

Comprehensive Annual Financial Report



City of Redondo Beach, California
For the year ending June 30, 2013



City of Redondo Beach

Redondo Beach, California

Comprehensive Annual Financial Report

For the year ended June 30, 2013

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

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December 13, 2013

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, 2013. 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 67,396 as of January 1, 2013, remaining relatively flat with 2012. The City remains a highly residential, non-industrial community. It is a highly-educated, upscale community where the median cost of a home is \$720,500.

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, Crown Plaza-Holiday Inn, Cheesecake Factory, U.S. Post Office, Nordstrom, Target, DHL Global Forwarding, and Macy's.

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

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

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

Economic Outlook

During FY 2012-2013, Redondo Beach experienced a 2.7% change in real property assessed valuations, compared to last year's 3.11%. Hotel occupancy rates decreased by 3.3%, and Transient Occupancy Tax revenue increased by 4.5%, due to improved visitation and increased days of stay. The Utility users' tax revenue reflected an increase of 3.90% in FY 2012-2013. 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 6.4% in FY 2011-2012 to 5.4% in FY 2012-2013, which is well below the Los Angeles County and State of California FY 2012-2013 unemployment rates of 9.2% and 8.9%, 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:

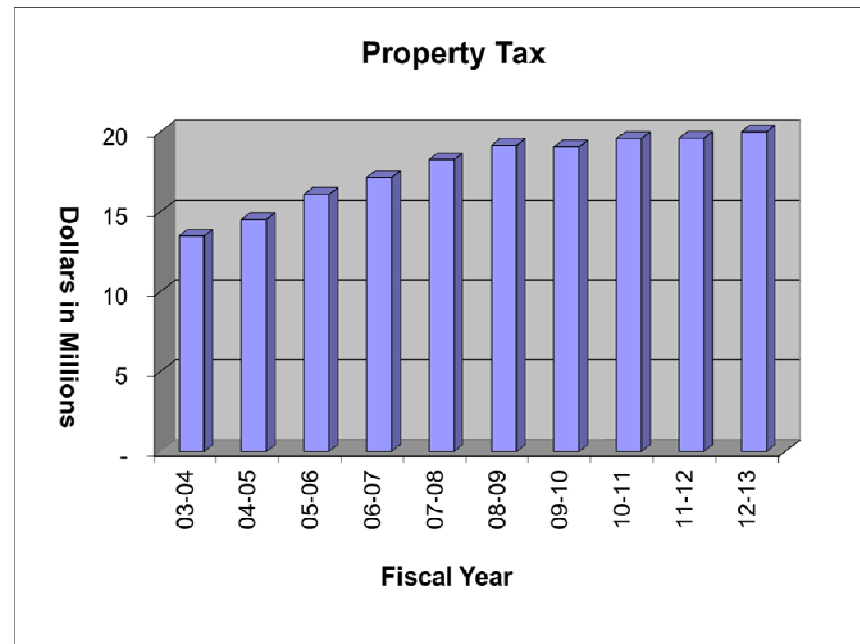
- Revitalizing the Harbor and Pier area through a public-private partnership that will renovate 15 waterfront acres.
- Reinforcing the desirability of the Riviera Village as a destination for shopping, dining, and services through improved signage and enhanced streetscapes.
- Engaging in advocacy efforts to retain funds for contracts and research and development at Northrup Grumman Corporation and Space Park area businesses.
- Encouraging the continued success of the Artesia Boulevard business district and South Bay Galleria which is poised for a major redevelopment.
- Attracting business opportunities through the use of economic development incentive agreements.
- Ensuring growth in the business community through business retention, thereby enhancing the community's overall economic base.
- Making investments in infrastructure, 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.

The City's property tax valuations, while slowing from pre-recession levels, continue to be positive. With Redondo Beach being a desirable location, coupled with continued low mortgage interest rates, the FY 2012-2013 citywide assessed valuation experienced a positive change of \$324 million, or 2.65%, to \$12.53 billion. The City's assessed valuation amount is derived 79.5% from single-family residential properties, 8.7% from commercial properties, 3.6% from industrial properties, and the remaining 8.2% from vacant and institutional properties. During FY 2012-2013, property tax revenue increased \$3.6 million or 18.2%, to \$23.16 million (includes homeowners' exemption). This increase was due to continuing but steady, economic growth, property reassessments, and increased housing sales. The housing market began to rebound during the first half of 2012, as home buying increased due to low interest rates and affordable prices. As a result, the annual increase in property tax revenue appears to be recovering; however, the growth rates are still well below those experienced before the recession.

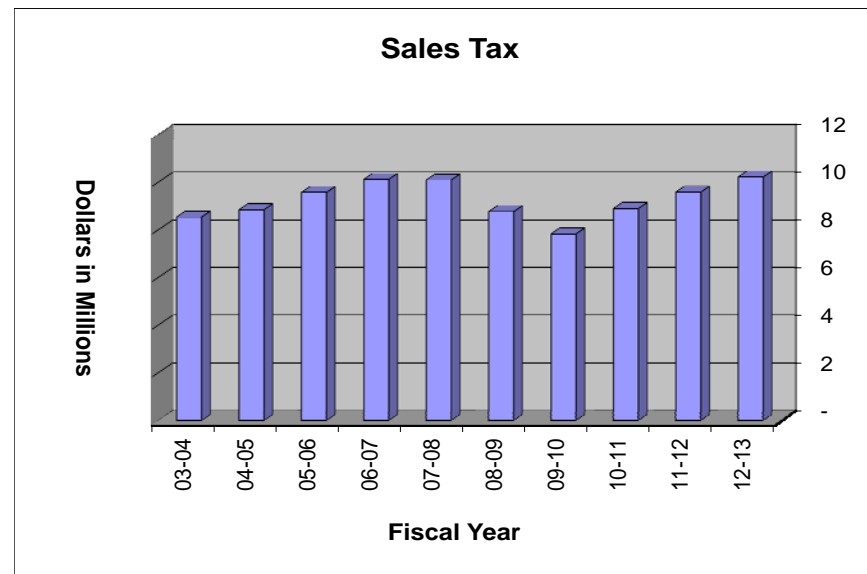


Sales Tax

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 2012-2013 traditional sales tax base is now committed to the State for deficit reduction bonds. This amount is backfilled with, and distributed on the same basis as property tax revenue to the City with a revenue swapping procedure commonly referred to as the "triple flip".

Sales tax revenue has increased following the end of the recession and this trend has continued through FY 2011-12, with the City receiving \$9.59 million in sales tax revenue, an increase of \$693,000, or 7.78%, from prior year. In FY 12-13 the City received \$10.23 million in sales tax revenue an increase of \$633,454 or 6.6% when compared to FY 11-12. Fiscal year 12-13, sales tax revenue consisted of \$7.61 million in local sales tax revenue and \$2.62 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.

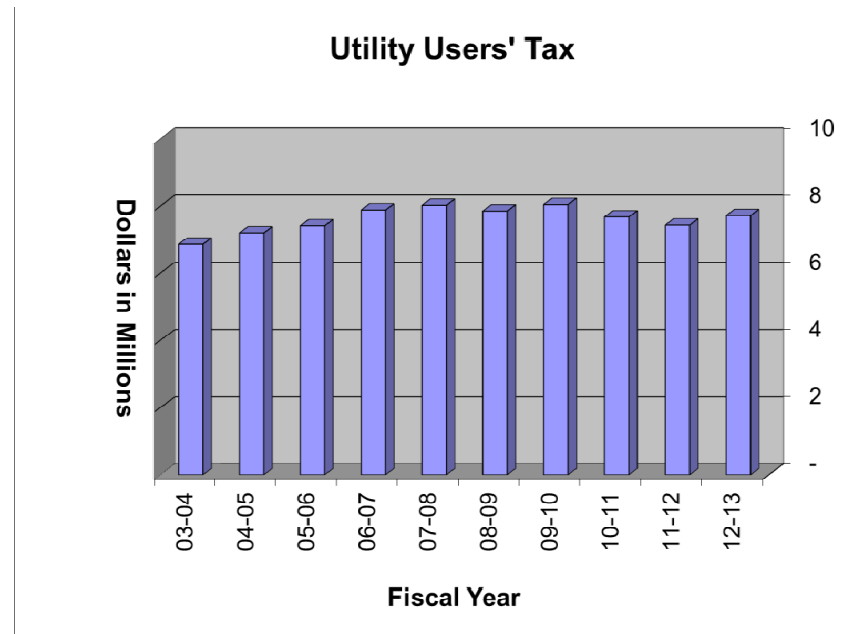
The City is committed to re-establishing a strong local economy through both business retention and business expansion, thereby enhancing the community's overall economic base. Although sales related to current retail vendors should, at least, show slight increases, the City anticipates significant contributions 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 by placing a measure on the March 2009 ballot to modernize the City's UUT ordinance. This important measure was strongly endorsed by the citizens, passing it by 75%. Therefore, the long-term viability of telecommunications-based UUT revenue (approximately 38% of the UUT tax) has been secured.

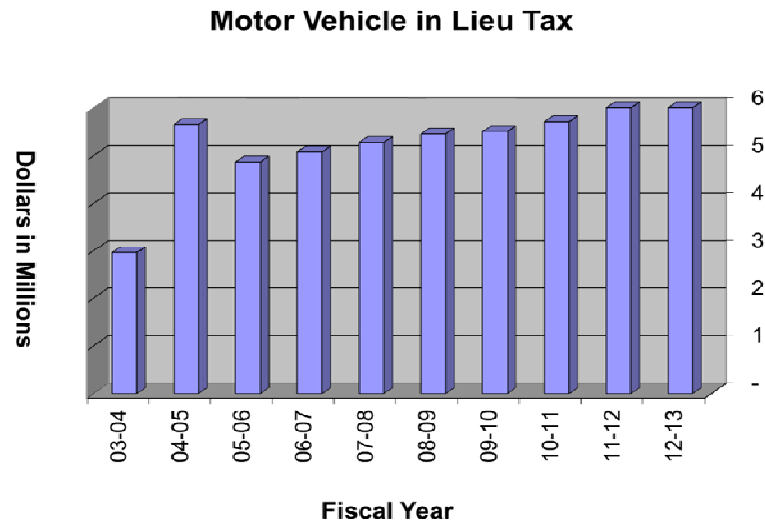
UUT revenue for FY 2012-2013 totaled \$7.71 million, reflecting an increase from the prior year of \$289,491 or 3.9%. The UUT increase is largely due to one time recovery of unpaid UUT from Verizon during calendar year 2008 to 2010 paid during FY 12-13. Excluding the one time Verizon UUT recovery, FY 12-13 UUT increased by \$22,073 or 0.30%. For FY 2013-14, the initial estimate of UUT revenue is conservatively projected to increase by \$100,000 or 1.2%. This is due to enhanced business activity coupled with anticipated increased utilization of telecommunication services.



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.

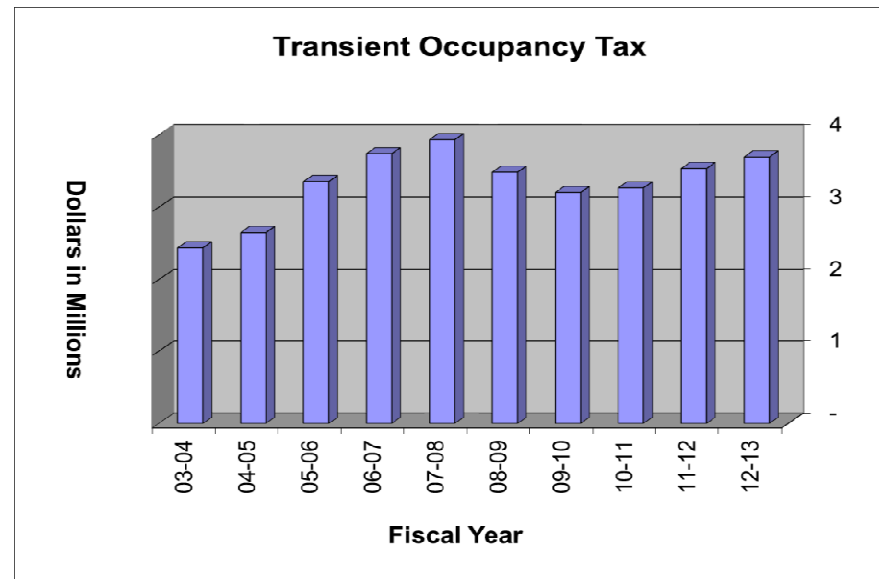
Historically, the City experienced a steady increase in Vehicle Licenses Fee (VLF) until FY 2003-2004, when revenue decreased by \$937,000 as a result of State budgetary realignment reducing the VLF apportionment to a tax rate of 0.65%. In FY 2003-2004, the State Budget Act of 2004 substantially changed 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 2012-2013, MVIL revenue totaled \$6.33 million, increasing \$311,783, or 5.2%, from prior year. This increase comprises gains in VLF and property tax in lieu revenues of \$161,486 and \$150,297, 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.

The City TOT revenue has been experiencing positive growth during the past two years and during FY 11-12 TOT revenue exceeded FY 10-11 revenue by \$266,000, or 8.2% to \$3.53 million. In FY 12-13 TOT revenue increased by \$159,643, or 4.52% to \$3.69 million. Although TOT revenue increased, the rate of increase experienced was at a slower pace when compared to FY 11-12. The slower growth rate was primarily 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 2012-2013 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 2012-2013, the City awarded a contract for \$575,000 for construction of the next phase of its multi-year residential street rehabilitation program. For FY 2013-2014, the City has budgeted \$800,000 to continue the residential resurfacing effort. In addition, the FY 2013-2014 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 2012-2013, the City completed major resurfacing projects on 190th Street, Manhattan Beach Boulevard and Prospect Avenue. The total cost of those projects was \$1.86 million. For FY 2013-2014, the City budget includes over \$3.6 million for additional arterial improvements, \$21,000 for implementing measures to relieve traffic congestion, and \$143,000 for sidewalk, curb and gutter improvements.
- Citywide Curb Ramp Improvements – The City awarded a contract and began work on \$450,000 in citywide curb ramp improvements. The FY 2013-2014 budget includes \$160,000 to continue this effort.
- Riviera Village Improvements – In FY 2012-2013, the City completed Phase III of streetscape improvements along Catalina Avenue in the Riviera Village. Phase IV funding, in the amount of \$725,000, is included in the FY 2013-2014 budget.

Storm Drain System Improvements

- Water Quality Improvements - The City is continuing to implement an aggressive program to improve the quality of the water discharged from the City’s storm drain system. In FY 2005-2006, a “Water Quality Task Force” was formed to find solutions to recurring “red tides” and water quality issues in the City’s harbor. The FY 2013-2014 budget includes \$32,000 to implement the last of the Task Force’s recommendations – the harbor trash skimmer project. The City is working with adjoining Cities to comply with the new Municipal NPDES MS4 permit. The FY 2013-2014 budget includes \$200,000 in funding for this effort.

Sewer Improvements

- Sewer Line Replacement - In FY 2012-2013, the City spent \$375,000 on upgrades to the City’s sewer facilities system. In June, the City awarded a \$1.2 million contract to continue upgrading the City’s sewer facilities system. The FY 2013-2014 budget includes \$2.65 million in funding for sewer facility improvements including a sewer system camera inspection.
- Sewer Pump Station Rehabilitation – In FY 2012-2013, the City spent over \$140,000 on improvements to the City’s sewer pump stations. The FY 2013-2014 budget includes \$4.25 million for upgrades to the City’s sewer pump stations including stations on Portofino Way and Yacht Club Way.

Facility Improvements

- Fire Station 1 Roof Repairs – In FY 2012-2013, the City spent \$95,000 on major roof repairs at Fire Station 1. In addition, a new HVAC system was installed at the historic Veterans Park Community Center.
- Seaside Lagoon Restroom Facilities – In FY 2012-2013, vintage neon signage was installed on the recently completed Seaside Lagoon Restroom Facility. Another major facility currently in the final phases of design is the new Transit Center. The FY 2013-2014 budget includes over \$5 million for construction of the project.
- Park Improvements – In FY 2012-2013, the City completed Phase II renovations at Perry Park and a dedication ceremony was held in May. ADA and safety improvements of \$140,000 were completed on parking lots at Dominguez Park and at City Hall.
- Waterfront Improvements – In the waterfront, the City completed repairs to the Basin II Seawall and drainage repairs to the pier parking structure.

CASH MANAGEMENT POLICIES AND PRACTICES

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

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

The level of investments maintained with LAIF fluctuates in accordance with variations in both the City's operational and capital improvement program cash flow requirements. The LAIF balance is maintained at a level of \$15 to \$35 million, or approximately 33% of the general portfolio's assets on average, ensuring maintenance of sufficient investment portfolio liquidity. The yield provided by LAIF has declined over the past year in line with the overall reduction in short-term market interest rates. Idle investment funds above the liquidity threshold have been placed primarily in Federal Agency investments within the two to five year investment maturity range. The reduction in market interest rates experienced over the past year have been both anticipated and well managed, proactively responding to both the City's operating and capital improvement cash flow requirements. The rate of return on the City's investment portfolio consistently meets or exceeds the level of the established investment portfolio performance benchmark. As of June 30, 2013 the City's general portfolio was invested as follows:

<u>Investments</u>	<u>Market Value</u>	<u>% of Portfolio</u>	<u>Yield to Maturity</u>
Bank Certificates of Deposit	\$ 3,718,588	5.31%	1.08%
Federal Agency Issues	18,617,060	26.59%	1.04%
Corporate Medium Term Notes	17,686,935	25.26%	1.78%
Local Agency Investment Fund	30,000,000	42.84%	0.24%
Total Investments and Averages	\$70,022,583	100.00%	0.89%

Average Term of Investment

2.15 years

* As required by GASB 31, the City recorded the unrealized loss on certain investments to account for the market value at June 30, 2013. The amount, \$361,953, represents 0.51% of the current market value of the investments within the City's investment portfolio – an insignificant unrealized decrease in the City's overall level of financial resources. This unrealized loss in the value of investments results from structural factors and interest rate movements within the financial marketplace over the past year impacting the market valuation of the City's investments in both Federal Agency issues and Corporate Medium Term Notes.

RISK MANAGEMENT

The City maintains a self-insurance program for workers' compensation and liability claims. The program accumulates resources in the Self-Insurance Program internal service fund to meet potential losses. For fiscal year 2012-2013, the self-insurance retention (SIR) is \$750,000 for workers' compensation and \$500,000 for liability. Excess coverage up to \$100 million for each workers' compensation claim is provided by a third-party private insurer, and excess liability up to \$20 million for each occurrence is covered by the Independent Cities Risk Management Authority (ICRMA).

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

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

As of June 30, 2013, the City recorded the following:

Workers' Compensation Claims

Claims payable totaled \$13.8 million representing an increase of \$1.5 million or 9.84%, 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 an increase of \$37,301, or 1.4%, from the prior period. This increase is attributable to an increase in estimated reserves and the settlement of claims in previous years.

Unemployment Insurance

The City participates in a direct-cost reimbursement method for unemployment insurance. This program is administered by the State Employment Development Department (EDD) to provide salary continuance for terminated employees. For fiscal year 2012-2013, reimbursement to EDD was \$66,642.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The City provides three Tier 1 defined benefit pension plans – two for safety employees (3% at 55 for Fire and 3% at 50 for Police) and one for miscellaneous employees (2% at 55). Beginning July 2012, two additional Tier 2 defined benefit pension plans are provided – one for safety employees (3% at 55 with a 4.5% employee contribution for Fire and 3% at 55 for Police) and one for miscellaneous employees (2% at 60). Beginning January 2013, pursuant to the California Public Employee's Pension Reform Act of 2013 (PEPRA), Tier 3 defined benefit pension plans were added, 2.7% at 57 for safety employees and 2% at 62 for miscellaneous employees. These plans are part of the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. The City makes contributions to the plans based on amounts determined by CalPERS actuaries. For FY 2012-2013, the City contributed the Tier 1 full-time employees' required contributions on their behalf and for their account. Tier 2 and Tier 3 plans require 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 2012-2013 was 40.4%, up from 38.4% in FY 2011-2012, with the miscellaneous employees' rate increasing from 14.1% to 14.5%. Rates are projected to increase from FY 2012-2013 levels for the 2013-2014 fiscal year to 40.6% for safety employees and 14.9% 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 82.3%, or \$8.3 million, was charged to the General Fund. The anticipated total City contribution for FY 2013-2014 is estimated to be approximately \$10.8 million and is expected to increase again in FY 2014-2015.

Aside from contributing to CalPERS, the City also contributes to Social Security. The FY2012-2013 total cost for Social Security and Medicare coverage was \$1.6 million, of which \$1.0 million, or 65.3%, 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 2012-2013, the City contributed \$1.3 million to the OPEB trust to cover current and future retiree medical benefits; however, future contributions may vary based on future actuarial studies. As of June 30, 2013, the City was providing benefits to 105 participants.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

During FY 2012-2013 the City achieved many accomplishments that may not be evident from a review of the financial statements. One of the more important accomplishments is the result of the Los Angeles County Grand Jury financial evaluation of the 88 cities in Los Angeles County. The City of Redondo Beach received a #1 ranking on benchmark financial policies, best practices and governance. The City received a score of 97, missing a perfect 100 because we do not have two months of dedicated General Reserve, only one month.

The Grand Jury assessed revenues, expenditures, fund balances, net assets and liabilities. A #41 ranking was attributed to the City based on their evaluation on the City's financial condition. This would be about what one would expect as we have only now begun recovery from the financial havoc caused by the Great Recession and the State's takeaway of local revenues. Additionally, this ranking is consistent with the recent HDL per capita revenue comparison showing that Redondo Beach is not in the top tier of revenue generating cities in Los Angeles County.

AWARDS

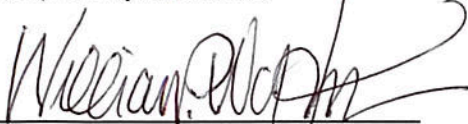
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redondo Beach for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2012. In order to be awarded this certificate, a government must 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 2012-2013, the City will again apply to the GFOA for the Certificate of Achievement for Excellence in Financial Reporting. We believe that our current comprehensive annual financial report continues to meet and exceed the criteria to receive this certificate, and we will be submitting it to GFOA for consideration.

ACKNOWLEDGMENTS

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

Respectfully submitted,


WILLIAM P. WORKMAN
City Manager
CRAIG KOEHLER
Finance Director



Government Finance Officers Association

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

Presented to

**City of Redondo Beach
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

CITY OF REDONDO BEACH

MAYOR AND CITY COUNCIL



Steve Aspel
Mayor



Jeff Ginsburg
Councilmember
District 1



Bill Brand
Councilmember
District 2



Pat Aust
Councilmember
District 3



Stephen Sammarco
Councilmember
District 4



Matt Kilroy
Councilmember
District 5

CITY OFFICIALS

William P. Workman
City Manager

Peter Grant
Assistant City Manager



Michael Webb
City Attorney



Eleanor Manzano
City Clerk



Stephen Diels
City Treasurer

Joesph Hoefgen
Recreation, Transit and Community Services Director

Robert Metzger
Fire Chief

Peter Carmichael
Waterfront and Economic Development Director

Chris Benson
Information Technology Director

Kym Vieira
Human Resources Director

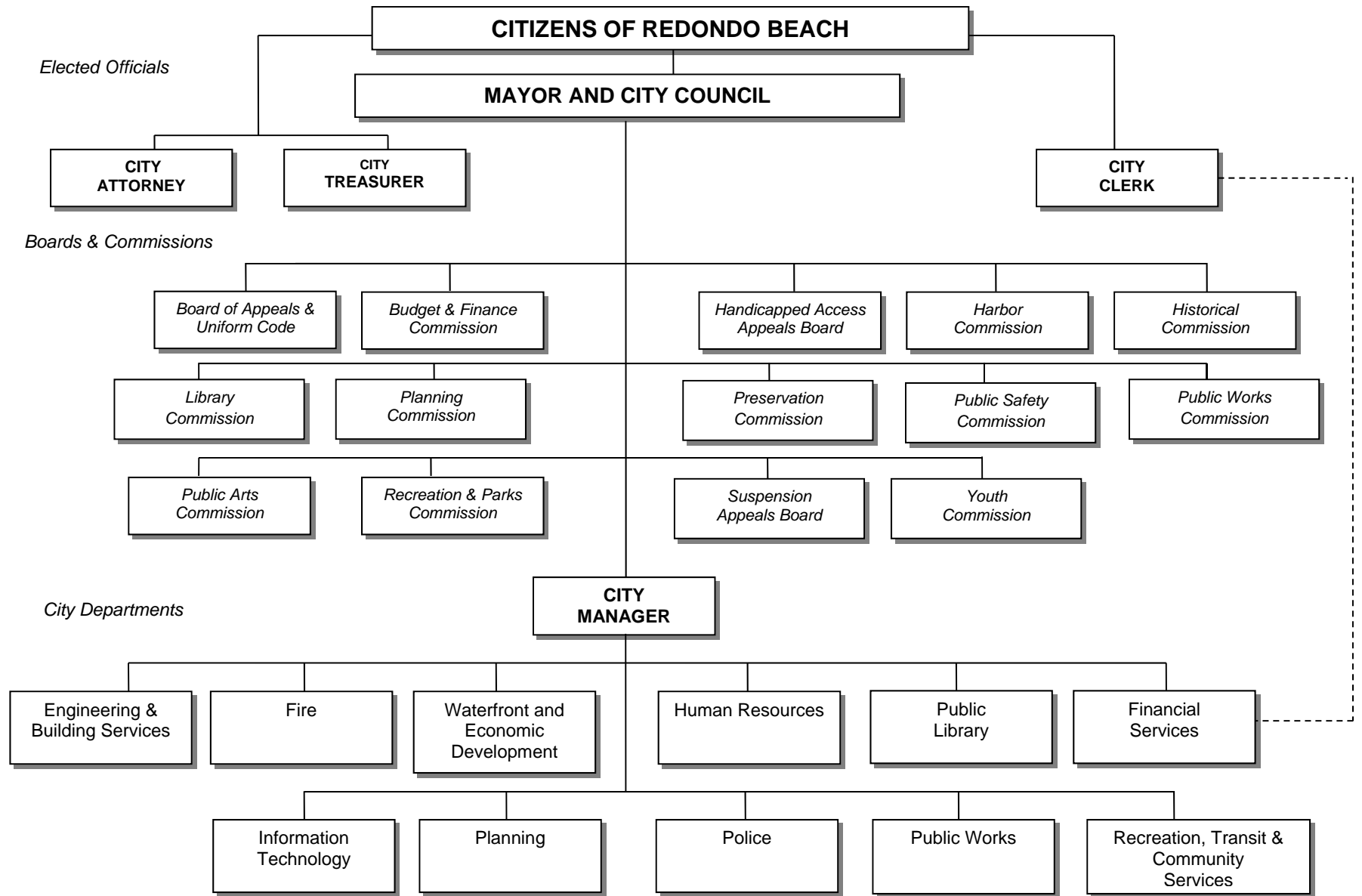
Aaron Jones
Community Development Director

W. Joseph Leonardi
Chief of Police

Christine Hach
Iterim Director of Library Services

Michael Witzansky
Public Works Director

Craig Koehler
Finance 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
ramscpa.net

INDEPENDENT AUDITOR'S REPORT

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

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Yiann Fang, CPA
Daniel T. Turner, CPA, MSA
Derek J. Brown, CPA, MST
David D. Henwood, CPA

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
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*Governmental Audit
Quality Center*

California Society of
Certified Public Accountants

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redondo Beach, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Implementation of new pronouncement

As discussed in Note 1 of the financial statements, the City of Redondo Beach adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the City of Redondo Beach, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Rogers Anderson Maloney & Scott, LLP

December 13, 2013
San Bernardino, CA

CITY OF REDONDO BEACH

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Redondo Beach (the "City") provides the Management Discussion and Analysis of the City's Comprehensive Annual Financial Report (CAFR) for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the City's financial statements, which follow. Keep in mind that the Financial Highlights, immediately following, are strictly snapshots of information. Net assets, changes in net assets, and fund disclosures are discussed in more detail later in the report.

