelopment Agency Debt Service Fund

For the year ended June 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Fund Balance - Beginning	\$ (15,046,266)	\$ (15,046,266)	\$ (15,046,266)	\$ -
Resources (inflows):				
Use of money and property	455	455	-	(455)
Taxes	1,691,044	1,691,044	797,022	(894,022)
Miscellaneous	-	-	138,332	138,332
Transfers in	835,468	835,468	-	(835,468)
Other debt issued	618,461	618,461	246,200	(372,261)
Amount available for appropriation	(11,900,838)	(11,900,838)	(13,864,712)	(1,963,874)
Charges to appropriations (outflows):				
Current:				
Housing and community development	46,400	46,400	51,474	(5,074)
Debt Service:	-	-	-	-
Interest and fiscal charges	1,257,745	1,257,745	337,901	919,844
Transfers out	1,241,423	1,241,423	-	1,241,423
Total charges to appropriations	2,545,568	2,545,568	389,375	2,156,193
EXTRAORDINARY ITEM:				
Gain (loss) on Redevelopment Agency dissolution	-	-	14,254,087	14,254,087
Fund Balance - Ending	\$ (14,446,406)	\$ (14,446,406)	\$ -	\$ 14,446,406

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

DEBT SERVICE FUND

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

CAPITAL PROJECTS FUNDS

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

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

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

City of Redondo Beach
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	Special Revenue							
	Traffic Congestion Relief	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure / Forfeiture	Proposition A	Proposition C	Measure R	Local Transit
ASSETS								
Pooled cash and invesments	\$ -	\$ 1,115,006	\$ 24,576	\$ 1,288,170	\$ 1,559,187	\$ 3,851,658	\$ 473,846	\$ -
Receivables:								
Accounts	-	-	-	-	-	-	-	-
Taxes	-	189,824	-	-	-	-	-	-
Notes and loans	-	-	-	-	-	-	-	-
Accrued interest	-	4,971	-	6,212	6,261	18,454	-	-
Prepaid costs	-	-	-	140	-	32,127	-	-
Due from other governments	-	-	-	10,814	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Total assets	\$ -	\$ 1,309,801	\$ 24,576	\$ 1,305,336	\$ 1,565,448	\$ 3,902,239	\$ 473,846	\$ -
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ 31,022	\$ 10,530	\$ 1,671	\$ -	\$ 12,360	\$ 11,295	\$ -
Deferred revenue	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	176
Total liabilities	-	31,022	10,530	1,671	-	12,360	11,295	176
Fund balances:								
Nonspendable	-	-	-	140	-	32,127	-	-
Restricted	-	1,278,779	14,046	1,303,525	1,565,448	3,857,752	462,551	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(176)
Total fund balances	-	1,278,779	14,046	1,303,665	1,565,448	3,889,879	462,551	(176)
Total liabilities and fund balances	\$ -	\$ 1,309,801	\$ 24,576	\$ 1,305,336	\$ 1,565,448	\$ 3,902,239	\$ 473,846	\$ -

City of Redondo Beach
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2012

	Special Revenue						
	Air Quality Improvement	Storm Drain	Street Landscaping and Lighting District	Community Development Block Grant	Disaster Recovery	Housing Authority	Subdivision Park Trust
ASSETS							
Pooled cash and invesments	\$ 175,243	\$ 302,622	\$ 70,207	\$ -	\$ 52,335	\$ 1,135,057	\$ 410,732
Receivables:							
Accounts	-	-	3,177	-	-	-	-
Taxes	-	-	93,331	-	-	-	-
Notes and loans	-	-	-	476,563	-	-	-
Accrued interest	800	-	-	-	-	77	-
Prepaid costs	-	-	-	-	-	-	-
Due from other governments	20,736	-	-	56,623	-	-	-
Due from other funds	-	-	-	-	-	19,281	-
Total assets	\$ 196,779	\$ 302,622	\$ 166,715	\$ 533,186	\$ 52,335	\$ 1,154,415	\$ 410,732
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 3,411	\$ 4,567	\$ 171,599	\$ 32,398	\$ -	\$ 2,274	\$ 4,861
Deferred revenue	-	-	-	476,566	-	-	-
Due to other funds	-	-	-	100,314	-	117,164	-
Total liabilities	3,411	4,567	171,599	609,278	-	119,438	4,861
Fund balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	193,368	298,055	-	-	52,335	1,034,977	405,871
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	(4,884)	(76,092)	-	-	-
Total fund balances	193,368	298,055	(4,884)	(76,092)	52,335	1,034,977	405,871
Total liabilities and fund balances	\$ 196,779	\$ 302,622	\$ 166,715	\$ 533,186	\$ 52,335	\$ 1,154,415	\$ 410,732

City of Redondo Beach
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2012

	Special Revenue	Debt Service	Capital Projects			Total
	Affordable Housing	Parking Authority	Pier Parking Structure Rehabilitation	Capital Improvement Projects	Redevelopment Agency	Non-Major Funds
ASSETS						
Pooled cash and investments	\$ -	\$ 5,662	\$ 818	\$ 6,357,801	\$ -	\$ 16,822,920
Receivables:						
Accounts	-	-	-	55,907	-	59,084
Taxes	-	-	-	-	-	283,155
Notes and loans	-	-	-	-	-	476,563
Accrued interest	-	17	4	-	-	36,796
Prepaid costs	-	-	-	25,728	-	57,995
Due from other governments	-	-	-	440,600	-	528,773
Due from other funds	-	-	-	-	-	19,281
Total assets	\$ -	\$ 5,679	\$ 822	\$ 6,880,036	\$ -	\$ 18,284,567
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 100,455	\$ -	\$ 386,443
Deferred revenue	-	-	-	-	-	476,566
Due to other funds	-	-	-	-	-	217,654
Total liabilities	-	-	-	100,455	-	1,080,663
Fund balances:						
Nonspendable	-	-	-	25,728	-	57,995
Restricted	-	5,679	-	-	-	10,472,386
Assigned	-	-	822	3,848,808	-	3,849,630
Unassigned	-	-	-	2,905,045	-	2,823,893
Total fund balances	-	5,679	822	6,779,581	-	17,203,904
Total liabilities and fund balances	\$ -	\$ 5,679	\$ 822	\$ 6,880,036	\$ -	\$ 18,284,567

City of Redondo Beach

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

Non-Major Governmental Funds

For the year ended June 30, 2012

	Special Revenue							
	Traffic Congestion Relief	State Gas Tax	Parks and Recreation Facilities	Narcotics Seizure / Forfeiture	Proposition A	Proposition C	Measure R	Local Transit
REVENUES:								
Use of money and property	\$ (2,515)	\$ 15,040	\$ -	\$ 20,776	\$ 19,308	\$ 52,058	\$ 427	\$ -
Intergovernmental	-	1,883,447	-	-	995,216	826,788	615,124	-
Charges for services	-	-	20,000	199,856	-	-	-	-
Miscellaneous	-	4,717	-	-	-	-	-	-
Total revenues	(2,515)	1,903,204	20,000	220,632	1,014,524	878,846	615,551	-
EXPENDITURES:								
Current:								
Public safety	-	-	-	14,292	-	-	-	-
Public works	-	1,169,801	-	-	-	-	-	161
Housing and community development	-	-	-	-	-	30,069	-	-
Capital outlay	-	-	27,800	26,764	-	73,312	350,313	-
Total expenditures	-	1,169,801	27,800	41,056	-	103,381	350,313	161
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,515)	733,403	(7,800)	179,576	1,014,524	775,465	265,238	(161)
OTHER FINANCING SOURCES (USES):								
Transfers in	9,015	3,322	-	-	-	-	-	-
Transfers out	-	-	-	-	(1,074,693)	-	-	-
Total other financing sources (uses)	9,015	3,322	-	-	(1,074,693)	-	-	-
EXTRAORDINARY ITEM:								
Gain (loss) on Redevelopment Agency dissolution	-	-	-	-	-	-	-	-
Net change in fund balances	6,500	736,725	(7,800)	179,576	(60,169)	775,465	265,238	(161)
Fund Balances:								
Beginning of year	(6,500)	542,054	21,846	1,124,089	1,625,617	3,114,414	197,313	(15)
End of year	\$ -	\$ 1,278,779	\$ 14,046	\$ 1,303,665	\$ 1,565,448	\$ 3,889,879	\$ 462,551	\$ (176)

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, 2012

	Special Revenue						
	Air Quality Improvement	Storm Drain	Street Landscaping and Lighting District	Community Development Block Grant	Disaster Recovery	Housing Authority	Subdivision Park Trust
REVENUES:							
Use of money and property	\$ 2,255	\$ -	\$ (62)	\$ -	\$ -	\$ 812	\$ 36
Intergovernmental	-	-	-	365,527	-	6,041,631	225,000
Charges for services	84,000	31,974	1,565,869	-	1,900	-	-
Miscellaneous	-	-	24,367	-	-	-	-
Total revenues	86,255	31,974	1,590,174	365,527	1,900	6,042,443	225,036
EXPENDITURES:							
Current:							
Public safety	-	-	-	-	-	-	-
Public works	-	-	2,575,664	-	-	-	-
Housing and community development	61,316	-	-	247,414	24,600	6,091,518	22,453
Capital outlay	-	2,651	-	24,238	-	-	93,885
Total expenditures	61,316	2,651	2,575,664	271,652	24,600	6,091,518	116,338
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	24,939	29,323	(985,490)	93,875	(22,700)	(49,075)	108,698
OTHER FINANCING SOURCES (USES):							
Transfers in	54	-	981,361	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	54	-	981,361	-	-	-	-
EXTRAORDINARY ITEM:							
Gain (loss) on Redevelopment Agency dissolution	-	-	-	-	-	-	-
Net change in fund balances	24,993	29,323	(4,129)	93,875	(22,700)	(49,075)	108,698
Fund Balances:							
Beginning of year	168,375	268,732	(755)	(169,967)	75,035	1,084,052	297,173
End of year	\$ 193,368	\$ 298,055	\$ (4,884)	\$ (76,092)	\$ 52,335	\$ 1,034,977	\$ 405,871

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, 2012

	Special Revenue	Debt Service	Capital Projects			Total
	Affordable Housing	Parking Authority	Pier Parking Structure Rehabilitation	Capital Improvement Projects	Redevelopment Agency	Non-Major Funds
REVENUES:						
Use of money and property	\$ -	\$ 17	\$ 11	\$ -	\$ 50,168	\$ 158,331
Intergovernmental	-	-	-	440,600	-	11,393,333
Charges for services	-	-	-	462,474	-	2,366,073
Miscellaneous	-	-	-	1,818,607	-	1,847,691
Total revenues	-	17	11	2,721,681	50,168	15,765,428
EXPENDITURES:						
Current:						
Public safety	-	-	-	-	-	14,292
Public works	-	-	-	106,944	-	3,852,570
Housing and community development	-	-	-	-	367,505	6,844,875
Capital outlay	-	-	-	513,497	-	1,112,460
Total expenditures	-	-	-	620,441	367,505	11,824,197
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	17	11	2,101,240	(317,337)	3,941,231
OTHER FINANCING SOURCES (USES):						
Transfers in	29,256	-	-	733	29,256	1,052,997
Transfers out	(10,392,779)	-	-	(9,015)	-	(11,476,487)
Total other financing sources (uses)	(10,363,523)	-	-	(8,282)	29,256	(10,423,490)
EXTRAORDINARY ITEM:						
Gain (loss) on Redevelopment Agency dissolution	-	-	-	-	(730,964)	(730,964)
Net change in fund balances	(10,363,523)	17	11	2,092,958	(1,019,045)	(7,213,223)
Fund Balances:						
Beginning of year	10,363,523	5,662	811	4,686,623	1,019,045	24,417,127
End of year	\$ -	\$ 5,679	\$ 822	\$ 6,779,581	\$ -	\$ 17,203,904