Financial Highlights - Primary Government

- ♦ *Government-Wide Highlights*

Net Position - Assets of the City exceeded its liabilities at fiscal year ending June 30, 2013 by \$251.1 million - assets for governmental activities exceeded liabilities by \$183.9 million and assets for business-type activities exceeded liabilities by \$67.1 million.

Changes in Net Position - The City's net assets increased \$9.0 million in fiscal year 2012-2013. Net position of governmental activities increased \$1.4 million, and net assets of business-type activities increased \$7.6 million.

- ♦ *Fund Highlights*

Governmental Funds - At the close of fiscal year 2012-2013, the City's total governmental funds reported a fund balance of \$42.5 million, an increase of \$2.4 million from the prior year. Highlighted below are this year's major funds included in this grouping.

General Fund - The fund balance of the General fund (includes Special Revenue – PERS Reserve Fund of \$3.8 million) on June 30, 2013 was \$17.6 million, an increase of \$4.2 million from the prior year.

Other Intergovernmental Grants Special Revenue Fund – The fund balance of the Special Revenue – Other Intergovernmental Grants Fund on June 30, 2013 was negative \$1.0 million, a decrease in the negative fund balance by \$275,542 from the prior year.

Debt Service – Public Financing Authority Fund - The fund balance of the Debt Service – Public Financing Authority Fund on June 30, 2013, was \$6.8 million, a decrease of \$544,133 from the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

- ♦ *Statement of Net Position*

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

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

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

- ♦ *Proprietary Funds*

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

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

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

- ♦ *Fiduciary Funds*

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

Notes to the Financial Statements

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

Required Supplementary Information

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

City of Redondo Beach's Statement of Net Position
Fiscal Year Ended June 30, 2012 and 2013

	Governmental Activities		Business-Type Activities		Total	
	2012-2013	2011-2012	2012-2013	2011-2012	2012-2013	2011-2012
Current and Other Assets	\$ 74,928,984	\$ 82,577,571	\$ 36,502,231	\$34,046,422	\$111,431,215	\$ 116,623,993
Capital Assets, net depreciation	142,980,777	143,933,767	43,803,140	40,159,444	186,783,917	184,093,211
Total Assets	<u>217,909,761</u>	<u>226,511,338</u>	<u>80,305,371</u>	<u>74,205,866</u>	<u>298,215,132</u>	<u>300,717,204</u>
Long-Term Liabilities						
Outstanding	24,631,047	24,743,229	11,479,916	11,971,704	36,110,963	36,714,933
Other Liabilities	9,305,294	19,233,339	1,678,597	2,660,186	10,983,891	21,893,525
Total Liabilities	<u>33,936,341</u>	<u>43,976,568</u>	<u>13,158,513</u>	<u>14,631,890</u>	<u>47,094,854</u>	<u>58,608,458</u>
Net investment in capital assets	142,096,683	143,049,830	38,936,171	34,957,595	181,032,854	178,007,425
Restricted	17,703,725	17,861,803	-	-	17,703,725	17,861,803
Unrestricted	24,173,012	21,623,137	28,210,687	24,616,381	52,383,699	46,239,518
Total Net Position	<u>\$183,973,420</u>	<u>\$182,534,770</u>	<u>\$ 67,146,858</u>	<u>\$59,573,976</u>	<u>\$251,120,278</u>	<u>\$242,108,746</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 Position

The chart above reflects the City's combined net position (governmental and business-type activities) of \$251.1 million at the close of fiscal year ending June 30, 2013.

The largest portion of the City's total net position (72.1%) reflects investment in capital assets (e.g., land, streets, sewers, buildings, machinery, and equipment) net of outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining City net position (27.9%) represents resources that are either unrestricted or subject to external restrictions (e.g., certain capital projects, community development, debt services).

Changes in Net Position

Also noted in the chart above, the City's fiscal year 2012-2013 total net position increased by \$9.0 million, or 3.7%, from the prior year. The governmental activities net position increased \$1.4 million, or 0.79%, and business-type activities net position increased \$7.6 million, or 12.7%.

The increase in net position of governmental activities of \$1.4 million was due to an increase in total assets of \$9.1 million. Within total assets, the increase in capital assets, net of accumulated depreciation, was primarily attributable to Fire Station 1 roof repair and Harbor Patrol Facility Replacement projects. 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 \$11.5 million. Other liabilities, specifically accounts payable, decreased mainly due to the timing of payments to vendors. Long-term liabilities, specifically claims and judgments payable increased, due to higher reserves related to workers' compensation and general liability claims. Increases in workers' compensation claims are attributable to an increase in reserves based on future legislation or ballot initiatives that may change statutory benefit levels and the outcomes of future administrative proceedings and litigation. Increases in general liability claims are attributable to higher reserves based on future legislation that may affect the tort liability system, and the outcomes of litigation and settlement negotiations primarily related to Police Department firing range.

Business-type activities net assets increased by \$7.6 million or 12.7%, the increase was primarily due to the Harbor Patrol Facility Replacement and Seaside Lagoon rehabilitation projects and lower investment earnings.

City of Redondo Beach's Change in Net Position
Fiscal Year Ended June 30, 2012 and 2013

	Governmental Activities		Business-Type Activities		Total	
	2012-2013	2011-2012	2012-2013	2011-2012	2012-2013	2011-2012
Revenues:						
Program revenues:						
Charges for services	\$ 21,970,592	\$ 20,351,312	\$ 16,843,858	\$ 15,864,430	\$ 38,814,450	\$ 36,215,742
Operating grants and contributions	9,925,853	8,590,969	1,672,668	1,395,363	11,598,521	9,986,332
Capital grants and contributions	705,357	4,582,744	2,545,504	-	3,250,861	4,582,744
Total program revenues	<u>32,601,802</u>	<u>33,525,025</u>	<u>21,062,030</u>	<u>17,259,793</u>	<u>53,663,832</u>	<u>50,784,818</u>
General revenues:						
Property taxes	30,728,698	28,335,561	-	-	30,728,698	28,335,561
Sales taxes	10,228,355	9,594,901	-	-	10,228,355	9,594,901
Utilities users taxes	7,711,580	7,422,089	-	-	7,711,580	7,422,089
Other taxes	8,703	-	-	-	8,703	-
Motor vehicle license	34,912	33,693	-	-	34,912	33,693
Transient occupancy taxes	3,693,144	3,533,501	-	-	3,693,144	3,533,501
Franchise taxes	1,796,606	1,950,934	-	-	1,796,606	1,950,934
Business license taxes	1,018,677	1,203,591	-	-	1,018,677	1,203,591
Use of money and property	1,212,032	3,371,724	69,851	241,958	1,281,883	3,613,682
Other revenues	1,499,306	2,831,748	2,674,174	181,532	4,173,480	3,013,280
Gain (loss) on sale of capital asset	35,578	73,574	-	-	35,578	73,574
Total general revenues	<u>57,967,591</u>	<u>58,351,316</u>	<u>2,744,025</u>	<u>423,490</u>	<u>60,711,616</u>	<u>58,774,806</u>
Total revenue	<u>90,569,393</u>	<u>91,876,341</u>	<u>23,806,055</u>	<u>17,683,283</u>	<u>114,375,448</u>	<u>109,559,624</u>
Expenses:						
General government	11,974,780	8,560,957	-	-	11,974,780	8,560,957
Public safety	43,141,036	43,020,839	-	-	43,141,036	43,020,839
Public works	11,588,895	10,589,076	-	-	11,588,895	10,589,076
Cultural and leisure services	10,933,176	7,389,274	-	-	10,933,176	7,389,274
Housing and community development	10,085,882	13,822,831	-	-	10,085,882	13,822,831
Interest on long-term debt	266,651	637,624	-	-	266,651	637,624
AB 1484 demand payment	-	9,914,969	-	-	-	9,914,969
Harbor Tidelands	-	-	4,998,098	7,689,071	4,998,098	7,689,071
Harbor Uplands	-	-	3,657,127	3,952,061	3,657,127	3,952,061
Wastewater	-	-	1,880,835	3,196,442	1,880,835	3,196,442
Solid Waste	-	-	3,610,925	3,431,017	3,610,925	3,431,017
Transit	-	-	3,288,696	3,113,076	3,288,696	3,113,076
Total expenses	<u>87,990,420</u>	<u>93,935,570</u>	<u>17,435,681</u>	<u>21,381,667</u>	<u>105,426,101</u>	<u>115,317,237</u>
Change in net position before transfers	<u>2,578,973</u>	<u>(2,059,229)</u>	<u>6,370,374</u>	<u>(3,698,384)</u>	<u>8,949,347</u>	<u>(5,757,613)</u>
Transfers	(1,202,508)	(1,017,605)	1,202,508	1,017,605	-	-
Extraordinary Item						
Gain (loss) on dissolution of Redevelopment Agency	<u>-</u>	<u>27,858,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,858,112</u>
Change in net position	<u>1,376,465</u>	<u>24,781,278</u>	<u>7,572,882</u>	<u>(2,680,779)</u>	<u>8,949,347</u>	<u>22,100,499</u>
Net position, beginning of year	<u>182,534,770</u>	<u>157,753,492</u>	<u>59,573,976</u>	<u>62,254,755</u>	<u>242,108,746</u>	<u>220,008,247</u>
Net position, end of year	<u>\$ 183,911,235</u>	<u>\$ 182,534,770</u>	<u>\$ 67,146,858</u>	<u>\$ 59,573,976</u>	<u>\$ 251,058,093</u>	<u>\$ 242,108,746</u>

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 2012-2013 by \$4.9 million, or 4.5%. 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 increases in property tax, sales tax, transient occupancy tax, and utility user's tax.

These increases were offset by decreases in Franchise taxes, Business license tax and use of money and property. The substantial decrease in use of money and property was due to the decline in investment earnings as a result of the slow recovering economy. The decrease in franchise tax and business license tax was also a result of the slow recovery of the economy.

Citywide total expenses decreased \$9.8 million, or 8.6%, when compared to fiscal year 2011-2012. The substantial decrease in expenses was primarily related to AB 1484 demand payment (Low and Moderate Income Housing Fund). There were also significant decreases in capital improvement projects and personnel cost related to the wastewater fund. Offsetting these decreases are increases in general government, public works, and culture and leisure services. 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.

Governmental Activities

As reflected in the Changes in Net Position schedule above, the total governmental activity expenses were \$88.0 million in fiscal year 2012-2013; and total revenues from governmental activities were \$90.6 million, of which 36.0% were derived from program revenues consisting of charges for services and grants.

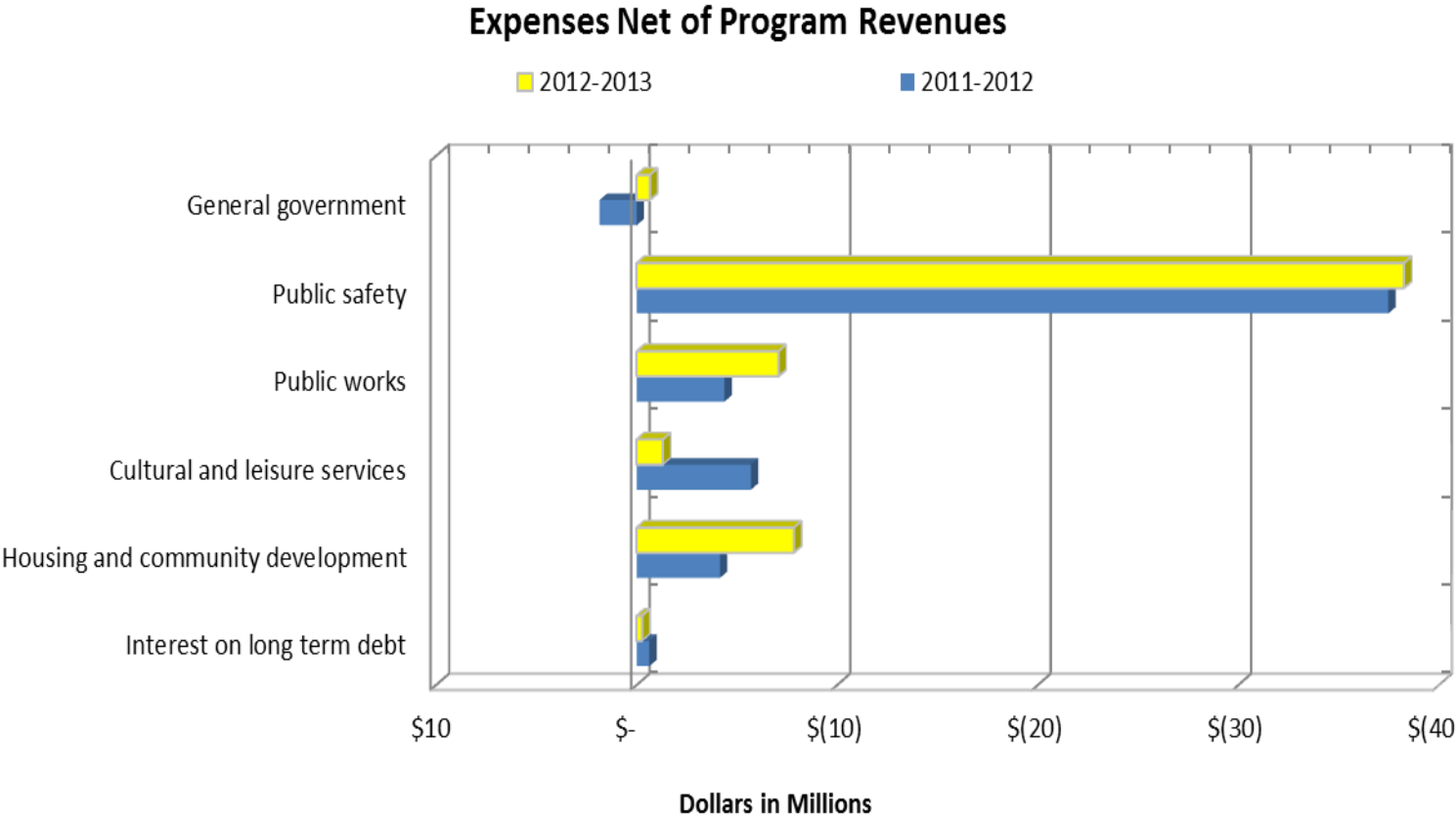
On the following chart, the governmental activity expenses net of program revenues, decreased \$5.0 million, or -8.0%, in fiscal year 2012-2013. Net expenses decreased substantially due to AB 1484 demand payment (Low and Moderate Income Housing Fund). There were also significant decreases in expenses related to general government, culture and leisure services and interest on long term debt. The decrease in general government resulted primarily from reductions in personnel costs as a result of a citywide hiring freeze, employee concessions and elimination of funding for selected filled and vacant positions. Culture and leisure services net expenses decreased due and reduction of construction expenses related to completion of project during prior year. The reduction of the balance of outstanding bonds also allows for a reduction in interest expense in addition to a reduction of interest on long term debt.

Offsetting the above decreases are increases in public works and housing and community development are related to the construction expenses of the harbor patrol facility and seaside lagoon rehabilitation projects. Although personnel costs were lower resulting from a citywide hiring freeze, employee concessions, and elimination of funding for selected filled and vacant positions, these program expenses increased due to more than offsetting rises in workers' compensation and general liability claims.

Governmental Activities:	Impact to Net Assets		Percent
	2012-2013	2011-2012	Increase (Decrease)
Expenses Net of Program Revenues*			
General government	\$ (659,349)	\$ 1,855,508	-136%
Public safety	(38,262,249)	(37,482,231)	2%
Public works	(7,054,804)	(4,381,279)	61%
Cultural and leisure services	(7,297,631)	(5,696,885)	28%
Housing and community development	(1,847,934)	(4,153,065)	-56%
Interest on long term debt	(266,651)	(637,624)	-58%
AB 1484 demand payment	-	(9,914,969)	100%
Total Governmental Activity Expenses			
Net of Program Revenues	\$ (55,388,618)	\$ (60,410,545)	-8%

*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

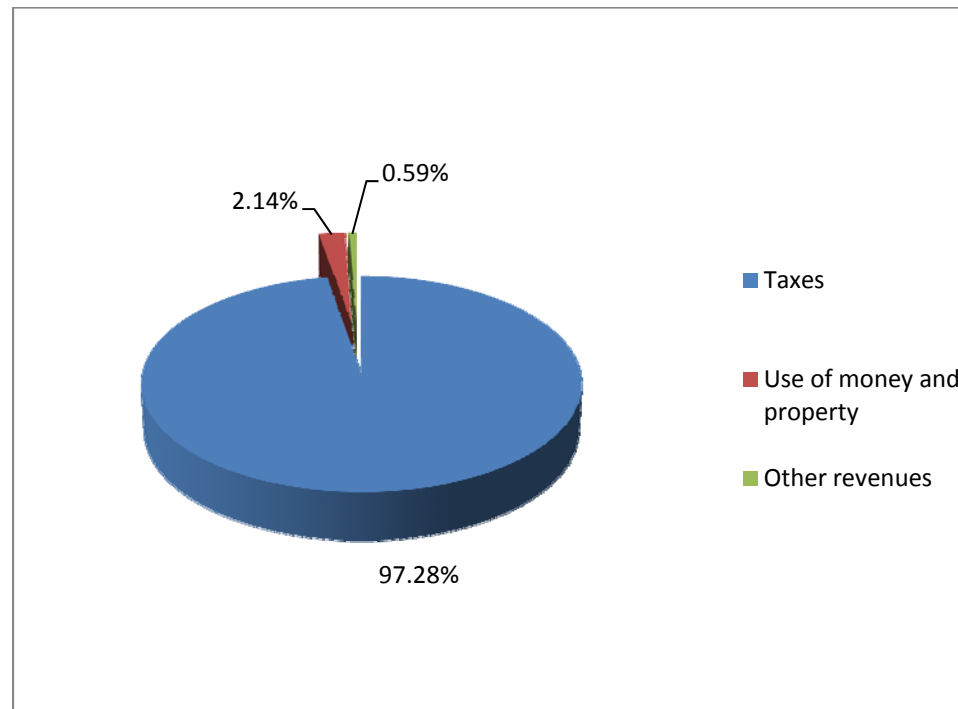


General Revenues Related to Governmental Activities

General Revenues	2012-2013	2011-2012
Taxes	\$ 55,220,675	\$ 52,074,270
Use of money and property	1,212,032	3,371,724
Other revenues	332,376	1,887,717
Total General Revenues	<u>\$ 56,765,083</u>	<u>\$ 57,333,711</u>

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

General Revenues



Business-Type Activities

The City has five business-type activities: Harbor Tidelands, Harbor Uplands, Solid Waste, Wastewater, and Transit. The total net position of the business-type activities increased by \$7.6 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 2012-2013, the total net position of the Harbor Tidelands increased \$5.5 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 2012-2013, the total net position of Harbor Uplands increased by \$161,406 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 2012-2013, the total net position of Wastewater increased \$1.9 million from the prior year.

Solid Waste is the City's comprehensive solid waste program, which includes refuse collection, recycling, and hazardous waste disposal services. The solid waste program is supported through user service fees. In fiscal year FY 2012-2013, the total net position of Solid Waste decreased \$1,231 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 2012-2013, the total net position of Transit did not change 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

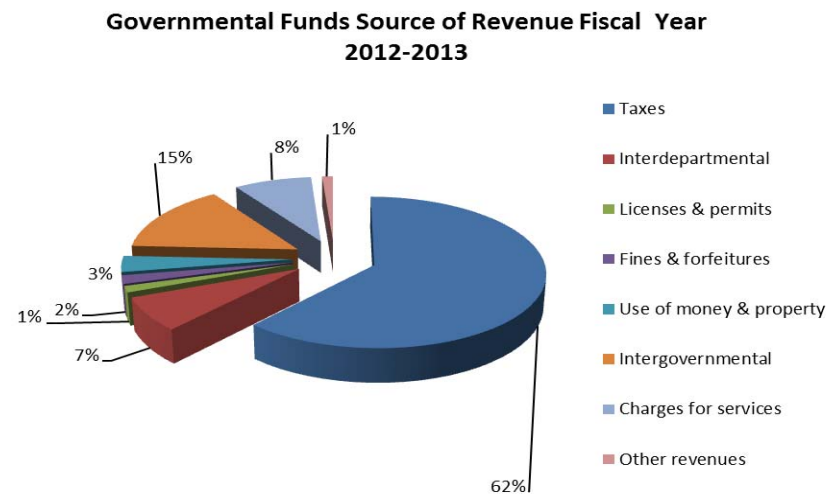
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Please note that unlike the Government-Wide financial statements displayed previously, the fund financial statements which follow are not reflected on a full accrual basis. Therefore, 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, 2013, and includes Major and Non-Major Funds. It reflects the amount and percent of increase or decrease of each source of revenue compared to the prior year.

Source of Revenue	Amount	Percent of	Increase (Decrease)	Percent Increase (Decrease)
	FY 12-13	Total	FY 11-12	
Taxes	\$ 55,882,844	62%	\$ (4,006,901)	-7.2%
Interdepartmental	6,656,858	7%	(407,230)	-6.1%
Licenses & permits	1,259,505	1%	83,917	6.7%
Fines & forfeitures	1,663,966	2%	(29,180)	-1.8%
Use of money & property	3,146,954	3%	613,547	19.5%
Intergovernmental	13,380,088	15%	2,959,776	22.1%
Charges for services	7,461,642	8%	24,371	0.3%
Other revenues	1,062,143	1%	1,885,905	177.6%
Total	\$ 90,514,000	100%	\$ (4,552,717)	-5.0%

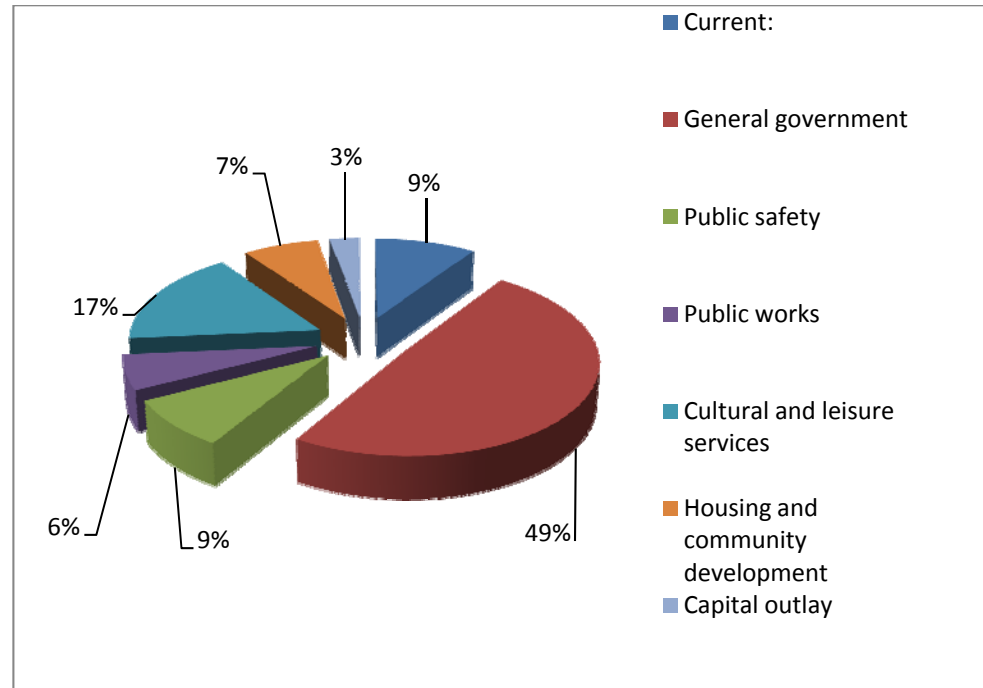


Total governmental fund revenues decreased \$4.6 million, or -5.0%, from fiscal year 2012-2013. Intergovernmental decreased \$407,230 or 6.1%, due to reimbursements received for completion of grant funded projects. Charges for services decreased \$9,107 or 0.1%, due to decreases in planning fees and plan check fees. Other revenues increased \$1.9 million, or 182.2%, in addition, there were reductions of community donations to various areas of the City.

The following schedule is a summary of governmental fund expenditures by function for fiscal year ended June 30, 2013, and includes both Major and Non-Major Funds. It reflects the amount and percent of increase or decrease for each functional category of expenditures compared to the prior year.

Expenditures	Amount FY 12-13	Percent of Total	Increase (Decrease) FY 11-12	Percent Increase (Decrease)
Current:				
General government	\$ 9,285,279	11%	\$ 1,200,104	12.9%
Public safety	42,480,962	49%	236,947	0.6%
Public works	9,212,829	11%	1,816,963	19.7%
Cultural and leisure services	8,567,569	10%	3,285,372	38.3%
Housing and community development	9,360,093	11%	(4,189,655)	-44.8%
Capital outlay	6,357,661	7%	866,303	13.6%
Debt service	1,650,903	2%	(740,473)	-44.9%
AB 1484 Demand Payment	-	0%	(9,914,969)	-100.0%
	<u>\$ 86,915,296</u>	<u>100%</u>	<u>\$ (7,439,408)</u>	

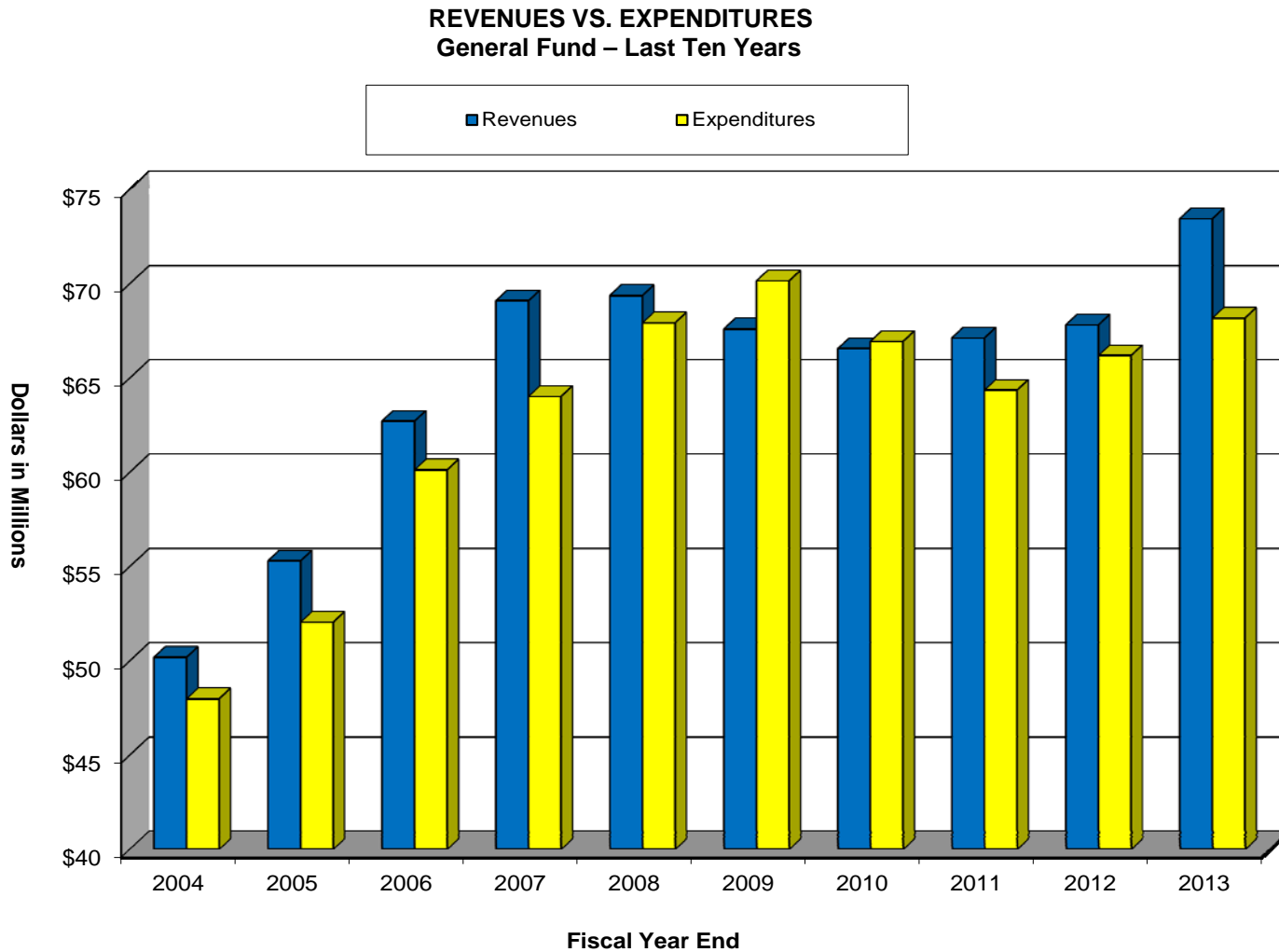
**Governmental Funds Expenditures by Categories
Fiscal Year 2012-13**



Total governmental fund expenditures decreased \$7.4 million, or -8.5%, from fiscal year 2012-2013. As mentioned earlier, the variances are attributable to:

- General government increased by \$1.2 million, or 12.9%, primarily due to increases in attorney fees. Public safety increased by \$236,947, or .6%, due to personnel costs.
- Public Works increased by \$1.8 million or 19.9% and Cultural and leisure services increased by \$3.3 million, or 38.3%, due to increased personnel costs, as well as 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.
- Housing and community development substantially decreased by \$4.2 million, or 44.8%, due to the housing Section 8 voucher program and the reduction in associated administrative costs, and impacts of sequestrations imposed by the Federal Government.
- Capital outlay expenditures increased by \$866,303 or 13.6%, primarily due to completion of projects and, therefore, reduced construction expenses.
- Debt service expenditures substantially decreased by \$740,473 or 44.9%. The substantial decrease was due to the refinancing of the Public Financing Authority 2001 Refunding Revenue Bonds.

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



Impacts of both increases and decreases to General Fund revenues resulted in a net increase of \$5.6 million, or 8.3%, from fiscal year 2011-2012. The increases in revenue were due to increases in property taxes, sales taxes, utilities users taxes and TOT taxes resulted from a slowly recovery economy and travel industries. The increase in these revenues was slightly offset by decreases related to lower investment earnings, franchise tax, business license tax and use of money and property.

General Fund Balance

The fund balance of the General Fund as of June 30, 2013 was \$17.6 million (includes Special Revenue – PERS Reserve Fund of \$3.8 million), an increase of \$4.2 million, when compared to the prior year. The City Council approved the constraints of the General Fund balance reflected below.

	FY 10-11	FY 11-12	FY 12-13
General Fund Contingency	\$ 5,595,596	\$ 5,712,942	\$ 5,889,783
Compensated Absences	1,088,635	1,108,239	607,602
Carryovers designations	1,283,994	936,283	1,358,673
Encumbrances	428,183	580,110	634,744
Legal Fees	313,000	-	-
Self-Insurance Program Fund Allocation	350,000	1,375,000	2,650,000
Health Ins Premium Increases	65,000	41,673	-
MUNIS Upgrades	50,000	-	-
PERS	4,007,236	-	-
Petty Cash	17,300	17,300	17,050
CalPers	-	-	3,813,747
Compensation Restoration - POA	-	151,904	737,196
Compensation Restoration - Management & Confidential	-	-	10,222
Compensation Restoration - Other Bargaining Groups	-	-	113,830
Increase Offer to Unions	-	-	332,381
Assigned Contingency	-	-	1,000,000
Unassigned Balance	25,258	-	272,083

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended fiscal year 2012-2013 budget totaled \$72.9 million, excluding transfers out and including net amendments of \$4.3 million to the originally adopted budget. The City Council adopts budget adjustments during the year to reflect both changed priorities and consideration of events that took place subsequent to the budget adoption. The amendments can be briefly summarized as follows:

- Appropriation of \$370,000 for special and run-off elections..
- Appropriations of \$200,000 for the intervener participation in the California Energy Commission's review of the AES Corporation's application for a new power plant application.
- Funding of prior-year encumbrances of \$680,108.
- Funding of carry-over appropriations of \$936,283.
- Increased mid-year appropriations by \$2,099,208.

Budget amendments were funded from/credited to available fund balance. During the year, however, revenues exceeded budgetary estimates by approximately \$540,000 and expenditures were \$5.2 million less than budgetary estimates, primarily due to personnel vacancies and contractual services that were not completed by year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets of the City, including infrastructure assets are those assets used in the performance of the City's functions. At June 30, 2013, net capital assets of the governmental and business-type activities totaled \$143 million and \$43.8 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, 2013 the City's street system was rated at a PQI of 83.

The City's budget for street maintenance for the fiscal year ended June 30, 2013 was \$10.2 million. Actual expenditures were \$2.7 million, with the remaining budget carried forward as continuing appropriations. The City is judiciously investing in this infrastructure asset as part of the five-year Capital Improvement Program and will continue to rehabilitate and maintain its streets in order to achieve this goal. The estimated expenditures required to maintain and improve the overall condition of the streets from July 1, 2013 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.

	Original Cost	Accumulated Depreciation	Book Value
Capital Assets - Governmental Activities			
Land	\$ 16,522,947	\$ -	\$ 16,522,947
Buildings and Improvements	45,979,533	(16,982,445)	28,997,088
Equipment, Vehicles, Machinery	23,496,354	(14,659,176)	8,837,178
Work in Progress	1,003,491	-	1,003,491
Construction in Progress	5,717,382	-	5,717,382
Infrastructure	126,984,106	(45,081,415)	81,902,691
Total	\$ 219,703,813	\$ (76,723,036)	\$ 142,980,777
Capital Assets - Business-Type Activities			
Land	\$ 11,323,255	\$ -	\$ 11,323,255
Construction in Progress	684,062	-	684,062
Buildings and Improvements	30,708,383	(15,266,076)	15,442,307
Equipment, Vehicles, Machinery	4,337,465	(13,471,564)	(9,134,099)
Infrastructure	25,487,615	-	25,487,615
Total	\$ 72,540,780	\$ (28,737,640)	\$ 43,803,140

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

DEBT ADMINISTRATION

Debt service funds are used to account for the accumulation of resources for payment of interest and principal on bonds issued by the City. The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita for the fiscal year 2012-2013 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	\$ 1,334,000	0.11%	\$ 198.01

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 forecasted. More work has to be done as we maneuver through the next financial and economic challenges. We face strong headwinds from high unemployment, high oil prices, housing defaults, increasing pension and health care costs, accelerated regional and global competition, record level state and federal deficits, raising business failures, and low confidence in government. General Fund revenues from outside sources are projected to decrease \$1,345,780 from the fiscal year 2012-2013 midyear budget. Budgetary expectations reflect:

- Property Tax revenue for fiscal year 2013-2014 is projected to decrease by \$739,607, or 3.5%, to \$20,500,000, excluding property tax in lieu of VLF and homeowners' exemptions. This decrease is primarily due to the FY 2012-13 one-time receipts (\$1.6 million) of property tax representing the City's portion of the State's/County's distribution of the former Redevelopment Agency's housing funds. Overall, the economy is slowly recovering, with some improvement in the housing market. Redondo Beach's housing market has been fairly stable through the housing downturn due to its coastal location. Property tax revenue is the City's number one source of operating revenue.
- Sales and Use Tax revenue is projected to increase \$324,000, or 3.2%, to \$10,498,000. Sales tax revenue is generally up due to new businesses replacing closures and an increase in consumer spending. 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 moderating consumer confidence.

- Utility Users' Tax (UUT) revenue is projected to decline by \$200,000, or 2.5%, to \$7,800,000 with consumers' conservation efforts and business closures due to the depressed economy. This estimate is based upon analysis of the projected performance from each of the categorical components of the City's UUT tax base, including electricity, natural gas, telecommunications, water, and cable television. UUT revenue provides support for essential City operational services.
- Franchise Fees are projected to increase by \$75,000, or 4.0%, to \$1,950,000 for FY 2013-14. Components of franchise fee revenue include Time Warner cable television operations, Southern California Edison electricity franchise, Southern California Gas operations, Verizon, and taxicab franchise operations. With the exception of revenues from Southern California Gas, revenues from franchise fees reflect moderate increases, which is in line with growth in local operations. Cable television franchise fees represent about 50% of the overall franchise fee revenue estimate for FY 2013-14, while projected revenue from the electricity franchise represents about 20%. The franchise revenue generated from the sale and transport of natural gas utilized to power the local AES power plant represents approximately 20% of the total franchise fee estimate. Cyclical uncertainties of the deregulated energy environment and their impacts upon the productive utilization rate of the AES power plant require a conservative estimate from this revenue source.
- Investment Earnings for the General Fund for fiscal year 2013-14 are projected to decrease by \$210,000, or 35.0%, to \$390,000. This decline is attributable to lower interest rates within the investment marketplace, a reduction in the overall size of the portfolio and the financial unfeasibility of the annual TRANS program. The three major components of the portfolio are: liquid investments with the State Local Agency Investment Fund, and both Federal Agency and high-grade corporate Medium-Term Note Investments structured with a 1 to 5 year investment maturity matrix. Enhanced cash management activities serve as core elements of the City Treasurer's comprehensive cash management program. In addition, implementation of a strategically focused capital improvement program (CIP) cash management plan will serve to enhance investment returns from CIP funding sources, while ensuring CIP program liquidity.

Budgeted General Fund appropriations decreased 2.1%, or \$1,468,867, to \$68,160,062, from the midyear budget. Personnel costs increased .8%, 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%. Internal service fund appropriations decreased by approximately \$3.6 million from FY2011-12 budgeted amounts. The largest decreases are due to the Emergency Communications and Vehicle Replacement Funds, which had one-time equipment replacement needs in FY 2011-12 that are yet to be reflected in FY 2012-13. The FY 2011-12 maintenance and operations midyear budget is much higher than the FY 2012-13 because the midyear budget also reflects carryover appropriations of \$1.7 million, including carryover encumbrances of about \$428 thousand. These carryovers increase the FY 2011-12 amounts and will not be included in FY 2012-13 until year-end adjustments are made.

During FY 2012-2013, Redondo Beach experienced a 2.7% change in real property assessed valuations, compared to last year's 3.11%. Hotel occupancy rates decreased by 3.3%, and Transient Occupancy Tax revenue increased by 4.5%, due to improved visitation and increased days of stay. The Utility users' tax revenue reflected an increase of 3.90% in FY 2012-2013. 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 6.4% in FY 2011-2012 to 5.4% in FY 2012-2013, which is well below the Los Angeles County and State of California FY 2012-2013 unemployment rates of 9.2% and 8.9%, 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 Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 55,249,318	\$ 23,037,950	\$ 78,287,268
Receivables:			
Accounts	1,230,402	578,024	1,808,426
Interest	258,860	58,928	317,788
Taxes	3,871,288	-	3,871,288
Notes and loans	4,381,492	160,792	4,542,284
Internal balances	(229,002)	236,933	7,931
Due from other governments	7,750,830	159,391	7,910,221
Advances to other governments	535,731	7,903,737	8,439,468
Prepaid items	99,487	29	99,516
Deferred charges	137,689	266,979	404,668
Restricted cash and investments with fiscal agents	1,642,889	4,099,468	5,742,357
Capital assets:			
Nondepreciable	77,297,856	12,007,317	89,305,173
Depreciable, net	65,682,921	31,795,823	97,478,744
Total capital assets	142,980,777	43,803,140	186,783,917
Total assets	217,909,761	80,305,371	298,215,132

CITY OF REDONDO BEACH

Statement of Net Position

June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	4,552,798	1,047,691	5,600,489
Accrued liabilities	3,575,223	-	3,575,223
Pollution remediation liability	150,000	-	150,000
Accrued interest	96,900	-	96,900
Unearned revenue	854,355	476,894	1,331,249
Deposits payable	76,018	154,012	230,030
Noncurrent liabilities:			
Due within one year:			
Compensated absences payable	162,323	24,934	187,257
Claims and judgments payable	802,585	-	802,585
Other long-term debt	1,123,187	539,126	1,662,313
Due in more than one year:			
Compensated absences payable	2,298,410	352,985	2,651,395
Claims and judgments payable	15,524,709	-	15,524,709
Other long-term debt	4,719,833	10,562,871	15,282,704
Total noncurrent liabilities	24,631,047	11,479,916	36,110,963
Total liabilities	33,936,341	13,158,513	47,094,854
NET POSITION			
Net investment in capital assets	142,096,683	38,936,171	181,032,854
Restricted for:			
Debt service	6,818,696	-	6,818,696
Public safety	1,240,969	-	1,240,969
Public works	8,573,727	-	8,573,727
Housing and community development	1,070,333	-	1,070,333
Total restricted	17,703,725	-	17,703,725
Unrestricted	24,173,012	28,210,687	52,383,699
Total net position	\$ 183,973,420	\$ 67,146,858	\$ 251,120,278

CITY OF REDONDO BEACH
Statement of Activities and Changes in Net Position
For the year ended June 30, 2013

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Total	Governmental Activities	Business-Type Activities	Total
			Grants and Contributions	Grants and Contributions				
Primary government:								
Governmental activities:								
General government	\$ 11,974,780	\$ 11,315,431	\$ -	\$ -	\$ 11,315,431	\$ (659,349)	\$ -	\$ (659,349)
Public safety	43,141,036	4,466,605	412,182	-	4,878,787	(38,262,249)	-	(38,262,249)
Public works	11,588,895	2,170,823	1,677,530	685,738	4,534,091	(7,054,804)	-	(7,054,804)
Cultural and leisure services	10,933,176	1,770,757	1,845,169	19,619	3,635,545	(7,297,631)	-	(7,297,631)
Housing and community development	10,085,882	2,246,976	5,990,972	-	8,237,948	(1,847,934)	-	(1,847,934)
Interest on long term debt	266,651	-	-	-	-	(266,651)	-	(266,651)
Total governmental activities	87,990,420	21,970,592	9,925,853	705,357	32,601,802	(55,388,618)	-	(55,388,618)
Business-type activities:								
Harbor Tidelands	4,998,098	5,572,625	-	2,545,504	8,118,129	-	3,120,031	3,120,031
Harbor Uplands	3,657,127	3,760,715	-	-	3,760,715	-	103,588	103,588
Wastewater	1,880,835	3,764,711	-	-	3,764,711	-	1,883,876	1,883,876
Solid Waste	3,610,925	3,396,353	19,055	-	3,415,408	-	(195,517)	(195,517)
Transit	3,288,696	349,454	1,653,613	-	2,003,067	-	(1,285,629)	(1,285,629)
Total business-type activities	17,435,681	16,843,858	1,672,668	2,545,504	21,062,030	-	3,626,349	3,626,349
Total primary government	\$ 105,426,101	\$ 38,814,450	\$ 11,598,521	\$ 3,250,861	\$ 53,663,832	(55,388,618)	3,626,349	(51,762,269)

CITY OF REDONDO BEACH

Statement of Activities and Changes in Net Position

For the year ended June 30, 2013

	Governmental Activities	Business-Type Activities	Total
General revenues and transfers:			
Taxes:			
Property taxes	30,728,698	-	30,728,698
Transient occupancy taxes	3,693,144	-	3,693,144
Sales Taxes	10,228,355	-	10,228,355
Franchise Taxes	1,796,606	-	1,796,606
Business licenses taxes	1,018,677	-	1,018,677
Utilities users taxes	7,711,580	-	7,711,580
Other taxes	8,703	-	8,703
Motor vehicle license in lieu - unrestricted	34,912	-	34,912
Use of money and property	1,212,032	69,851	1,281,883
Other	1,499,306	2,674,174	4,173,480
Gain on sale of capital assets	35,578	-	35,578
Transfers	(1,202,508)	1,202,508	-
Total general revenues and transfers	56,765,083	3,946,533	60,711,616
Change in net position	1,376,465	7,572,882	8,949,347
Net position, beginning of year	182,534,770	59,573,976	242,108,746
Net position, end of year	\$ 183,911,235	\$ 67,146,858	\$ 251,058,093

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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

CITY OF REDONDO BEACH

Balance Sheet

Governmental Funds

June 30, 2013

		Special Revenue Funds	Debt Service Funds		
	General	Other Intergovernmental Grants	Public Financing Authority	Total Non-Major Funds	Total Governmental Funds
ASSETS					
Pooled cash and investments	\$ 16,694,674	\$ 352,996	\$ 345,184	\$ 16,526,923	\$ 33,919,777
Receivables:					
Accounts	954,976	125,000	14,501	121,204	1,215,681
Interest	221,851	1,148	99	35,762	258,860
Taxes	3,871,288	-	-	-	3,871,288
Notes and loans	21,430	-	-	4,360,062	4,381,492
Prepaid costs	99,401	-	-	-	99,401
Due from other funds	333,930	-	-	-	333,930
Due from other governments	393,275	881,961	6,280,000	195,594	7,750,830
Advances to other funds	1,195,660	-	-	-	1,195,660
Advances to other governments	-	-	-	535,731	535,731
Restricted assets:					
Cash and investments with fiscal agents	-	-	1,642,889	-	1,642,889
Total assets	\$ 23,786,485	\$ 1,361,105	\$ 8,282,673	\$ 21,775,276	\$ 55,205,539
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,321,001	\$ 975,393	\$ 1,195	\$ 941,184	\$ 3,238,773
Accrued liabilities	3,575,223	-	-	-	3,575,223
Pollution remediation liability	150,000	-	-	-	150,000
Unearned revenue	8,425	845,930	-	-	854,355
Deposits payable	76,018	-	-	-	76,018
Due to other funds	-	-	267,122	274,817	541,939
Deferred revenue	1,097,676	584,159	-	1,435,188	3,117,023
Advances from other funds	-	-	1,195,660	-	1,195,660
Total liabilities	6,228,343	2,405,482	1,463,977	2,651,189	12,748,991

CITY OF REDONDO BEACH

Balance Sheet

Governmental Funds

June 30, 2013

		Special Revenue Funds	Debt Service Funds		
		Other	Public	Total	Total
		Intergovernmental	Financing	Non-Major	Governmental
	General	Grants	Authority	Funds	Funds
Fund Balances:					
Nonspendable	120,831	-	-	-	120,831
Restricted	-	-	6,818,696	16,010,908	22,829,604
Committed	5,889,783	-	-	-	5,889,783
Assigned	11,275,445	-	-	3,113,179	14,388,624
Unassigned	272,083	(1,044,377)	-	-	(772,294)
Total fund balances	17,558,142	(1,044,377)	6,818,696	19,124,087	42,456,548
Total liabilities and fund balances	\$ 23,786,485	\$ 1,361,105	\$ 8,282,673	\$ 21,775,276	\$ 55,205,539

CITY OF REDONDO BEACH

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

June 30, 2013

Total Fund Balance - Total Governmental Funds

\$ 42,456,548

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

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

Non-depreciable

Depreciable, net

Total capital assets

Government-Wide Statement of Net Position	Internal Service Funds	
\$ 77,297,856	\$ -	77,297,856
65,682,921	(4,778,587)	60,904,334
<u>\$ 142,980,777</u>	<u>\$ (4,778,587)</u>	<u>138,202,190</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.

(96,900)

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.