CITY OF REDONDO BEACH

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

Traffic Congestion Relief Special Revenue Fund

For the year ended June 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ (6,500)	\$ (6,500)	\$ (6,500)	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	(2,515)	(2,515)
Transfers in	-	-	9,015	9,015
Amount available for appropriation	<u>(6,500)</u>	<u>(6,500)</u>	<u>-</u>	<u>6,500</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ (6,500)</u>	<u>\$ (6,500)</u>	<u>\$ -</u>	<u>\$ 6,500</u>

CITY OF REDONDO BEACH

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

State Gas Tax Special Revenue Fund

For the year ended June 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 542,054	\$ 542,054	\$ 542,054	\$ -
RESOURCES (INFLOWS):				
Use of money and property	3,000	2,800	15,040	12,240
Intergovernmental	1,763,200	1,763,200	1,883,447	120,247
Miscellaneous	500	500	4,717	4,217
Transfers in	-	3,322	3,322	-
Amount available for appropriation	2,308,754	2,311,876	2,448,580	136,704
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public works	1,401,885	1,406,918	1,169,801	237,117
Total charges to appropriations	1,401,885	1,406,918	1,169,801	237,117
FUND BALANCE - ENDING	\$ 906,869	\$ 904,958	\$ 1,278,779	\$ 373,821

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, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 21,846	\$ 21,846	\$ 21,846	\$ -
RESOURCES (INFLOWS):				
Charges for services	10,000	16,000	20,000	4,000
Amount available for appropriation	31,846	37,846	41,846	4,000
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital Outlay	29,000	29,000	27,800	1,200
Total charges to appropriations	29,000	29,000	27,800	1,200
FUND BALANCE - ENDING	\$ 2,846	\$ 8,846	\$ 14,046	\$ 5,200

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, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 1,124,089	\$ 1,124,089	\$ 1,124,089	\$ -
RESOURCES (INFLOWS):				
Use of money and property	4,000	3,800	20,776	16,976
Charges for services	100,000	60,000	199,856	139,856
Amount available for appropriation	1,228,089	1,187,889	1,344,721	156,832
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public safety	64,890	194,736	14,292	180,444
Capital outlay	-	32,267	26,764	5,503
Total charges to appropriations	64,890	227,003	41,056	185,947
FUND BALANCE - ENDING	\$ 1,163,199	\$ 960,886	\$ 1,303,665	\$ 342,779

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, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 1,625,617	\$ 1,625,617	\$ 1,625,617	\$ -
RESOURCES (INFLOWS):				
Use of money and property	13,000	12,300	19,308	7,008
Intergovernmental	937,399	937,399	995,216	57,817
Amount available for appropriation	2,576,016	2,575,316	2,640,141	64,825
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Transfers out	1,351,154	1,351,154	1,074,693	276,461
Total charges to appropriations	1,351,154	1,351,154	1,074,693	276,461
FUND BALANCE - ENDING	\$ 1,224,862	\$ 1,224,162	\$ 1,565,448	\$ 341,286

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, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 3,114,414	\$ 3,114,414	\$ 3,114,414	\$ -
RESOURCES (INFLOWS):				
Use of money and property	20,000	19,000	52,058	33,058
Intergovernmental	777,548	777,548	826,788	49,240
Amount available for appropriation	3,911,962	3,910,962	3,993,260	82,298
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	853	1,640	30,069	(28,429)
Capital outlay	700,000	4,122,690	73,312	4,049,378
Total charges to appropriations	700,853	4,124,330	103,381	4,020,949
FUND BALANCE - ENDING	\$ 3,211,109	\$ (213,368)	\$ 3,889,879	\$ 4,103,247

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, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 197,313	\$ 197,313	\$ 197,313	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	427	427
Intergovernmental	583,166	583,166	615,124	31,958
Amount available for appropriation	780,479	780,479	812,864	32,385
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	558,000	978,261	350,313	627,948
Total charges to appropriations	558,000	978,261	350,313	627,948
FUND BALANCE - ENDING	\$ 222,479	\$ (197,782)	\$ 462,551	\$ 660,333

CITY OF REDONDO BEACH

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

Local Transit Special Revenue Fund

For the year ended June 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ (15)	\$ (15)	\$ (15)	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	32,815	32,815	-	(32,815)
Amount available for appropriation	32,800	32,800	(15)	(32,815)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public works	-	34,252	161	34,091
Total charges to appropriations	-	34,252	161	34,091
FUND BALANCE - ENDING	\$ 32,800	\$ (1,452)	\$ (176)	\$ 1,276

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, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 168,375	\$ 168,375	\$ 168,375	\$ -
RESOURCES (INFLOWS):				
Use of money and property	1,000	900	2,255	1,355
Charges for services	77,700	77,700	84,000	6,300
Transfers in	-	54	54	-
Amount available for appropriation	247,075	247,029	254,684	7,655
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	231,400	231,068	61,316	169,752
Total charges to appropriations	231,400	231,068	61,316	169,752
FUND BALANCE - ENDING	\$ 15,675	\$ 15,961	\$ 193,368	\$ 177,407

CITY OF REDONDO BEACH

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

Storm Drain Special Revenue Fund

For the year ended June 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 268,732	\$ 268,732	\$ 268,732	\$ -
RESOURCES (INFLOWS):				
Charges for services	35,000	35,000	31,974	(3,026)
Amount available for appropriation	303,732	303,732	300,706	(3,026)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	30,000	265,260	2,651	262,609
Total charges to appropriations	30,000	265,260	2,651	262,609
FUND BALANCE - ENDING	\$ 273,732	\$ 38,472	\$ 298,055	\$ 259,583

CITY OF REDONDO BEACH

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

Street Landscaping and Lightning Special Revenue Fund

For the year ended June 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ (755)	\$ (755)	\$ (755)	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	(62)	(62)
Charges for services	1,568,500	1,568,500	1,565,869	(2,631)
Miscellaneous	35,000	35,000	24,367	(10,633)
Transfers in	1,017,755	1,034,252	981,361	(52,891)
Amount available for appropriation	2,620,500	2,636,997	2,570,780	(66,217)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public works	2,559,060	2,736,728	2,575,664	161,064
Total charges to appropriations	2,559,060	2,736,728	2,575,664	161,064
FUND BALANCE - ENDING	\$ 61,440	\$ (99,731)	\$ (4,884)	\$ 94,847

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, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ (169,967)	\$ (169,967)	\$ (169,967)	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	369,894	377,738	365,527	(12,211)
Amount available for appropriation	199,927	207,771	195,560	(12,211)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	379,266	425,440	247,414	178,026
Capital outlay	-	35,403	24,238	11,165
Total charges to appropriations	379,266	460,843	271,652	189,191
FUND BALANCE - ENDING	\$ (179,339)	\$ (253,072)	\$ (76,092)	\$ 176,980

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, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 75,035	\$ 75,035	\$ 75,035	\$ -
RESOURCES (INFLOWS):				
Charges for services	62,100	22,100	1,900	(20,200)
Amount available for appropriation	137,135	97,135	76,935	(20,200)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	17,060	17,060	24,600	(7,540)
Total charges to appropriations	17,060	17,060	24,600	(7,540)
FUND BALANCE - ENDING	\$ 120,075	\$ 80,075	\$ 52,335	\$ (27,740)

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, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 1,084,052	\$ 1,084,052	\$ 1,084,052	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	812	812
Intergovernmental	6,088,509	6,088,509	6,041,631	(46,878)
Transfers in	-	616	-	(616)
Amount available for appropriation	<u>7,172,561</u>	<u>7,173,177</u>	<u>7,126,495</u>	<u>(46,682)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	<u>6,127,953</u>	<u>6,128,569</u>	<u>6,091,518</u>	<u>37,051</u>
Total charges to appropriations	<u>6,127,953</u>	<u>6,128,569</u>	<u>6,091,518</u>	<u>37,051</u>
FUND BALANCE - ENDING	<u>\$ 1,044,608</u>	<u>\$ 1,044,608</u>	<u>\$ 1,034,977</u>	<u>\$ (9,631)</u>

CITY OF REDONDO BEACH

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

Subdivision Park Trust Special Revenue Fund

For the year ended June 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 297,173	\$ 297,173	\$ 297,173	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	36	36
Intergovernmental	75,000	150,000	225,000	75,000
Amount available for appropriation	372,173	447,173	522,209	75,036
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Housing and community development	-	-	22,453	(22,453)
Capital outlay	210,000	313,316	93,885	219,431
Total charges to appropriations	210,000	313,316	116,338	196,978
FUND BALANCE - ENDING	\$ 162,173	\$ 133,857	\$ 405,871	\$ 272,014

CITY OF REDONDO BEACH

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

Affordable Housing Special Revenue Fund

For the year ended June 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
FUND BALANCE - BEGINNING	\$ 10,363,523	\$ 10,363,523	\$ 10,363,523	\$ -
RESOURCES (INFLOWS):				
Transfers in	-	-	29,256	29,256
Amount available for appropriation	10,363,523	10,363,523	10,392,779	29,256
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Transfers out	-	-	10,392,779	(10,392,779)
Total charges to appropriations	-	-	10,392,779	(10,392,779)
FUND BALANCE - ENDING	\$ 10,363,523	\$ 10,363,523	\$ -	\$ (10,363,523)

CITY OF REDONDO BEACH

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

Parking Authority Debt Service Fund

For the year ended June 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 5,662	\$ 5,662	\$ 5,662	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	17	17
Amount available for appropriation	5,662	5,662	5,679	17
FUND BALANCE - ENDING	\$ 5,662	\$ 5,662	\$ 5,679	\$ 17

CITY OF REDONDO BEACH

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

Pier Parking Structure Rehabilitation Capital Projects Fund

For the year ended June 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 811	\$ 811	\$ 811	\$ -
RESOURCES (INFLOWS):				
Use of money and property	-	-	11	11
Amount available for appropriation	811	811	822	11
FUND BALANCE - ENDING	811	811	822	11

CITY OF REDONDO BEACH

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

Capital Improvement Project Capital Projects Fund

For the year ended June 30, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
FUND BALANCE - BEGINNING	\$ 4,686,623	\$ 4,686,623	\$ 4,686,623	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	-	-	440,600	440,600
Charges for services	390,000	390,000	462,474	72,474
Miscellaneous	-	1,500,000	1,818,607	318,607
Transfers in	-	733	733	-
Amount available for appropriation	5,076,623	6,577,356	7,409,037	831,681
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current				
Public works	125,242	126,157	106,944	19,213
Capital outlay	1,418,500	4,411,582	513,497	3,898,085
Transfers out	-	-	9,015	(9,015)
Total charges to appropriations	1,543,742	4,537,739	629,456	3,908,283
FUND BALANCE - ENDING	\$ 3,532,881	\$ 2,039,617	\$ 6,779,581	\$ 4,739,964

CITY OF REDONDO BEACH

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

Redevelopment Agency Capital Projects Fund

For the year ended June 30, 2012

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
FUND BALANCE - BEGINNING	\$ 1,019,045	\$ 1,019,045	\$ 1,019,045	\$ -
RESOURCES (INFLOWS):				
Use of money and property	52,892	52,892	50,168	(2,724)
Miscellaneous	141,145	141,145	-	(141,145)
Transfers in	-	-	29,256	29,256
Amount available for appropriation	<u>1,213,082</u>	<u>1,213,082</u>	<u>1,098,469</u>	<u>(114,613)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	<u>643,437</u>	<u>643,437</u>	<u>367,505</u>	<u>275,932</u>
Total charges to appropriations	<u>643,437</u>	<u>643,437</u>	<u>367,505</u>	<u>275,932</u>
EXTRAORDINARY ITEM:				
Gain (loss) on Redevelopment Agency dissolution	<u>-</u>	<u>-</u>	<u>(730,964)</u>	<u>(730,964)</u>
FUND BALANCE - ENDING	<u>\$ 569,645</u>	<u>\$ 569,645</u>	<u>\$ -</u>	<u>\$ (569,645)</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 that provides for the future acquisition and operating costs of City vehicles.