137,689

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

3,117,023

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

7,297,405

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 Position	Internal Service Funds	
\$ (1,123,187)	\$ 439,198	(683,989)
(4,719,833)	444,894	(4,274,939)
(162,323)	18,413	(143,910)
(2,298,410)	260,713	(2,037,697)
<u>\$ (8,303,753)</u>	<u>\$ 1,163,218</u>	<u>(7,140,535)</u>

Net Position of Governmental Activities

\$ 183,973,420

CITY OF REDONDO BEACH

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2013

		Special Revenue Funds	Debt Service Funds		
		Other	Public	Total	Total
		Intergovernmental	Financing	Non-Major	Governmental
	General	Grants	Authority	Funds	Funds
REVENUES:					
Taxes	\$ 55,882,844	\$ -	\$ -	\$ -	\$ 55,882,844
Interdepartmental	6,656,858	-	-	-	6,656,858
Licenses and permits	1,259,505	-	-	-	1,259,505
Intergovernmental	54,040	3,149,452	-	10,176,596	13,380,088
Charges for services	5,216,209	-	-	2,245,433	7,461,642
Use of money and property	1,879,243	-	1,225,845	41,866	3,146,954
Fines and forfeitures	1,620,958	-	-	43,008	1,663,966
Miscellaneous	857,815	120,940	80	83,308	1,062,143
Total revenues	73,427,472	3,270,392	1,225,925	12,590,211	90,514,000
EXPENDITURES:					
Current:					
General government	9,285,279	-	-	-	9,285,279
Public safety	41,945,269	418,617	-	117,076	42,480,962
Housing and community development	3,122,050	-	119,155	6,118,888	9,360,093
Public works	5,236,471	69,320	-	3,907,038	9,212,829
Cultural and leisure services	8,567,569	-	-	-	8,567,569
Capital outlay	-	2,947,513	-	3,410,148	6,357,661
Debt Service:					
Principal retirement	-	-	1,380,000	-	1,380,000
Interest and fiscal charges	-	-	270,903	-	270,903
Total expenditures	68,156,638	3,435,450	1,770,058	13,553,150	86,915,296
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,270,834	(165,058)	(544,133)	(962,939)	3,598,704

CITY OF REDONDO BEACH

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2013

	Special Revenue Funds		Debt Service Funds	Total	Total
	General	Other Intergovernmental Grants	Public Financing Authority	Non-Major Funds	Governmental Funds
OTHER FINANCING SOURCES (USES):					
Transfers in	839,865	440,600	-	1,943,237	3,223,702
Transfers out	(1,943,237)	-	-	(2,494,080)	(4,437,317)
Total other financing sources (uses)	(1,103,372)	440,600	-	(550,843)	(1,213,615)
Net change in fund balances	4,167,462	275,542	(544,133)	(1,513,782)	2,385,089
FUND BALANCES:					
Beginning of year	13,390,680	(1,319,919)	7,362,829	20,637,869	40,071,459
End of year	<u>\$ 17,558,142</u>	<u>\$ (1,044,377)</u>	<u>\$ 6,818,696</u>	<u>\$ 19,124,087</u>	<u>\$ 42,456,548</u>

CITY OF REDONDO BEACH

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year ended June 30, 2013

Net Change In Fund Balances - Total Governmental Funds \$ 2,385,089

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

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

Funds	Government-Wide	
Capital Outlay	Expenses	Capital asset contribution
\$ 6,357,661	\$ (2,043,328)	\$ (2,545,504)
		1,768,829

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

Government-Wide Statement of Net Position	Internal Service Funds	
\$ (4,218,475)	\$ 1,139,594	(3,078,881)

Long-Term compensated absences was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, long-term compensated absences was not reported as expenditures in the governmental funds.

215,925

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

Principal retirement 1,380,000

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

Amortization of bond premium 18,989
Amortization of deferred charges (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, 2013

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

12,800

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

(156,508)

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.

(1,080,056)

Change in Net Position of Governmental Activities

\$ 1,438,650

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 Tidelands Trust Agreement with the State of California.

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

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

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

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

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

CITY OF REDONDO BEACH

Statement of Net Position

Proprietary Funds

June 30, 2013

	Business-Type Activities - Enterprise Funds						Governmental
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	Activities Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 13,869,805	\$ 2,004,103	\$ 5,625,524	\$ 1,228,347	\$ 310,171	\$ 23,037,950	\$ 21,329,541
Receivables:							
Accounts	220,582	155,827	60,742	98,340	42,533	578,024	14,721
Interest	48,187	7,959	-	-	2,782	58,928	-
Notes and loans	160,792	-	-	-	-	160,792	-
Due from other funds	236,933	-	-	-	-	236,933	-
Due from other governments	-	-	56,065	43,183	60,143	159,391	-
Prepaid items	-	-	-	29	-	29	86
Deferred charges	-	-	266,979	-	-	266,979	-
Restricted:							
Cash with fiscal agent	-	-	4,099,468	-	-	4,099,468	-
Total current assets	14,536,299	2,167,889	10,108,778	1,369,899	415,629	28,598,494	21,344,348
Noncurrent assets:							
Advance to other government	5,791,049	2,112,688	-	-	-	7,903,737	-
Capital assets:							
Non-depreciable	3,948,589	7,546,617	512,111	-	-	12,007,317	-
Depreciable, net	16,293,281	5,499,942	8,431,563	93,292	1,477,745	31,795,823	4,778,587
Total capital assets	20,241,870	13,046,559	8,943,674	93,292	1,477,745	43,803,140	4,778,587
Total noncurrent assets	26,032,919	15,159,247	8,943,674	93,292	1,477,745	51,706,877	4,778,587
Total assets	40,569,218	17,327,136	19,052,452	1,463,191	1,893,374	80,305,371	26,122,935

CITY OF REDONDO BEACH

Statement of Net Position

Proprietary Funds

June 30, 2013

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total	
LIABILITIES							
Current liabilities:							
Accounts payable	168,183	149,252	34,763	273,280	422,213	1,047,691	1,314,025
Deposits payable	131,217	22,795	-	-	-	154,012	-
Due to other funds	-	-	-	-	-	-	20,993
Unearned revenue	-	-	44,488	52,804	379,602	476,894	-
Accrued compensated absences	8,425	6,430	4,545	2,965	2,569	24,934	18,413
Accrued claims and judgments	-	-	-	-	-	-	802,585
Bonds, notes, and capital leases	296,500	-	242,626	-	-	539,126	439,198
Total current liabilities	604,325	178,477	326,422	329,049	804,384	2,242,657	2,595,214
Noncurrent liabilities:							
Accrued claims and judgments	-	-	-	-	-	-	15,524,709
Accrued compensated absences	119,289	91,042	64,329	41,978	36,347	352,985	260,713
Bonds, notes, and capital leases	2,355,354	-	8,207,517	-	-	10,562,871	444,894
Total noncurrent liabilities	2,474,643	91,042	8,271,846	41,978	36,347	10,915,856	16,230,316
Total liabilities	3,078,968	269,519	8,598,268	371,027	840,731	13,158,513	18,825,530
NET POSITION							
Net investment in capital assets	19,725,576	13,046,559	4,592,999	93,292	1,477,745	38,936,171	3,894,495
Unrestricted	17,764,674	4,011,058	5,861,185	998,872	(425,102)	28,210,687	3,402,910
Total net position	<u>\$ 37,490,250</u>	<u>\$ 17,057,617</u>	<u>\$ 10,454,184</u>	<u>\$ 1,092,164</u>	<u>\$ 1,052,643</u>	<u>\$ 67,146,858</u>	<u>\$ 7,297,405</u>

See accompanying notes to basic financial statements.

CITY OF REDONDO BEACH

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the year ended June 30, 2013

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Harbor Tidelands	Harbor Uplands	Wastewater	Solid Waste	Transit	Total
OPERATING REVENUES:						
Sales and service charges	\$ 1,055,230	\$ 1,585,287	\$ 3,764,711	\$ 3,396,353	\$ 349,454	\$ 10,151,035
Harbor rentals	4,517,395	2,175,428	-	-	-	6,692,823
Miscellaneous	2,435,111	43,846	-	194,286	931	2,674,174
Total operating revenues	8,007,736	3,804,561	3,764,711	3,590,639	350,385	19,518,032
OPERATING EXPENSES:						
Personnel services	2,939,881	1,709,927	857,931	753,709	354,273	6,615,721
Contractual services	81,135	400,672	77,514	2,512,281	2,052,614	5,124,216
Administrative and general expenses	1,376,973	1,272,642	300,751	328,711	651,539	3,930,616
Depreciation expense	468,007	273,886	202,589	16,224	230,270	1,190,976
Total operating expenses	4,865,996	3,657,127	1,438,785	3,610,925	3,288,696	16,861,529
OPERATING INCOME (LOSS)	3,141,740	147,434	2,325,926	(20,286)	(2,938,311)	2,656,503
NONOPERATING REVENUES (EXPENSES):						
Intergovernmental	-	-	-	19,055	1,638,257	1,657,312
Investment income	55,879	13,972	-	-	-	69,851
Interest expense	(132,102)	-	(442,050)	-	-	(574,152)
Gain on sale of capital assets	-	-	-	-	15,356	15,356
Total nonoperating revenues (expenses)	(76,223)	13,972	(442,050)	19,055	1,653,613	1,168,367
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	3,065,517	161,406	1,883,876	(1,231)	(1,284,698)	3,824,870
CAPITAL CONTRIBUTIONS:						
Capital asset contribution	2,545,504	-	-	-	-	2,545,504
TRANSFERS:						
Transfers in	-	-	-	-	1,284,698	1,284,698
Transfers out	(82,190)	-	-	-	-	(82,190)
Total transfers	(82,190)	-	-	-	1,284,698	1,202,508
Change in net position	5,528,831	161,406	1,883,876	(1,231)	-	7,572,882
NET POSITION:						
Beginning of year	31,961,419	16,896,211	8,570,308	1,093,395	1,052,643	59,573,976
End of year	<u>\$ 37,490,250</u>	<u>\$ 17,057,617</u>	<u>\$ 10,454,184</u>	<u>\$ 1,092,164</u>	<u>\$ 1,052,643</u>	<u>\$ 67,146,858</u>

See accompanying notes to basic financial statements.

CITY OF REDONDO BEACH

Statement of Cash Flows

Proprietary Funds

For the year ended June 30, 2013

	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	\$ 8,078,581	\$ 3,845,370	\$ 3,760,701	\$ 3,641,820	\$ 336,392	\$ 19,662,864
Cash payments to suppliers for goods and services	(2,018,454)	(1,957,423)	(476,840)	(2,785,424)	(2,704,153)	(9,942,294)
Cash payments to employees for services	(3,019,002)	(1,710,181)	(854,206)	(742,275)	(346,623)	(6,672,287)
Net cash provided (used) by operating activities	3,041,125	177,766	2,429,655	114,121	(2,714,384)	3,048,283
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers in	-	-	-	-	1,284,698	1,284,698
Transfers out	(82,190)	-	-	-	-	(82,190)
Repayment received from other funds	29,788	-	122,023	-	-	151,811
Repayment received from other governments	-	-	-	(23,139)	-	(23,139)
Advance to other funds	(18,472)	(6,742)	-	-	-	(25,214)
Subsidy from grants	-	-	(56,065)	-	1,658,409	1,602,344
Net cash provided (used) by noncapital financing activities	(70,874)	(6,742)	65,958	(23,139)	2,943,107	2,908,310
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(994,334)	(516,716)	(512,111)	-	(266,007)	(2,289,168)
Proceeds from new capital leases	-	-	-	-	-	-
Principal paid on capital debt	(283,732)	-	(232,626)	-	-	(516,358)
Interest paid on capital debt	(132,102)	-	(442,050)	-	-	(574,152)
Proceeds from sales of capital assets	-	-	-	-	15,356	15,356
Net cash used by capital and related financing activities	(1,410,168)	(516,716)	(1,186,787)	-	(250,651)	(3,364,322)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	69,156	17,347	-	-	(431)	86,072
Net cash provided (used) by investing activities	69,156	17,347	-	-	(431)	86,072
Net increase (decrease) in cash and cash equivalents	1,629,239	(328,345)	1,308,826	90,982	(22,359)	2,678,343
CASH AND CASH EQUIVALENTS:						
Beginning of year	12,240,566	2,332,448	8,416,166	1,137,365	332,530	24,459,075
End of year	<u>\$ 13,869,805</u>	<u>\$ 2,004,103</u>	<u>\$ 9,724,992</u>	<u>\$ 1,228,347</u>	<u>\$ 310,171</u>	<u>\$ 27,137,418</u>

CITY OF REDONDO BEACH

Statement of Cash Flows, Continued

Proprietary Funds

For the year ended June 30, 2013

	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	\$ 13,869,805	\$ 2,004,103	\$ 5,625,524	\$ 1,228,347	\$ 310,171	\$ 23,037,950	\$ 21,329,541
Cash with fiscal agent	-	-	4,099,468	-	-	4,099,468	-
Total cash and cash equivalents and cash with fiscal agent	\$ 13,869,805	\$ 2,004,103	\$ 9,724,992	\$ 1,228,347	\$ 310,171	\$ 27,137,418	\$ 21,329,541
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
Operating income (loss)	\$ 3,141,740	\$ 147,434	\$ 2,325,926	\$ (20,286)	\$ (2,938,311)	\$ 2,656,503	\$ (1,126,974)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	468,007	273,886	202,589	16,224	230,270	1,190,976	756,025
Changes in operating assets and liabilities:							
(Increase) decrease in accounts receivable	62,623	57,809	(18,382)	(56,283)	1,206	46,973	1,586
(Increase) decrease in taxes receivable	-	-	-	96,021	-	96,021	-
(Increase) decrease in prepaid expenses	1,853	197	-	65	-	2,115	1,862
(Increase) decrease in deferred charges	-	-	12,714	-	-	12,714	440,909
Increase (decrease) in accounts payable	(643,334)	(284,306)	(111,289)	55,568	32,880	(950,481)	-
Increase (decrease) in deposits payable	8,222	(17,000)	-	-	-	(8,778)	1,498,473
Increase (decrease) in claims and judgments	-	-	-	-	-	-	4,103
Increase (decrease) in compensated absences	2,014	(254)	3,725	11,435	7,650	24,570	-
Increase (decrease) in unearned revenue	-	-	14,372	11,377	(48,079)	(22,330)	-
Total adjustments	(100,615)	30,332	103,729	134,407	223,927	391,780	2,702,958
Net cash provided (used) by operating activities	\$ 3,041,125	\$ 177,766	\$ 2,429,655	\$ 114,121	\$ (2,714,384)	\$ 3,048,283	\$ 1,575,984
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES							
Capital asset contribution	\$ 2,545,504	\$ -	\$ -	\$ -	\$ -	\$ 2,545,504	\$ -

See accompanying notes to basic financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

CITY OF REDONDO BEACH

Statement of Fiduciary Net Position

Fiduciary Agency Funds

June 30, 2013

	Agency Funds	Redevelopment Obligation Retirement Fund
ASSETS		
Pooled cash and investments	\$ 697,106	\$ 1,033,443
Receivables:		
Accounts	5,469	119,880
Interest	502	19
Total assets	\$ 703,077	1,153,342
LIABILITIES		
Accounts payable	\$ 323,043	-
Deposits payable	380,034	-
Due to other governments	-	375,000
Advances from other governments	-	535,731
Long-term liabilities		
Due with one year	-	99,000
Due in more than one year	-	29,112,724
Total liabilities	\$ 703,077	30,122,455
NET POSITION (DEFICIT)		
Net position held in trust		\$ (28,969,113)

See accompanying notes to basic financial statements.

CITY OF REDONDO BEACH

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the year ended June 30, 2013

	Redevelopment Obligation Retirement Fund
ADDITIONS:	
Charges for services	\$ 85,248
Investment earnings	76,265
RPTTF distributions	1,580,292
Total additions	1,741,805
DEDUCTIONS	
Administration expense	375,000
Contract services	14,026
AB 1484 demand payment	1,221,341
Debt service:	
Interest expense	976,222
Total deductions	2,586,589
Change in net position	(844,784)
Net position, beginning of the year	(28,124,329)
Net position, end of the year	\$ (28,969,113)

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

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 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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

A. *Financial Reporting Entity, (Continued)*

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

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

B. *Basis of Accounting and Measurement Focus*

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

Government - Wide Financial Statements

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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

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

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

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

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

Governmental Fund Financial Statements

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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

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

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

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

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

The City reports the following major governmental funds:

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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

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

Proprietary Fund Financial Statements

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

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

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

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

The City reports 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.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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

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

C. *Use of Restricted/Unrestricted Net Position*

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

D. *Cash, Cash Equivalents and Investments*

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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

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

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

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

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

E. *Restricted Cash and Investments*

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

F. *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

G. *Interfund Transactions*

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

H. *Capital Assets*

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

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

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

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

H. *Capital Assets, (Continued)*

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

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

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

In June 2013, a visual survey of all pavement segments was conducted to assess the existing surface condition of each of the individual pavement segments. Upon completion of the study, a Pavement Quality Index (PQI) was calculated for each segment in the City's pavement network to reflect the overall pavement condition. Ratings ranged from 0 to 100. A PQI of 0 would correspond to badly deteriorated pavement with virtually no remaining life; a PQI of 100 would correspond to pavement with proper engineering design and construction at the beginning of its life cycle. During the year, the comprehensive survey is updated to reflect the pavement's current condition.

The following conditions were defined:

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

In line with the Capital Improvement Program and as presented to the City Council on December 17, 2002, City policy is to achieve an average rating of 80 for all streets beginning in fiscal year 2008-09. 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 2011, 2012, and 2013, the City's street system was rated at a PQI of 83 on the average.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

H. *Capital Assets, (Continued)*

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

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

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

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

I. *Interest Payable*

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

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

J. *Unearned Revenue 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

K. *Compensated Absences Payable*

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

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

L. *Claims and Judgments Payable*

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

M. *Long-Term Debt*

Government-Wide Financial Statements

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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

Fund Financial Statements

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

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

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

N. *Net Position*

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

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

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

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

O. *Fund Balances*

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Ccontinued)

O. *Fund Balances, (Continued)*

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

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

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

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

Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

O. *Fund Balances, (Continued)*

- Restricted
- Committed
- Assigned
- Unassigned

P. *Property Taxes*

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

	January 1	Lien Date
	June 30	Levy Date
	November 1 and February 1	Due Dates
	December 10 and April 10	Collection Date
November 20, 2012	Unsecured, redemptions, and SB813 taxes	
December 20, 2012	Homeowners' exemption, secured, and SB813 taxes	
January 18, 2013	Homeowners' exemption, secured, and SB813 taxes	
February 20, 2013	Redemptions, secured, and SB813 taxes	
March 20, 2013	Unsecured and SB813 taxes	
April 19, 2013	Secured and SB813 taxes	
May 20, 2013	Redemptions, homeowners' exemption, secured, and SB813 taxes	
June 20, 2013	Homeowners' exemption and SB813 taxes	
July 19, 2013	Secured and SB813 taxes	
August 20, 2013	Secured, redemptions, unsecured, and SB813 taxes	

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Q. Use of Estimates

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

R. New GASB Pronouncement

Beginning with the current fiscal year, the City implemented GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement is designed to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the government's net position.

Deferred outflows of resources are transactions that result in the consumption of net assets in one period that are applicable to future periods and are not considered assets as described by the statement. Deferred outflows of resources are required to be presented separately after assets on the statement of net position.

Deferred inflows of resources are transactions that result in the acquisition of net assets in one period that are applicable to future periods and are not considered to be liabilities as described by the statement. Deferred outflows of resources are required to be presented separately after liabilities on the statement of net position.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

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:			
Public works	\$ 5,200,733	\$ 5,236,471	\$ (35,738)
Public Financing Authority Debt Service:			
Principal retirement	76,812	1,380,000	(1,303,188)
Interest and fiscal charges	64,303	270,903	(206,600)
Non-Major Funds:			
Proposition A Special Revenue:			
Transfers out	1,262,243	1,284,698	(22,455)
Proposition C Special Revenue:			
Housing and community development	1,764	28,393	(26,629)
Disaster Recovery Special Revenue:			
Public safety	17,060	17,195	(135)
Subdivision Park Trust Special Revenue:			
Housing and community development	-	5,410	(5,410)
Capital Improvement Projects Capital Projects:			
Transfers out	456,175	1,209,382	(753,207)

B. Deficit Fund Balance

The following funds had a deficit balance as of June 30, 2013:

Major Funds:	
Other Intergovernmental Grants	(1,044,377)
Non-Major Funds:	
Street Landscaping and Lighting District	(5,959)
Local Transportation Article 3	(176)
Community Development Block Grant	(197,515)
Disaster Recovery	(3,644)

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

3. CASH AND INVESTMENTS

Cash and investments are presented on the Statement of Net Position as follows at June 30, 2013:

	Government-Wide Statement of Net Position			Fiduciary Funds	
	Governmental	Business-		Statement of	
	Activities	Type	Total	Net Position	Total
		Activities			
Cash and investments	\$ 55,257,249	\$ 23,037,950	\$ 78,295,199	\$ 1,730,549	\$ 80,025,748
Restricted cash and investments					
with fiscal agents	1,642,889	4,099,468	5,742,357	-	5,742,357
Total	<u>\$ 56,900,138</u>	<u>\$ 27,137,418</u>	<u>\$ 84,037,556</u>	<u>\$ 1,730,549</u>	<u>\$ 85,768,105</u>

Cash, cash equivalents, and investments consisted of the following at June 30, 2013:

Cash and cash equivalents:	
Petty cash	\$ 17,050
Demand deposits - City	8,703,319
Demand deposits - Successor Agency	988,914
Total cash and cash equivalents	<u>9,709,283</u>
Investments:	
Local Agency Investment Fund (LAIF) - City	30,263,190
Local Agency Investment Fund (LAIF) - Successor Agency	30,692
Time deposits	250,000
Negotiable certificates of deposit	3,468,588
Corporate Bonds	17,686,935
US Government Securities	18,617,060
Total investments	<u>70,316,465</u>
Total cash and investments	<u>80,025,748</u>
Cash and investments with fiscal agent	5,742,357
Total	<u>\$ 85,768,105</u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

3. CASH AND INVESTMENTS, (Continued)

A. *Cash Deposits*

The carrying amounts of the City's cash deposits were \$8,703,463 at June 30, 2013. Bank balances at June 30, 2013, were \$8,880,421 which were fully insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

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

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

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

B. *Investments*

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

3. CASH AND INVESTMENTS, (Continued)

B. *Investments, (Continued)*

- 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
- Certificate of Deposit Placement Services
- Collateralized Bank Deposits

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

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2013, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

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

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

As of June 30, 2013, the City had \$30,263,190 invested in LAIF, which had invested 1.96% of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.000273207 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, 2013, all MTN's were rated "A" or higher by Moody's. As of June 30, 2013, 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, 2013, the City's investments in external investment pools are unrated.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

3. CASH AND INVESTMENTS, (Continued)

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

Custodial Credit Risk

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

As of June 30, 2013, 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, 2013, in accordance with GASB Statement No. 40, if a City has invested more than 5% of its total investments in any one issuer, they are exposed to concentration of credit risk.

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

		% of Total Investments
Federal National Mortgage Association	\$ 8,830,400	13%
Federal Home Loan Mortgage Corp.	4,909,390	7%
	<u>\$ 13,739,790</u>	<u>20%</u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

3. CASH AND INVESTMENTS, (Continued)

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

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that at least 50% of the City's portfolio shall mature in three years or less; and at least 25% in one year or less. The only exception to these maturity limits shall be the investment of the gross proceeds of tax exempt bonds. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2013, the City had the following investments and remaining maturities:

Investment Types	Investment Maturities				
	Up to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Fair value
External Investment Pools -					
Local Agency Investment Fund	\$ 30,293,882	\$ -	\$ -	\$ -	\$ 30,293,882
Time deposits	-	250,000	-	-	250,000
Negotiable certificate of deposits	-	1,247,728	498,893	1,721,967	3,468,588
Federal Agencies					
Federal Farm Credit Bank	-	-	-	1,957,560	1,957,560
Federal Home Loan Bank	-	-	-	2,919,710	2,919,710
Federal Home Loan Mortgage Corp.	-	-	-	4,909,390	4,909,390
Federal National Mortgage Assoc.	-	-	-	8,830,400	8,830,400
Corporate Bonds	1,003,210	2,590,205	5,147,010	8,946,510	17,686,935
Total Investments	<u>\$ 31,297,092</u>	<u>\$ 4,087,933</u>	<u>\$ 5,645,903</u>	<u>\$ 29,285,537</u>	<u>\$ 70,316,465</u>

4. RECEIVABLES

The following is a summary of receivables net of allowances for uncollectible amounts at June 30, 2013:

	Government-Wide Statement of Net Position		Fiduciary Funds	Total
	Governmental Activities	Business-Type Activities	Statement of Net Position	
Accounts receivable	\$ 1,230,402	\$ 578,024	\$ 125,349	\$ 1,933,775
Interest receivable	258,860	58,928	521	318,309
Taxes receivable	3,871,288	-	-	3,871,288
Loans receivable	4,381,492	160,792	-	4,542,284
Total	<u>\$ 9,742,042</u>	<u>\$ 797,744</u>	<u>\$ 125,870</u>	<u>\$ 10,665,656</u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

4. RECEIVABLES, (Continued)

A. *Fund Financial Statements*

At June 30, 2013, 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, 2013, was as follows:

Governmental Funds:

General Fund	\$ 954,976
Other Governmental Grants - Special Revenue Fund	125,000
Public Financing Authority - Debt Service Fund	14,501
Non-Major Funds	121,204
Total Governmental Funds	<u>1,215,681</u>

Proprietary Funds:

Harbor Tidelands - Enterprise Fund	220,582
Harbor Uplands - Enterprise Fund	155,827
Wastewater Fund - Enterprise Fund	60,742
Solid Waste - Enterprise Fund	98,340
Transit - Enterprise Fund	42,533
Internal Service Funds	14,721
Total Proprietary Funds	<u>592,745</u>

Fiduciary Funds

Agency Funds	5,469
Redevelopment Obligation Retirement Fund	119,880
Total Fiduciary	<u>125,349</u>
Total Accounts Receivable	<u><u>\$ 1,933,775</u></u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

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, 2013, was as follows:

Governmental Funds:

General Fund	\$ 221,851
Other Governmental Grants - Special Revenue Fund	1,148
Public Financing Authority - Debt Service Fund	99
Non-Major Funds	35,762
Total Governmental Funds	<u>258,860</u>

Proprietary Funds:

Harbor Tidelands - Enterprise Fund	48,187
Harbor Uplands - Enterprise Fund	7,959
Transit - Enterprise Fund	2,782
Total Proprietary Funds	<u>58,928</u>

Fiduciary Funds

Agency Funds	502
Redevelopment Obligation Retirement Fund	19
Total Fiduciary Funds	<u>521</u>
Total	<u><u>\$ 318,309</u></u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

4. RECEIVABLES, (Continued)

C. *Taxes Receivable*

At June 30, 2013, the City had the following taxes receivable:

Type of Taxes:	Governmental Funds	
	General Fund	
Property Taxes	\$	547,633
Sales Taxes		1,269,600
Transient Occupancy Taxes		358,084
Utility Users Taxes		587,134
Transfer Taxes		160,479
Public Safety Augmentation Fund Taxes		110,493
Triple Flip		837,865
Total taxes	\$	3,871,288

D. *Loans Receivable*

At June 30, 2013, the City had the following loans receivable:

	Governmental Funds		Proprietary Funds	
	General Fund	Non-Major Governmental Funds	Harbor Tidelands Enterprise Fund	Total
Home Rehabilitation Loans	\$ -	\$ 958,622	\$ -	\$ 958,622
Landlord Program	-	476,563	-	476,563
Senior Housing Program	-	2,924,877	-	2,924,877
Computer Program	21,430	-	-	21,430
Harbor Area Business Loans	-	-	160,792	160,792
Total	\$ 21,430	\$ 4,360,062	\$ 160,792	\$ 4,542,284

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

4. RECEIVABLES, (Continued)

D. *Loans Receivable, (Continued)*

Home Rehabilitation Loans

At June 30, 2013, the City was owed, in its Low and Moderate Income Housing Asset Special Revenue 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, 2013, 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.

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, 2013, the loan receivable balance was \$21,430.

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, 2013, the loan receivable included accrued interest of \$724,877.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

4. RECEIVABLES, (Continued)

D. *Loans Receivable, (Continued)*

Harbor Area Business Loans

At June 30, 2013, the City's Harbor Tidelands Enterprise Fund was owed \$160,792 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. Included in the \$160,792, the City's Harbor Tidelands Enterprise Fund was owed \$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.

5. INTERFUND TRANSACTIONS

A. *Government-Wide Financial Statements*

Internal Balances

At June 30, 2013, 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>\$ 236,933</u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

5. INTERFUND TRANSACTIONS, (Continued)

Transfers

The City had the following transfers as of June 30, 2013:

Transfers In	
Business-Type	
Activities	
Transfers Out	
Governmental Activities	\$ 1,202,508

B. Fund Financial Statements

Due to/from Other Funds

The City had the following due to/from other funds as of June 30, 2013:

	Due from Other Funds		
	General	Harbor Tidelands	
Due to Other Funds	Fund	Enterprise Fund	Total
Public Financing Authority	\$ 30,189	\$ 236,933	\$ 267,122
Internal Service Funds	20,993	-	20,993
Non-Major Governmental Funds	274,817	-	274,817
Total	\$ 325,999	\$ 236,933	\$ 562,932

The General Fund has amounts due from the Public Financing Authority Fund of \$30,189 for reimbursement of expenditures made on the Public Financing Authority's behalf, \$20,993 from Internal Services funds for deficit cash reimbursement, and from the Non-Major Governmental Funds of \$88,740 for temporary cash deficits and \$191,077 for 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 \$236,933 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, 2013

5. INTERFUND TRANSACTIONS, (Continued)

B. *Fund Financial Statements, (Continued)*

Advances to Other Funds

The City had the following long-term advance to other funds as of June 30, 2013:

	Advance to Other Funds
Advance from Other Funds	General Fund
Public Financing Authority	\$ 1,195,660

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, 2013, the amount owed on the loan was \$1,195,660.

Advances to Other Government

During the previous fiscal years, the Financing Authority made loans to the Redevelopment Agency for various bonds. However, due to the dissolution of the Agency in 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 from an Advance to Other Funds to a Due from Other Governments in the Public Financing Authority Debt Service Fund. 2001 Pier Refinancing Bond was paid off in the fiscal year 2012-13. The Agency's remaining balances as of June 30, 2013 was \$6,280,000.

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, 2013, loans and accrued unpaid interest owed on those loans were \$7,903,737.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

5. INTERFUND TRANSACTIONS, (Continued)

B. Fund Financial Statements, (Continued)

Transfers

The City had the following transfers as of June 30, 2013:

Transfers Out	Transfers In					Total
	General Fund	Other Intergovernmental Grants	Non-Major Funds	Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ -	\$ 1,943,237	\$ -	\$ -	\$ 1,943,237
Enterprise Funds:						
Harbor Tidelands	82,190	-	-	-	-	82,190
Non-Major Governmental Funds	456,175	440,600	-	1,284,698	312,607	2,494,080
Internal Service Funds	301,500	-	-	-	134,239	435,739
Total	<u>\$ 839,865</u>	<u>\$ 440,600</u>	<u>\$ 1,943,237</u>	<u>\$ 1,284,698</u>	<u>\$ 446,846</u>	<u>\$ 4,955,246</u>

The General Fund transferred out a total of \$1,943,237 to various funds consisting of \$1,076,710 to cover expenditures in the Street Landscaping and Lighting District Non-Major Governmental Fund, \$26,527 to Measure R Fund for prior year interest allocation, and \$840,000 to Capital Projects Fund for the new police station pre-development work.

Internal Service Funds transferred \$301,500 to the General Fund for Fire Department overtime.

Transfers between the Harbor Tidelands Enterprise Fund and the General Fund of \$82,190 were for the property tax in lieu fee.

Transfers from the Non-Major Governmental Funds in the amount of \$2,494,080 consisted of a \$1,284,698 transfer of a transit subsidy to the Transit Fund, \$456,175 to the General Fund for March, 2013 election and review of AES new power plant application, \$440,600 from Capital Projects Fund to Other Governmental Revenue fund for correction of prior year Proposition 1B revenue, and \$312,607 transfer to Internal Service Fund for correction of prior year revenue from sale of Land Rover property.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

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, 2013, 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	5,717,382	684,062	6,401,444
Work in progress	1,003,491	-	1,003,491
Infrastructure - streets	54,054,036	-	54,054,036
Total non-depreciable assets	77,297,856	12,007,317	89,305,173
Depreciable assets:			
Buildings and improvements	45,979,533	30,708,383	76,687,916
Furniture and equipment	8,179,300	648,679	8,827,979
Automotive equipment	13,264,780	3,688,786	16,953,566
Leased equipment	2,052,274	25,487,615	27,539,889
Infrastructure	72,930,070	-	72,930,070
Total depreciable assets	142,405,957	60,533,463	202,939,420
Less accumulated depreciation for:			
Buildings and improvements	(16,982,445)	(15,266,076)	(32,248,521)
Furniture and equipment	(6,554,869)	(645,613)	(7,200,482)
Automotive equipment	(7,382,830)	(2,055,975)	(9,438,805)
Leased equipment	(721,477)	(10,769,976)	(11,491,453)
Infrastructure	(45,081,415)	-	(45,081,415)
Total accumulated depreciation	(76,723,036)	(28,737,640)	(105,460,676)
Total depreciable assets, net	65,682,921	31,795,823	97,478,744
Total capital assets, net	\$ 142,980,777	\$ 43,803,140	\$ 186,783,917

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

6. CAPITAL ASSETS, (Continued)

A. Government-Wide Financial Statements, (Continued)

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

	Balance at July 1, 2012	Additions	Deletions	Reclassifications	Balance at June 30, 2013
Non-depreciable assets:					
Land	\$ 16,522,947	\$ -	\$ -	\$ -	\$ 16,522,947
Construction in progress	7,230,335	2,167,658	-	(3,680,611)	5,717,382
Work in progress	1,003,491	-	-	-	1,003,491
Infrastructure - streets	54,054,036	-	-	-	54,054,036
Total non-depreciable assets	78,810,809	2,167,658	-	(3,680,611)	77,297,856
Depreciable assets:					
Buildings and improvements	45,219,249	93,414	-	666,870	45,979,533
Furniture and equipment	8,146,237	48,063	(15,000)	-	8,179,300
Automotive equipment	11,180,009	2,482,376	(397,605)	-	13,264,780
Leased equipment	1,593,631	458,643	-	-	2,052,274
Infrastructure	72,353,998	177,269	(69,434)	468,237	72,930,070
Total depreciable assets	138,493,124	3,259,765	(482,039)	1,135,107	142,405,957
Less accumulated depreciation for:					
Buildings and improvements	(15,991,540)	(990,905)	-	-	(16,982,445)
Furniture and equipment	(6,229,495)	(340,374)	15,000	-	(6,554,869)
Automotive equipment	(6,894,101)	(886,334)	397,605	-	(7,382,830)
Leased equipment	(721,477)	-	-	-	(721,477)
Infrastructure	(43,533,553)	(1,617,296)	69,434	-	(45,081,415)
Total accumulated depreciation	(73,370,166)	(3,834,909)	482,039	-	(76,723,036)
Total depreciable assets, net	65,122,958	(575,144)	-	1,135,107	65,682,921
Governmental activities capital assets, net	\$ 143,933,767	\$ 1,592,514	\$ -	\$ (2,545,504) *	\$ 142,980,777

* Capital asset contribution from governmental fund to proprietary fund

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

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, 2013 as follows:

Governmental Activities:

General government	\$	156,723
Public safety		193,266
Public works		2,202,484
Culture and leisure services		342,102
Housing and community development		2,546

Internal Service Funds:

Vehicle Replacement		785,462
Building Occupancy		2,280
Information Technology		78,775
Emergency Communications		71,271

Total depreciation expense	\$	3,834,909
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City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

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, 2013:

	Balance at July 1, 2012	Additions	Reclassifications	Balance at June 30, 2013
Nondepreciable assets:				
Land	\$ 11,323,255	\$ -	\$ -	\$ 11,323,255
Construction in progress	-	665,306	18,756	684,062
Total non-depreciable	<u>11,323,255</u>	<u>665,306</u>	<u>18,756</u>	<u>12,007,317</u>
Depreciable assets:				
Buildings and improvements	28,006,415	176,335	2,525,633	30,708,383
Furniture and equipment	648,679	-	-	648,679
Automotive equipment	3,402,779	286,007	-	3,688,786
Infrastructure	24,324,980	1,161,520	1,115	25,487,615
Total depreciable assets	<u>56,382,853</u>	<u>1,623,862</u>	<u>2,526,748</u>	<u>60,533,463</u>
Less accumulated depreciation:				
Buildings and improvements	(14,650,139)	(615,937)	-	(15,266,076)
Furniture and equipment	(643,126)	(2,487)	-	(645,613)
Automotive equipment	(1,805,542)	(250,433)	-	(2,055,975)
Infrastructure	(10,447,857)	(322,119)	-	(10,769,976)
Total accumulated depreciation	<u>(27,546,664)</u>	<u>(1,190,976)</u>		<u>(28,737,640)</u>
Total depreciable assets, net	<u>28,836,189</u>	<u>432,886</u>	<u>2,526,748</u>	<u>31,795,823</u>
Business-type activities capital assets, net	<u>\$ 40,159,444</u>	<u>\$ 1,098,192</u>	<u>\$ 2,545,504</u>	<u>* \$ 43,803,140</u>

* Capital asset contribution from governmental fund to proprietary fund

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

6. CAPITAL ASSETS, (Continued)

Depreciation expense for business-type activities for the fiscal year ended June 30, 2013 was charged as follows:

Harbor Tidelands	\$	468,007
Harbor Uplands		273,886
Wastewater		202,589
Solid Waste		16,224
Transit		230,270
Total depreciation expense	\$	1,190,976

B. Fund Financial Statements

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

7. COMPENSATED ABSENCES PAYABLE

The following is a summary of compensated absences payable transactions for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Classification	
					Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:						
Compensated absences payable	\$ 2,672,555	\$ 2,148,334	\$ (2,360,156)	\$ 2,460,733	\$ 162,323	\$ 2,298,410
Business-Type Activities						
Compensated absences payable	353,349	360,430	(335,860)	377,919	24,934	352,985
Total	\$ 3,025,904	\$ 2,508,764	\$ (2,696,016)	\$ 2,838,652	\$ 187,257	\$ 2,651,395

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, 2013

8. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:						
PFA 2001 Refunding Revenue Bonds	\$ 740,000	\$ -	\$ (740,000)	\$ -	\$ -	\$ -
PFA 2008 Refunding Revenue Bonds	5,485,000	-	(640,000)	4,845,000	665,000	4,180,000
Unamortized bond premium	132,917	-	(18,989)	113,928	18,989	94,939
County Deferral Loans	-	-	-	-	-	-
Capital Leases	883,936	458,644	(458,488)	884,092	439,198	444,894
Total governmental activities	\$ 7,241,853	\$ 458,644	\$ (1,857,477)	\$ 5,843,020	\$ 1,123,187	\$ 4,719,833
Business-Type Activities:						
Wastewater Revenue Bond 2004, Series A	\$ 8,735,000	\$ -	\$ (235,000)	\$ 8,500,000	\$ 245,000	\$ 8,255,000
Unamortized bond discount	(52,231)	-	2,374	(49,857)	(2,374)	(47,483)
Boating and Waterways						
Construction Loan 88-21-84	852,791	-	(90,917)	761,874	95,009	666,865
Boating and Waterways						
Construction Loan 89-21-147	2,082,795	-	(192,815)	1,889,980	201,491	1,688,489
Total business-type activities	\$ 11,618,355	\$ -	\$ (516,358)	\$ 11,101,997	\$ 539,126	\$ 10,562,871

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

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 replaced 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 18, 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 became the owner of the 2001 bonds and required interest-only payments of 10.00% until the bonds could be refinanced. The 2001 Revenue Bonds were paid off as of June 30, 2013.

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, 2013, the balance outstanding was \$4,845,000, with an unamortized premium of \$113,928.

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.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

8. LONG-TERM DEBT, (Continued)

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2013, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 665,000	\$ 193,800	\$ 858,800
2015	695,000	167,200	862,200
2016	715,000	139,400	854,400
2017	745,000	110,800	855,800
2018	775,000	81,000	856,000
2019-2020	1,250,000	67,800	1,317,800
Total	<u>\$ 4,845,000</u>	<u>\$ 760,000</u>	<u>\$ 5,605,000</u>

The following is a summary of the 2008 Refunding Revenue unamortized premium outstanding at June 30, 2013:

Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
\$ 132,917	\$ -	\$ (18,989)	\$ 113,928

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

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, 2013, was \$884,092.

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

	<u>June 30, 2013</u>
Equipment under capitalized lease, at cost	2,052,274
Accumulated depreciation	<u>(721,477)</u>
Equipment under capitalized lease, net	<u><u>\$ 1,330,797</u></u>

The annual debt service requirements outstanding at June 30, 2013 were as follows:

<u>For the Years</u> <u>Ending June 30,</u>	<u>Total</u> <u>Payments</u>
2014	\$ 439,198
2015	256,756
2016	92,293
2017	94,866
2018	979
Total	<u><u>\$ 884,092</u></u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

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, 2013, the balance outstanding was \$8,500,000, with an unamortized bond discount of \$49,857. Principal and interest paid for the current year and total revenues for the Wastewater Fund were \$235,000, \$442,050, and \$3,764,711, respectively.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2013, including interest, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	290,000	370,713	660,713
2019-2023	1,680,000	1,630,137	3,310,137
2024-2028	2,130,000	1,170,000	3,300,000
2029-2033	2,730,000	580,000	3,310,000
2034	630,000	31,500	661,500
Total	<u>\$ 8,500,000</u>	<u>\$ 5,385,950</u>	<u>\$ 13,885,950</u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

8. LONG-TERM DEBT, (Continued)

The following is a summary of the 2004 Revenue Bond Series A unamortized discount outstanding at June 30, 2013:

Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<u>\$ (52,231)</u>	<u>\$ -</u>	<u>\$ 2,374</u>	<u>\$ (49,857)</u>

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, 2013, the balance outstanding was \$761,874.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	113,300	15,993	129,293
2019-2021	242,108	16,462	258,570
Total	<u>\$ 761,874</u>	<u>\$ 143,161</u>	<u>\$ 905,035</u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

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, 2013, the balance outstanding was \$1,889,980.

The annual debt service requirements for the Boating and Waterways Construction indebtedness outstanding at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	240,282	46,258	286,540
2019-2021	787,681	71,931	859,612
Total	<u>\$ 1,889,980</u>	<u>\$ 402,332</u>	<u>\$ 2,292,312</u>

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

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, 2013
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	\$ 3,790,196

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 \$951,746. The balance as of June 30, 2013 was \$9,455,149.

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

10. OPERATING LEASE INCOME, (Continued)

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

The following is a schedule, by year, of minimum future lease rentals on non-cancellable operating leases as of June 30, 2013:

Year Ending June 30,	Minimum Future Lease Rentals
2014	\$ 5,466,956
2015	5,713,956
2016	5,623,956
2017	5,623,956
2018	3,608,906
2019-2023	16,753,781
2024-2028	14,488,537
2029-2033	13,548,831
2034-2038	12,836,599
2039-2043	12,933,059
2044-2048	9,978,179
2049-2053	9,822,659
2054-2058	9,822,659
2059-2063	8,382,155
2064-2068	2,807,021
2069	514,767
Totals	<u>\$ 137,925,977</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, 2013

11. RISK MANAGEMENT

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

The City has adopted a self-insurance workers' compensation program, which is administered by a third-party agent, AdminSure. The self-insurance coverage for each claim is limited to \$750,000. Excess coverage of up to \$5,000,000 for each claim is provided by the Independent Cities Risk Management Authority (ICRMA), an insurance pool, in which a consortium of cities has agreed to share risks and losses. As of June 30, 2013, the estimated claims payable for workers' compensation was \$13,827,323, which included claims incurred but not reported (IBNR). The current year's portion of the claims was \$637,563.

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

As of June 30, 2013, the estimated claims payable for general liability was \$2,499,971, which included IBNR. The current year's portion was \$165,022. Governmental activities claims and judgments are generally liquidated by the General Fund.

	Liability on June 30, 2013
General Liability	\$ 2,499,971
Workers' Compensation	13,827,323
Total	<u>\$ 16,327,294</u>

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

11. RISK MANAGEMENT, (Continued)

Changes in the reported liability resulted from the following:

Year Ended June 30,	Balance July 01, 2012	Additions	Deletions	Amounts Balance June 30, 2013	Amounts Due Within One Year	Due in More than One Year
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
2013	14,828,821	608,744	889,729	16,327,294	802,585	15,524,709

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.

11. RISK MANAGEMENT, (Continued)

Condensed Financial Information of the ICRMA

Condensed audited financial information of ICRMA as of June 30, 2012 (most recent information available) is as follows:

Assets	Total
	\$ 64,085,174
Liabilities of member cities	\$ 28,787,592
Net assets	35,297,582
Total liabilities and net assets	\$ 64,085,174
Revenues	\$ 19,847,624
Cost and expenses	18,569,953
Net income	2,507,608
Net assets - July 1, 2011	32,789,974
Net assets - June 30, 2012	\$ 35,297,582

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

12. EMPLOYEE RETIREMENT PLANS

A. *Pension Plan*

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

Funding Policy – Active plan members are required by State statute to contribute a percentage of their annual covered salary. The following table details the contribution percentages and the portion of those percentages paid by the City, as employer, on their behalf and for their accounts. The City’s portion amounted to \$2,244,633 for the year ended June 30, 2013.

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

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

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

12. EMPLOYEE RETIREMENT PLANS, (Continued)

B. *Pension Plan, (Continued)*

The City is required to contribute for fiscal year 2012-13 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 2012-13, the City's annual pension cost of \$10,090,495 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
06/30/2011	\$ 9,646,142	100%	\$ -
06/30/2012	10,085,958	100%	-
06/30/2013	10,090,495	100%	-

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

12. EMPLOYEE RETIREMENT PLANS, (Continued)

A. Pension Plan, (Continued)

Funding Status as of the Most Recent Actuarial Date:

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

		(A)	(B)	<u>Safety Plan</u> (C)	(D)	(E)	(F)
				Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll (C/E)
Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability					
06/30/2011	\$ 217,038,991	\$ 268,946,368		\$ 51,907,377	80.7%	\$ 14,954,415	347.1%

		(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					
06/30/2011	\$ 129,874,269	\$ 148,638,920		\$ 18,764,651	87.4%	\$ 18,657,247	100.6%

* Most recent information available

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

12. EMPLOYEE RETIREMENT PLANS, (Continued)

B. *Other Post Employment Benefits*

Plan Descriptions and Eligibility. In addition to the pension benefits described above, the City provides certain health insurance benefits, in accordance with memorandums of understanding, to retired employees through the California Employers' Retiree Benefit Trust (CERBT) Fund, which is an agent multiple-employer plan administered by CalPERS. The City provides medical insurance for all employees who retire with a minimum of 20 years of full-time public agency service. The City shall pay the single retiree medical premium rate, for qualified retirees, for a medical insurance plan in which the retiree is enrolled from among those medical plans provided by the City. These contributions of the City for such medical premiums shall cease on the date the retiree becomes eligible to enroll in the Federal Medicare program and/or any Medicare supplemental plans. At June 30, 2013, 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 2013, the City contributed \$1,354,077 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	\$ 1,354,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	1,354,000
Contributions made	(1,354,000)
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, 2013

12. EMPLOYEE RETIREMENT PLANS, (Continued)

B. Other Post Employment Benefits, (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	% of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2013	\$ 1,354,000	\$ 1,354,000	100%	\$ -

Funded Status and Funding Progress. As of June 30, 2011, the most recent actuarial valuation date, the plan was 21.1 percent funded. The Actuarial Accrued Liability for benefits was \$20,086,000, and the actuarial value of assets was \$4,245,000, resulting in a VAAL of \$15,841,000. The actual covered payroll (annual payroll of active employees covered by the plan) was \$30,774,470 and the ratio of VAAL to the covered payroll was 51%.

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)	Actual Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll (C/E)
06/30/2011	\$ 4,245,000	\$ 20,086,000	\$ (15,841,000)	21.1%	\$ 30,774,470	-51.47%

12. EMPLOYEE RETIREMENT PLANS, (Continued)

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

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

In the June 30, 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 eight years to an ultimate rate of 5.0% for 2021 and thereafter. The actuarial assumption for inflation was 3 percent, and the aggregate payroll increases was 3.25 percent used in the actuarial valuation. The initial 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.

13. COMMITMENTS AND CONTINGENCIES

A. *Lawsuits*

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

B. *Federal and State Grant Programs*

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

13. COMMITMENTS AND CONTINGENCIES, (Continued)

C. *Commitments*

As of June 30, 2013, in the opinion of City management, there were no outstanding matters that would have a significant effect on the financial position of the funds of the City.

D. *Contingencies*

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

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

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

13. COMMITMENTS AND CONTINGENCIES, (Continued)

The City's General Fund serves as the backstop in the event the Leaseholds fail to perform according to the terms as set forth in the agreements. The estimated outstanding balance on the Pier Plaza and International Boardwalk leaseholds as of June 30, 2013, is \$8 million, and \$2.6 million, respectively.