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

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

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

Printing and Graphics Fund - To account for the costs of providing printing and graphics services to all City departments. Such costs are billed to City departments at a rate which provides for the annual printing costs.

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

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

CITY OF REDONDO BEACH
Combining Statement of Net Assets
All Internal Service Funds
June 30, 2012

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Printing and Graphics	Emergency Communications	Major Facilities Repair	Total
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 5,038,030	\$ 213,964	\$ 604,592	\$ 13,516,515	\$ 119,072	\$ 1,001,766	\$ 325,633	\$ 20,819,572
Accounts receivable	16,307	-	-	-	-	-	-	16,307
Prepaid costs	-	-	1,716	2	230	-	-	1,948
Total current assets	5,054,337	213,964	606,308	13,516,517	119,302	1,001,766	325,633	20,837,827
Noncurrent assets:								
Capital assets - net of accumulated depreciation	2,920,526	15,083	1,024,428	-	23,762	437,729	-	4,421,528
Total noncurrent assets	2,920,526	15,083	1,024,428	-	23,762	437,729	-	4,421,528
Total assets	7,974,863	229,047	1,630,736	13,516,517	143,064	1,439,495	325,633	25,259,355
Liabilities								
Current liabilities:								
Accounts payable	205,560	162,010	53,085	452,415	690	20,354	-	894,114
Accrued compensated absences	1,334	4,519	6,705	1,367	-	5,504	-	19,429
Accrued claims and judgments	-	-	-	820,938	-	-	-	820,938
Bonds, notes, and capital leases	-	-	360,452	-	7,926	-	-	368,378
Total current liabilities	206,894	166,529	420,242	1,274,720	8,616	25,858	-	2,102,859
Noncurrent liabilities:								
Accrued compensated absences	17,557	59,463	88,224	17,926	-	72,424	-	255,594
Accrued claims and judgments	-	-	-	14,007,883	-	-	-	14,007,883
Bonds, notes, and capital leases	-	-	499,727	-	15,831	-	-	515,558
Total noncurrent liabilities	17,557	59,463	587,951	14,025,809	15,831	72,424	-	14,779,035
Total liabilities	224,451	225,992	1,008,193	15,300,529	24,447	98,282	-	16,881,894
Net Assets								
Invested in capital assets, net of related debt	2,920,526	15,083	164,249	-	5	437,729	-	3,537,592
Unrestricted	4,829,886	(12,028)	458,294	(1,784,012)	118,612	903,484	325,633	4,839,869
Total net assets	\$ 7,750,412	\$ 3,055	\$ 622,543	\$ (1,784,012)	\$ 118,617	\$ 1,341,213	\$ 325,633	\$ 8,377,461

CITY OF REDONDO BEACH

Combining Statement of Net Assets

All Internal Service Funds

June 30, 2012

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Printing and Graphics	Emergency Communications	Major Facilities Repair	Total
OPERATING REVENUES:								
Sales and service charges	\$ 2,823,824	\$ 2,289,652	\$ 2,379,441	\$ 4,056,208	\$ 242,004	\$ 2,600,465	\$ 115,017	\$ 14,506,611
Miscellaneous	134,535	-	30,257	-	-	-	-	164,792
Total operating revenues	<u>2,958,359</u>	<u>2,289,652</u>	<u>2,409,698</u>	<u>4,056,208</u>	<u>242,004</u>	<u>2,600,465</u>	<u>115,017</u>	<u>14,671,403</u>
OPERATING EXPENSES:								
Administrative and general expenses	201,164	943,525	658,054	-	22,624	136,191	-	1,961,558
Personnel services	1,319,429	969,839	768,834	354,786	75,992	1,859,953	-	5,348,833
Contractual services	183,149	399,292	670,035	5,835,926	46,676	469,140	-	7,604,218
Depreciation	604,690	2,280	443,838	-	18,931	69,855	-	1,139,594
Total operating expenses	<u>2,308,432</u>	<u>2,314,936</u>	<u>2,540,761</u>	<u>6,190,712</u>	<u>164,223</u>	<u>2,535,139</u>	<u>-</u>	<u>16,054,203</u>
OPERATING INCOME (LOSS)	<u>649,927</u>	<u>(25,284)</u>	<u>(131,063)</u>	<u>(2,134,504)</u>	<u>77,781</u>	<u>65,326</u>	<u>115,017</u>	<u>(1,382,800)</u>
NONOPERATING REVENUES AND EXPENSES:								
Gain (loss) on sale of capital assets	73,574	-	-	-	-	-	-	73,574
Total nonoperating revenues (expenses)	<u>73,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,574</u>
INCOME (LOSS) BEFORE TRANSFERS								
Transfers in	2,240	4,790	2,934	947,711	6,437	5,643	-	969,755
Transfers out	-	-	(6,437)	-	-	-	-	(6,437)
Change in net assets	<u>725,741</u>	<u>(20,494)</u>	<u>(134,566)</u>	<u>(1,186,793)</u>	<u>84,218</u>	<u>70,969</u>	<u>115,017</u>	<u>(345,908)</u>
NET ASSETS								
Beginning of year	7,024,671	23,549	757,109	(597,219)	34,399	1,270,244	210,616	8,723,369
End of year	<u>\$ 7,750,412</u>	<u>\$ 3,055</u>	<u>\$ 622,543</u>	<u>\$ (1,784,012)</u>	<u>\$ 118,617</u>	<u>\$ 1,341,213</u>	<u>\$ 325,633</u>	<u>\$ 8,377,461</u>

CITY OF REDONDO BEACH

Combining Statement of Cash Flows

Internal Service Funds

All Internal Service Funds

For the year ended June 30, 2012

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Printing and Graphics	Emergency Communications	Major Facilities Repair	Total
CASH FLOWS FROM OPERATING ACTIVITIES:								
Cash received from customers and users	\$ 2,975,855	\$ 2,289,652	\$ 2,565,947	\$ 4,566,260	\$ 245,383	\$ 2,600,759	\$ 115,017	\$ 15,358,873
Cash payments to suppliers for goods and services	(255,104)	(1,322,343)	(1,330,377)	(5,715,677)	(75,548)	(595,904)	-	(9,294,953)
Cash payments to employees for services	(1,320,391)	(964,480)	(761,707)	(354,655)	(96,336)	(1,851,278)	-	(5,348,847)
Net cash provided (used) by operating activities	1,400,360	2,829	473,863	(1,504,072)	73,499	153,577	115,017	715,073
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Transfers in	2,240	5,496	2,934	947,711	6,437	5,643	-	970,461
Transfers out	-	-	(6,437)	-	-	-	-	(6,437)
Net cash provided (used) by noncapital financing activities	2,240	5,496	(3,503)	947,711	6,437	5,643	-	964,024
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Acquisition and construction of capital assets	(603,709)	-	(383,920)	-	-	(14,037)	-	(1,001,666)
Principal paid on capital debt	-	-	-	-	(18,935)	-	-	(18,935)
Proceeds from sales of capital assets	73,574	-	15,668	-	-	-	-	89,242
Net cash provided (used) by capital and related financing activities	(530,135)	-	(368,252)	-	(18,935)	(14,037)	-	(931,359)
Net increase (decrease) in cash and cash equivalents	872,465	8,325	102,108	(556,361)	61,001	145,183	115,017	747,738
CASH AND CASH EQUIVALENTS:								
Beginning of year	4,165,565	205,639	502,484	14,072,876	58,071	856,583	210,616	20,071,834
End of year	<u>\$ 5,038,030</u>	<u>\$ 213,964</u>	<u>\$ 604,592</u>	<u>\$ 13,516,515</u>	<u>\$ 119,072</u>	<u>\$ 1,001,766</u>	<u>\$ 325,633</u>	<u>\$ 20,819,572</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:								
Operating income (loss)	\$ 649,927	\$ (25,284)	\$ (131,063)	\$ (2,134,504)	\$ 77,781	\$ 65,326	\$ 115,017	\$ (1,382,800)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation expense	604,690	2,280	443,838	-	18,931	69,855	-	1,139,594
Changes in operating assets and liabilities:								
(Increase) decrease in accounts receivable	12,465	-	487	-	-	-	-	12,952
(Increase) decrease in intergovernmental receivable	-	-	-	510,000	-	294	-	510,294
(Increase) decrease in prepaid expenses	-	-	156,736	52	3,379	-	-	160,167
Increase (decrease) in accounts payable	134,240	20,474	(3,263)	195,832	(6,248)	9,428	-	350,463
Increase (decrease) in accrued liabilities	-	-	-	(75,583)	-	-	-	(75,583)
Increase (decrease) in compensated absences	(962)	5,359	7,128	131	(20,344)	8,674	-	(14)
Total adjustments	750,433	28,113	604,926	630,432	(4,282)	88,251	-	2,097,873
Net cash provided (used) by operating activities	\$ 1,400,360	\$ 2,829	\$ 473,863	\$ (1,504,072)	\$ 73,499	\$ 153,577	\$ 115,017	\$ 715,073

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 Assets and Liabilities

Agency Funds

June 30, 2012

	Deposits	Assessment District 92-1	Total Agency Funds
ASSETS:			
Pooled cash and investments	\$ 132,036	\$ 178,012	\$ 310,048
Receivables:			
Accounts	19,213	-	19,213
Interest	579	-	579
Prepaid Expense	825,390	-	825,390
Total Assets	<u>\$ 977,218</u>	<u>\$ 178,012</u>	<u>\$ 1,155,230</u>
LIABILITIES:			
Accounts payable	\$ 77,373	\$ -	\$ 77,373
Deposits payable	899,845	178,012	1,077,857
Total Liabilities	<u>\$ 977,218</u>	<u>\$ 178,012</u>	<u>\$ 1,155,230</u>

City of Redondo Beach

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund

For the year ended June 30, 2012

	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
Deposits				
ASSETS:				
Pooled cash and investments	\$ 1,245	\$ 2,894,141	\$ (2,763,350)	\$ 132,036
Receivables:				
Accounts	52,412	754,592	(787,791)	19,213
Interest	808	579	(808)	579
Prepaid Expense	683,050	1,686,874	(1,544,534)	825,390
Total Assets	<u>\$ 737,515</u>	<u>\$ 5,336,186</u>	<u>\$ (5,096,483)</u>	<u>\$ 977,218</u>
LIABILITIES:				
Accounts payable	\$ 71,941	\$ 2,428,357	\$ (2,422,925)	\$ 77,373
Deposits payable	650,175	1,409,521	(1,159,851)	899,845
Deferred Revenue	15,399	-	(15,399)	-
Total Liabilities	<u>\$ 722,116</u>	<u>\$ 3,837,878</u>	<u>\$ (3,598,175)</u>	<u>\$ 977,218</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>

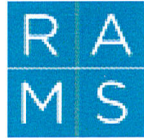
City of Redondo Beach

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund

For the year ended June 30, 2012

	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
Total - All Agency Funds				
ASSETS:				
Pooled cash and investments	\$ 179,257	\$ 2,894,141	\$ (2,763,350)	\$ 310,048
Receivables:				
Accounts	52,412	754,592	(787,791)	19,213
Interest	808	579	(808)	579
Prepaid Expense	683,050	1,686,874	(1,544,534)	825,390
Total Assets	<u>\$ 915,527</u>	<u>\$ 5,336,186</u>	<u>\$ (5,096,483)</u>	<u>\$ 1,155,230</u>
LIABILITIES:				
Accounts payable	\$ 71,941	\$ 2,428,357	\$ (2,422,925)	\$ 77,373
Deposits payable	828,187	1,409,521	(1,159,851)	1,077,857
Deferred revenue	15,399	-	(15,399)	-
Total Liabilities	<u>\$ 915,527</u>	<u>\$ 3,837,878</u>	<u>\$ (3,598,175)</u>	<u>\$ 1,155,230</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 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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

 Malouly & Scott, LLP

December 13, 2012

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

<u>Contents</u>	<u>Page</u>
<i>Financial Trends</i>	161
Presented are schedules containing trend information to assist in the reader's understanding of how the City's financial performance has changed over time.	
<i>Revenue Capacity</i>	167
Presented are schedules to assist the reader's assessment of the factors affecting the City's ability to generate revenue through property taxes.	
<i>Debt Capacity</i>	171
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.	
<i>Demographic and Economic Information</i>	175
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.	
<i>Operating & Other Information</i>	177
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.	