14. POLLUTION REMEDIATION OBLIGATIONS

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

15. CLASSIFICATION OF FUND BALANCES

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

		Special Revenue	Debt Service		
	General	Other	Public	Nonmajor	Total
	Fund	Intergovernmental	Financing	Governmental	Governmental
		Grants	Authority	Funds	Funds
Nonspendable					
Prepaid costs	\$ 99,401	\$ -	\$ -	\$ -	\$ 99,401
Notes and loans receivable	21,430	-	-	-	21,430
Total nonspendable	<u>120,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,831</u>
Restricted					
Debt service	-	-	6,818,696	-	6,818,696
Public safety	-	-	-	1,240,969	1,240,969
Public works	-	-	-	9,055,367	9,055,367
Low and moderate income housing	-	-	-	2,267,794	2,267,794
Housing and community development	-	-	-	3,446,778	3,446,778
Total restricted	<u>-</u>	<u>-</u>	<u>6,818,696</u>	<u>16,010,908</u>	<u>22,829,604</u>
Committed					
Contingency	5,889,783	-	-	-	5,889,783
Total committed	<u>5,889,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,889,783</u>
Assigned					
Capital improvement projects	124,785	-	-	3,113,179	3,237,964
General government	355,074	-	-	-	355,074
Public safety	56,661	-	-	-	56,661
Housing and community development	95,119	-	-	-	95,119
Cultural and leisure services	4,266	-	-	-	4,266
Public works	123,624	-	-	-	123,624
Carryover assignments	1,233,888	-	-	-	1,233,888
Compensated absences	607,602	-	-	-	607,602
Petty cash	17,050	-	-	-	17,050
Self-insurance program	2,650,000	-	-	-	2,650,000
Union Offer Increase	332,381	-	-	-	332,381
Compensation restoration	861,248	-	-	-	861,248
Contingency	1,000,000	-	-	-	1,000,000
CalPERS	3,813,747	-	-	-	3,813,747
Total assigned	<u>11,275,445</u>	<u>-</u>	<u>-</u>	<u>3,113,179</u>	<u>14,388,624</u>
Unassigned	<u>272,083</u>	<u>(1,044,377)</u>	<u>-</u>	<u>-</u>	<u>(772,294)</u>
Total fund balance	<u>\$ 17,558,142</u>	<u>\$ (1,044,377)</u>	<u>\$ 6,818,696</u>	<u>\$ 19,124,087</u>	<u>\$ 42,456,548</u>

16. DISSOLUTION OF CALIFORNIA REDEVELOPMENT AGENCIES

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

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

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

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

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

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

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

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

17. SUCCESSOR AGENCY LONG-TERM DEBT

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

The debt of the Successor Agency as of June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	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
Bank of America Loan	-	693,000	-	693,000	99,000	594,000
City Loan - Principal - Harbor Center	4,288,426	-	-	4,288,426	-	4,288,426
City Loan - Interest - Harbor Center	3,590,101	25,208	-	3,615,309	-	3,615,309
City Loan (PFA) - Harbor Center	668,885	-	(668,885)	-	-	-
City Loan - South Bay Center	6,765,000	-	(485,000)	6,280,000	-	6,280,000
Total	\$ 29,647,401	\$ 718,208	\$ (1,153,885)	\$ 29,211,724	\$ 99,000	\$ 29,112,724

City of Redondo Beach
Notes to the Financial Statements
For the year ended June 30, 2013

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

1983 Tax Increment Deferral - On November 15, 1983, the Agency and the County of Los Angeles (County) entered into an agreement for reimbursement of tax increment funds. It was recognized that the South Bay Center Project Area needed to utilize a substantial portion of the annual tax increment in the early years to finance its redevelopment activities. Therefore, the County taxing entities agreed to defer receipt of tax increment reimbursement from the Agency. This deferral is debt of the Agency to be repaid only from the Agency's share of future tax increment. There is no fixed payment schedule to repay this loan and is non-interest bearing. The balance outstanding at June 30, 2013, 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, 2013, was \$7,400,570.

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

18. RISKS & UNCERTAINTIES

A. Grants

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

B. Successor Agency

Deductions (expenses) incurred by the Successor Agency for the year ended June 30, 2013 (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, 2013

1. BUDGETARY INFORMATION

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

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

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

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

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

The following are the budget comparison schedules for General Fund, Other Intergovernmental Grants Special Revenue Fund, and Public Financing Authority Debt Service Fund.

CITY OF REDONDO BEACH

Required Supplementary Information

For the year ended June 30, 2013

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, General Fund

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
FUND BALANCE - BEGINNING	\$ 13,390,680	\$ 13,390,680	\$ 13,390,680	\$ -
RESOURCES (INFLOWS):				
Taxes	51,601,000	52,697,837	55,882,844	3,185,007
Interdepartmental	6,249,628	6,656,858	6,656,858	-
Licenses and permits	1,011,620	1,273,620	1,259,505	(14,115)
Intergovernmental	-	-	54,040	54,040
Charges for services	11,435,447	12,232,934	5,216,209	(7,016,725)
Use of money and property	2,193,008	2,181,008	1,879,243	(301,765)
Fines and forfeitures	1,685,400	1,685,400	1,620,958	(64,442)
Miscellaneous	1,066,614	1,067,014	857,815	(209,199)
Transfers in	1,181,854	2,683,354	839,865	(1,843,489)
Amount available for appropriation	89,815,251	93,868,705	87,658,017	(6,210,688)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
General government	9,555,080	11,004,155	9,285,279	1,718,876
Public safety	42,423,533	43,157,376	41,945,269	1,212,107
Housing and community development	3,163,711	3,569,859	3,122,050	447,809
Public works	5,014,222	5,200,733	5,236,471	(35,738)
Cultural and leisure services	8,628,339	8,742,280	8,567,569	174,711
Transfers out	1,351,138	3,365,076	1,943,237	1,421,839
Total charges to appropriations	70,136,023	75,039,479	70,099,875	4,939,604
FUND BALANCE - ENDING	\$ 19,679,228	\$ 18,829,226	\$ 17,558,142	\$ (1,271,084)

CITY OF REDONDO BEACH

Required Supplementary Information

For the year ended June 30, 2013

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, Other Intergovernmental Grants Special Revenue Fund

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE (DEFICIT) - BEGINNING	\$ (1,319,919)	\$ (1,319,919)	\$ (1,319,919)	\$ -
RESOURCES (INFLOWS):				
Intergovernmental	2,004,799	3,553,714	3,149,452	(404,262)
Miscellaneous	-	-	120,940	120,940
Transfers in	-	-	440,600	440,600
Amount available for appropriation	684,880	2,233,795	2,391,073	157,278
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public safety	71,220	1,100,149	418,617	681,532
Public works	69,745	69,745	69,320	425
Capital outlay	1,863,834	11,959,830	2,947,513	9,012,317
Total charges to appropriations	2,004,799	13,129,724	3,435,450	9,694,274
FUND BALANCE (DEFICIT) - ENDING	\$ (1,319,919)	\$ (10,895,929)	\$ (1,044,377)	\$ 9,851,552

CITY OF REDONDO BEACH

Required Supplementary Information

Public Financing Authority Debt Service Fund

For the year ended June 30, 2013

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, Public Financing Authority Debt Service Fund

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE (DEFICIT) - BEGINNING	\$ 7,362,829	\$ 7,362,829	\$ 7,362,829	\$ -
RESOURCES (INFLOWS):				
Use of money and property	329,337	329,337	1,225,845	896,508
Miscellaneous	-	-	80	80
Amount available for appropriation	7,692,166	7,692,166	8,588,754	896,508
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	188,222	188,222	119,155	69,067
Debt Service:				
Principal retirement	76,812	76,812	1,380,000	(1,303,188)
Interest and fiscal charges	64,303	64,303	270,903	(206,600)
Total charges to appropriations	329,337	329,337	1,770,058	(1,440,721)
FUND BALANCE (DEFICIT) - ENDING	\$ 7,362,829	\$ 7,362,829	\$ 6,818,696	\$ (544,213)

City of Redondo Beach
Required Supplementary Information
For the year ended June 30, 2013

2. DEFINED PENSION PLAN

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

Safety Plan						
	(A)	(B)	(C)	(D)	(E)	(F)
			Unfunded (Overfunded)			Unfunded (Overfunded)
		Entry Age	Actuarial			Actuarial
Actuarial	Actuarial	Actuarial	Accrued	Funded	Covered	Liability as
Valuation	Asset	Accrued	Liability	Ratio	Payroll	Percentage of
Date	Value	Liability	(B-A)	(A/B)		Covered Payroll
						(C/E)
06/30/2008	\$ 195,959,373	\$ 232,567,064	\$ 36,607,691	84.3%	\$ 15,118,770	242.1%
06/30/2009	202,858,694	252,092,246	49,233,552	80.5%	16,436,916	299.5%
06/10/2010	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)			Unfunded (Overfunded)
		Entry Age	Actuarial			Actuarial
Actuarial	Actuarial	Actuarial	Accrued	Funded	Covered	Liability as
Valuation	Asset	Accrued	Liability	Ratio	Payroll	Percentage of
Date	Value	Liability	(B-A)	(A/B)		Covered Payroll
						(C/E)
06/30/2008	\$ 114,865,498	\$ 124,542,795	\$ 9,677,297	92.2%	\$ 20,641,265	46.9%
06/30/2009	119,584,408	135,652,505	16,068,097	88.2%	20,267,353	79.3%
06/30/2010	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, 2013

3. OTHER POST EMPLOYMENT BENEFITS

Schedule of Funding Progress for the City's Plan

	(A)	(B)	(C)	(D)	(E)	(F)
			(Unfunded)			(Unfunded)
		Entry Age	Overfunded			Overfunded
	Actuarial	Actuarial	Actuarial			Actuarial
	Asset	Accrued	Accrued	Funded	Covered	Liability as
Valuation	Value	Liability	Liability	Ratio	Payroll	Percentage of
Date	(A)	(B)	(A-B)	(A/B)		(C/E)
06/30/2008	\$ -	\$ 14,474,000	\$ (14,474,000)	0.0%	\$ 36,525,000	39.63%
06/30/2010	1,918,000	17,882,000	(15,964,000)	10.7%	31,700,000	50.36%
06/30/2011	4,245,000	20,086,000	(15,841,000)	21.1%	30,485,000	-51.96%

City of Redondo Beach
Required Supplementary Information
For the year ended June 30, 2013

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 2013, 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, 2013

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>
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%
2013	83	Very Good	35%
		Good	53%
		Fair	7%
		Poor	5%

City of Redondo Beach
Required Supplementary Information
For the year ended June 30, 2013

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

The City expended \$2,656,343 on street improvement projects for the fiscal year ended June 30, 2013. 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, 2012 through June 30, 2014 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 83 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
2012-2013	10,212,651	496,766	2,159,576	2,656,342

As of June 30, 2013, 22% of City streets were rated below the targeted average condition level of 80. However, as noted above, the City is investing in this infrastructure assets as part of the five-year Capital Improvement Program and will continue to rehabilitate and maintain its streets in order to achieve this goal.

City of Redondo Beach
Required Supplementary Information
For the year ended June 30, 2013

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

Project	Project #	Budget	Capital Improvement Project Fund Expenditures	Other Fund Expenditures	Total Expenditures
Bus Shelters & Benches	40120	\$ 367,257	\$ -	\$ 765	\$ 765
Pavement & Sidewalk Repairs	40140	143,432	-	-	-
Pavement Management Study	40170	31,700	-	-	-
Residential Street Rehabilitation	40190	1,098,620	-	10,297	10,297.00
Citywide Curb Ramp Improvements	40399	515,141	17,813	255,262	273,075.00
Target Community Improvements	40460	6,090	-	-	-
Traffic Calming Project	40470	70,467	49,196	-	49,196.00
Bicycle Trans Plan Implementation	40510	183,740	-	8,684	8,684.00
Catalina/Harbor Advd Traf Sig Mgmt	40600	1,661	-	57,855	57,855.00
Riviera Village Improvements	40640	134,329	36,109	-	36,109.00
PCH/Torrance Blvd Right Hand Turn Lane	40650	90,000	-	-	-
Grant/Artesia Countdown Ped Signal	40710	33,000	-	18	18.00
Harbor Dr. Resurfacing - Beryl to Herondo	40720	674,033	-	8,980	8,980.00
North Redondo Beach Bikeway Lighting	40740	180,800	-	7	7.00
190th St Resurfacing - PCH to Prospect	40750	336,247	-	336,247	336,247.00
Artesia/Aviation EB Rt Turn Lane	40770	12,276	-	10,392	10,392.00
Artesia/Aviation NB Rt Turn Lane	40780	840,101	-	1,100	1,100.00
PV Boulevard/PCH WB Rt Turn Lane	40790	318,420	-	269	269.00
PCH Study Recommendations	40800	1,399,750	-	1,108	1,108.00
PCH/Torrance Boulevard NB Rt Turn Lane	40810	578,871	-	37,891	37,891.00
MBB/Inglewood EB Rt Turn Lane	40820	12,873	-	11,271	11,271.00
MBB Resurfacing - RB Ave to Inglewood Ave	40830	689,596	-	675,816	675,816.00
Annual Roadway Maintenance	40840	265,840	265,840	-	265,840.00
Beryl/190th Signal Study	40850	50,000	-	27,273	27,273.00
Beryl St. Improvement - Flagler to 190th	40860	100,000	-	49,367	49,367.00
Camelian/PCH Streetscape Improvements	40870	100,000	-	-	-
Kingsdale Resurfacing - 182nd to Grant	40880	360,000	-	-	-
Prospect Resurfacing - Pearl to Emerald	40890	916,974	127,808	666,974	794,782.00
North Harbor Drive Cycle Track Project	40900	596,433	-	-	-
PCH/Catalina Entryway Prop Acquisition	40910	105,000	-	-	-
		<u>\$ 10,212,651</u>	<u>\$ 496,766</u>	<u>\$ 2,159,576</u>	<u>\$ 2,656,342</u>

SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS, (continued)

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

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

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

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

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

DEBT SERVICE FUND

Parking Authority Fund - To account for 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 Projects Fund - To account for capital improvements of the City.

City of Redondo Beach
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Special Revenue						
	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure / Forfeiture	Proposition A	Proposition C	Measure R	Local Transportation Article 3
ASSETS							
Pooled cash and invesments	\$ 1,548,562	\$ 31,581	\$ 1,242,965	\$ 1,332,220	\$ 3,840,716	\$ 1,130,243	\$ -
Receivables:							
Accounts	-	-	-	-	-	-	-
Interest	6,072	-	5,206	4,655	16,268	2,981	-
Notes and loans	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	114,091
Advance to other governments	-	-	-	-	-	-	-
Total assets	\$ 1,554,634	\$ 31,581	\$ 1,248,171	\$ 1,336,875	\$ 3,856,984	\$ 1,133,224	\$ 114,091
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 41,537	\$ -	\$ 7,202	\$ -	\$ 70,197	\$ -	\$ 100,292
Deferred revenue	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	13,975
Total liabilities	41,537	-	7,202	-	70,197	-	114,267
Fund balances:							
Restricted	1,513,097	31,581	1,240,969	1,336,875	3,786,787	1,133,224	(176)
Assigned	-	-	-	-	-	-	-
Total fund balances	1,513,097	31,581	1,240,969	1,336,875	3,786,787	1,133,224	(176)
Total liabilities and fund balances	\$ 1,554,634	\$ 31,581	\$ 1,248,171	\$ 1,336,875	\$ 3,856,984	\$ 1,133,224	\$ 114,091

City of Redondo Beach
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2013

	Special Revenue						
	Air Quality Improvement	Storm Drain Improvement	Street Landscaping and Lighting District	Community Development Block Grant	Disaster Recovery	Housing Authority	Subdivision Park Trust
ASSETS							
Pooled cash and invesments	\$ 35,190	\$ 346,829	\$ 142,415	\$ -	\$ -	\$ 1,267,381	\$ 493,471
Receivables:							
Accounts	-	-	241	-	-	-	-
Interest	559	-	-	-	-	-	-
Notes and loans	-	-	-	476,563	-	-	-
Due from other governments	21,165	-	55,274	5,064	-	-	-
Advance to other governments	-	-	-	-	-	-	-
Total assets	\$ 56,914	\$ 346,829	\$ 197,930	\$ 481,627	\$ -	\$ 1,267,381	\$ 493,471
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 2,172	\$ -	\$ 203,889	\$ 150,285	\$ -	\$ 2,327	\$ 122,879
Deferred revenue	-	-	-	476,566	-	-	-
Due to other funds	-	-	-	52,291	3,644	191,077	-
Total liabilities	2,172	-	203,889	679,142	3,644	193,404	122,879
Fund balances:							
Restricted	54,742	346,829	(5,959)	(197,515)	(3,644)	1,073,977	370,592
Assigned	-	-	-	-	-	-	-
Total fund balances	54,742	346,829	(5,959)	(197,515)	(3,644)	1,073,977	370,592
Total liabilities and fund balances	\$ 56,914	\$ 346,829	\$ 197,930	\$ 481,627	\$ -	\$ 1,267,381	\$ 493,471

City of Redondo Beach
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2013

	Special Revenue	Debt Service	Capital Projects		
			Pier		
	Low-Mod Income	Parking	Parking	Capital	Total
	Housing Asset	Authority	Structure	Improvement	Non-Major
			Rehabilitation	Projects	Funds
ASSETS					
Pooled cash and investments	\$ -	\$ 5,678	\$ 823	\$ 5,108,849	\$ 16,526,923
Receivables:					
Accounts	-	-	-	120,963	121,204
Interest	-	17	4	-	35,762
Notes and loans	3,883,499	-	-	-	4,360,062
Due from other governments	-	-	-	-	195,594
Advance to other governments	535,731	-	-	-	535,731
Total assets	\$ 4,419,230	\$ 5,695	\$ 827	\$ 5,229,812	\$ 21,775,276
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 240,404	\$ 941,184
Deferred revenue	958,622	-	-	-	1,435,188
Due to other funds	13,830	-	-	-	274,817
Total liabilities	972,452	-	-	240,404	2,651,189
Fund balances:					
Restricted	3,446,778	5,695	827	1,876,229	16,010,908
Assigned	-	-	-	3,113,179	3,113,179
Total fund balances	3,446,778	5,695	827	4,989,408	19,124,087
Total liabilities and fund balances	\$ 4,419,230	\$ 5,695	\$ 827	\$ 5,229,812	\$ 21,775,276

City of Redondo Beach
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2013

	Special Revenue						
	State Gas Tax	Parks and Recreation Facilities	Narcotic Seizure / Forfeiture	Proposition A	Proposition C	Measure R	Local Transportation Article 3
REVENUES:							
Use of money and property	\$ 6,266	\$ -	\$ 5,430	\$ 3,735	\$ 17,350	\$ 9,215	\$ -
Intergovernmental	1,396,982	-	-	1,052,390	874,446	653,912	114,091
Charges for services	-	16,000	-	-	-	-	-
Fines and forfeitures	-	-	43,008	-	-	-	-
Miscellaneous	548	-	-	-	-	-	-
Total revenues	1,403,796	16,000	48,438	1,056,125	891,796	663,127	114,091
EXPENDITURES:							
Current:							
Public safety	-	-	99,881	-	-	-	-
Public works	1,169,478	-	-	-	-	-	-
Housing and community development	-	-	-	-	28,393	-	-
Capital outlay	-	(1,535)	11,253	-	966,495	18,981	114,091
Total expenditures	1,169,478	(1,535)	111,134	-	994,888	18,981	114,091
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	234,318	17,535	(62,696)	1,056,125	(103,092)	644,146	-
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	-	-	-	26,527	-
Transfers out	-	-	-	(1,284,698)	-	-	-
Total other financing sources (uses)	-	-	-	(1,284,698)	-	26,527	-
Net change in fund balances	234,318	17,535	(62,696)	(228,573)	(103,092)	670,673	-
Fund Balances:							
Beginning of year	1,278,779	14,046	1,303,665	1,565,448	3,889,879	462,551	(176)
End of year	\$ 1,513,097	\$ 31,581	\$ 1,240,969	\$ 1,336,875	\$ 3,786,787	\$ 1,133,224	\$ (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, 2013

	Special Revenue						
	Air Quality Improvement	Storm Drain Improvement	Street Landscaping and Lighting District	Community Development Block Grant	Disaster Recovery	Housing Authority	Subdivision Park Trust
REVENUES:							
Use of money and property	\$ 1,456	\$ -	\$ -	\$ -	\$ -	\$ 538	\$ -
Intergovernmental	-	-	-	150,466	-	5,934,309	-
Charges for services	80,832	60,960	1,540,164	-	2,120	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Miscellaneous	-	-	8,115	-	(40,904)	-	93,091
Total revenues	82,288	60,960	1,548,279	150,466	(38,784)	5,934,847	93,091
EXPENDITURES:							
Current:							
Public safety	-	-	-	-	17,195	-	-
Public works	-	-	2,626,064	-	-	-	-
Housing and community development	58,520	-	-	130,718	-	5,895,847	5,410
Capital outlay	162,394	12,186	-	141,171	-	-	122,960
Total expenditures	220,914	12,186	2,626,064	271,889	17,195	5,895,847	128,370
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(138,626)	48,774	(1,077,785)	(121,423)	(55,979)	39,000	(35,279)
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	1,076,710	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	1,076,710	-	-	-	-
Net change in fund balances	(138,626)	48,774	(1,075)	(121,423)	(55,979)	39,000	(35,279)
Fund Balances:							
Beginning of year	193,368	298,055	(4,884)	(76,092)	52,335	1,034,977	405,871
End of year	\$ 54,742	\$ 346,829	\$ (5,959)	\$ (197,515)	\$ (3,644)	\$ 1,073,977	\$ 370,592

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, 2013

	Special Revenue	Debt Service	Capital Projects		
	Low-Mod Income Housing Asset	Parking Authority	Pier Parking Structure Rehabilitation	Capital Improvement Projects	Total Non-Major Funds
REVENUES:					
Use of money and property	\$ (2,145)	\$ 16	\$ 5	\$ -	\$ 41,866
Intergovernmental	-	-	-	-	10,176,596
Charges for services	-	-	-	545,357	2,245,433
Fines and forfeitures	-	-	-	-	43,008
Miscellaneous	14,958	-	-	7,500	83,308
Total revenues	12,813	16	5	552,857	12,590,211
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	117,076
Public works	-	-	-	111,496	3,907,038
Housing and community development	-	-	-	-	6,118,888
Capital outlay	-	-	-	1,862,152	3,410,148
Total expenditures	-	-	-	1,973,648	13,553,150
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	12,813	16	5	(1,420,791)	(962,939)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	840,000	1,943,237
Transfers out	-	-	-	(1,209,382)	(2,494,080)
Total other financing sources (uses)	-	-	-	(369,382)	(550,843)
Net change in fund balances	12,813	16	5	(1,790,173)	(1,513,782)
Fund Balances:					
Beginning of year	3,433,965	5,679	822	6,779,581	20,637,869
End of year	\$ 3,446,778	\$ 5,695	\$ 827	\$ 4,989,408	\$ 19,124,087

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, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 1,278,779	\$ 1,278,779	\$ 1,278,779	\$ -
Use of money and property	2,500	2,500	6,266	3,766
Intergovernmental	1,757,871	1,757,871	1,396,982	(360,889)
Miscellaneous	4,000	4,000	548	(3,452)
Amount available for appropriation	3,043,150	3,043,150	2,682,575	(360,575)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public works	1,422,423	1,535,192	1,169,478	365,714
Total charges to appropriations	1,422,423	1,535,192	1,169,478	365,714
FUND BALANCE - ENDING	\$ 1,620,727	\$ 1,507,958	\$ 1,513,097	\$ 5,139

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, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 14,046	\$ 14,046	\$ 14,046	\$ -
Charges for services	15,000	15,000	16,000	1,000
Amount available for appropriation	29,046	29,046	30,046	1,000
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital Outlay	-	1,200	(1,535)	2,735
Total charges to appropriations	-	1,200	(1,535)	2,735
FUND BALANCE - ENDING	\$ 29,046	\$ 27,846	\$ 31,581	\$ 3,735

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, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 1,303,665	\$ 1,303,665	\$ 1,303,665	\$ -
Use of money and property	3,400	3,400	5,430	2,030
Fines and forfeitures	103,000	41,000	43,008	2,008
Amount available for appropriation	1,410,065	1,348,065	1,352,103	4,038
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public safety	64,890	269,820	99,881	169,939
Capital outlay	129,542	160,709	11,253	149,456
Total charges to appropriations	194,432	430,529	111,134	319,395
FUND BALANCE - ENDING	\$ 1,215,633	\$ 917,536	\$ 1,240,969	\$ 323,433

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, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 1,565,448	\$ 1,565,448	\$ 1,565,448	\$ -
Use of money and property	11,100	11,100	3,735	(7,365)
Intergovernmental	974,895	974,895	1,052,390	77,495
Amount available for appropriation	2,551,443	2,551,443	2,621,573	70,130
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Transfers out	1,262,243	1,262,243	1,284,698	(22,455)
Total charges to appropriations	1,262,243	1,262,243	1,284,698	(22,455)
FUND BALANCE - ENDING	\$ 1,289,200	\$ 1,289,200	\$ 1,336,875	\$ 47,675

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, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 3,889,879	\$ 3,889,879	\$ 3,889,879	\$ -
Use of money and property	17,100	17,100	17,350	250
Intergovernmental	808,649	808,649	874,446	65,797
Amount available for appropriation	4,715,628	4,715,628	4,781,675	66,047
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	1,640	1,764	28,393	(26,629)
Capital outlay	510,000	4,453,967	966,495	3,487,472
Total charges to appropriations	511,640	4,455,731	994,888	3,460,843
FUND BALANCE - ENDING	\$ 4,203,988	\$ 259,897	\$ 3,786,787	\$ 3,526,890

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, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 462,551	\$ 462,551	\$ 462,551	\$ -
Use of money and property	-	-	9,215	9,215
Intergovernmental	560,000	1,106,032	653,912	(452,120)
Transfer in	-	-	26,527	26,527
Amount available for appropriation	1,022,551	1,568,583	1,152,205	(416,378)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	560,000	1,106,032	18,981	1,087,051
Total charges to appropriations	560,000	1,106,032	18,981	1,087,051
FUND BALANCE - ENDING	\$ 462,551	\$ 462,551	\$ 1,133,224	\$ 670,673