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:										
Invested in capital assets, net of related debt	\$ 132,056,720	\$ 131,553,186	\$ 131,738,853	\$ 131,382,820	\$ 135,153,851	\$ 134,543,764	\$ 135,170,376	\$ 137,743,367	\$ 140,306,635	\$ 143,049,830
Restricted	24,444,604	18,585,387	32,636,751	29,022,856	34,504,525	34,884,364	17,828,013	16,803,437	29,890,049	17,861,803
Unrestricted	1,138,486	(3,642,292)	(22,641,897)	(15,492,009)	(16,364,199)	(14,805,067)	876,969	(766,752)	(12,443,192)	21,623,137
Total governmental activities net assets	<u>157,639,810</u>	<u>146,496,281</u>	<u>141,733,707</u>	<u>144,913,667</u>	<u>153,294,177</u>	<u>154,623,061</u>	<u>153,875,358</u>	<u>153,780,052</u>	<u>157,753,492</u>	<u>182,534,770</u>
Business-type activities:										
Invested in capital assets, net of related debt	28,749,590	25,572,316	39,409,701	39,151,202	38,139,435	36,923,208	35,414,035	35,985,952	34,790,325	34,957,595
Restricted	190,050	-	-	-	-	-	-	-	-	-
Unrestricted	17,787,346	30,464,219	19,380,216	20,013,129	22,770,297	25,271,647	25,564,850	25,550,889	27,481,003	24,616,381
Total business-type activities net assets	<u>46,726,986</u>	<u>56,036,535</u>	<u>58,789,917</u>	<u>59,164,331</u>	<u>60,909,732</u>	<u>62,194,855</u>	<u>60,978,885</u>	<u>61,536,841</u>	<u>62,271,328</u>	<u>59,573,976</u>
Primary government:										
Invested in capital assets, net of related debt	160,806,310	157,125,502	171,148,554	170,534,022	173,293,286	171,466,972	170,584,411	173,729,319	175,096,960	178,007,425
Restricted	24,634,654	18,585,387	32,636,751	29,022,856	34,504,525	34,884,364	17,828,013	16,803,437	29,890,049	17,861,803
Unrestricted	18,925,832	26,821,927	(3,261,681)	4,521,120	6,406,098	10,466,580	26,441,819	24,784,137	15,037,811	46,239,518
Total primary government net assets	<u>\$ 204,366,796</u>	<u>\$ 202,532,816</u>	<u>\$ 200,523,624</u>	<u>\$ 204,077,998</u>	<u>\$ 214,203,909</u>	<u>\$ 216,817,916</u>	<u>\$ 214,854,243</u>	<u>\$ 215,316,893</u>	<u>\$ 220,024,820</u>	<u>\$ 242,108,746</u>

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Government activities:										
General government	\$ 8,246,966	\$ 8,182,895	\$ 10,427,561	\$ 10,638,910	\$ 10,019,467	\$ 10,234,450	\$ 9,234,672	\$ 7,618,055	\$ 7,951,800	\$ 8,560,957
Public Safety	28,238,180	28,889,848	32,490,257	35,772,948	38,269,521	40,835,961	42,293,976	40,737,832	41,849,863	43,020,839
Housing and community development	12,290,418	11,746,765	11,797,139	11,749,944	12,194,088	14,063,015	17,696,101	16,227,602	13,159,622	13,822,831
Cultural and leisure services	7,693,999	7,673,578	8,204,892	8,812,584	9,499,827	10,143,340	7,586,649	6,543,884	7,002,619	7,389,274
Public works	17,324,480	14,478,369	14,212,509	12,936,637	14,986,259	13,601,505	12,538,423	17,930,811	12,381,276	10,589,076
Interest on long-term debt	2,246,326	1,377,259	1,956,707	2,122,317	1,696,368	2,419,799	1,747,427	1,077,588	1,014,572	637,624
AB 1484 demand payment	-	-	-	-	-	-	-	-	-	9,914,969
Total governmental activities expenses	76,040,369	72,348,714	79,089,065	82,033,340	86,665,530	91,298,070	91,097,248	90,135,772	83,359,752	93,935,570
Business-type activities:										
Harbor Tidelands	4,193,713	4,474,733	5,142,991	4,447,965	4,902,841	5,075,571	5,360,523	5,372,721	5,415,810	7,689,071
Harbor Uplands	3,945,726	4,682,845	4,071,680	4,466,239	4,503,160	5,416,019	5,288,345	4,441,227	4,571,399	3,952,061
Solid Waste	-	2,901,712	3,001,525	3,225,121	3,493,852	3,129,337	3,228,498	3,364,549	3,574,516	3,431,017
Transit	-	-	-	-	-	-	-	-	3,102,333	3,113,076
Wastewater	-	886,466	1,350,156	2,686,646	2,122,793	1,853,206	2,092,245	2,207,319	2,476,972	3,196,442
Total business-type activities expenses	8,139,439	12,945,756	13,566,352	14,825,971	15,022,646	15,474,133	15,969,611	15,385,816	19,141,030	21,381,667
Total primary government expenses	84,179,808	85,294,470	92,655,417	96,859,311	101,688,176	106,772,203	107,066,859	105,521,588	102,500,782	115,317,237
Component Units:										
Program Revenues										
Governmental activities:										
Charges for Services:										
General government	705,541	176,191	218,476	4,732,359	6,434,951	6,337,391	4,798,599	6,804,342	6,941,477	10,416,465
Public Safety	1,099,904	1,226,777	1,357,045	1,353,696	1,290,081	1,437,688	2,669,185	2,097,003	4,133,005	4,448,833
Housing and community development	4,288,421	5,233,846	5,091,922	5,425,840	4,989,531	5,186,896	4,056,523	4,556,546	2,613,104	1,743,286
Cultural and leisure services	1,444,730	1,462,232	1,743,838	1,864,303	1,842,631	1,747,849	1,219,916	1,211,155	1,553,477	1,615,347
Public works	4,230,641	1,746,110	1,866,308	1,879,095	1,771,922	1,733,379	4,518,076	1,923,289	1,834,052	2,127,381
Operating grants and contributions	12,610,308	13,548,374	14,385,755	11,403,631	12,366,720	14,480,137	9,137,687	8,715,661	8,928,050	8,590,969
Capital grants and contributions	953,264	507,063	715,672	2,856,548	4,916,505	4,863,545	3,486,113	6,605,139	6,976,620	4,582,744
Total governmental activities program revenues	25,332,809	23,900,593	25,379,016	29,515,472	33,612,341	35,786,885	29,886,099	31,913,135	32,979,785	33,525,025

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities:										
Charges for services:										
Harbor Tidelands	4,561,567	4,938,355	4,976,742	4,797,346	5,067,315	6,084,834	5,270,090	5,408,349	5,475,085	5,290,706
Harbor Uplands	3,590,837	3,554,528	3,526,424	3,858,007	4,103,636	4,400,815	4,038,226	3,935,048	3,672,769	4,009,954
Solid Waste	-	2,464,184	2,462,684	3,184,481	3,481,133	2,845,736	2,992,476	3,356,843	3,454,839	3,312,471
Transit	-	-	-	-	-	-	-	-	519,082	676,020
Wastewater	-	236,675	2,487,868	2,135,108	1,842,479	1,739,468	2,293,090	2,437,816	2,444,086	2,575,279
Operating grants and contributions	1,105	36,362	49,717	73,035	68,841	70,150	162,512	17,769	1,231,111	1,395,363
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	8,153,509	11,230,104	13,503,435	14,047,977	14,563,404	15,141,003	14,756,394	15,155,825	16,796,972	17,259,793
Total primary government program revenues	33,486,318	35,130,697	38,882,451	43,563,449	48,175,745	50,927,888	44,642,493	47,068,960	49,776,757	50,784,818
Net (expense)/revenue										
Governmental activities	(50,707,560)	(48,448,121)	(53,710,049)	(52,517,868)	(53,053,189)	(55,511,185)	(61,211,149)	(58,222,637)	(50,379,967)	(60,410,545)
Business-type activities	14,070	(1,715,652)	(62,917)	(777,994)	(459,242)	(333,130)	(1,213,217)	(229,991)	(2,344,058)	(4,121,874)
Total primary government net expense	(50,693,490)	(50,163,773)	(53,772,966)	(53,295,862)	(53,512,431)	(55,844,315)	(62,424,366)	(58,452,628)	(52,724,025)	(64,532,419)
General Revenues and Other Changes in Net Assets										
Governmental Activities										
Taxes										
Property taxes, levied for general purpose	16,751,767	18,058,184	19,524,448	25,617,618	27,136,137	27,311,112	28,612,395	29,598,821	28,320,076	28,335,561
Transient occupancy taxes	2,257,526	2,439,439	2,648,323	3,354,138	3,738,839	3,933,009	3,485,290	3,204,045	3,267,209	3,533,501
Sales taxes	8,073,176	8,544,764	9,408,574	9,906,235	10,205,436	9,635,626	9,329,872	7,839,179	8,902,151	9,594,901
Franchise taxes	1,321,287	1,842,050	1,761,441	1,767,452	1,685,711	1,807,308	1,970,548	1,673,632	1,816,314	1,950,934
Business licenses taxes	1,278,607	1,302,614	1,323,345	1,376,117	1,289,608	1,385,726	1,293,056	1,256,462	1,240,024	1,203,591
Utility users taxes	6,835,864	6,841,854	7,184,530	7,398,984	7,878,429	8,018,564	7,848,157	8,043,207	7,667,130	7,422,089
Other taxes	-	-	-	-	-	-	-	11,200	-	-
Motor vehicle in lieu	3,897,644	2,959,364	5,653,644	453,645	429,612	293,685	205,403	198,745	310,907	33,693
Investment earnings	3,719,297	1,729,697	2,595,528	3,349,037	4,687,909	4,264,527	4,948,736	5,118,217	3,585,902	3,371,724
Other revenues	926,203	1,248,023	1,980,160	1,340,746	1,626,971	443,706	1,599,388	1,078,427	1,601,333	2,831,748
Gain (loss) on sale of capital assets	(121,086)	(12,125)	-	-	-	34,735	28,288	26,396	54,076	73,574
Transfers	429,460	(5,308,676)	473,040	-	-	(146,710)	1,142,313	79,000	(758,345)	(1,017,605)
Gain (loss) on dissolution of Redevelopment Agency	-	-	-	-	-	-	-	-	-	27,858,112
Total governmental activities	45,369,745	39,645,188	52,553,033	54,563,972	58,678,652	56,981,288	60,463,446	58,127,331	56,006,777	85,191,823
Business-type activities:										
Investment earnings	770,111	295,611	810,422	839,082	1,439,428	1,329,922	944,480	801,184	408,915	241,958
Loss on disposal of capital assets	(18,048)	-	-	-	-	-	-	(16,398)	-	-
Other revenues	369,246	760,920	1,032,553	204,761	138,877	141,621	195,080	176,052	307,915	181,532
Transfers	(429,460)	5,308,676	(473,040)	-	-	146,710	(1,142,313)	(79,000)	758,345	1,017,605
Total business-type activities	691,849	6,365,207	1,369,935	1,043,843	1,578,305	1,618,253	(2,753)	881,838	1,475,175	1,441,095

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total primary government	46,061,594	46,010,395	53,922,968	55,607,815	60,256,957	58,599,541	60,460,693	59,009,169	57,481,952	86,632,918
Change in Net Assets										
Governmental activities	(5,337,815)	(8,802,933)	(1,157,016)	2,046,104	5,625,463	1,470,103	(747,703)	(95,306)	5,626,810	24,781,278
Business-type activities	705,919	4,649,555	1,307,018	265,849	1,119,063	1,285,123	(1,215,970)	651,847	(868,883)	(2,680,779)
Totally primary government	\$ (4,631,896)	\$ (4,153,378)	\$ 150,002	\$ 2,311,953	\$ 6,744,526	\$ 2,755,226	\$ (1,963,673)	\$ 556,541	\$ 4,757,927	\$ 22,100,499