CITY OF REDONDO BEACH

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

Local Transportation Article 3 Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE (DEFICIT) - BEGINNING	\$ (176)	\$ (176)	\$ (176)	\$ -
Intergovernmental	90,859	90,859	114,091	23,232
Amount available for appropriation	90,683	90,683	113,915	23,232
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	80,000	114,091	114,091	-
Total charges to appropriations	80,000	114,091	114,091	-
FUND BALANCE (DEFICIT) - ENDING	<u>\$ 10,683</u>	<u>\$ (23,408)</u>	<u>\$ (176)</u>	<u>\$ 23,232</u>

CITY OF REDONDO BEACH

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

Air Quality Improvement Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 193,368	\$ 193,368	\$ 193,368	\$ -
Use of money and property	800	800	1,456	656
Charges for services	78,000	78,000	80,832	2,832
Amount available for appropriation	272,168	272,168	275,656	3,488
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	65,314	66,766	58,520	8,246
Capital outlay	-	162,394	162,394	-
Total charges to appropriations	65,314	229,160	220,914	8,246
FUND BALANCE - ENDING	\$ 206,854	\$ 43,008	\$ 54,742	\$ 11,734

CITY OF REDONDO BEACH

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

Storm Drain Improvement Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 298,055	\$ 298,055	\$ 298,055	\$ -
Charges for services	35,000	35,000	60,960	25,960
Amount available for appropriation	333,055	333,055	359,015	25,960
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	30,000	292,936	12,186	280,750
Total charges to appropriations	30,000	292,936	12,186	280,750
FUND BALANCE - ENDING	\$ 303,055	\$ 40,119	\$ 346,829	\$ 306,710

CITY OF REDONDO BEACH

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

Street Landscaping and Lighting District Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE (DEFICIT) - BEGINNING	\$ (4,884)	\$ (4,884)	\$ (4,884)	\$ -
Charges for services	1,564,500	1,564,500	1,540,164	(24,336)
Miscellaneous	35,000	109,000	8,115	(100,885)
Transfers in	957,649	957,649	1,076,710	119,061
Amount available for appropriation	2,552,265	2,626,265	2,620,105	(6,160)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public works	2,557,149	2,635,008	2,626,064	8,944
Total charges to appropriations	2,557,149	2,635,008	2,626,064	8,944
FUND BALANCE (DEFICIT) - ENDING	\$ (4,884)	\$ (8,743)	\$ (5,959)	\$ 2,784

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, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE (DEFICIT) - BEGINNING	\$ (76,092)	\$ (76,092)	\$ (76,092)	\$ -
Intergovernmental	266,341	439,606	150,466	(289,140)
Amount available for appropriation	190,249	363,514	74,374	(289,140)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	143,219	145,864	130,718	15,146
Capital outlay	130,430	351,050	141,171	209,879
Total charges to appropriations	273,649	496,914	271,889	225,025
FUND BALANCE (DEFICIT) - ENDING	\$ (83,400)	\$ (133,400)	\$ (197,515)	\$ (64,115)

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, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 52,335	\$ 52,335	\$ 52,335	\$ -
Charges for services	1,200	1,920	2,120	200
Miscellaneous	20,000	-	(40,904)	(40,904)
Amount available for appropriation	73,535	54,255	13,551	(40,704)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Public Safety	17,060	17,060	17,195	(135)
Total charges to appropriations	17,060	17,060	17,195	(135)
FUND BALANCE (DEFICIT) - ENDING	\$ 56,475	\$ 37,195	\$ (3,644)	\$ (40,839)

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, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 1,034,977	\$ 1,034,977	\$ 1,034,977	\$ -
Use of money and property	-	-	538	538
Intergovernmental	6,088,509	6,088,509	5,934,309	(154,200)
Amount available for appropriation	7,123,486	7,123,486	6,969,824	(153,662)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	6,065,130	6,065,130	5,895,847	169,283
Total charges to appropriations	6,065,130	6,065,130	5,895,847	169,283
FUND BALANCE - ENDING	\$ 1,058,356	\$ 1,058,356	\$ 1,073,977	\$ 15,621

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, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 405,871	\$ 405,871	\$ 405,871	\$ -
Miscellaneous	150,000	150,000	93,091	(56,909)
Amount available for appropriation	555,871	555,871	498,962	(56,909)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Housing and community development	-	-	5,410	(5,410)
Capital outlay	164,000	342,161	122,960	219,201
Total charges to appropriations	164,000	342,161	128,370	213,791
FUND BALANCE - ENDING	<u>\$ 391,871</u>	<u>\$ 213,710</u>	<u>\$ 370,592</u>	<u>\$ 156,882</u>

CITY OF REDONDO BEACH

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

Low-Mod Income Housing Asset Special Revenue Fund

For the year ended June 30, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
FUND BALANCE - BEGINNING	\$ 3,433,965	\$ 3,433,965	\$ 3,433,965	\$ -
Use of money and property	-	-	(2,145)	(2,145)
Miscellaneous	-	-	14,958	14,958
Amount available for appropriation	<u>3,433,965</u>	<u>3,433,965</u>	<u>3,446,778</u>	<u>12,813</u>
FUND BALANCE - ENDING	<u>\$ 3,433,965</u>	<u>\$ 3,433,965</u>	<u>\$ 3,446,778</u>	<u>\$ 12,813</u>

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, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 5,679	\$ 5,679	\$ 5,679	\$ -
Use of money and property	-	-	16	16
Amount available for appropriation	5,679	5,679	5,695	16
FUND BALANCE - ENDING	\$ 5,679	\$ 5,679	\$ 5,695	\$ 16

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, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 822	\$ 822	\$ 822	\$ -
Use of money and property	-	-	5	5
Amount available for appropriation	822	822	827	5
FUND BALANCE - ENDING	<u>\$ 822</u>	<u>\$ 822</u>	<u>\$ 827</u>	<u>\$ 5</u>

CITY OF REDONDO BEACH

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

Capital Improvement Projects Capital Projects Fund

For the year ended June 30, 2013

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
FUND BALANCE - BEGINNING	\$ 6,779,581	\$ 6,779,581	\$ 6,779,581	\$ -
Charges for services	394,150	394,150	545,357	151,207
Miscellaneous	34,000	34,000	7,500	(26,500)
Transfers in	-	800,000	840,000	40,000
Amount available for appropriation	7,207,731	8,007,731	8,172,438	164,707
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current				
Public works	123,549	123,736	111,496	12,240
Capital outlay	1,857,000	5,752,308	1,862,152	3,890,156
Transfers out	456,175	456,175	1,209,382	(753,207)
Total charges to appropriations	2,436,724	6,332,219	3,183,030	3,149,189
FUND BALANCE - ENDING	\$ 4,771,007	\$ 1,675,512	\$ 4,989,408	\$ 3,313,896

INTERNAL SERVICE FUNDS

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

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

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

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

Printing and Graphics Fund - To account for the costs of providing printing and graphics services to all City departments. Such costs are billed to City departments at a rate which provides for the annual printing costs. Printing and Graphic Fund was closed out at June 30, 2013 and transferred remaining balance to Information Technology Fund.

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

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

CITY OF REDONDO BEACH
Combining Statement of Net Position
All Internal Service Funds
June 30, 2013

	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	\$ 5,935,189	\$ -	\$ 576,373	\$ 13,446,975	\$ -	\$ 931,384	\$ 439,620	\$ 21,329,541
Accounts receivable	13,688	-	-	1,033	-	-	-	14,721
Prepaid costs	-	-	-	-	-	86	-	86
Total current assets	5,948,877	-	576,373	13,448,008	-	931,470	439,620	21,344,348
Noncurrent assets:								
Capital assets - net of accumulated depreciation	2,923,207	12,803	1,476,119	-	-	366,458	-	4,778,587
Total noncurrent assets	2,923,207	12,803	1,476,119	-	-	366,458	-	4,778,587
Total assets	8,872,084	12,803	2,052,492	13,448,008	-	1,297,928	439,620	26,122,935
LIABILITIES								
Current liabilities:								
Accounts payable	219,058	210,023	385,963	486,615	-	12,366	-	1,314,025
Accrued compensated absences	1,281	3,245	6,108	920	-	6,859	-	18,413
Due to other funds	-	20,993	-	-	-	-	-	20,993
Accrued claims and judgments	-	-	-	802,585	-	-	-	802,585
Bonds, notes, and capital leases	-	-	439,198	-	-	-	-	439,198
Total current liabilities	220,339	234,261	831,269	1,290,120	-	19,225	-	2,595,214
Noncurrent liabilities:								
Accrued compensated absences	18,136	45,948	86,480	13,037	-	97,112	-	260,713
Accrued claims and judgments	-	-	-	15,524,709	-	-	-	15,524,709
Bonds, notes, and capital leases	-	-	444,894	-	-	-	-	444,894
Total noncurrent liabilities	18,136	45,948	531,374	15,537,746	-	97,112	-	16,230,316
Total liabilities	238,475	280,209	1,362,643	16,827,866	-	116,337	-	18,825,530
NET POSITION								
Net investment in capital assets	2,923,207	12,803	592,027	-	-	366,458	-	3,894,495
Unrestricted	5,710,402	(280,209)	97,822	(3,379,858)	-	815,133	439,620	3,402,910
Total net position	\$ 8,633,609	\$ (267,406)	\$ 689,849	\$ (3,379,858)	\$ -	\$ 1,181,591	\$ 439,620	\$ 7,297,405

CITY OF REDONDO BEACH

Combining Statement of Revenues, Expenditures and Change in Net Position

All Internal Service Funds

For the year ended June 30, 2013

	Vehicle Replacement	Building Occupancy	Information Technology	Self-Insurance Program	Printing and Graphics	Emergency Communications	Major Facilities Repair	Total
OPERATING REVENUES:								
Sales and service charges	\$ 2,951,629	\$ 2,226,807	\$ 2,315,349	\$ 5,093,360	\$ -	\$ 2,588,681	\$ 113,987	\$ 15,289,813
Miscellaneous	78,919	-	3,081	-	-	-	-	82,000
Total operating revenues	3,030,548	2,226,807	2,318,430	5,093,360	-	2,588,681	113,987	15,371,813
OPERATING EXPENSES:								
Administrative and general expenses	209,061	1,142,179	692,069	685,173	230	207,604	-	2,936,316
Personnel services	1,176,380	939,464	717,360	531,122	-	1,960,183	-	5,324,509
Contractual services	194,022	413,345	881,307	5,484,018	-	509,245	-	7,481,937
Depreciation	603,699	2,280	78,775	-	-	71,271	-	756,025
Total operating expenses	2,183,162	2,497,268	2,369,511	6,700,313	230	2,748,303	-	16,498,787
OPERATING INCOME (LOSS)	847,386	(270,461)	(51,081)	(1,606,953)	(230)	(159,622)	113,987	(1,126,974)
NONOPERATING REVENUES AND EXPENSES:								
Gain on sale of capital assets	35,811	-	-	-	-	-	-	35,811
Total nonoperating revenues (expenses)	35,811	-	-	-	-	-	-	35,811
INCOME (LOSS) BEFORE TRANSFERS	883,197	(270,461)	(51,081)	(1,606,953)	(230)	(159,622)	113,987	(1,091,163)
Transfers in	-	-	126,313	312,607	7,926	-	-	446,846
Transfers out	-	-	(7,926)	(301,500)	(126,313)	-	-	(435,739)
Change in net position	883,197	(270,461)	67,306	(1,595,846)	(118,617)	(159,622)	113,987	(1,080,056)
NET POSITION								
Beginning of year	7,750,412	3,055	622,543	(1,784,012)	118,617	1,341,213	325,633	8,377,461
End of year	<u>\$ 8,633,609</u>	<u>\$ (267,406)</u>	<u>\$ 689,849</u>	<u>\$ (3,379,858)</u>	<u>\$ -</u>	<u>\$ 1,181,591</u>	<u>\$ 439,620</u>	<u>\$ 7,297,405</u>

CITY OF REDONDO BEACH

Combining Statement of Cash Flows

All Internal Service Funds

For the year ended June 30, 2013

	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	\$ 3,033,167	\$ 2,226,807	\$ 2,320,146	\$ 5,092,329	\$ -	\$ 2,588,595	\$ 113,987	\$ 15,375,031
Cash payments to suppliers for goods and services	(389,585)	(1,486,517)	(1,240,498)	(4,636,518)	(685)	(724,837)	-	(8,478,640)
Cash payments to employees for services	(1,175,854)	(954,254)	(719,701)	(536,458)	-	(1,934,140)	-	(5,320,407)
Net cash provided (used) by operating activities	1,467,728	(213,964)	359,947	(80,647)	(685)	(70,382)	113,987	1,575,984
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Transfers in	-	-	126,313	312,607	7,926	-	-	446,846
Transfers out	-	-	(7,926)	(301,500)	(126,313)	-	-	(435,739)
Net cash provided (used) by noncapital financing activities	-	-	118,387	11,107	(118,387)	-	-	11,107
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Acquisition and construction of capital assets	(606,380)	-	(530,466)	-	-	-	-	(1,136,846)
Proceeds from new capital leases	-	-	474,473	-	-	-	-	474,473
Principal paid on capital debt	-	-	(450,560)	-	-	-	-	(450,560)
Proceeds from sales of capital assets	35,811	-	-	-	-	-	-	35,811
Net cash used by capital and related financing activities	(570,569)	-	(506,553)	-	-	-	-	(1,077,122)
Net increase (decrease) in cash and cash equivalents	897,159	(213,964)	(28,219)	(69,540)	(119,072)	(70,382)	113,987	509,969
CASH AND CASH EQUIVALENTS:								
Beginning of year	5,038,030	213,964	604,592	13,516,515	119,072	1,001,766	325,633	20,819,572
End of year	<u>\$ 5,935,189</u>	<u>\$ -</u>	<u>\$ 576,373</u>	<u>\$ 13,446,975</u>	<u>\$ -</u>	<u>\$ 931,384</u>	<u>\$ 439,620</u>	<u>\$ 21,329,541</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Operating income (loss)	\$ 847,386	\$ (270,461)	\$ (51,081)	\$ (1,606,953)	\$ (230)	\$ (159,622)	\$ 113,987	\$ (1,126,974)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation expense	603,699	2,280	78,775	-	-	71,271	-	756,025
Changes in operating assets and liabilities:								
(Increase) decrease in accounts receivable	2,619	-	-	(1,033)	-	-	-	1,586
(Increase) decrease in prepaid expenses	-	-	1,716	2	230	(86)	-	1,862
Increase (decrease) in accounts payable	13,498	69,006	332,878	34,200	(685)	(7,988)	-	440,909
Increase (decrease) in accrued liabilities	-	-	-	1,498,473	-	-	-	1,498,473
Increase (decrease) in compensated absences	526	(14,789)	(2,341)	(5,336)	-	26,043	-	4,103
Total adjustments	620,342	56,497	411,028	1,526,306	(455)	89,240	-	2,702,958
Net cash provided (used) by operating activities	\$ 1,467,728	\$ (213,964)	\$ 359,947	\$ (80,647)	\$ (685)	\$ (70,382)	\$ 113,987	\$ 1,575,984

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

City of Redondo Beach

Combining Statement of Fiduciary Net Position

Agency Funds

June 30, 2013

	Deposits	Assessment District 92-1	Total Agency Funds
ASSETS:			
Pooled cash and investments	\$ 519,094	\$ 178,012	\$ 697,106
Receivables:			
Accounts	5,469	-	5,469
Interest	502	-	502
Total Assets	<u>\$ 525,065</u>	<u>\$ 178,012</u>	<u>\$ 703,077</u>
LIABILITIES:			
Accounts payable	\$ 323,043	\$ -	\$ 323,043
Deposits payable	202,022	178,012	380,034
Total Liabilities	<u>\$ 525,065</u>	<u>\$ 178,012</u>	<u>\$ 703,077</u>

City of Redondo Beach

Combining Statement of Changes in Fiduciary Net Position

Agency Funds

For the year ended June 30, 2013

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Deposits				
ASSETS:				
Pooled cash and investments	\$ 132,036	\$ 4,517,711	\$ (4,130,653)	\$ 519,094
Receivables:				
Accounts	19,213	535,505	(549,249)	5,469
Interest	579	502	(579)	502
Prepaid Expense	825,390	-	(825,390)	-
Total Assets	<u>\$ 977,218</u>	<u>\$ 5,053,718</u>	<u>\$ (5,505,871)</u>	<u>\$ 525,065</u>
LIABILITIES:				
Accounts payable	77,373	\$ 3,094,076	\$ (2,848,406)	\$ 323,043
Deposits payable	899,845	4,044,049	(4,741,872)	202,022
Total Liabilities	<u>\$ 977,218</u>	<u>\$ 7,138,125</u>	<u>\$ (7,590,278)</u>	<u>\$ 525,065</u>
Assessment District 92-1				
ASSETS:				
Pooled cash and investments	\$ 178,012	\$ -	\$ -	\$ 178,012
Total Assets	<u>\$ 178,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,012</u>
LIABILITIES:				
Deposits payable	\$ 178,012	\$ -	\$ -	178,012
Total Liabilities	<u>\$ 178,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,012</u>

City of Redondo Beach

Combining Statement of Changes in Fiduciary Net Position

Agency Funds

For the year ended June 30, 2013

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Total - All Agency Funds				
ASSETS:				
Pooled cash and investments	\$ 310,048	\$ 4,517,711	\$ (4,130,653)	\$ 697,106
Receivables:				
Accounts	19,213	535,505	(549,249)	5,469
Interest	579	502	(579)	502
Prepaid Expense	825,390	-	(825,390)	-
Total Assets	<u>\$ 1,155,230</u>	<u>\$ 5,053,718</u>	<u>\$ (5,505,871)</u>	<u>\$ 703,077</u>
LIABILITIES:				
Accounts payable	\$ 77,373	\$ 3,094,076	\$ (2,848,406)	\$ 323,043
Deposits payable	1,077,857	4,044,049	(4,741,872)	380,034
Total Liabilities	<u>\$ 1,155,230</u>	<u>\$ 7,138,125</u>	<u>\$ (7,590,278)</u>	<u>\$ 703,077</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Redondo Beach, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

December 13, 2013

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

<u>Contents</u>	<u>Page</u>
<i>Financial Trends</i>	
Presented are schedules containing trend information to assist in the reader's understanding of how the City's financial performance has changed over time.	155
<i>Revenue Capacity</i>	
Presented are schedules to assist the reader's assessment of the factors affecting the City's ability to generate revenue through property taxes.	161
<i>Debt Capacity</i>	
Presented are schedules to assist the reader's understanding of the City's current level of outstanding debt and its ability to issue additional debt in the future.	165
<i>Demographic and Economic Information</i>	
Presented are schedules to assist the reader's understanding of the socioeconomic environment within which the City operates and to help make comparisons over time and with other governments.	169
<i>Operating & Other Information</i>	
Presented are schedules to assist the reader's understanding of how the City's financial information relates to the services provided by the City and the activities it performs.	171

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:										
Invested in capital assets, net of related debt	\$ 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	\$ 142,096,683
Restricted	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	17,703,725
Unrestricted	(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	24,173,012
Total governmental activities net position	<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>	<u>183,973,420</u>
Business-type activities:										
Invested in capital assets, net of related debt	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	38,936,171
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	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	28,210,687
Total business-type activities net position	<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>	<u>67,146,858</u>
Primary government:										
Invested in capital assets, net of related debt	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	181,032,854
Restricted	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	17,703,725
Unrestricted	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	52,383,699
Total primary government net position	<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>	<u>\$ 251,120,278</u>

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

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Government activities:										
General government	\$ 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	\$ 11,974,780
Public Safety	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	43,141,036
Housing and community development	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	10,085,882
Cultural and leisure services	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	10,933,176
Public works	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	11,588,895
Interest on long-term debt	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	266,651
AB 1484 demand payment	-	-	-	-	-	-	-	-	9,914,969	-
Total governmental activities expenses	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	87,990,420
Business-type activities:										
Harbor Tidelands	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	4,998,098
Harbor Uplands	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	3,657,127
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	3,610,925
Transit	-	-	-	-	-	-	-	3,102,333	3,113,076	3,288,696
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	1,880,835
Total business-type activities expenses	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	17,435,681
Total primary government expenses	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	105,426,101
Component Units:										
Program Revenues										
Governmental activities:										
Charges for Services:										
General government	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	11,315,431
Public Safety	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	4,466,605
Housing and community development	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	2,246,976
Cultural and leisure services	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	1,770,757
Public works	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	2,170,823
Operating grants and contributions	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	9,925,853
Capital grants and contributions	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	705,357
Total governmental activities program revenues	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	32,601,802

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type activities:										
Charges for services:										
Harbor Tidelands	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	5,572,625
Harbor Uplands	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	3,760,715
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	3,396,353
Transit	-	-	-	-	-	-	-	519,082	676,020	349,454
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	3,764,711
Operating grants and contributions	36,362	49,717	73,035	68,841	70,150	162,512	17,769	1,231,111	1,395,363	1,672,668
Capital grants and contributions	-	-	-	-	-	-	-	-	-	2,545,504
Total business-type activities program revenues	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	21,062,030
Total primary government program revenues	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	53,663,832
Net (expense)/revenue										
Governmental activities	(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)	(55,388,618)
Business-type activities	(1,715,652)	(62,917)	(777,994)	(459,242)	(333,130)	(1,213,217)	(229,991)	(2,344,058)	(4,121,874)	3,626,349
Total primary government net expense	(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)	(51,762,269)
General Revenues and Other Changes in Net Position										
Governmental Activities										
Taxes										
Property taxes, levied for general purpose	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	30,728,698
Transient occupancy taxes	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	3,693,144
Sales taxes	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	10,228,355
Franchise taxes	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	1,796,606
Business licenses taxes	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	1,018,677
Utility users taxes	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	7,711,580
Other taxes	-	-	-	-	-	-	11,200	-	-	8,703
Motor vehicle in lieu	2,959,364	5,653,644	453,645	429,612	293,685	205,403	198,745	310,907	33,693	34,912
Investment earnings	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	1,212,032
Other revenues	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	1,499,306
Gain (loss) on sale of capital assets	(12,125)	-	-	-	34,735	28,288	26,396	54,076	73,574	35,578
Transfers	(5,308,676)	473,040	-	-	(146,710)	1,142,313	79,000	(758,345)	(1,017,605)	(1,202,508)
Gain (loss) on dissolution of Redevelopment Agency	-	-	-	-	-	-	-	-	27,858,112	-
Total governmental activities	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	56,765,083
Business-type activities:										
Investment earnings	295,611	810,422	839,082	1,439,428	1,329,922	944,480	801,184	408,915	241,958	69,851
Loss on disposal of capital assets	-	-	-	-	-	-	(16,398)	-	-	-
Other revenues	760,920	1,032,553	204,761	138,877	141,621	195,080	176,052	307,915	181,532	2,674,174
Transfers	5,308,676	(473,040)	-	-	146,710	(1,142,313)	(79,000)	758,345	1,017,605	1,202,508
Total business-type activities	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	3,946,533
Total primary government	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	60,711,616

Change in Net Position

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities	(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	1,376,465
Business-type activities	4,649,555	1,307,018	265,849	1,119,063	1,285,123	(1,215,970)	651,847	(868,883)	(2,680,779)	7,572,882
Totally primary government	\$ (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	\$ 8,949,347

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									
	2004	2005	2006	2007	2008	2009	2010	2011 *	2012 *	2013 *
General fund										
Reserved	\$ 532,612	\$ 1,229,239	\$ 759,733	\$ 781,710	\$ 902,881	\$ 634,743	\$ 514,549	\$ -	\$ -	\$ -
Unreserved:										
Designated	11,942,979	9,144,315	9,383,713	10,143,013	11,363,952	9,353,252	9,321,572	-	-	-
Undesignated	3,692	1,028,448	2,680,196	214,115	314,926	37,327	(75,211)	-	-	-
Nonspendable	-	-	-	-	-	-	-	167,035	76,547	120,831
Committed	-	-	-	-	-	-	-	5,595,596	5,712,942	5,889,783
Assigned	-	-	-	-	-	-	-	7,891,828	7,601,191	11,275,445
Unassigned	-	-	-	-	-	-	-	-	-	272,083
Total general fund	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	17,558,142
All other governmental funds										
Reserved	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	5,089,794	5,941,612	4,485,135	8,108,628	7,429,282	4,494,765	5,265,375	-	-	-
Capital projects funds	2,284,886	2,085,674	1,763,987	1,581,516	1,614,077	5,052	5,054	-	-	-
Debt service funds	4,822	4,819	5,021	5,028	5,028	1,222,686	1,165,476	-	-	-
Designated, reported in:										
Special revenue funds	3,010,610	-	2,070,751	2,948,322	3,567,481	2,696,956	2,043,237	-	-	-
Capital projects funds	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	16,010,908
Restricted, reported in:										
Special revenue funds	-	-	-	-	-	-	-	13,257,981	-	-
Debt service funds	-	-	-	-	-	-	-	8,107,706	7,362,829	6,818,696
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	3,503,086	3,113,179
Assigned, reported in:										
Capital projects funds	-	-	-	-	-	-	-	1,645,977	-	-
Special revenue funds	-	-	-	-	-	-	-	-	535,731	-
Unassigned	-	-	-	-	-	-	-	841,689	3,170,437	-
Unassigned, reported in:										
Special revenue funds	-	-	-	-	-	-	-	(3,027,926)	(1,319,919)	(1,044,377)
Capital projects funds	-	-	-	-	-	-	-	3,040,646	-	-
Debt service funds	-	-	-	-	-	-	-	(15,046,266)	-	-
Total all other governmental funds	\$ 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	\$ 24,898,406

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Taxes	\$ 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	\$ 55,882,844
Interdepartmental	-	-	4,298,260	6,314,753	6,314,750	6,655,458	6,681,277	6,383,731	6,249,628	6,656,858
Licenses and permits	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	1,259,505
Intergovernmental	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	13,380,088
Charges for services	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	7,461,642
Use of money and property	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	3,146,954
Fines and forfeitures	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	1,663,966
Other revenues	784,325	697,856	760,816	787,722	559,093	1,703,984	999,916	1,447,680	2,948,048	1,062,143
Total Revenues	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	90,514,000
Expenditures:										
Current:										
General government	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	9,285,279
Public safety	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	42,480,962
Housing and community development	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	9,360,093
Cultural and leisure services	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	8,567,569
Public works	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	9,212,829
AB 1484 demand payment	-	-	-	-	-	-	-	-	9,914,969	-
Capital outlay	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	6,357,661
Debt service:										
Principal	395,046	420,069	1,984,826	757,671	1,526,811	3,448,829	2,492,055	777,554	1,750,000	1,380,000
Interest	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	270,903
Debt issuance costs	-	-	-	-	-	-	-	-	-	-
Total Expenditures	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	86,915,296
Excess of Revenues Over (Under) Expenditures	(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)	3,598,704
Other Financing Sources (Uses):										
Transfers in	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	3,223,702
Transfers out	(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)	(4,437,317)
Refunding bonds issued	-	-	-	-	7,645,000	700,000	-	-	-	-
Other debts issued	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)	10,419	(1,886,735)	(463,992)	(766,054)	5,320,863	1,434,782	553,568	1,808,530	11,788,400	(1,213,615)
Net Change in Fund Balances	\$ (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	\$ 2,385,089
Debt service as a percentage of noncapital expenditures	2.63%	3.52%	5.48%	3.09%	5.23%	6.03%	4.32%	2.30%	2.77%	2.09%

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	
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%
2013	11,606,153,109	503,602,130	(59,615,627)	12,050,139,612	441,667,976	37,592,938	(671,996)	478,588,918	0.245%

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 2012-13 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
City basic rate	0.16617	0.16617	0.16617	0.16617	0.16617	0.16539	0.16539	0.16539	0.16539	0.16539
Redevelopment agency	1.00755	1.00697	1.00604	1.00541	1.00450	1.00430	1.00430	1.00370	1.00370	-
Overlapping Rates:										
Los Angeles County	0.00099	0.00092	0.00080	0.00066	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Flood Control	0.00047	0.00024	0.00005	0.00005	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Metropolitan Water District	0.00610	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350
Community College	0.01903	0.01656	0.01838	0.03570	0.01647	0.01703	0.01487	0.01614	0.01688	0.01849
Unified School District	0.00866	0.02765	0.03336	0.02970	0.02844	0.04714	0.05519	0.06977	0.08610	0.08162
Total Direct Rate	0.18360	0.18176	0.18234	0.21166	0.18715	0.18608	0.18774	0.18818	0.18575	0.18746

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 2012/2013 Tax Rate Table

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

Taxpayer	2013		2004	
	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.)	\$ 537,576,380	4.29%	\$ 230,804,300	2.84%
South Bay Center SPE LLC	194,003,848	1.55%	153,748,572	1.89%
AES Redondo Beach, LLC	173,035,658	1.38%	-	
The Kobe Group INC	64,753,938	0.52%	-	
Noble House Recp Hotel Venture LLC	60,522,561	0.48%	-	
LPF Redondo Beach INC	54,444,365	0.43%	-	
HPT IHG 2 Properties Trust	43,657,882	0.35%	-	
MKEG P LLC	37,731,773	0.30%	-	
AMB AMS Spinnaker LLC	33,942,467	0.27%	-	
616 Esplanade Street LLC	33,290,133	0.27%	-	
TRW, INC	-	-	179,119,748	2.20%
Portofino Partners	-	-	31,432,340	0.39%
Intercontinental Hotels Group	-	-	27,513,825	0.34%
Haagen Redondo LLC	-	-	23,268,546	0.29%
Metropolitan Investments LLC	-	-	22,561,311	0.28%
Avalonbay Communities INC	-	-	18,611,160	0.23%
88 Palos Verdes Inn Limited	-	-	17,670,747	0.22%
Allen H. Ginsburg, Et. Al.	-	-	16,957,675	0.21%
	<u>\$ 1,232,959,005</u>	<u>9.84%</u>	<u>\$ 721,688,224</u>	<u>8.88%</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 2012/2013 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
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%
2013	27,652,911	27,193,269	98.34%	789,478	27,982,747	101.19%

Source: County of Los Angeles Auditor-Controller

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

Fiscal Year	Governmental Activities						Business-type Activities			Total Primary Government	Percentage of Personal Income *	Per Capita
	Tax Allocation	Revenue	Refunding Revenue	Loans	Capital Leases	County AB 1484	Wastewater Revenue	Construction	Capital Leases			
	Bonds	Bonds	Bonds				Bonds	Loans				
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	-	883,933	7,700,000	8,682,769	2,935,586	-	26,560,205	6.00%	396
2013	-	-	4,958,928	-	884,094	-	8,450,143	2,651,854	-	16,945,019	-	251

NOTES: * Personal income data was not available from the California Department of Finance subsequent to fiscal year 2011/2012. 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, 2013

City Assessed Valuation		\$	12,528,728,530	
Incremental Valuation			444,160,015	
Total Assessed Valuation		\$	<u>12,084,568,515</u>	
	Percentage Applicable	Outstanding Debt 6/30/13	Estimated Share of Overlapping Debt	
Direct Debt:				
Boating & Waterways Construction Loan 89-21-147	100%	1,889,981	1,889,981	
PFA Refunding Bank Loan	100%	693,000	693,000	
Boating & Waterways Construction Loan 88-21-84	100%	761,874	761,874	
PFA 2008 Refunding Revenue Bonds	100%	4,958,928	4,958,928	
Capital Leases	100%	515,558	515,558	
Wastewater Revenue Bond 2004 Ser A	100%	8,445,395	8,445,395	
Total direct debt		\$ 17,264,736	\$ 17,264,736	
Overlapping Debt:				
Redondo Beach Unified School District DS 2000 Ser E	100%	360,000	360,000	
Redondo Beach Unified School District DS 2008 Ser A	100%	47,574,958	47,574,958	
Redondo Beach Unified School District DS 2008 Ser B	100%	26,329,850	26,329,850	
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%	13,830,000	13,830,000	
Redondo Beach Unified School District 2010 Refund 2000CDE	100%	11,415,000	11,415,000	
Redondo Beach Unified School District 2008 Series E	100%	45,002,644	45,002,644	
Redondo Beach Unified School District 2008 Series F QSCB	100%	24,000,000	24,000,000	
Redondo Beach Unified School District 2012 Ref Bond	100%	18,055,000	18,055,000	
* Metropolitan Water District	1.369%	79,696,126	1,091,023	
El Camino CCS DS 2002 S-2003A	15.305%	1,790,000	273,962	
El Camino CCD DS 2005 REF BONDS	15.305%	69,346,609	10,613,588	
El Camino CCD DS 2002 SERIES 2006B	15.305%	88,880,000	13,603,199	
El Camino CCD DS 2002 SERIES 2012C	15.305%	180,812,882	27,673,646	
Total overlapping debt		\$ 629,858,069	\$ 262,587,870	
Total direct and overlapping debt			\$ 279,852,606	

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 2012/2013 Lien Date Tax Rolls

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

Legal Debt Margin Calculation for Fiscal Year 2013										
	Assessed value									\$ 12,528,728,530
	Debt Limit (15% of assessed value)									1,879,309,280
	Debt applicable to limit									-
	Legal debt margin									\$ 1,879,309,280
	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 1,219,090,570	\$ 1,284,480,104	\$ 1,409,891,173	\$ 1,561,914,023	\$ 1,670,329,320	\$ 1,757,174,137	\$ 1,774,632,092	\$ 1,775,420,369	\$ 1,830,697,723	\$ 1,879,309,280
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	1,219,090,570	1,284,480,104	1,409,891,173	1,561,914,023	1,757,174,137	1,757,174,137	1,774,632,092	1,775,420,369	1,830,697,723	1,879,309,280
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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	1,241,772	1,227,301	225,000	451,050	1.82
2013	3,469,675	1,201,797	2,267,878	235,000	442,050	3.35

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, 2013

Calendar Year	Population	Personal Income * (in millions)	Per Capita Personal Income *	Unemployment Rate **
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	443,006	44,474	11.2%
2013	67,396	-	-	9.6%

NOTES: * Personal income data was not available from the California Department of Finance subsequent to fiscal year 2011/2012. 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 2011/2012. ** 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	2013		2004
	Employees	Percentage of Total City Employment	Employees
Northrop Grumman (TRW)	5,645	16.33%	5,461
Redondo Beach Unified School District	995	2.88%	416
City of Redondo Beach	431	1.25%	513
Crown Plaza (Holiday Inn)	339	0.98%	-
The Cheesecake Factory	261	0.76%	243
United States Post Office	260	0.75%	230
Nordstrom, Inc.	254	0.73%	393
Target Store	217	0.63%	-
D H L Global Forwarding	207	0.60%	-
Macy's (Robinson's May)	206	0.60%	258
Imperial Bank	-	0.00%	253
Web Service Company	-	0.00%	236
Beach Cities Health District	-	0.00%	215

Source: City of Redondo Beach

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function										
General Government	59	56	56	59	60	58	52	52	49	50
Public Safety										
Police										
Officers	107	105	105	105	105	105	99	96	96	96
Civilians	58	57	57	58	58	59	58	59	59	59
Fire										
Firefighters and Officers	68	65	65	64	64	63	60	60	60	60
Civilians	6	5	5	6	6	5	5	3	3	3
Public Works	105	102	102	104	105	105	106	100	95	111
Cultural and Leisure Services	61	59	58	57	54	45	40	37	37	34
Housing & Community Development	44	33	33	34	35	38	30	31	30	15
Harbor, Business, & Transit	5	7	7	9	9	9	8	6	3	3
TOTAL	513	489	488	496	496	487	458	444	432	431

Source: City of Redondo Beach

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police										
Physical arrests	3,235	3,229	3,402	3,923	2,702	2,641	2,586	2,464	2,200	- *
Traffic citations issued	7,419	7,532	9,683	12,339	10,955	10,786	10,658	12,217	4,490	- *
Fire										
Number of runs - rescues	3,351	3,386	3,551	3,779	3,932	3,942	4,007	4,016	4,313	- *
Number of runs - structures & other	1,075	868	1,087	1,672	1,676	1,495	1,552	1,315	1,743	- *
Public Works										
Street rehabilitation (miles)	17.8	13.3	3.2	3.7	2.3	4.6	1.9	3.5	-	1.5
Culture and Leisure Services										
Library										
Number of items borrowed	845,496	845,569	852,750	844,947	831,354	858,934	809,968	920,941	933,939	806,890
Number of visitors	436,714	438,310	439,060	445,056	446,346	436,347 **	398,583**	437,529	455,030	370,357
Recreation and Community Services										
Admissions - Seaside Lagoon	81,487	86,562	90,966	82,071	76,578	82,921	63,056	63,799	80,381	70,935
Number of facility rentals - Seaside Lagoon	558	579	409	382	395	415	416	412	352	376
Housing & Community Development										
Number of permits issued	4,591	4,544	3,763	3,951	3,270	1,952	2,257	2,832	3,088	- ***
Number of plan checks issued	1,950	1,667	1,566	1,296	1,101	898	990	1,177	1,036	- ***
Number of inspections	16,817	20,236	19,378	19,916	17,634	12,755	8,605	6,848	8,514	- ***
Number of real estate reports	1,370	1,342	1,051	883	630	577	769	702	737	- ***
Number of bus boardings - Transit	94,087	70,458	169,519	298,206	365,701	393,534	404,983	378,326	403,041	401,827
Revenue miles - Transit	172,358	122,814	232,692	416,435	487,203	452,467	472,604	474,564	475,754	474,140

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.

*** The data was unavailable for FY 2012-13.

Source: City of Redondo Beach - Financial Services Department

City of Redondo Beach

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	1892 *	1892*	1892*	1892*	1892*	1892*	1892*	1892*	1892*
Street Traffic Controllers	84	84	84	84	84	84	84	84	84	84
Sanitary sewers (miles)	150	150	112	112	112	112	112	112	112	112
Culture and Leisure Services										
Parks	15	15	15	15	15	15	15	15	15	15
Parkettes	13	13	13	13	13	13	13	13	13	13
Total Park Acreage	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26	143.26
Boat Slips	1509	1509	1509	1509	1509	1509	1509	1509	1509	1509
Harbor acreage:										
Total water area (exclusive of the pier)	107	107	107	107	107	107	107	107	107	107
Total land area	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
Libraries	2	2	2	2	2	2	2	2	2	2
Community Centers	5	5	5	5	5	5	5	5	5	5

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

Source: City of Redondo Beach

City of Redondo Beach
Certification of Continuing Disclosure
Redondo Beach Public Financing Authority 2008 Revenue Bonds
(South Bay Center Redevelopment Project)
June 30, 2013

This Certification of Continuing Disclosure is provided by the Successor Agency to the former 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 former 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 2012-13 fiscal year.

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

1. The audited financial statements of the Successor Agency and the Public Financing Authority for the fiscal year ended June 30, 2013 comprise the book in which this report is included. As such, they contain the amount of all Successor Agency debt outstanding secured by a pledge of tax revenues.
2. During the fiscal year ended June 30, 2013, neither the Successor Agency nor the Public Financing Authority has issued any parity or subordinate debt.
3. During the fiscal year ended June 30, 2013, neither the Successor 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, 2013 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 Successor Agency
South Bay Center Redevelopment Project
Historical Project Area Valuations
June 30, 2013

	Base Year										
<u>Secured *</u>	1983-84	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Land	\$ 9,772,776	\$ 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	\$ 65,121,571
Impts	16,977,265	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	230,445,447
Pers Prop	-	597,793	572,459	1,617	1,514	-	-	-	-	-	-
Exemptions	-	-	-	-	-	-	-	-	-	-	-
Total Secured	26,750,041	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	295,567,018
<u>Unsecured</u>											
Land	-	-	-	-	-	-	-	-	-	-	-
Impts	3,023,006	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	14,769,340
Pers Prop	1,848,954	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	15,379,059
Exemptions	-	-	-	-	-	-	-	(50,000)	(50,000)	-	-
Total Unsecured	4,871,960	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	30,148,399
GRAND TOTAL	31,622,001	<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>	<u>325,715,417</u>
Incremental Value:		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	294,093,416
Incremental Value Change:		(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)	55,649,209
% Change:		-3.77%	0.86%	1.34%	19.87%	3.31%	2.25%	7.20%	-4.36%	-1.21%	23.34%

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

Source: HdL Coren & Cone

City of Redondo Beach
Redondo Beach Successor Agency
South Bay Center Redevelopment Project
Revenue vs. Levy Analysis
June 30, 2013

	<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>2011-12</u>	<u>2012-13</u>
Original Charge Secured Value	\$ 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	\$ 297,200,307
Adjustments to Original Charge	-	-	50,417,882	-	-	-	(2,894,618)	-	-	-
Base Year Secured Value	<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>	<u>(26,750,041)</u>
Incremental Secured Value	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	270,450,266
Tax Rate	<u>0.0100755</u>	<u>0.0100697</u>	<u>0.0100604</u>	<u>0.0100542</u>	<u>0.0100450</u>	<u>0.0100430</u>	<u>0.0100430</u>	<u>0.0100370</u>	<u>0.0100000</u>	<u>0.0100000</u>
Adjusted Levy	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	2,704,503
Unitary Revenue	<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>	<u>31,898</u>
Total Secured/Unitary Levy	<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>	<u>2,736,401</u>
Original Charge Unsecured Value	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	30,466,133
Adjustments to Original Charge	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>(4,871,959)</u>	<u>(4,871,959)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>	<u>(4,871,960)</u>
Incremental Unsecured Value	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	25,594,173
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>0.0100000</u>	<u>0.0100000</u>
Unsecured Adjusted Levy	<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>	<u>255,942</u>
Net Total Revenue	<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>	<u>2,992,343</u>
Remittance to Agency										
Secured/Unitary Remitted	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	2,704,482
Unsecured Remitted	220,615	230,164	207,367	183,272	239,176	224,182	219,123	206,749	-	252,935
HOX Payments	-	-	-	-	-	-	-	-	-	-
Total Remittance to Agency:	<u>1,861,577</u>	<u>1,898,055</u>	<u>2,405,070</u>	<u>2,259,268</u>	<u>2,361,683</u>	<u>2,391,923</u>	<u>2,552,236</u>	<u>2,450,563</u>	<u>2,380,477</u>	<u>2,957,417</u>
% of Collection to Levy	70.46%	99.48%	99.89%	99.23%	99.91%	99.62%	99.80%	99.81%	98.52%	98.83%
Grand Total Revenue:										
Secured and Unsecured Revenue	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	2,957,417
SB 813 Supplemental Payments	-	-	(17,379)	117,362	(2,883)	177,804	(51,122)	-	125,288	-
Redemptions/Open Roll Corrections	4,262	2,225	(5,534)	4,532	12,925	1,325	36	13	351	-
Taxpayer Refunds	(60,249)	(42)	(23,253)	5	(86)	(628)	(83,212)	(1,476)	30,658	-
Deferral Payments/ Adjustments	<u>-</u>	<u>129,927</u>	<u>(46,423)</u>	<u>(355,390)</u>	<u>(186,859)</u>	<u>(122,005)</u>	<u>(155,747)</u>	<u>(52,554)</u>	<u>-</u>	<u>-</u>
Total Paid to Agency:	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	2,957,417
SB 2557 Charges (1)	(34,524)	(31,324)	(28,308)	(29,423)	(31,971)	(31,959)	(38,139)	(39,350)	(37,125)	(43,844)
Housing Set Aside	(354,655)	(406,033)	(517,064)	(405,156)	(436,956)	(489,684)	(452,438)	(479,309)	-	-
Tax Sharing Payments	(772,023)	(813,388)	(1,011,111)	(716,814)	(880,699)	(1,103,678)	(1,140,974)	(1,021,920)	(1,367,321)	(1,594,048)
Negative Balance from Prior Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Grand Total Revenue:	<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>	<u>\$ 1,319,525</u>

Source: HdL Coren & Cone

City of Redondo Beach
Redondo Beach Successor Agency
South Bay Center Redevelopment Project
Top Ten Taxable Property Owners
June 30, 2013

		Secured			Unsecured			Total		
				Percent of Secured Inc. Value			Percent of Unsecured Inc. Value		Percent of Total Inc. Value	
		Value	Parcels		Value	Parcels		Value		Use Code
1.	South Bay Associates SPE LLC Pending Appeals on Parcel	\$ 193,363,865	3	71.93%	\$ 639,983	1	2.53%	\$ 194,003,848	65.97%	Commercial
2.	LPF Redondo Beach Inc. Pending Appeals on Parcel	54,444,365	1	20.25%	-	0	0.00%	54,444,365	18.51%	Commercial
3.	KHS South Bay LLC Pending Appeals on Parcel	17,727,489	1	6.59%	-	0	0.00%	17,727,489	6.03%	Commercial
4.	1519 Hawthorne Blvd. LLC Pending Appeals on Parcel	17,541,847	1	6.53%	-	0	0.00%	17,541,847	5.96%	Commercial
5.	Walgreen	6,686,110	7	2.49%	266,639	1	1.05%	6,952,749	2.36%	Commercial
6.	Nordstrom Inc.	-	0	0.00%	6,740,815	2	26.67%	6,740,815	2.29%	Unsecured
7.	Outparcel Investment Partners V LLP	5,799,205	1	2.16%	-	0	0.00%	5,799,205	1.97%	Commercial
8.	SFM	-	0	0.00%	2,480,106	1	9.81%	2,480,106	0.84%	Unsecured
9.	Kohl's Department Store Pending Appeals on Parcel	-	0	0.00%	1,841,724	1	7.29%	1,841,724	0.63%	Unsecured
10.	American Multi-Cinema Inc. Pending Appeals on Parcel	-	0	0.00%	1,713,281	1	6.78%	1,713,281	0.58%	Unsecured
		\$295,562,881	14	109.95%	\$13,682,548	7	54.13%	\$309,245,429	105.15%	
Project Area Incremental Value:		\$268,816,977			\$25,276,439			\$294,093,416		

Source: HdL Coren & Cone

City of Redondo Beach
Redondo Beach Successor 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 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	4082-018-005	Secured	Pending	21,924,618	100,000	(21,824,618)	-99.54%
South Bay Center Spe LLC - Macys Inc.	4082-018-004	Secured	Pending	27,082,027	8,027,470	(19,054,557)	-70.36%
Macy's Department Stores, Inc. dba Macy's	u	Unsecured	Pending	1,053,337	-	(1,053,337)	-100.00%
				<u>52,823,656</u>	<u>9,919,370</u>		
FY 2010-11							
American Multi-Cinema Inc/AMC Galleria South	u	Unsecured	Pending	1,270,131	625,000	(645,131)	-50.79%
				<u>1,270,131</u>	<u>625,000</u>		

City of Redondo Beach
Redondo Beach Successor 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%
James Kurtzman	4082-018-005	Secured	Pending	17,510,000	8,000,000	(9,510,000)	-54.31%
Erin Stache	u	Unsecured	Pending	1,860,985	930,493	(930,492)	-50.00%
Panda Express Inc.	u	Unsecured	Pending	138,598	-	(138,598)	-100.00%
Living Spaces Furniture LLC	u	Unsecured	Pending	576,279	220,000	(356,279)	-61.82%
1519 Hawthorne Blvd LLC	4082-019-042	Secured	Pending	17,197,890	8,000,000	(9,197,890)	-53.48%
Scott B. Brown	4082-018-004	Secured	Pending	24,799,955	20,000,000	(4,799,955)	-19.35%
LPF Redondo Beach Inc.	4082-019-047	Secured	Pending	54,090,359	30,000,000	(24,090,359)	-44.54%
				<u>117,556,756</u>	<u>68,182,583</u>		

FY 2012-13

Brandon Carver	u	Unsecured	Pending	1,713,281	748,058	(965,223)	-56.34%
Lpf Redondo Beach Inc	4082-019-047	Secured	Pending	54,444,365	34,997,000	(19,447,365)	-35.72%
Erin Stache	u	Unsecured	Pending	1,841,724	409,996	(1,431,728)	-77.74%
James Kurtzman	4082-018-005	Secured	Pending	17,510,000	8,000,000	(9,510,000)	-54.31%
Kendall Lees	4082-018-006	Secured	Pending	17,727,489	14,729,748	(2,997,741)	-16.91%
Scott B. Brown	4082-018-004	Secured	Pending	25,295,953	12,000,000	(13,295,953)	-52.56%
Living Spaces Furniture Company	4082-018-042	Secured	Pending	17,541,847	12,700,000	(4,841,847)	-27.60%
				<u>136,074,659</u>	<u>83,584,802</u>		

Most Recently Resolved Appeals Among Owners with Pending Appeals

<u>Owner</u>	<u>APN</u>	<u>Appeal Type</u>	<u>Appeal Status</u>	<u>Original Value</u>	<u>Board Value</u>	<u>Change</u>	<u>% Change</u>
FY 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%

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

2011-12

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	2,163,988	1,605,833	(558,155)	-25.79%

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, 2013

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 2012-13 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, 2013, 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	2013
Use Classification										
Each single family dwelling unit	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 7.00	\$ 7.12	\$ 7.12	\$ 7.25	\$ 10.25
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	7.25	10.25
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	5.65	7.97
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	5.65	7.97
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	3.88	5.49
Commercial/Industrial/Institutional parcels	0.43	0.43	0.43	0.43	0.43	0.60	0.61	0.61	0.62	0.88 *

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 \$.88 per 100 cubic feet rate to set a new monthly rate. Any water proven to be used for boilers, cooling towers or similar devices that will not be discharged into the sewer system may be deducted from the annual water usage record for rate calculation purposes.

Source: City of Redondo Beach

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Type of Customer										
Residential	13,039	13,211	13,211	13,211	13,108	13,102	13,107	13,109	13,105	13,106
Industrial	78	74	74	74	68	66	61	56	61	61
Commercial	575	510	510	510	451	464	462	466	457	463
Institutional	71	64	64	64	62	89	61	58	61	59
Mixed use	44	44	44	44	42	43	43	42	43	43
Total	<u>13,807</u>	<u>13,903</u>	<u>13,903</u>	<u>13,903</u>	<u>13,731</u>	<u>13,764</u>	<u>13,734</u>	<u>13,731</u>	<u>13,727</u>	<u>13,732</u>

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

Source: City of Redondo Beach