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011 *	2012 *
General fund										
Reserved	\$ 1,118,553	\$ 532,612	\$ 1,229,239	\$ 759,733	\$ 781,710	\$ 902,881	\$ 634,743	\$ 514,549	\$ -	\$ -
Unreserved:										
Designated	11,802,290	11,942,979	9,144,315	9,383,713	10,143,013	11,363,952	9,353,252	9,321,572	-	-
Undesignated	(83,439)	3,692	1,028,448	2,680,196	214,115	314,926	37,327	(75,211)	-	-
Nonspendable	-	-	-	-	-	-	-	-	167,035	76,547
Committed	-	-	-	-	-	-	-	-	5,595,596	5,712,942
Assigned	-	-	-	-	-	-	-	-	7,891,828	7,217,745
Unassigned	-	-	-	-	-	-	-	-	-	383,446
Total general fund	12,837,404	12,479,283	11,402,002	12,823,642	11,138,838	12,581,759	10,025,322	9,760,910	13,654,459	13,390,680
All other governmental funds										
Reserved	9,649,967	5,770,495	3,156,012	7,519,312	21,109,217	21,158,335	15,551,248	13,938,764	-	-
Unreserved, reported in:										
Special revenue funds	5,486,190	5,089,794	5,941,612	4,485,135	8,108,628	7,429,282	4,494,765	5,265,375	-	-
Capital projects funds	630	2,284,886	2,085,674	1,763,987	1,581,516	1,614,077	5,052	5,054	-	-
Debt service funds	4,779	4,822	4,819	5,021	5,028	5,028	1,222,686	1,165,476	-	-
Designated, reported in:										
Special revenue funds	2,698,080	3,010,610	-	2,070,751	2,948,322	3,567,481	2,696,956	2,043,237	-	-
Capital projects funds	12,304,702	8,142,187	5,233,040	6,250,116	6,326,050	8,926,207	9,891,290	-	-	-
Undesignated, reported in:										
Special revenue funds	-	(1,670,397)	3,215,250	218	(2,831,086)	(2,368,822)	5,803,471	7,103,415	-	-
Capital projects funds	-	4,400,944	2,629,467	1,424,414	4,050,994	3,414,086	2,317,151	5,365,603	-	-
Debt service funds	-	(2,620,107)	(3,278,401)	(3,714,945)	(13,958,851)	(12,990,180)	(14,007,225)	(15,428,315)	-	-
Nonspendable	-	-	-	-	-	-	-	-	1,012	57,995
Nonspendable, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	2,898,234
Restricted	-	-	-	-	-	-	-	-	8,524,280	10,472,386
Restricted, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	13,257,981	535,731
Debt service funds	-	-	-	-	-	-	-	-	8,107,706	7,362,829
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	3,849,630
Assigned, reported in:										
Capital projects funds	-	-	-	-	-	-	-	-	1,645,977	-
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	841,689	2,823,893
Unassigned, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	(3,027,926)	(1,319,919)
Capital projects funds	-	-	-	-	-	-	-	-	3,040,646	-
Debt service funds	-	-	-	-	-	-	-	-	(15,046,266)	-
Total all other governmental funds	\$ 30,144,348	\$ 24,413,234	\$ 18,987,473	\$ 19,804,009	\$ 27,339,818	\$ 30,755,494	\$ 27,975,394	\$ 19,458,609	\$ 17,345,099	\$ 26,680,779

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes	\$ 35,772,421	\$ 39,678,946	\$ 47,416,940	\$ 49,809,201	\$ 52,569,593	\$ 53,052,490	\$ 52,330,017	\$ 49,946,499	\$ 51,768,825	\$ 51,875,943
Interdepartmental	-	-	-	4,298,260	6,314,753	6,314,750	6,655,458	6,681,277	6,383,731	6,249,628
Licenses and permits	1,241,136	1,513,226	1,713,598	2,006,686	1,660,339	1,306,025	1,006,075	930,523	1,248,916	1,343,422
Intergovernmental	15,566,321	16,208,575	13,322,228	14,196,236	15,771,721	16,660,368	13,991,411	15,619,990	14,545,341	16,339,864
Charges for services	7,870,593	7,193,850	7,738,642	8,673,373	7,627,197	6,814,267	6,947,073	7,279,164	7,485,670	7,486,013
Use of money and property	6,638,379	2,178,640	3,834,831	3,458,204	5,228,621	6,279,652	5,680,333	4,929,845	3,512,619	3,760,501
Fines and forfeitures	1,612,480	1,069,909	942,598	889,437	1,117,196	1,984,683	1,845,838	1,875,287	1,785,067	1,634,786
Other revenues	1,551,978	784,325	697,856	760,816	787,722	559,093	1,703,984	999,916	1,447,680	2,948,048
Total Revenues	70,253,308	68,627,471	75,666,693	84,092,213	91,077,142	92,971,328	90,160,189	88,262,501	88,177,849	91,638,205
Expenditures:										
Current:										
General government	7,858,215	8,134,136	10,291,155	10,531,849	9,878,387	9,033,018	8,693,889	7,901,358	7,582,969	8,085,175
Public safety	27,905,212	28,548,022	31,357,941	35,109,834	38,254,942	40,909,913	42,869,798	41,964,634	41,450,374	42,244,015
Housing and community development	12,272,712	11,753,095	11,134,350	11,341,953	11,960,230	13,970,479	17,569,049	16,392,441	12,882,944	13,549,748
Cultural and leisure services	6,892,592	7,565,264	7,446,505	8,658,356	9,120,765	9,780,910	7,372,691	7,427,423	6,671,934	5,282,197
Public works	9,429,422	11,866,239	7,404,995	9,409,898	10,218,116	11,046,771	9,554,993	8,787,700	9,450,771	7,395,866
AB 1484 demand payment	-	-	-	-	-	-	-	-	-	9,914,969
Capital outlay	7,987,598	1,884,946	10,024,176	3,356,314	5,318,230	4,121,712	5,683,727	11,562,615	8,384,700	5,491,358
Debt service:										
Principal	394,798	395,046	420,069	1,984,826	757,671	1,526,811	3,448,829	2,492,055	777,554	1,750,000
Interest	2,232,047	1,389,640	1,958,332	2,130,871	1,698,884	2,902,761	1,738,532	1,069,040	1,017,824	641,376
Debt issuance costs	21,157	-	-	-	-	-	-	-	-	-
Total Expenditures	74,993,753	71,536,388	80,037,523	82,523,901	87,207,225	93,292,375	96,931,508	97,597,266	88,219,070	94,354,704
Excess of Revenues Over (Under) Expenditures	(4,740,445)	(2,908,917)	(4,370,830)	1,568,312	3,869,917	(321,047)	(6,771,319)	(9,334,765)	(41,221)	(2,716,499)
Other Financing Sources (Uses):										
Transfers in	5,277,409	3,548,964	3,194,254	3,296,665	6,611,051	11,074,552	5,482,661	2,707,679	17,341,414	11,497,255
Transfers out	(6,077,949)	(4,194,424)	(6,007,674)	(4,496,995)	(7,853,397)	(6,630,271)	(4,595,668)	(2,743,425)	(15,834,081)	(13,478,178)
Refunding bonds issued	-	-	-	-	-	7,645,000	700,000	-	-	-
Other debts issued	450,140	655,879	926,685	736,338	476,292	648,720	547,789	589,314	301,197	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)	(350,400)	10,419	(1,886,735)	(463,992)	(766,054)	5,320,863	1,434,782	553,568	1,808,530	11,788,400
Net Change in Fund Balances	\$ (5,090,845)	\$ (2,898,498)	\$ (6,257,565)	\$ 1,104,320	\$ 3,103,863	\$ 4,999,816	\$ (5,336,537)	\$ (8,781,197)	\$ 1,767,309	\$ 9,071,901
Debt service as a percentage of noncapital expenditures	4.11%	2.63%	3.52%	5.48%	3.09%	5.23%	6.03%	4.32%	2.30%	2.77%

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	
2003	6,828,949,516	359,752,562	(55,603,784)	7,133,098,294	253,875,110	56,736,856	(325,999)	310,285,967	0.225%
2004	7,506,186,983	361,472,965	(60,856,425)	7,806,803,523	253,975,182	66,824,277	(332,518)	320,466,941	0.222%
2005	7,919,761,315	349,465,981	(43,088,228)	8,226,139,068	277,594,347	59,467,281	-	337,061,628	0.228%
2006	8,791,344,602	347,996,542	(69,771,516)	9,069,569,628	272,239,842	58,002,148	(537,132)	329,704,858	0.273%
2007	9,681,892,573	375,435,811	(47,879,656)	10,009,448,728	347,940,107	55,919,195	(547,874)	403,311,428	0.261%
2008	10,414,844,031	363,370,583	(75,561,247)	10,702,653,367	371,338,622	62,307,947	(771,134)	432,875,435	0.245%
2009	10,967,218,597	377,551,863	(67,013,974)	11,277,756,486	371,987,381	64,908,544	(158,162)	436,737,763	0.244%
2010	11,070,789,692	362,332,212	(66,883,744)	11,366,238,160	409,520,646	55,988,588	(866,778)	464,642,456	0.250%
2011	11,088,815,868	609,276,121	(82,655,891)	11,615,436,098	397,519,636	31,015,873	(864,841)	427,670,668	0.235%
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%

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 2011-12 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City basic rate	0.16617	0.16617	0.16617	0.16617	0.16617	0.16617	0.16539	0.16539	0.16539	0.16539
Redevelopment agency	1.00861	1.00755	1.00697	1.00604	1.00541	1.00450	1.00430	1.00430	1.00370	1.00370
Overlapping Rates:										
Los Angeles County	0.00103	0.00099	0.00092	0.00080	0.00066	0.00000	0.00000	0.00000	0.00000	0.00000
Flood Control	0.00088	0.00047	0.00024	0.00005	0.00005	0.00000	0.00000	0.00000	0.00000	0.00000
Metropolitan Water District	0.00670	0.00610	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370
Community College	0.00000	0.01903	0.01656	0.01838	0.03570	0.01647	0.01703	0.01487	0.01614	0.01688
Unified School District	0.00446	0.00866	0.02765	0.03336	0.02970	0.02844	0.04714	0.05519	0.06977	0.08610
Total Direct Rate	0.18385	0.18360	0.18176	0.18234	0.21166	0.18715	0.18608	0.18774	0.18818	0.18575

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 2011/2012 Tax Rate Table

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

Taxpayer	2012		2003	
	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.)	\$ 507,416,658	4.16%	\$ 393,073,647	5.28%
South Bay Center SPE LLC	191,236,138	1.57%	162,074,852	2.18%
AES Redondo Beach, LLC	179,025,156	1.47%	285,942,136	3.84%
Noble House Recp Hotel Venture LLC	59,335,845	0.49%		
HPT IHG 2 Properties Trust	42,801,846	0.35%	-	
MKEG P LLC	36,991,935	0.30%	-	
AMB AMS Spinnaker LLC	33,276,929	0.27%	-	
Harbor Cove The Bascom Group	33,058,582	0.27%	-	
Target Corporation	31,622,106	0.26%	-	
616 Esplanade Street LLC	26,907,587	0.22%		
Town Park Hotel Corporation	-		26,974,340	0.36%
Haagen Redondo LLC	-		22,812,300	0.31%
Redondo Torrance Mini Storage LLC	-		22,440,000	0.30%
Portofino Partners	-		22,397,594	0.30%
Metropolitan Investments	-		19,917,934	0.27%
88 Palos Verdes Inn Limited	-		17,348,427	0.23%
HRB Redondo Beach Plaza Limited	-		17,217,505	0.23%
	<u>\$ 1,141,672,782</u>	<u>9.35%</u>	<u>\$ 990,198,735</u>	<u>13.30%</u>

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

Source: HdL Coren & Cone, Los Angeles County Assessor 2011/2012 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
2003	15,320,666	14,886,490	97.17%	477,197	15,363,687	100.28%
2004	16,229,288	15,968,858	98.40%	506,977	16,475,835	101.52%
2005	19,327,612	18,856,789	97.56%	459,220	19,316,009	99.94%
2006	19,954,589	19,442,404	97.43%	455,758	19,898,162	99.72%
2007	21,893,557	21,130,547	96.51%	477,535	21,608,082	98.70%
2008	23,253,318	22,214,291	95.53%	646,294	22,860,585	98.31%
2009	24,948,068	23,904,011	95.82%	1,156,615	25,060,626	100.45%
2010	25,278,747	24,462,121	96.77%	1,204,949	25,667,070	101.54%
2011	25,809,271	25,195,837	97.62%	1,083,378	26,279,214	101.82%
2012	26,025,500	25,493,811	97.96%	799,155	26,292,966	101.03%

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	Revenue Bonds	Refunding Revenue Bonds	Loans	Capital Leases	County AB 1484	Wastewater Revenue Bonds	Construction Loans	Capital Leases			
	Allocation											
	Bonds											
2003	4,480,000	9,485,000	2,840,000	12,179,445	50,105	-	-	4,994,952	2,896	34,032,398	10.93%	511
2004	4,385,000	9,325,000	2,730,000	12,805,278	36,364	-	10,263,776	4,607,531	-	44,152,949	13.42%	664
2005	4,285,000	9,150,000	2,615,000	13,701,886	26,295	-	10,086,150	4,399,037	-	44,263,368	12.78%	657
2006	3,085,000	8,965,000	2,500,000	13,953,397	12,961	-	9,903,524	4,399,037	-	42,818,919	11.60%	638
2007	3,010,000	8,765,000	2,380,000	14,067,018	919	-	9,715,898	4,181,161	-	42,119,996	10.79%	624
2008	2,930,000	-	10,113,873	14,508,927	45,219	-	9,523,272	3,953,480	-	41,074,771	9.94%	609
2009	-	-	9,759,884	14,872,887	33,169	-	9,325,646	3,715,553	-	37,707,139	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	-	883,936	7,700,000	8,682,769	2,935,586	-	26,560,208	-	396

NOTES: * Personal income data was not available from the California Department of Finance subsequent to fiscal year 2010/2011. 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, 2012

City Assessed Valuation	\$ 12,204,651,484
Redevelopment Agency Incremental Valuation	409,116,952
Total Assessed Valuation	<u><u>\$ 11,795,534,532</u></u>

	Percentage Applicable	Outstanding Debt 6/30/12	Estimated Share of Overlapping Debt
Direct Debt:			
County Deferral Loans	100%	14,088,789	14,088,789
Boating & Waterways Construction Loan 89-21-147	100%	2,082,795	2,082,795
PFA 2001 Refunding Revenue Bonds	100%	1,740,000	1,740,000
Boating & Waterways Construction Loan 88-21-84	100%	852,791	852,791
PFA 2008 Refunding Revenue Bonds	100%	5,617,917	5,617,917
Capital Leases	100%	620,341	620,341
Wastewater Revenue Bond 2004 Ser A	100%	8,682,769	8,682,769
Total direct debt		<u><u>\$ 33,685,402</u></u>	<u><u>\$ 33,685,402</u></u>
Overlapping Debt:			
Redondo Beach Unified School District DS 2000 Ser D	100%	240,000	240,000
Redondo Beach Unified School District DS 2000 Ser E	100%	8,140,000	8,140,000
Redondo Beach Unified School District DS 2008 Ser A	100%	48,379,958	48,379,958
Redondo Beach Unified School District DS 2008 Ser B	100%	24,650,678	24,650,678
Redondo Beach Unified School District DS 2008 Ser D BABS	100%	22,765,000	22,765,000
Redondo Beach Unified School District 2010 Refunding Series 2000AB	100%	14,330,000	14,330,000
Redondo Beach Unified School District 2010 Refund 2000CDE	100%	21,740,000	21,740,000
Redondo Beach Unified School District 2008 Series E & 2011	100%	22,086,816	22,086,816
Redondo Beach Unified School District 2008 Series F QSCB	100%	25,000,000	25,000,000
* Metropolitan Water District	1.366%	94,031,705	1,284,729
El Camino CCS DS 2002 S-2003A	15.215%	3,495,000	531,780
El Camino CCD DS 2005 REF BONDS	15.215%	28,128,953	4,279,945
El Camino CCD DS 2002 SER 2006B	15.215%	135,100,000	20,556,065
Total overlapping debt		<u><u>\$ 448,088,110</u></u>	<u><u>\$ 213,984,971</u></u>
Total direct and overlapping debt			<u><u><u>\$ 247,670,373</u></u></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 2011/2012 Lien Date Tax Rolls

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

Legal Debt Margin Calculation for Fiscal Year 2012										
							Assessed value			\$ 12,204,651,484
							Debt Limit (15% of assessed value)			1,830,697,723
							Debt applicable to limit			-
							Legal debt margin			\$ 1,830,697,723
									</	

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

Fiscal Year Ended June 30,	Wastewater Revenue Bonds					
	Wastewater Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2004	\$ 5,919,446	\$ 664,166	\$ 5,255,280	\$ -	\$ -	0%
2005*	2,258,072	723,265	1,534,806	180,000	462,798	2.39
2006*	1,739,414	783,193	956,221	185,000	478,063	1.44
2007	1,609,643	798,094	811,549	190,000	472,513	1.22
2008	1,632,533	841,186	791,347	195,000	466,813	1.20
2009	2,238,654	1,036,836	1,201,818	200,000	476,050	1.78
2010	2,371,716	1,106,781	1,264,934	210,000	468,050	1.87
2011	2,376,530	1,023,182	1,353,348	215,000	459,650	2.01
2012	2,469,073	1,023,182	1,445,891	225,000	451,050	2.14

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

City of Redondo Beach
Demographic and Economic Statistics
June 30, 2012

Calendar Year	Population	Personal Income * (in millions)	Per Capita Personal Income *	Unemployment Rate **
2003	66,545	311,285	46,778	6.9%
2004	66,545	329,048	49,447	6.3%
2005	67,325	346,423	51,455	5.0%
2006	67,112	369,174	55,009	4.4%
2007	67,495	390,296	57,826	4.7%
2008	67,488	413,317	61,243	6.6%
2009	67,646	402,281	40,867	10.8%
2010	68,105	403,014	41,025	11.5%
2011	66,970	420,803	42,564	11.9%
2012	67,007	-	-	11.2%

NOTES: * Personal income data was not available from the California Department of Finance subsequent to fiscal year 2010/2011. 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 2010/2011. ** 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	2012		2003
	Employees	Percentage of Total City Employment	Employees
Northrop Grumman (TRW)	5,645	16.33%	4,077
Redondo Beach Unified School District	995	2.88%	492
City of Redondo Beach	432	1.25%	514
Crown Plaza (Holiday Inn)	339	0.98%	-
The Cheesecake Factory	261	0.76%	253
United States Post Office	260	0.75%	230
Nordstrom, Inc.	254	0.73%	416
Target Store	217	0.63%	-
D H L Global Forwarding	207	0.60%	-
Macy's (Robinson's May)	206	0.60%	299
Web Service Company	-	0.00%	277
Imperial Bank	-	0.00%	253
South Bay Family Healthcare Center	-	0.00%	200

Source: City of Redondo Beach

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

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	60	59	56	56	59	60	58	52	52	49
Public Safety										
Police										
Officers	108	107	105	105	105	105	105	99	96	96
Civilians	57	58	57	57	58	58	59	58	59	59
Fire										
Firefighters and Officers	69	68	65	65	64	64	63	60	60	60
Civilians	5	6	5	5	6	6	5	5	3	3
Public Works	108	105	102	102	104	105	105	106	100	95
Cultural and Leisure Services	63	61	59	58	57	54	45	40	37	37
Housing & Community Development	45	44	33	33	34	35	38	30	31	30
Harbor, Business, & Transit	4	5	7	7	9	9	9	8	6	3
TOTAL	519	513	489	488	496	496	487	458	444	432

Source: City of Redondo Beach

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police										
Physical arrests	2,955	3,235	3,229	3,402	3,923	2,702	2,641	2,586	2,464	- *
Traffic citations issued	9,774	7,419	7,532	9,683	12,339	10,955	10,786	10,658	12,217	- *
Fire										
Number of runs - rescues	3,212	3,351	3,386	3,551	3,779	3,932	3,942	4,007	4,016	- *
Number of runs - structures & other	1,173	1,075	868	1,087	1,672	1,676	1,495	1,552	1,315	- *
Public Works										
Street rehabilitation (miles)	17.1	17.8	13.3	3.2	3.7	2.3	4.6	1.9	3.5	-
Culture and Leisure Services										
Library										
Number of items borrowed	830,950	845,496	845,569	852,750	844,947	831,354	858,934	809,968	920,941	933,939
Number of visitors	454,114	436,714	438,310	439,060	445,056	446,346	436,347 ** '	398,583** '	437,529	455,030
Recreation and Community Services										
Admissions - Seaside Lagoon	101,584	81,487	86,562	90,966	82,071	76,578	82,921	63,056	63,799	80,381
Number of facility rentals - Seaside Lagoon	468	558	579	409	382	395	415	416	412	352
Housing & Community Development										
Number of permits issued	3,871	4,591	4,544	3,763	3,951	3,270	1,952	2,257	2,832	3,088
Number of plan checks issued	2,848	1,950	1,667	1,566	1,296	1,101	898	990	1,177	1,036
Number of inspections	14,161	16,817	20,236	19,378	19,916	17,634	12,755	8,605	6,848	8,514
Number of real estate reports	1,367	1,370	1,342	1,051	883	630	577	769	702	737
Number of bus boardings - Transit	98,934	94,087	70,458	169,519	298,206	365,701	393,534	404,983	378,326	403,041
Revenue miles - Transit	183,491	172,358	122,814	232,692	416,435	487,203	452,467	472,604	474,564	475,754

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	5120	5120	1892 *	1892*	1892*	1892*	1892*	1892*	1892*	1892*
Street Traffic Controllers	84	84	84	84	84	84	84	84	84	84
Sanitary sewers (miles)	150	150	150	112	112	112	112	112	112	112
Culture and Leisure Services										
Parks	15	15	15	15	15	15	15	15	15	15
Parkettes	13	13	13	13	13	13	13	13	13	13
Total Park Acreage	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26
Boat Slips	1509	1509	1509	1509	1509	1509	1509	1509	1509	1509
Harbor acreage:										
Total water area (exclusive of the pier)	107	107	107	107	107	107	107	107	107	107
Total land area	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
Libraries	2	2	2	2	2	2	2	2	2	2
Community Centers	5	5	5	5	5	5	5	5	5	5

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

Source: City of Redondo Beach

City of Redondo Beach

Certification of Continuing Disclosure

Redondo Beach Public Financing Authority 2008 Revenue Bonds

(South Bay Center Redevelopment Project)

June 30, 2012

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

This Certification is made pursuant to the requirements of Section 3(a) of the Continuing Disclosure Certificate with respect to the 2011-12 fiscal year.

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

1. The audited financial statements of the Redevelopment Agency and the Public Financing Authority for the fiscal year ended June 30, 2012 comprise the book in which this report is included. As such, they contain the amount of all Redevelopment Agency debt outstanding secured by a pledge of tax revenues.
2. During the fiscal year ended June 30, 2012, neither the Redevelopment Agency nor the Public Financing Authority has issued any parity or subordinate debt.
3. During the fiscal year ended June 30, 2012, neither the Redevelopment Agency nor the Public Financing Authority has given or caused to be given notice of the occurrence of any of the following events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions or events affecting the tax-exempt status of the security;
 - g. Modifications to rights of security holders;
 - h. Bond calls;
 - i. Defeasances;
 - j. Release, substitution, or sale of property securing repayment of the securities; or
 - k. Rating changes.
4. The South Bay Center Redevelopment Plan stipulates the Project Area will not receive more than a cumulative limit of \$65,000,000 in gross tax increment over its life. According to the records of the Los Angeles County Auditor Controller, as of June 30, 2012 the Agency had been apportioned \$44,498,769 in gross tax increment.

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

City of Redondo Beach
Redondo Beach Redevelopment Agency
South Bay Center Redevelopment Project
Historical Project Area Valuations
June 30, 2012

	Base Year										
<u>Secured *</u>	1983-84	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Land	\$ 9,772,776	\$ 26,361,887	\$ 26,567,906	\$ 26,977,212	\$ 27,424,247	\$ 51,658,838	\$ 52,688,442	\$ 53,742,204	\$ 56,292,008	\$ 55,363,042	\$ 63,866,252
Impts	16,977,265	167,560,188	159,503,456	162,122,684	164,634,061	178,831,940	182,405,613	185,761,187	202,649,015	191,933,851	182,264,908
Pers Prop	-	396,224	597,793	572,459	1,617	1,514	-	-	-	-	-
Exemptions	-	-	-	-	-	-	-	-	-	-	-
Total Secured	26,750,041	194,318,299	186,669,155	189,672,355	192,059,925	230,492,292	235,094,055	239,503,391	258,941,023	247,296,893	246,131,160
<u>Unsecured</u>											
Land	-	-	-	-	-	-	-	-	-	-	-
Impts	3,023,006	12,123,607	13,074,302	12,287,632	12,261,701	11,408,416	13,236,695	13,336,333	12,530,739	13,273,687	13,028,973
Pers Prop	1,848,954	14,215,089	13,786,344	13,128,156	13,217,135	12,577,271	13,515,052	14,189,166	12,550,901	12,457,717	10,906,075
Exemptions	-	-	-	-	-	-	-	-	(50,000)	(50,000)	-
Total Unsecured	4,871,960	26,338,696	26,860,646	25,415,788	25,478,836	23,985,687	26,751,747	27,525,499	25,031,640	25,681,404	23,935,048
GRAND TOTAL	31,622,001	<u>220,656,995</u>	<u>213,529,801</u>	<u>215,088,143</u>	<u>217,538,761</u>	<u>254,477,979</u>	<u>261,845,802</u>	<u>267,028,890</u>	<u>283,972,663</u>	<u>272,978,297</u>	<u>270,066,208</u>
Incremental Value:		189,034,994	181,907,800	183,466,142	185,916,760	222,855,978	230,223,801	235,406,889	252,350,662	241,356,296	238,444,207
Incremental Value Change:		7,535,350	(7,127,194)	1,558,342	2,450,618	36,939,218	7,367,823	5,183,088	16,943,773	(10,994,366)	(2,912,089)
% Change:		4.15%	-3.77%	0.86%	1.34%	19.87%	3.31%	2.25%	7.20%	-4.36%	-1.21%

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

Source: HdL Coren & Cone

City of Redondo Beach
Redondo Beach Redevelopment Agency
South Bay Center Redevelopment Project
Revenue vs. Levy Analysis
June 30, 2012

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2010-12</u>
Original Charge Secured Value	\$ 194,318,299	\$ 186,669,155	\$ 189,672,355	\$ 192,059,925	\$ 230,492,292	\$ 235,094,055	\$ 239,503,391	\$ 258,941,015	\$ 247,296,893	\$ 246,131,160
Adjustments to Original Charge	(5,284,757)	-	-	50,417,882	-	-	-	(2,894,618)	-	-
Base Year Secured Value	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,041)</u>	<u>(26,750,040)</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>
Incremental Secured Value	162,283,501	159,919,114	162,922,314	215,727,767	203,742,252	208,344,014	212,753,350	229,296,356	220,546,852	219,381,119
Tax Rate	<u>0.0100861</u>	<u>0.0100755</u>	<u>0.0100697</u>	<u>0.0100604</u>	<u>0.0100542</u>	<u>0.0100450</u>	<u>0.0100430</u>	<u>0.0100430</u>	<u>0.0100370</u>	<u>0.0100000</u>
Adjusted Levy	1,636,814	1,611,271	1,640,576	2,170,316	2,048,455	2,092,816	2,136,682	2,302,823	2,213,629	2,193,811
Unitary Revenue	<u>30,672</u>	<u>29,747</u>	<u>31,324</u>	<u>27,782</u>	<u>27,587</u>	<u>28,887</u>	<u>31,263</u>	<u>30,311</u>	<u>30,206</u>	<u>31,724</u>
Total Secured/Unitary Levy	<u>1,667,487</u>	<u>1,641,018</u>	<u>1,671,899</u>	<u>2,198,098</u>	<u>2,076,043</u>	<u>2,121,703</u>	<u>2,167,945</u>	<u>2,333,134</u>	<u>2,243,835</u>	<u>2,225,536</u>
Original Charge Unsecured Value	26,338,696	26,860,646	25,415,788	25,478,836	23,985,683	26,751,747	27,525,499	25,031,637	25,681,404	23,935,048
Adjustments to Original Charge	329,075	77,266,839	2,878,283	200,319	848,749	2,200,114	549,859	2,168,472	240,106	-
Base Year Unsecured Value	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,959)</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>
Incremental Unsecured Value	21,795,811	99,255,525	23,422,111	20,807,196	19,962,473	24,079,901	23,203,398	22,328,149	21,049,550	19,063,088
Tax Rate	<u>0.0100990</u>	<u>0.0100861</u>	<u>0.0100755</u>	<u>0.0100697</u>	<u>0.0100604</u>	<u>0.0100542</u>	<u>0.0100450</u>	<u>0.0100430</u>	<u>0.0100430</u>	<u>0.0100000</u>
Unsecured Adjusted Levy	<u>220,116</u>	<u>1,001,105</u>	<u>235,990</u>	<u>209,522</u>	<u>200,831</u>	<u>242,103</u>	<u>233,078</u>	<u>224,242</u>	<u>211,401</u>	<u>190,631</u>
Net Total Revenue	<u>1,887,603</u>	<u>2,642,124</u>	<u>1,907,890</u>	<u>2,407,620</u>	<u>2,276,874</u>	<u>2,363,806</u>	<u>2,401,023</u>	<u>2,557,376</u>	<u>2,455,236</u>	<u>2,416,166</u>
Remittance to Agency										
Secured/Unitary Remitted	1,666,575	1,640,962	1,667,891	2,197,703	2,075,997	2,122,507	2,167,741	2,333,113	2,243,814	2,380,477
Unsecured Remitted	215,664	220,615	230,164	207,367	183,272	239,176	224,182	219,123	206,749	-
HOX Payments	-	-	-	-	-	-	-	-	-	-
Total Remittance to Agency:	1,882,239	1,861,577	1,898,055	2,405,070	2,259,268	2,361,683	2,391,923	2,552,236	2,450,563	2,380,477
% of Collection to Levy	99.72%	70.46%	99.48%	99.89%	99.23%	99.91%	99.62%	99.80%	99.81%	98.52%
Grand Total Revenue:										
Secured and Unsecured Revenue	1,882,239	1,861,577	1,898,055	2,405,070	2,259,268	2,361,683	2,391,923	2,552,236	2,450,563	2,380,477
SB 813 Supplemental Payments	(14,273)	-	-	(17,379)	117,362	(2,883)	177,804	(51,122)	-	125,288
Redemptions/Open Roll Corrections	(41,247)	4,262	2,225	(5,534)	4,532	12,925	1,325	36	13	351
Taxpayer Refunds	(16,469)	(60,249)	(42)	(23,253)	5	(86)	(628)	(83,212)	(1,476)	30,658
Deferral Payments/Adjustments	-	-	129,927	(46,423)	(355,390)	(186,859)	(122,005)	(155,747)	(52,554)	-
Total Paid to Agency:	1,810,249	1,805,590	2,030,165	2,312,481	2,025,778	2,184,780	2,448,419	2,262,190	2,396,546	2,536,774
SB 2557 Charges (1)	(34,894)	(34,524)	(31,324)	(28,308)	(29,423)	(31,971)	(31,959)	(38,139)	(39,350)	(37,125)
Housing Set Aside	(362,050)	(354,655)	(406,033)	(517,064)	(405,156)	(436,956)	(489,684)	(452,438)	(479,309)	-
Tax Sharing Payments	(773,832)	(772,023)	(813,388)	(1,011,111)	(716,814)	(880,699)	(1,103,678)	(1,140,974)	(1,021,920)	(1,367,321)
Negative Balance from Prior Year	-	-	-	-	-	-	-	-	-	-
Net Grand Total Revenue:	<u>\$ 639,473</u>	<u>\$ 644,388</u>	<u>\$ 779,420</u>	<u>\$ 755,998</u>	<u>\$ 874,385</u>	<u>\$ 835,154</u>	<u>\$ 823,098</u>	<u>\$ 630,639</u>	<u>\$ 855,966</u>	<u>\$ 1,132,328</u>

Source: HdL Coren & Cone

City of Redondo Beach
Redondo Beach Redevelopment Agency
South Bay Center Redevelopment Project
Top Ten Taxable Property Owners
June 30, 2012

		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 Associates SPE LLC	\$ 189,915,752	3	86.57%	\$ 73,045	1	0.38%	\$ 189,988,797	79.68%	Commercial
2.	KHS South Bay LLC	17,379,892	1	7.92%	-	0	0.00%	17,379,892	7.29%	Commercial
3.	1519 Hawthorne Blvd. LLC	17,197,890	1	7.84%	-	0	0.00%	17,197,890	7.21%	Commercial
4.	LPF Redondo Beach Inc.	12,090,359	4	5.51%	-	0	0.00%	12,090,359	5.07%	Commercial
5.	Nordstrom Inc.	-	0	0.00%	5,780,478	1	30.32%	5,780,478	2.42%	Unsecured
6.	Outparcel Investment Partners V LLP	5,685,496	1	2.59%	-	0	0.00%	5,685,496	2.38%	Commercial
7.	Walgreen	3,857,715	7	1.76%	-	0	0.00%	3,857,715	1.62%	Commercial
8.	Macy's West Stores	-	0	0.00%	2,163,988	1	11.35%	2,163,988	0.91%	Unsecured
9.	Kohl's Department Store	-	0	0.00%	1,860,985	1	9.76%	1,860,985	0.78%	Unsecured
10.	American Multi-Cinema Inc.	-	0	0.00%	1,382,690	1	7.25%	1,382,690	0.58%	Unsecured
		\$246,127,104	17	112.19%	\$11,261,186	5	59.07%	\$257,388,290	107.94%	
Project Area Incremental Value:		\$219,381,119			\$19,063,088			\$238,444,207		

Source: HdL Coren & Cone

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

<u>Owner</u>	<u>APN</u>	<u>Appeal Type</u>	<u>Appeal Status</u>	<u>Original Value</u>	Updated or Owner's <u>Opinion Value</u>	Proposed <u>Change</u>	Proposed <u>% Change</u>
Currently Pending Appeals							
FY 2008-09							
Home Depot USA, Inc.	4082-019-042	Secured	Pending	19,237,661	19,237,661	-	0.00%
				19,237,661	19,237,661		
FY 2009-10							
Macy's Department Stores Inc.	u	Unsecured	Pending	2,543,455	1,681,900	(861,555)	-33.87%
Guess? Retail Inc. #5622	u	Unsecured	Pending	220,219	110,000	(110,219)	-50.05%
Express LLC #917	u	Unsecured	Pending	189,542	100,000	(89,542)	-47.24%
South Bay Center Spe LLC - Macys Inc.	4082-018-004	Secured	Pending	27,082,027	8,027,470	(19,054,557)	-70.36%
Macy's Department Stores, Inc. dba Macy's	u	Unsecured	Pending	1,053,337	-	(1,053,337)	-100.00%
				31,088,580	9,919,370		
FY 2010-11							
American Multi-Cinema Inc/ AMC Galleria South	u	Unsecured	Pending	1,270,131	625,000	(645,131)	-50.79%
Scott B. Brown	4082-018-004	Secured	Pending	27,017,842	20,500,000	(6,517,842)	-24.12%
South Bay Center SPE LLC	4082-018-010	Secured	Pending	146,502,633	120,000,000	(26,502,633)	-18.09%
				174,790,606	141,125,000		

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

FY 2011-12							
Debbie Smethers	u	Unsecured	Pending	1,382,690	1,032,090	(350,600)	-25.36%
Macy's West Stores Inc.	u	Unsecured	Pending	2,163,988	1,081,994	(1,081,994)	-50.00%
James Kurtzman	4082-018-005	Secured	Pending	17,510,000	8,000,000	(9,510,000)	-54.31%
Erin Stache	u	Unsecured	Pending	1,860,985	930,493	(930,492)	-50.00%
Panda Express Inc.	u	Unsecured	Pending	138,598	-	(138,598)	-100.00%
South Bay Center SPE LLC	4082-018-010	Secured	Pending	147,605,797	120,000,000	(27,605,797)	-18.70%
Living Spaces Furniture LLC	u	Unsecured	Pending	576,279	220,000	(356,279)	-61.82%
1519 Hawthorne Blvd LLC	4082-019-042	Secured	Pending	17,197,890	8,000,000	(9,197,890)	-53.48%
Kendall Lees	4082-018-006	Secured	Pending	17,379,892	13,609,006	(3,770,886)	-21.70%
Scott B. Brown	4082-018-004	Secured	Pending	24,799,955	20,000,000	(4,799,955)	-19.35%
				230,616,074	172,873,583		

Most Recently Resolved Appeals Among Owners with Pending Appeals

<u>Owner</u>	<u>APN</u>	<u>Appeal Type</u>	<u>Appeal Status</u>	<u>Original Value</u>	<u>Board Value</u>	<u>Change</u>	<u>% Change</u>
FY 2008-09							
Guess Inc.	u	Unsecured	Allowed	231,957	215,160	(16,797)	-7.24%
FY 2009-10							
American Multi-Cinema Inc/AMC Galleria South	u	Unsecured	Denied	1,279,949	1,279,949	-	0.00%
FY 2010-11							
James Kurtzman	4082-018-005	Secured	Allowed	17,510,000	16,200,000	(1,310,000)	-7.48%
Macy's West Stores Inc.	u	Unsecured	Allowed	2,531,639	1,834,336	(697,303)	-27.54%
Guess Inc.	u	Unsecured	Allowed	203,843	196,449	(7,394)	-3.63%

Source: HdL Coren & Cone

City of Redondo Beach
Certification of Continuing Disclosure
Redondo Beach Public Financing Authority 2001 Refunding Revenue Bonds
(Harbor Center Redevelopment Project)
June 30, 2012

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

This Certification is made pursuant to the requirements of Section 3(a) of the Continuing Disclosure Certificate with respect to the 2011-12 fiscal year.

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

1. The audited financial statements of the Redevelopment Agency and the Public Financing Authority, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, for the fiscal year ended June 30, 2012 comprise the book in which this report is included. As such, they contain the amount of all Redevelopment Agency debt outstanding secured by a pledge of tax revenues.
2. During the fiscal year ended June 30, 2012, neither the Redevelopment Agency nor the Public Financing Authority has given or caused to be given notice of the occurrence of any of the following events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions or events affecting the tax-exempt status of the security;
 - g. Modifications to rights of security holders;
 - h. Contingent or unscheduled bond calls;
 - i. Defeasances;
 - j. Resale, substitution, or sale of property securing repayment of the securities; or
 - k. Rating changes

City of Redondo Beach
Redondo Beach Redevelopment Agency
Harbor Center Redevelopment Project Area
Historical Project Area Valuations
June 30, 2012

	Base Year										
<i>Secured *</i>	1991-92	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Land	\$ 1,762,312	\$ 13,030,625	\$ 13,291,236	\$ 13,539,383	\$ 15,760,494	\$ 17,414,372	\$ 17,762,659	\$ 18,117,912	\$ 18,480,269	\$ 18,436,470	\$ 18,575,296
Impts	911,370	19,392,215	19,780,058	20,149,351	31,833,956	37,955,766	38,714,881	29,757,900	30,353,057	30,281,119	30,509,134
Pers Prop	6,660	-	-	-	-	-	-	-	-	-	-
Exemptions	-	-	-	-	-	-	(212,304)	(158,162)	(161,326)	(160,943)	-
Total Secured	<u>2,680,342</u>	<u>32,422,840</u>	<u>33,071,294</u>	<u>33,688,734</u>	<u>47,594,450</u>	<u>55,370,138</u>	<u>56,265,236</u>	<u>47,717,650</u>	<u>48,672,000</u>	<u>48,556,646</u>	<u>49,084,430</u>
<i>Unsecured</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Impts	69,280	972,053	1,009,249	1,182,097	1,407,295	1,524,897	1,221,918	1,094,975	924,435	921,724	771,321
Pers Prop	57,280	4,169,949	3,492,740	3,532,307	3,765,198	4,551,493	4,165,208	3,320,987	3,038,241	2,648,581	2,312,634
Exemptions	-	-	-	-	-	-	-	-	-	-	-
Total Unsecured	<u>126,560</u>	<u>5,142,002</u>	<u>4,501,989</u>	<u>4,714,404</u>	<u>5,172,493</u>	<u>6,076,390</u>	<u>5,387,126</u>	<u>4,415,962</u>	<u>3,962,676</u>	<u>3,570,305</u>	<u>3,083,955</u>
GRAND TOTAL	<u>\$ 2,806,902</u>	<u>\$ 37,564,842</u>	<u>\$ 37,573,283</u>	<u>\$ 38,403,138</u>	<u>\$ 52,766,943</u>	<u>\$ 61,446,528</u>	<u>\$ 61,652,362</u>	<u>\$ 52,133,612</u>	<u>\$ 52,634,676</u>	<u>\$ 52,126,951</u>	<u>\$ 52,168,385</u>
		<u>\$ 34,757,940</u>	<u>\$ 34,766,381</u>	<u>\$ 35,596,236</u>	<u>\$ 49,960,041</u>	<u>\$ 58,639,626</u>	<u>\$ 58,845,460</u>	<u>\$ 49,326,710</u>	<u>\$ 49,827,774</u>	<u>\$ 49,320,049</u>	<u>\$ 49,361,483</u>

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

Source: HdL Coren & Cone

City of Redondo Beach
Redondo Beach Redevelopment Agency
Harbor Center Redevelopment Project
Top Ten Taxable Property Owners
June 30, 2012

	Secured			Unsecured			Total		Use Code
	Value	Parcels	% Secured Assessed Value	Value	Parcels	% Unsecured Assessed Value	Value	% Total Assessed Value	
1. HPT IHG 2 Properties Trust	\$ 42,801,846	1	87.20%	\$ -	0	0.00%	\$ 42,801,846	82.05%	Commercial
2. Redondo Beach Hotel Associates	6,282,584	1	12.80%	-	0	0.00%	6,282,584	12.04%	Commercial
3. Intercontinental Hotel Group	-	0	0.00%	2,690,941	1	87.26%	2,690,941	5.16%	Unsecured
4. Muscle Improvement Redondo Beach Inc.	-	0	0.00%	192,500	1	6.24%	192,500	0.37%	Unsecured
5. Greystone Equipment Finance	-	0	0.00%	48,051	1	1.56%	48,051	0.09%	Unsecured
6. The Advantage Group Inc.	-	0	0.00%	42,000	1	1.36%	42,000	0.08%	Unsecured
7. The Art Shoppe Inc.	-	0	0.00%	30,844	1	1.00%	30,844	0.06%	Unsecured
8. Martin Hausherr	-	0	0.00%	22,000	1	0.71%	22,000	0.04%	Unsecured
9. Lodgenet Entertainment Corp.	-	0	0.00%	11,440	1	0.37%	11,440	0.02%	Unsecured
10. Standard Parking Corporation	-	0	0.00%	9,731	1	0.32%	9,731	0.02%	Unsecured
	\$49,084,430	2	100.00%	\$3,047,507	8	98.82%	\$52,131,937	99.93%	
Project Area Assessed Value:	<u>\$49,084,430</u>			<u>\$3,083,955</u>			<u>\$52,168,385</u>		

Source: HdL Coren & Cone

City of Redondo Beach
Certification of Continuing Disclosure
Redondo Beach Public Financing Authority 2004 Series A Revenue Bonds
(Wastewater System Financing Project)
June 30, 2012

This Certification of Continuing Disclosure is provided by the City of Redondo Beach ("the City") and the Redondo Beach Public Financing Authority through US Bank, as Dissemination Agent pursuant to a Continuing Disclosure Certificate dated May 27, 2004 executed and delivered by the City of Redondo Beach and the Public Financing Authority and the Dissemination Agent in connection with the issuance of \$10,335,000 Series A Revenue Bonds, City of Redondo Beach Wastewater System Financing Project Bonds ("the Bonds"). The Bonds were issued pursuant to an Indenture of Trust dated as of May 1, 2004 between the Financing Authority and US Bank. The proceeds of the Bonds were issued to provide funds to (a) finance the Improvements and related facilities which constitute part of the Wastewater Enterprise of the City, (b) fund capitalized interest on the Bonds through November 1, 2004, (c) fund a reserve fund for the Bonds, and (d) pay the cost of issuance for the Bonds.

This Certification is made pursuant to the requirements of Section 3(a) of the Continuing Disclosure Certificate with respect to the 2011-12 fiscal year.

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

1. The audited financial statements of the City, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, for the fiscal year ended June 30, 2012 comprise the book in which this report is included.
2. During the fiscal year ended June 30, 2012, neither the City nor the Public Financing Authority has given or caused to be given notice of the occurrence of any of the following events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions or events affecting the tax-exempt status of the security;
 - g. Modifications to rights of security holders;
 - h. Contingent or unscheduled bond calls;
 - i. Defeasances;
 - j. Resale, substitution, or sale of property securing repayment of the securities; or
 - k. Rating changes

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

	2004		2005		2006		2007		2008		2009		2010		2011		2012	
Use Classification																		
Each single family dwelling unit	\$	5.00	\$	5.00	\$	5.00	\$	5.00	\$	5.00	\$	7.00	\$	7.12	\$	7.12	\$	7.12
Each unit in a 2-3 unit condo structure		5.00		5.00		5.00		5.00		5.00		7.00		7.12		7.12		7.12
Each unit in a 2-3 unit apartment structure		3.89		3.89		3.89		3.89		3.89		5.45		5.55		5.55		5.55
Each unit in a 4 or more unit condo structure		3.89		3.89		3.89		3.89		3.89		5.45		5.55		5.55		5.55
Each unit in a 4 or more unit apartment structure		2.68		2.68		2.68		2.68		2.68		3.75		3.82		3.82		3.82
Commercial/Industrial/Institutional parcels		0.43		0.43		0.43		0.43		0.43		0.60		0.61		0.61	*	0.61

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

* Per 100 cubic feet of average monthly water usage. 100 cubic feet of water is equal to 748 gallons, average monthly water usage is established based on the latest actual annual water usage record available to the City. On an annual basis, the city will recalculate the monthly charge by using the latest available annual water usage record of each non-residential user at the same \$.61 per 100 cubic feet rate to set a new monthly rate. Any water proven to be used for boilers, cooling towers or similar 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 Nine Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Type of Customer									
Residential	13,039	13,211	13,211	13,211	13,108	13,102	13,107	13,109	13,105
Industrial	78	74	74	74	68	66	61	56	61
Commercial	575	510	510	510	451	464	462	466	457
Institutional	71	64	64	64	62	89	61	58	61
Mixed use	44	44	44	44	42	43	43	42	43
Total	13,807	13,903	13,903	13,903	13,731	13,764	13,734	13,731	13,727

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

Source: City of Redondo Beach